

# Annual Report and Accounts 2009

New Airways Pension Scheme



**Year ended  
31 March 2009**

# Annual Report and Accounts

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# Chairman's Review

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In common with other UK occupational pension schemes, the key challenge in the period covered by this Report and Accounts has been, and continues to be, the global economic crisis. The investment strategy of the Scheme is kept under constant review and there have been several changes to the investment policy which are described in more detail on page 9. The investment strategy will be subject to a further comprehensive review as part of the valuation exercise. There have been substantial changes in the value of many assets and the risk and return expectations associated with many asset classes have changed relative to the equivalent outlook a year to eighteen months ago. The challenge will be to capture opportunities as they arise and to manage the investment risks to which the Scheme is exposed in the difficult years ahead. We have increased the frequency of Investment Committee meetings and although we are long term investors we are examining how the investment decision making process might be made even more responsive to current market conditions to ensure that any appropriate short to medium term opportunities are not missed.

The other activities which have been undertaken by the Trustees during the period under review are described in more detail on pages 5 to 13.

The Trustees are currently devoting considerable time and resources to the 2009 funding valuation exercise. There are three strands to this work; the employer covenant review, the Asset Liability Modelling exercise and the process of analysing and agreeing the assumptions to be used in the valuation. These three work streams combine in an iterative process, involving negotiation with British Airways, which is likely to last until at least the end of the year. The statutory deadline for the completion of the 31 March 2009 valuation is 30 June 2010. At the end of April 2009 we wrote to all members and pensioners summarising the valuation process that is already underway and setting out how long the process was likely to take. This communication contained details of the most recent annual funding update which are also set out in the Trustees' Report on pages 5 and 6.

The challenge for those trustees and companies entering into funding negotiations is that recent market conditions will have given rise to deficits, or increased the size of existing deficits, at a time when the ability of corporate sponsors to repair these deficits is likely to be constrained. The Pensions Regulator recognises this and has issued a number of statements to trustees and employers. The statement released on 20 April ("Alert in the economic downturn") reaffirmed the Regulator's previous statement that the current scheme funding regime is flexible enough to cope with the downturn and indicated that the concept of 'reasonable affordability' allowed trustees to renegotiate recovery plans with employers.

Once the outcomes of the funding valuation have been agreed with the Company these will be communicated to all members and pensioners.

## Headline Results

The net asset value of the fund has decreased from £7,367m at the start of the year to £6,096m on 31 March 2009, a decrease of £1,271m. This year the fall in the market value of the investments and withdrawals from the fund exceeded the 'in flow' of contributions and investment returns resulting in a net decrease in the value of the fund. This is despite British Airways paying £347m into the Scheme over the past year and members contributing £53m. Michelle McGregor Smith, CEO BAPIML, provides more information on investment conditions during the year in the Investment Report which is found on pages 14 to 17.

Long-term performance data is provided on page 16 but it is noteworthy that during the period covered by this report (the 2008/9 fiscal scheme year), although the Fund was subject to negative absolute returns, British Airways Pension Investment Management Limited (BAPIML) managed to outperform the benchmark by 0.98%.

## Valuation vs Annual Report & Account results

It is important to distinguish between the results of the actuarial valuation and the Annual Report and Accounts. The Accounts describe the financial position of the Fund on a particular day, in this case 31 March 2009. The valuation process is a separate exercise and is a detailed investigation into whether, over the long term, the Scheme is likely to be able to pay the benefits that are due to be paid under the Scheme Rules.

An update of the valuation position was conducted as at 31 March 2008. The results of this update were communicated to members in the Annual Funding Statement which was sent to all members in January 2009 and are summarised here on pages 5 and 6. The preparatory work for the formal three-yearly valuation as at 31 March 2009 began in September 2008. The deadline for finalising the valuation is June 2010.

## Trustee Board Appointments and Retirements

Since my last report British Airways confirmed my re-appointment as Chairman with effect from 1 April 2008 and later that year reappointed Mr Robert Boyle for a further term of office with effect from 1 June 2008. Mrs Ruth Cassidy retired from her position as an Employer Appointed Trustee in December 2008 and was replaced by Mr Ian Howick with effect from 1 January 2009.

## Other News

Mr John Birch, the Scheme Secretary and Managing Director of BAPSL retired on 31 December 2008. On behalf of all the Trustees I would like to thank John for his excellent service to the schemes and in particular the efficiency of the administration during his term of office. I would also like to take this opportunity to welcome his replacement Teresa Suriyae (formerly Humphries) who has worked at British Airways Pension Services Limited (BAPSL) for over 30 years and was previously Head of Technical Pensions.

Finally I would like to convey my appreciation to my fellow Trustees for the work they have undertaken over the past year. I would also like to thank the teams at BAPIML and BAPSL for their continued hard work.

**ROGER MAYNARD**  
Chairman of Trustees  
June 2009

# Trustees & Advisers

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## Appointed by British Airways

**Roger Maynard**  
Director of Investments  
and Alliances

**Robert Boyle**  
Director of Strategy  
and BUs

**Steve Gunning**  
MD BA World Cargo

**Ian Howick**  
GM Treasury Risk

**Raj Mehta**  
GM Engineering  
Operations Support

**Jon Round**  
GM Fleet

## Member Elected

**Ian Bretherton**  
Captain

**Michael Grey**  
Team Leader MT

**Nikki Jones**  
Cabin Crew

**Geoff Le Boutillier**  
Retired

**Ian Rycraft**  
Technician

**David Southcott**  
Senior Passenger Service Agent

## Retired during the year

**Ruth Cassidy**  
BA appointed

## Advisers

**Scheme's Actuary**  
James Wintle  
Watson Wyatt Ltd

**Legal Advisers \***  
Eversheds LLP

**Bankers**  
Bank of New York  
Mellon

**External Custodian**  
State Street Bank and  
Trust Co

## Auditors

KPMG LLP

## Independent Investment Advisers

Andrew Threadgold  
Geoff Lindey  
AllenbridgeEPIC Investment Advisers Ltd  
- from 2 September 2008

## Financial Advisers & Internal Auditors

PricewaterhouseCoopers LLP

## Administration

**British Airways Pension Services Ltd**  
**Teresa Suriyae**  
Managing Director & Scheme Secretary

## Investment Management

**British Airways Pension Investment  
Management Limited**  
Michelle McGregor Smith  
Chief Executive

The New Airways Pension Scheme – Pension Scheme Registry Number: 10057029

\* In addition to the Scheme's principal advisers, Messrs Macfarlanes are legal advisers to the Schemes in respect of certain investment activities, Messrs Forsters LLP are legal advisers in relation to some property transactions.

\*\* In addition to the Scheme's principal advisers Watson Wyatt Ltd and Mercer Human Resource Consulting are advisers in respect of specific areas of investment.

This report provides information about the management of the Scheme and provides more detail concerning the main activities undertaken during the year. There are sections on the known Funding Position of the Scheme, Scheme Governance, Investment, Scheme Changes and Pensions Administration Matters. The final section contains general information about the Trustees' responsibilities.

## SCHEME FUNDING POSITION

### Valuation Update

The Scheme is required to have a formal scheme specific funding valuation every three years. Work is already underway for the 31 March 2009 valuation exercise but the results of that process will not be known until the end of 2009 at the earliest. In the period between formal valuations the Trustees obtain annual updates from the Scheme Actuary on the funding position of the Scheme.

The last full valuation exercise established that at 31 March 2006 the Scheme had a £2.1 billion deficit and a funding level of 74%. As part of the 2006/7 funding valuation exercise the Trustees and British Airways agreed a 10 year recovery plan which involved changes to future pension build up and required British Airways to make substantial payments to the Scheme. The introduction of the changes to future pension build up, which were adopted with effect from 1 April 2007, improved the funding level to 77%. Since the last formal valuation, updates have been provided as at 31 March 2007 and 31 March 2008.

The following table shows the approximate funding level of the Scheme on the "Technical Provisions" basis which aims to estimate the extent of funding for benefits promised under the Rules of the Scheme as they fall due (known as the "Technical Provisions").

Date	31 March 2006	31 March 2007	31 March 2008
"Technical Provisions" funding level	74%	83%	83%

Although the annual updates do not involve the detailed analysis which is undertaken as part of the formal triennial valuation, as part of the most recent update as at 31 March 2008 some of the underlying assumptions were adjusted to reflect actual investment conditions at that time. Even at this stage the significant change in global economic conditions was evident, as was the adverse impact this was having on the New Airways Pension Scheme (NAPS). There were two key factors which contributed to the 31 March 2008 estimated funding level of 83%; the actual returns on investment and an adjustment to future expectations about returns. Over the period to 31 March 2008 the actual returns on investments for the year were lower than the return which had been assumed. Although our fund managers had performed well when compared to the benchmarks the Trustees had set them, the Scheme's investments only managed to maintain their value over the year. In addition, it was decided that the assumed future 'real return on investments' should be reduced. This has the effect of increasing the value of the assets expected to be needed to meet the liabilities. Although the 2008 funding level was the same as the 2007 funding level in percentage terms, in fact the monetary value of the estimated deficit had increased from £1,320m (as at 31 March 2007) to £1,539m.

It was clear from the 31 March 2008 figures that the pace of improvement in the funding position was slower than the recovery plan anticipated. The position would have been worse but for the additional contributions paid by the Company in accordance with the recovery plan agreed by the Trustees and the Company in 2006/7. British Airways paid, and continue to pay regular deficit contributions of around £131m a year (increasing each year in line with prices) and under the terms of the recovery plan also made the following additional lump sum payments;

- (i) £240 million in February 2007,
- (ii) £560 million in April 2007, and;
- (iii) £50 million in March 2008.

# Trustees' Report

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## Conditions since 31 March 2008

The continuing fallout from the global economic crisis will be the backdrop to the 2009 valuation process. There is a great deal of uncertainty and the Trustees will need to understand how the funding position might develop under different economic scenarios and consider how these might flow through to the Scheme's financial position and the impact on the employer's covenant. In addition the Trustees will need to revisit the assumptions made for the life expectancy of Scheme members based on any new evidence and analysis that is available to them. Once they have reached their conclusions the Trustees will need to agree the assumptions with the Company.

The Actuary is currently undertaking the full valuation exercise as at 31 March 2009; members will be notified of the outcome of the valuation once that work is complete.

## SCHEME GOVERNANCE

### Trustee Governance

#### Trustee Knowledge and Understanding (TKU)

The Trustees have a formal training policy the foundation of which is the TKU framework.

An induction programme is provided for new Trustees on appointment. The amount of material covered in the induction programme is significant and will usually take several months to complete. This is consistent with the Code of Practice on TKU which allows 6 months for new Trustees to be trained before they are expected to have achieved the required level of knowledge and understanding. For serving Trustees, further requirements for training are established by asking Trustees to complete an individual skills gap analysis which informs future training provision. The content, frequency and level of training is tailored to the outcomes of the assessment of the Trustees' particular learning needs but is also related to the Committee on which each Trustee serves. The Trustee Board and each of its Committees produce an annual business plan which identifies the topics and issues that are to be discussed and determined during the year. Appropriate training sessions are then scheduled to support these activities.

#### Trustee Knowledge and Understanding (TKU)

Training is provided in a range of formats by a variety of providers. The Actuary and other advisers provide training to some or all of the Trustees either in routine Main Board or Committee meetings or in specially arranged events. Bespoke training is also provided by BAPIML and BAPSL and Trustees are actively encouraged to supplement this formal training plan by accessing other resources such as the Regulator's Trustee Toolkit, industry conferences, seminars and publications.

Records of course attendance are maintained and Trustees are encouraged to undertake a formal qualification (PMI Trustee Certificate).

In October 2008 the Pensions Regulator refreshed the TKU framework to ensure it remained relevant and published a draft revised code of practice for consultation. The Trustees' training policy has been modified, where necessary, to reflect the new framework.

#### Conflicts of Interest

TPR issued a consultation document on conflicts of interest in February 2008 which was followed by formal guidance published in October 2008. The guidance was designed to help trustees and employers identify, monitor and manage conflicts of interest.

The Trustees recognise that they are in a position of trust and need to have policies and arrangements in place to identify, monitor and manage conflicts. The Trustees have taken legal advice to ensure that they have appropriate processes in place to manage conflicts of interest. The Trustees have undertaken a thorough review of their arrangements for the management of conflicts and potential conflicts and implemented processes for documenting these. As part of the review all of the Trustees were provided with training on conflicts of interest in October 2008.

## Monitoring of the Employer Covenant

The Trustees consider it critical that they understand and monitor the financial strength and covenant of the employer on a continuing basis and in order to achieve this PricewaterhouseCoopers, who have advised the Trustees on employer covenant issues during and since the 2006/7 funding valuation process, provide six monthly updates to the Trustees.

Under the terms of the funding agreement, a reporting framework was agreed with BA to ensure that the Trustees receive regular updates on the business activities and financial position of BA. These arrangements continue to work well and Mr Keith Williams, CFO BA, and other representatives from BA have made several presentations to the Trustees to provide updates on the financial activities of the Company during the year.

The employer covenant review exercise which is an integral part of the 2009 funding valuation exercise is already underway.

## Trustee Arrangements

No changes have been made to the Trustees' arrangements during the year. The arrangements are as follows:

- The Scheme is administered by twelve Trustees
- Six of the Trustees are appointed by BA
- Five of the Trustees are elected by active members of the Scheme. Each will come from different occupational groups unless there are insufficient nominations to avoid this. These Trustees must be active members of NAPS.
- One of the Trustees is elected by pensioner members\* of the Scheme and must be a pensioner member\* of NAPS.
- A Trustee may remain in office for a minimum of five years and a maximum of five and a half years and is eligible for re-appointment (provided that he/she still meets the eligibility criteria for the relevant vacancy).
- Nominations for elected Trustees must be supported by at least ten members in the relevant constituency and if there is more than one nomination for a vacancy a postal ballot of the relevant members is held. The result is decided on a simple majority of the votes cast.

- An elected Trustee may be removed from office following a postal ballot in which two thirds of the votes cast by members in the relevant constituency are in favour of removal. A ballot may be held on written request to the Trustees by fifty of the relevant members.
- \* For this purpose 'pensioner members' do not include pensioners whose benefits have not yet come into payment and contingent beneficiaries.

## Committees

Although the NAPS and the Airways Pension Schemes have separate Trustee Boards, much of the business of the two Schemes is common, and in most cases we have the same advisers. Most Main Board and Committee meetings have been held in tandem although each Trustee Board reaches its decisions independently. Much of our work is undertaken by Trustee Committees who are able to review matters in detail before making recommendations to the Main Board where the majority of Trustee decisions are made. Each Committee operates under clear Terms of Reference which govern its activities. Each Committee constructs a forward looking annual business plan which is used to allocate budgetary resources and informs the development of the Trustee training programme. A description of the work undertaken by each Committee is set out below:

**Governance Committee:** This Committee, which is chaired by Roger Maynard, meets quarterly and is principally concerned with legislative compliance and risk management. It monitors the management of the risks to which the Scheme is exposed and oversees audit activity (including the work of both the external and internal auditors appointed by the Trustees). It is also responsible for the establishment of training programmes, the annual reviews of the performance of the Scheme Advisers and internal procedures such as ballot processes. The Committee reviews any Internal Dispute Resolution Procedure (IDRP) cases where the subject of the complaint concerns a decision previously taken by the Operations Committee.

# Trustees' Report

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## **Governance Committee (continued)**

During the year the Committee has undertaken extensive work on management of conflicts which has included a process for declaration and recording of conflicts and potential conflicts, the managing of adviser conflicts, integration of conflict identification and management into the internal control framework, and the development of the Trustees' policy document. In addition the Committee undertook a comprehensive review of the adviser review and appointment process and the business plans and terms of reference for each of the Committees. In terms of monitoring regulatory developments considerable time was devoted to ensuring compliance with issues arising from the Companies Act 2006.

The Committee met four times during the year.

**Operations Committee:** This Committee was chaired by Ruth Cassidy until her retirement at the end of 2008, following which Raj Mehta was appointed as Chairman. The Committee meets monthly to consider matters requiring Trustees' discretion (e.g. payment of death-in-service benefits) and second stage applications under the Internal Dispute Resolution procedures. In addition the Committee considers any proposed Rule changes, oversees the Scheme's communication strategy, monitors levels of service, considers the annual budget and routinely monitors expenditure. The detailed issues concerning the adoption and/or implementation of the Scheme changes itemised on page 11 were considered in the Committee forum before review by the full board. The Committee also reviewed elements of the ill health process and continues to undertake the review of ill health pensions in payment to ensure that continuation of the pension is in accordance with the Rules. In addition, over the past year the Committee has reviewed the IT strategy, monitored the withdrawal of participating companies and the associated exit debts, agreed the Cash Equivalent Transfer Value basis in accordance with new regulations and undertaken a communications review (including various member publications and Benefit Statements).

The Committee met 12 times during the year.

**Investment Committee:** The Committee is chaired by Robert Boyle and usually meets five times a year. The Committee, which is supported by independent investment advisers, deals with investment approval and reporting arrangements, the monitoring of investment performance and consideration of the various investment options available to the Scheme. In September 2008, in the wake of an independent governance review, the Trustees appointed AllenbridgeEPIC as an investment adviser and also to provide advice in relation to investment governance.

Over the year the Committee has considered a range of investment options and products which have been subject to detailed evaluation in terms of the potential impact on risk, returns and funding. The Committee received regular investment update reports and monitored the performance of the Investments and the Investment Managers. A number of changes have been implemented over the period under review and those which have necessitated an amendment to the Statement of Investment Principles (SIPs) are itemised below.

Over the past year the Committee has given consideration to; diversifying assets (including, but not limited to, Leveraged Loans, Emerging Market Debt, Infrastructure, Active Currency and Credit Default Swaps), the benchmarks, the Private Equity limits and allocation, Class Action activity, Myners compliance (the independent assessment of the Scheme's compliance is provided below), transaction costs, corporate governance and socially responsible investment, and stock lending activity.

The Committee has also been considering ways of increasing its responsiveness in order to maximise opportunities in the current volatile investment conditions and has agreed to scheduled three additional Committee meetings for 2009.

The Committee met five times during the year.

# Trustees' Report

Trustee	Governance Committee	Investment Committee	Operations Committee	Main Board	Period of Appointment
Roger Maynard (Chairman)	3/4	4/5	-	5/5	Whole year
Robert Boyle	-	5/5	-	4/5	Whole year
Ian Bretherton	-	5/5	-	5/5	Whole year
Ruth Cassidy	-	-	8/9 to Dec	4/4	To Dec 2008
Ian Howick	-	-	From Jan 3/3	1/1	From Jan 2009
Micky Grey	-	-	10/12	4/5	Whole year
Steve Gunning	-	-	-	5/5	Whole year
Nikki Jones	-	-	11/12	5/5	Whole year
Geoff Le Boutillier	4/4	-	-	4/5	Whole year
Raj Mehta	4/4	-	10/12	4/5	Whole year
Jon Round	-	-	-	5/5	Whole year
Ian Rycraft	-	5/5	-	5/5	Whole year
David Southcott	4/4	-	-	4/5	Whole year

## Performance of Trustees

Attendance records for Trustee and Committee meetings have been maintained and are shown above.

On several occasions those Trustees not able to attend a meeting appointed an alternate to speak, and if necessary, exercise their vote. In addition, some Trustees attended, as observers, meetings of Committees to which they are not formally appointed; such occurrences are not included in the attendance list.

## INVESTMENT

### Statement of Investment Principles (SIP)

Revised SIPs were adopted on 1 May 2008, 1 July 2008, 17 December 2008, 1 February 2009 and 1 April 2009.

Date	Summary of Change
1 May 2008	1% allocation to leveraged loan asset class
1 July 2008	Changes made to the benchmark index for the following asset categories; index linked bonds (from 1/9/08), the European Equity Benchmark and the Emerging Equity Benchmark
17 December 2008	Private Equity allocation increased by 1%
1 February 2009	Change to the proportion of the equity benchmark invested in UK and International Equities. Prior to 1 February 2009 the split was 50:50, post 1 February 2009 the split was 30:70
1 April 2009	5% target allocation to 'Alternatives' adopted

A copy of the SIP is available on request from the Secretary's office or can be accessed on the [www.mybapension.com](http://www.mybapension.com) website.

# Trustees' Report

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## Statement of Compliance with the Updated Myners Principals

The Myners Review in 2001 established 10 principles of investment for defined benefit schemes, which with some minor modifications, were endorsed by the Government.

The Trustees carried out a self-assessment of their position relative to the Myners Principles and implemented arrangements in order to comply with these Principles, including the establishment of an Investment Committee and the publication of a Statement of Investment Principles.

An external review of governance was undertaken by PwC in 2007 which included an assessment of compliance with the Myners Principles. A number of proposals and recommendations were made to enhance compliance in line with industry-wide best practice, and these have been taken on board.

A statement of compliance and further action required was included in the annual business plan of the Investment Committee for 2008/9.

In October 2008, the Government issued their response to consultation on updating the Myners Principles and issued revised Principles and guidance, restructuring the original Principles in the following way:

### Principle

The high level Principles will be the accepted code of best practice throughout the industry in investment decision-making and governance. It is expected that trust boards will report against these on a voluntary 'comply or explain' basis.

### Best practice guidance

Best practice guidance is intended to help trustees to apply the Principles effectively. Trustees are not expected to implement every element of best practice. Rather trustees may use best practice examples where appropriate to help demonstrate whether compliance has been achieved.

### Trustee tools

Tools provide practical help and support to trustees and their advisers to enable them to apply the Principles and ensure that standards of investment decision-making and governance continue to rise.

These updated Principles have been reviewed on a self-assessment basis by AllenbridgeEPIC Investment Advisers, and this revised statement of compliance has been adopted following this review.

The British Airways Pension Schemes are fully compliant with the updated Principles but it is recognised that standards can be improved and developed in line with emerging best practice in the industry and as may be recommended by the Investment Governance Group.

The Investment Committee Business Plan provides for maintaining compliance with the Principals and an update on compliance will be included in the Annual Report and Accounts each year.

## Measuring Investment Performance

In accordance with the Myners' Principles the Trustees have adopted a customised benchmark as this ensures that the investment performance objectives are related directly to the circumstances of the Fund and not to some other measure such as the performance of other funds whose liability profiles might be quite different to NAPS.

The Trustees monitor the Fund's performance by comparing the returns that NAPS achieves against this benchmark. The performance of each asset category is measured against an index. For example, the UK equity portion of the Fund is measured relative to the performance of the FTSE All Share Index.

British Airways Pension Investment Management Limited (BAPIML) is the in-house investment manager to NAPS. BAPIML's expenses are charged to the Scheme at cost and the Trustees delegate routine or day to day investment decisions to them. The Trustees have set BAPIML the target of performance of 0.5% per annum above the weighted average of the agreed strategic benchmark over a rolling five year period, though the Trustees will continue to monitor performance over a range of different time periods. The Investment Report is on pages 14 to 17.

## Security of Assets

The Custodian Trustee of APS and NAPS, British Airways Pension Trustees Limited, holds the assets of the Scheme on behalf of the Trustees. However, physical custody of the Schemes' securities (i.e. stocks and shares) has been delegated to independent external custodians, State Street Bank and Trust Company. The appointment of the custodian is subject to routine review and this process is underway.

## SCHEME CHANGES

### Transferring Benefits

The new regulations governing transfers from one scheme to another took effect in October 2008. The new calculation methodology for calculating Cash Equivalent Transfer Values was implemented in July 2008 following a review in October 2007 in preparation for the new regulations. The regulations have moved the responsibility of determining the Cash Equivalent Transfer Value amount from the Actuary to the Trustees. The new basis was formally adopted with effect from 1 October 2008.

### AVC Annuity Purchase

The Trustees have agreed to appoint Hargreaves Lansdown as an annuity broker to provide annuity quotations to members in accordance with section 47 of the Pensions Act 1995. Should members wish to purchase their annuity through a provider that is not on the Hargreaves Lansdown restricted panel they will continue to be able to make their own arrangements using the open market option.

### Trust Deed Amendments

British Airways Regional Ltd ceased participation in NAPS on 4 August 2008 giving rise to an Employer Exit Debt. The Actuary has assessed the debt in accordance with the Section 75 regulations allowing for amendments which came into force on 6 April 2008 and confirmed the amount payable was £43.344 million inclusive of interest. The Actuary certified the debt and payment of £43.344 million was received from British Airways.

A further amendment was made on 1 April 2009 in order that the Scheme Rules continue to track the requirements under the contracting-out legislation which has changed following the introduction of the Pensions Act 2007. This amendment effects changes which replace references to Upper Earnings Limit with references to Upper Accrual Point.

In addition the Trust Deed has been amended to extend the Exoneration Clause to cover subsidiaries of the custodian trustee company and their directors and also to clarify the wording relating to the nomination of Deputy Chairmen.

# Trustees' Report

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## PENSIONS ADMINISTRATION MATTERS

### Cash Equivalent Transfer Values

Transfer values paid during the year were calculated and verified in the manner prescribed by the regulations under Section 97 of the Pension Schemes Act 1993. The new regulations, which came into force with effect from 1 October 2008, fall under section 97 of the Pension Schemes Act 1993. Discretionary benefits are not included in the calculation of transfer values.

### Pension Increases

Scheme Rules provide that the annual increase shall be the percentage specified in the Pensions Increase (Review) Orders, subject to a maximum of 5% per year. Each Order reflects the rise in the Retail Prices Index over a 12-month period measured up to the end of September each year. Increases apply to all pensions payable under the Rules of NAPS (whether in deferment or actually in payment).

In accordance with the 2008 Order, pensions were increased by 3.9% on 7 April 2008 and, in accordance with the 2009 Order, by 5.0% on 6 April 2009.

Pensions in deferment and payment under the Rules of the British Caledonian, Golden Lion, Davies and Newman, Arrowsmith and British Airways Associated Companies Scheme, which are paid by NAPS, have been increased as variously provided for under the Rules of the relevant scheme.

All pension increases are a right under the Scheme and are not discretionary.

### Internal Dispute Resolution Procedure (IDRP)

The Trustees are required by law to operate an IDRP. This is a mechanism by which a member may request a designated person to adjudicate on a disagreement with their scheme. The Trustees have appointed Kate Tollis, Head of Secretariat, BAPSL as the designated person to deal with the first stage adjudication (prior to his retirement on 31 December 2008 John Birch was the person so designated). In the event that the complainant is not satisfied with the outcome the matter is then referred to the Operations Committee. Complaints made under this procedure must be in writing and a leaflet giving full details is available from Whitelocke House or on our website.

The Pensions Act 2007 includes provision for trustees of occupational schemes to replace the two stage IDRP with a single stage. The Trustees have retained the existing two stage process as it provides complainants with a right to respond to a decision. The process was reviewed following the publication of the Pension Regulator's Code of Practice which was laid before Parliament in March 2008. Some minor changes were made to the IDRP leaflet in response to the Code of Practice.

### Scheme Actuary

Greg Alexander, the Scheme Actuary resigned on 3 October 2008. The Trustees filled the vacancy in the office of Scheme Actuary by appointing James Wintle on the same day.

As required by Regulations made under the Pensions Act 1995, Greg Alexander confirmed in his notice of resignation that he knew of no circumstances connected with the resignation that significantly affected the interests of the members, prospective members or beneficiaries of the Scheme.

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make audited financial statements for each scheme year available to the Scheme's beneficiaries and certain other parties. These statements must:

- 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 that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- Contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement as to whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustees have delegated the preparation of the financial statements to the Secretariat of the Scheme. The Trustees have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are responsible for making available each year, commonly in the form of a Trustees' Annual Report, information about the Scheme prescribed by pensions legislation which they should ensure is consistent with the financial statements it accompanies.

The Trustees have certain responsibilities in respect of contributions which are set out in the Statement of Trustees' Responsibilities accompanying the Trustees' Summary of Contributions.

The Trustees have 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.

**This Report was approved by the Board of Trustees on 22 June 2009 and was signed on their behalf by:**

**Teresa Suriyae**  
Secretary

# Investment Report

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## REVIEW OF THE YEAR

At the time of last year's review, confidence had returned to equity markets as market participants believed that the action by the US Federal reserve and other central banks would be sufficient to avert a major crisis. However, there was concern that the high level of commodity prices and gathering inflation pressures would result in the world economy entering a period of stagflation. Expectations were for inflation to remain at the higher end of the recent range. The Fund was close to benchmark weights and the Fund Managers were looking to increase international equity weightings at the expense of bonds whilst remaining cautious on the UK equity weighting given concern over high levels of consumer and Government indebtedness.

Whilst initially high commodity prices meant fears of stagflation remained, faltering economic data undermined this view. The Fund exited the commodity investments and reduced exposure slightly to index-linked gilts.

Over the summer it became clear that even our Fund Managers' cautious stance had underestimated the continued damage to balance sheets from highly geared inflexible structures and the degree of writedowns required to asset values at major financial institutions and banks around the world.

In a re-run of 2007, the continual flow of bad news led to the gradual paralysis of the financial system. However, this time the Sovereign Wealth Funds and Reserve Funds were more cautious in providing further support for the banks and rescues were harder to finance.

The turmoil in the financial system continued through the summer of 2008 culminating in the bankruptcy of Lehman Brothers in the autumn, which led to seizure of the interbank markets. The US Federal Reserve had effectively signalled that no institution was too big to fail and this sent shockwaves through the markets as counterparty risk was re-evaluated by the market. Prior to this event, governments and monetary authorities had been dealing with events in a reactive way, on a case by case basis. This had increased uncertainty amongst market participants and led to an

erosion of confidence and trust between counterparties. The failure of Lehman Brothers, threw the spotlight on other large global financial institutions and investors scrambled for security in Government bonds. The extent of losses in structured products and write downs by financial institutions surprised even the most bearish commentators and demonstrated that not enough had been done to stabilise the banking system. The level of indebtedness and the structures supporting certain products and financial institutions was unsustainable. Market participants became forced sellers of assets to pay back loans as the system continued to be deleveraged, and this exacerbated the downward spiral of valuations across many asset classes.

By the end of 2008 it appeared that the monetary authorities had learnt the lessons from the Great Depression in the 1930s and Japan's lost decade in the 1990s and they appeared to be taking the actions required to refloat the system. However by early 2009, the extent of the losses required more co-ordinated action, suspension of accounting rules on asset revaluation and more aggressive government ownership of troubled institutions and assets before markets were stabilised. Most recently, the announcement that governments around the world would print money in a process called 'quantitative easing' led to more normal money markets and the return of some liquidity in credit markets.

## Asset Allocation and Benchmarks

The Fund's tactical asset allocation and associated strategic benchmark for the major asset classes is shown in the table below. During the year the Trustees, Investment Committee and the Investment Advisers worked with BAPIML to simplify the operation of various benchmarks and bandwidths. These are shown in the table on page 9. In particular the following changes were made to reduce complexity or introduce flexibility. Within international equities, the Fund moved away from a customised benchmark towards an industry standard in Emerging markets and on 1 February 2009 adopted a new equity benchmark, increasing the weighting in International equities from 50% to 70% at the expense of UK equities which was reduced from 50% to 30%. This reflected the improved diversification available in overseas equities

# Investment Report

Asset Category	Actual % 31 Mar 2009	Benchmark % 31 Mar 2009	Actual % 1 Apr 2008	Benchmark % 1 Apr 2008
<b>Equities</b>	<b>62.4</b>	<b>60.0</b>	<b>61.2</b>	<b>61.0</b>
UK	16.9	18.0	26.7	30.5
International	45.5	42.0	34.5	30.5
<b>Bonds &amp; Cash</b>	<b>29.0</b>	<b>28.0</b>	<b>29.9</b>	<b>28.0</b>
UK Fixed	12.3	13.0	10.5	13.0
Overseas Fixed	1.1	-	1.8	-
UK Index-Linked	12.9	14.0	12.6	14.0
Overseas Index-Linked	1.4	-	0.9	-
Cash	1.3	1.0	4.1	1.0
<b>Leveraged Loans</b>	<b>0.7</b>	<b>1.0</b>	<b>-</b>	<b>-</b>
<b>Commodities</b>	<b>-</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
<b>Property</b>	<b>7.9</b>	<b>10.0</b>	<b>7.9</b>	<b>10.0</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

whilst recognising that some benefits of 'home' bias remain. Within International equities the operation of the benchmark was simplified to one based around a modified market capitalisation. Leveraged loans were introduced into the benchmark during the year as a step towards a more flexible approach to allocation between traditional asset classes and alternatives. This will be finalised, with the creation of a category grouping together Alternative Assets, commencing 1 April 2009. This group will include leveraged loans, commodities and infrastructure. Cash has been removed from the benchmark.

The Trustees and their Advisers have set bandwidths around the strategic benchmarks shown above. These allow BAPIML to make tactical asset allocation decisions to take advantage of valuation differentials between asset classes which may occur from time to time. The actual allocation shown was within these bandwidths.

## Performance

The Fund's equity benchmarks all recorded negative returns, with Japanese and US equities falling less than others partly due to the strength of the Yen and US dollar against Sterling. Government fixed-interest bond returns produced positive returns beating returns on cash, reflecting the flight to safety from riskier assets during the year as well as the reduction in inflation expectations as

economic growth moderated. This contrasted with negative returns in index-linked gilts as lower inflation reduced the attractiveness of index-linked gilts in the short term. Corporate bonds underperformed cash, affected by a lack of liquidity and concern over Financials, a high proportion of the Sterling bond market.

Property assets continued to fall as market confidence evaporated, the finance for debt driven buyers evaporated and distressed sellers depressed market prices. At the end of the year high street retailers began to enter into administration and tenant defaults began to increase. In alternative assets the returns were very mixed. Private equity, Commodities and Infrastructure produced positive returns for the Fund, whilst distressed sellers pushed prices down in leveraged loans, resulting in negative returns.

The Fund's benchmark has a high weighting in equities and negative returns in these assets, as well as negative returns from index-linked gilts, resulted in a negative result for the benchmark overall.

The Fund also hedges a proportion of holding of overseas assets by converting these back to Sterling. Whilst this helps to reduce volatility in the long run, it reduced returns this year.

# Investment Report

## Fund performance

During the period under review, the Fund outperformed its target returning -19.8% versus the benchmark return of -20.8%. It was disappointing that the outperformance was dwarfed by the negative absolute returns.

The longer term performance is shown in the table below:

	2009	2007	2005	2000
		/2009	/2009	/2009
	1 year	3 years	5 years	10 years
	%pa	%pa	%pa	%pa
NAPS	-19.83	-5.03	3.66	2.70
Benchmark	-20.81	-5.58	3.20	2.41*

\* Combination of WM50 industry peer group and a customised BA strategic benchmark adopted in 2002

In general stock selection performance across all the asset classes was good with most Fund Managers outperforming the benchmarks. This continued the theme of last year where the Fund Managers biased the portfolios towards lower risk stocks including the less economically sensitive stocks or those with more conservative balance sheets.

The Japanese equity portfolio suffered against its benchmark as foreign holders took profits in Japanese equities after the Yen rise and larger foreign held stocks fell versus the smaller domestic equity stocks in the benchmark which were under-represented in the portfolio.

In Government bonds the portfolio continued to hold bonds of a shorter duration than the benchmark on the expectation that bond yields at the longer maturities need to rise to reflect the perceived risk in holding longer dated bonds. This stance was rewarded and once again the diversification into overseas bonds contributed positively. In contrast, corporate bonds suffered for the second year running, reflecting poor liquidity in the market and uncertainty over these assets as we enter a phase of defaults as the weaker real economy leads to restructuring and some bankruptcies.

The intervention by many Governments in numerous financial companies as well as automakers led to uncertainty over the treatment of the various stakeholders and particularly affected confidence in corporate bonds. Whilst unhelpful in the short term, this may lead to opportunities for investors over the long term.

The property portfolio outperformed its benchmark once again.

As already mentioned, the Fund achieved positive results in Private Equity and Infrastructure, although it should be noted that these assets do lag the quoted markets. In commodities the Fund produced positive returns, selling out of the asset class before the index fell, recording a drop of 39.7% over the year. The only disappointing performance in alternatives was in Leveraged Loans where distressed sellers continued to push prices down, albeit providing opportunities for those investors with long term capital.

## Fund's 10 Largest Stock Holdings as at 31 March 2009

Stock Name	Security Type	£M	% Portfolio
UK Treasury 2.5% Index-Linked 2024	Government Bond	260.0	4.3
UK Treasury 4% 2016	Government Bond	255.0	4.2
UK Treasury 2.5% Index-Linked 2020	Government Bond	224.7	3.7
UK Treasury 1.25% Index-Linked 2027	Government Bond	146.0	2.4
Network Rail 1.75% Index-Linked 2027	Government Bond*	88.8	1.4
BP Plc	UK Equity	88.5	1.5
Royal Dutch Shell	UK Equity	68.1	1.1
GlaxoSmithKline	UK Equity	61.8	1.0
Vodafone Group	UK Equity	57.4	0.9
France (Rep) 3.4% Index-Linked 2029	Overseas Bond	48.2	0.8

\*Government Guaranteed Corporate Bond

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Asset allocation enhanced the Fund. The fund reduced the tactical weighting in equities and commodities and increased bonds and cash, remaining relatively defensively positioned through the year.

### **AVCs**

The Mixed Portfolio Fund returned -22.81% outperforming the strategic benchmark return of -23.49%. The external AVC comparators returned an average of -20.68%. The returns were driven by similar factors to those described above with the higher benchmark weighting in equity, standing at 80%, the main reason for the negative return. The relative outperformance when compared with the benchmark reflected the strong results from equity stock selection. Over the longer term, the Fund matched the return of the external providers over three years and exceeded the return when measured over five and ten years. In the year to 31st March 2009, the Short Dated Gilt Fund returned 3.67% and the Equity Biased Fund returned 9.11%.

### **Outlook**

In the short term equity markets have rallied by around 35% from the March 2009 lows, whilst bonds have been pulled in both directions, with yields held down by the actions of Central Banks buying bonds for quantitative easing, whilst drifting higher as investors demand higher yields in return for holding an asset which is in greater supply as Governments issue greater levels of debt.

At the current time it does appear that the actions of the authorities have stabilized activity in financial markets and companies and individuals are beginning to gain access to borrowing. However, corporate restructuring and bankruptcies will continue to impede confidence and the world will eventually need to operate without the high levels of government funding. We expect the economy to remain weak through the rest of 2009 and into 2010, which will hurt profits, but action by companies to cut costs will help to alleviate, but not offset, the downward pressure on earnings.

The Fund is relatively close to benchmark weight in most asset classes with quoted equities slightly underweight benchmark and bonds overweight benchmark at the end of the year. As confidence has returned to the return seeking asset classes, we have begun to increase allocations to return-seeking assets at the expense of bonds.

The broadly neutral asset allocation stance reflects belief that there will be opportunities to invest at better valuations. At a stock selection level the fund managers have moved the portfolios away from very defensive companies towards higher quality growth companies.

The return seeking asset classes such as equity, corporate credit and property represent good long-term value relative to bonds where we believe returns will be constrained by the level of issuance in the medium term. There are opportunities for long-term holders of capital to achieve good returns as the deleveraging process continues to generate opportunities in these as well as other more illiquid assets such as Property, Private Equity and Infrastructure.

### **Corporate Governance**

The Fund Managers follow the Institutional Shareholders Committee principles, monitoring and engaging with companies on aspects of corporate governance and exercising voting rights in all regions throughout custodian bank. In the UK in particular, research on aspects of corporate social responsibility is also taken into account to assess impacts on shareholder value. The outcomes of these programmes are reported back to the Trustees. The voting records of the fund manager are held on our website:

[www.mybapension.com](http://www.mybapension.com) on the 'Corporate Governance' page.

These records are updated on the website each year, usually in August.

# Independent Auditors' Report

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## Independent Auditors' Report to the Trustees of the New Airways Pension Scheme

We have audited the financial statements of the New Airways Pension Scheme for the year ended 31 March 2009 which comprise the fund account, the net assets statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the scheme trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme trustees those matters we are required to state to them in an auditors' 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 trustees, as a body for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Trustees and Auditors

As described in the Statement of trustees' responsibilities on page 13, the scheme trustees are responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the Trustees' report and other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 or on behalf of the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the scheme'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:

- Show a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the scheme year ended 31 March 2009 and of the amount and disposition at that date 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 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

**KPMG LLP**  
**Chartered Accountants**  
**Registered Auditor**

**22 June 2009**  
**8 Salisbury Square**  
**London EC4Y 8BB**

# Fund Account

	Note	2009 £'m	2008 £'m
<b>Contributions and Benefits</b>			
Contributions Receivable	4	424.7	984.2
Transfers In	5	0.6	1.2
Funded Pensions Receivable		4.7	4.8
		<u>430.0</u>	<u>990.2</u>
Benefits Payable	6	(209.1)	(193.1)
Leavers	7	(16.2)	(13.3)
Administration Expenses	8	(5.2)	(5.6)
		<u>(230.5)</u>	<u>(212.0)</u>
<b>Net additions from dealing with members</b>		<b>199.5</b>	<b>778.2</b>
<b>Return on Investments</b>			
Investment Income	9	214.0	213.4
Change in Market Value of Investments	10	(1,678.5)	(222.1)
Investment Management Expenses	8	(5.4)	(4.7)
<b>Net Return on Investments</b>		<b>(1,469.9)</b>	<b>(13.4)</b>
<b>Net Decrease in funds</b>		<b>(1,270.4)</b>	<b>764.8</b>
<b>Net Assets of the Scheme</b>			
At 1 April 2008		7,366.8	6,602.0
At 31 March 2009		<u>6,096.4</u>	<u>7,366.8</u>

# Net Assets Statement

	Note	2009 £'m	2008 £'m
<b>Investments</b>			
<b>Investment Assets:</b>			
Fixed Interest Securities		884.1	1,299.2
Index-Linked Securities		764.4	980.1
Equities		3,392.2	4,007.4
Derivatives		38.2	7.8
Alternative Investment		327.7	194.4
Property		20.2	39.0
Property Unitised Fund		451.7	532.4
AVC Mixed Portfolio Fund		60.1	78.6
Other Investments		66.8	76.9
Cash		73.9	229.2
		<u>6,079.3</u>	<u>7,445.0</u>
<b>Investment Liabilities:</b>			
Derivatives		(4.4)	(40.8)
Other Investments		(16.8)	(33.2)
		<u>6,058.1</u>	<u>7,371.0</u>
<b>Total Net Investments</b>	11,12,13,14		
External AVC Investment	16	0.9	1.0
		<u>6,059.0</u>	<u>7,372.0</u>
<b>Total Investments</b>			
Current Assets		44.1	0.4
Current Liabilities		(6.7)	(5.6)
		<u>6,096.4</u>	<u>7,366.8</u>
<b>Net Assets of the Scheme at 31 March 2009</b>			

The financial statements summarise the transactions of the Scheme for the year ended 31 March 2009 and they give details of the net assets at the end of that period. They do not take account of obligations to pay pensions and other benefits in the future. The Scheme funding position takes account of such obligations and an update is provided on pages 5 and 6 of the Trustees' Report and should be read in conjunction with these accounts.

These accounts were approved by the Board of Trustees on 22 June 2009 and were signed on their behalf by:

Roger Maynard Management Trustee

Michael Grey Management Trustee

Teresa Suriyae Secretary

# Notes to the Accounts

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## 1. 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 and with the guidelines set out in the Statement of Recommended Practice (revised May 2007), Financial Reports of Pension Schemes (the Revised SORP). The majority of changes were adopted early in last year's financial statements. Those changes adopted in the current year are detailed in note 2 below.

## 2. Adoption of Revised SORP

Prior to the SORP revision, investments were valued at mid prices. The majority of listed investments are now stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement. This is a change in accounting policy but the difference in valuation is considered to be immaterial to the financial statements and therefore comparatives have not been restated.

As a result the comparative figures for investments are reported on a mid price basis and the adjustment in valuation from mid to bid/offer prices are included in current year "Change in market value".

## 3. Accounting Policies

### a. Contributions

Members' normal and employers' normal and additional contributions are included in the accounts on an accruals basis as laid down in the Rules of the Scheme ("the Rules") and are paid according to rates recommended by the Scheme Actuary and in accordance with the Schedule of Contributions. Members' contributions are accounted for when deducted from pay.

Section 75 debts are included on an accruals basis if the liability is known.

Employer normal contributions include contributions payable to the Scheme under salary sacrifice arrangements.

### b. Investment Income

Income from equity, fixed interest and index-linked securities including recoverable taxation, is included in the accounts on the date when securities are quoted ex-dividend and after deducting investment-handling charges. Income from cash deposits is included on a cash received basis.

### c. Scheme Benefits and Withdrawals

Scheme benefits and withdrawals are included in the accounts in respect of entitlements up to the year-end in accordance with the Rules. Transfers in and out are accounted for on a cash basis.

### d. Investments

Listed securities are valued using either the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

Specialist unit trusts are valued by reference to the latest published prices available at the year-end.

Derivatives are stated at fair value.

Exchange traded derivatives are stated at market value determined using market quoted prices.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within "Change in Market Value".

Private equity investments are valued at the best estimate of fair value taking the latest available valuations issued by the private equity managers and adjusting for any cash movements occurring between the date of the valuation and the Scheme Year End. Comparisons are also made to ensure that the valuations are in line with the latest audited financial statements.

# Notes to the Accounts

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## **e. Unitised Funds**

The investment assets of the Property Fund, the Private Equity Fund and the Additional Voluntary Contribution Mixed Portfolio Fund are included in the accounts at the market value of units held by the Scheme at the year-end.

Property investments in the unitised funds are included at year-end open market valuations and have been externally valued by Atis Real Weatheralls and Cushman and Wakefield both Chartered Surveyors. Indirect property holdings are valued at the latest valuation provided by each of the external managers.

Income from property rentals in the unitised fund is included on an accruals basis and is net of outgoings including managing agents' fees.

## **f. Foreign Currencies**

The market values of overseas investments and current assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the year-end. The gains/losses arising from foreign currency transactions are included in the change in market value of investments.

Investment income denominated in foreign currencies is recorded in sterling at actual exchange rates as at the date of receipt.

# Notes to the Accounts

<b>4. Contributions Receivable</b>	2009	2008
	£'m	£'m
<b>Employer</b>		
Normal	222.8	181.3
Deficit Funding	131.5	126.6
Augmentations	2.5	1.3
Special deficit contributions	-	610.0
Section 75 debts	43.3	-
<b>Employee</b>		
Normal	5.9	50.1
Additional Voluntary	18.7	14.9
	<u>424.7</u>	<u>984.2</u>

As advised by the Actuary additional funding was required from BA for augmentations. Further details regarding contributions are included in the Summary of Contributions on page 32.

An accrual is included for Section 75 contributions for British Airways Regional Services of £43,344,620.

Normal employee contributions represent deductions which fall outside of the salary sacrifice scheme which commenced on 1 February 2008.

<b>5. Transfers In</b>	2009	2008
	£'m	£'m
Individual transfers in from other schemes	0.6	1.2
	<u>0.6</u>	<u>1.2</u>

<b>6. Benefits Payable</b>	2009	2008
	£'m	£'m
Pensions	(165.4)	(153.9)
Commutations		
Normal	(31.0)	(28.4)
Addition Voluntary Contributions	(10.4)	(7.6)
Lump sum death benefits	(2.3)	(3.2)
	<u>(209.1)</u>	<u>(193.1)</u>

<b>7. Payment to and on Account of Leavers</b>	2009	2008
	£'m	£'m
Individual transfers to other pension schemes	(16.2)	(13.3)
	<u>(16.2)</u>	<u>(13.3)</u>

## **8. Administrative and Investment Management Expenses**

Administrative and Investment Management expenses are met by the Scheme. However, the levies required by the Pension Protection Fund Board are payable by BA. The New Airways Pension Scheme bears 70% of the costs of BAPSL and 50% of BAPIML except where a cost relates specifically to the Scheme.

# Notes to the Accounts

## 9. Investment Income

	2009 £'m	2008 £'m
Income from Fixed Interest Securities	60.7	64.3
Income from Index-Linked Securities	17.8	19.1
Net Dividends from Equities	125.0	122.7
Income from Cash Balances	6.5	5.0
Rental Income	1.0	0.8
Other Income	3.0	1.5
	<u>214.0</u>	<u>213.4</u>

## 10. Change in Market Value of Investments

	Opening Value 2008 £'m	Purchase Costs & Derivative Payments £'m	Sale Proceeds & Derivative Receipts £'m	Change in Market Value £'m	Closing Value 2009 £'m
Fixed Interest Securities	1,299.2	644.8	(1,019.2)	(40.7)	884.1
Index-Linked Securities	980.1	171.9	(359.5)	(28.1)	764.4
Equities	4,007.4	2,559.5	(2,129.0)	(1,045.7)	3,392.2
Derivatives					
- Commodity	-	16.1	(18.7)	2.6	-
- Futures	5.3	132.7	(9.9)	(122.7)	5.4
- Forward Foreign Exchange	(38.3)	400.4	(36.1)	(297.6)	28.4
Alternative Investments	194.4	197.9	(67.9)	3.3	327.7
Property	39.0	0.0	0.0	(18.8)	20.2
Property Unitised Fund	532.4	96.6	(43.0)	(134.3)	451.7
AVC Mixed Portfolio Fund	78.6	7.6	(8.8)	(17.3)	60.1
Other Investment	43.7	5.9	-	0.2	49.8
Cash	229.2	-	(175.8)	20.5	73.9
External AVC Investments	1.0	-	(0.2)	0.1	0.9
<b>Total Investments</b>	<u>7,372.0</u>	<u>4,233.4</u>	<u>(3,868.1)</u>	<u>(1,678.5)</u>	<u>6,058.8</u>

The change in market value of investments includes 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.

The change in market value of the Property Fund, the Private Equity Fund and the AVC Mixed Portfolio Fund is derived from the increase in the unit price of the units held in these funds by the Scheme. This reflects both the movement in the market value of the underlying investments of each fund and the related investment income. The change in market value includes income of £22.3m (2008: £13.6m) Property Unitised Fund, £0.3m (2008: £0.7m) Private Equity Fund and £2.8m (2008: £2.9m) AVC Mixed Portfolio Fund.

Included within the above purchase and sales figures are transaction costs of £8.0m. Costs are also borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

# Notes to the Accounts

<b>11. Investments</b>	2009	2008
	£'m	£'m
<b>Fixed Interest Securities:</b>		
UK public sector quoted	361.7	738.8
UK other quoted	459.3	428.1
Overseas quoted	63.1	132.3
	<u>884.1</u>	<u>1,299.2</u>
<b>Index-linked securities:</b>		
UK public sector quoted	656.1	832.9
UK other quoted	24.4	84.5
Overseas quoted	83.9	62.7
	<u>764.4</u>	<u>980.1</u>
<b>Equities:</b>		
UK quoted	956.9	1,904.4
Overseas quoted	2,435.3	2,103.0
	<u>3,392.2</u>	<u>4,007.4</u>
<b>Derivative Assets:</b>		
Futures – exchange traded	5.4	5.3
Forward foreign exchange	32.8	2.5
	<u>38.2</u>	<u>7.8</u>
<b>Alternative Investments:</b>		
Private Equity	172.6	99.8
Infrastructure	53.1	25.0
Leveraged Loans	43.9	7.9
Private Equity Unitised Fund	44.9	54.1
Infrastructure Unitised Fund	13.2	7.6
	<u>327.7</u>	<u>194.4</u>
<b>Property</b>	20.2	39.0
<b>Property Unitised Fund</b>	451.7	532.4
<b>AVC Mixed Portfolio Fund</b>	60.1	78.6
<b>Other Investment Assets</b>	66.8	76.9
<b>Cash</b>	73.9	229.2
<b>Total Investment Assets</b>	<u>6,079.3</u>	<u>7,445.0</u>
<b>Derivative Liabilities</b>		
Forward foreign exchange	(4.4)	(40.8)
<b>Other Investment Liabilities</b>	(16.8)	(33.2)
<b>Total Investment Liabilities</b>	<u>(21.2)</u>	<u>(74.0)</u>

Included in the above are securities loaned as at 31 March 2009 of £354.1m (2008: £1,457.2m). The loans are covered by collateral dependent on the types of securities loaned and collateral used. If the collateral is in the same currency as the loaned securities collateral of 102% of the aggregate market value is required or if the collateral is not all denominated in the same currency as the loaned securities 105% is required. The only exception is for fixed income loans for which the principal trading market is outside the United States where the collateral requirement is 100%.

# Notes to the Accounts

## 12. Property

The Fund is invested in the Tesco Red Limited Partnership that has been established to hold a portfolio of Tesco retail units.

The Schemes' interest in the Tesco Red Limited Partnership has been accounted for as an associate using the equity method.

BAPTL holds 100% of the units in a Jersey Property Unit Trust (JPUT). 70% are held in the name of British Airways Pension NAPS Nominees Limited (BAPNNL) and 30% are held in the name of British Airways Pension APS Nominees Limited (BAPANL). The JPUT holds 49.95% interest in The Tesco Red Limited Partnership UK Ltd (LP).

In addition the JPUT acquired £35,405,000 of interest free loan notes issued at par, of which the Scheme owns 70% and APS owns 30%.

BAPTL also acquired 50% of the share capital of the General partner of the LP (GP) of which NAPS owns 70% and APS owns 30%.

The Tesco Red Limited Partnership Accounts show the following asset and liabilities:

	2009 £'m	2008 £'m
Gross Assets	452.9	507.2
Gross Liabilities	(466.1)	(466.6)
Net (Liability) /Asset Value	(13.2)	40.6
Tesco Red Unit Trust % holding 49.95%	(6.6)	20.3

The value of the Tesco Investment attributable to NAPS:

	2009	2008
Tesco Red Unit Trust		
Loan notes	35.4	35.4
Tesco Red Limited Partnership	(6.6)	20.3
Total	28.8	55.7
General Partner 50% Share	-	-
Total	28.8	55.7
NAPS holding 70%	20.1	39.0

# Notes to the Accounts

## 13. Derivative Contracts

The Scheme uses derivative instruments for both investment purposes and to manage exposures to financial risks, such as interest rate, foreign exchange and liquidity risks arising in the normal course of business.

### Foreign Currency Risk

The Scheme holds investments in a number of currencies. The Scheme's policy is to hedge a minimum of 75% of the combined international equities benchmark exposure and the overseas bond portfolio.

The Scheme enters into foreign exchange forward contracts to offset the impact of currency fluctuations on foreign currency investments, measured as 75% of the exposure in USD, EUR, and JPY. The open FX contracts at the year-end were as follow:

Period	Maturity Date	Broker	Nominal Value m	Fair Value £'m
3 Months forward to sell EUR	17 April 09	RBS	€20.3	(0.3)
	17 April 09	UBS	€93.1	1.2
	13 May 09	UBS	€52.0	(1.4)
3 Months forward to sell USD	17 April 09	RBS	\$160.0	4.7
	13 May 09	RBS	\$284.0	(1.3)
3 Months forward sell JPY	13 May 09	BARC	Y2,814.2	1.9
	17 April 09	DB	Y9,600.0	10.1
4 Months forward sell EUR	03 July 09	UBS	€5.4	(0.2)
	03 July 09	UBS	€42.3	(1.2)
4 Months forward to sell JPY	03 July 09	BARC	Y8,877.7	2.1
4 Months forward to sell USD	12 Jun 09	RBS	\$195.0	0.9
	03 July 09	RBS	\$33.3	0.5
5 Months forward to sell EUR	14 Aug 09	UBS	€236.3	0.2
	14 Aug 09	UBS	€2.6	Nil
5 Months forward to sell JPY	14 Aug 09	BARC	Y11,125.0	5.1
5 Months forward to sell USD	14 Aug 09	RBS	\$2.8	0.1
	14 Aug 09	RBS	\$233.0	5.9
6 Months forward to sell JPY	08 Sep 09	BARC	Y974.5	0.1
<b>Total</b>				<b>28.4</b>

# Notes to the Accounts

## Futures

The Scheme had UK and overseas stock index futures outstanding at the year-end relating to its equity portfolio as follows:

Nature		Notional Amount	Duration	Fair Value £'m
FTSE100 stock futures	Bought	2,430	Jun 2009	0.3
<b>Total UK futures</b>				<b>0.3</b>
Topix stock futures	Bought	9,070,000	Jun 2009	5.1
<b>Total Overseas futures</b>				<b>5.1</b>

Included within cash balances are £2.2m in respect of initial and variation margins arising on open futures contracts at the year end.

## 14. Unitised Funds

The units in the following funds are held by APS and NAPS. As at 31 March 2009 NAPS held 83.1% of the units in the AVC Mixed Portfolio Fund, 61.8% of the units in the Property Unitised Fund and 49.4% of the units in the Private Equity Unitised Fund. The value of investments attributable to NAPS for each of these funds is as follows:

	2009 £'m	2008 £'m
<b>Private Equity Unitised Fund</b>		
UK Unlisted	10.5	15.6
Overseas Unlisted	47.6	46.0
Other	-	0.1
<b>Total</b>	<b>58.1</b>	<b>61.7</b>
<b>Property Unitised Fund</b>		
UK Property	376.0	428.5
Property Unit Trusts	72.3	104.2
Other Managed Funds	8.4	13.6
Loan *	-	(12.3)
Other	(5.0)	(1.6)
<b>Total</b>	<b>451.7</b>	<b>532.4</b>

All of the Other Managed Funds and the Property Unit Trusts are established in Jersey.

\* The Trustees have granted approval to gear the Property Unitised Fund to a maximum of £80m. During the year the final loan of £21m was redeemed.

	2009 £'m	2008 £'m
<b>AVC Mixed Portfolio Fund</b>		
Fixed Interest Securities	11.2	8.7
Index-Linked Securities	-	3.8
Equities	47.1	64.5
Cash	1.8	1.6
<b>Total</b>	<b>60.1</b>	<b>78.6</b>

# Notes to the Accounts

## 15. Additional Voluntary Contributions (AVCs)

### Internal AVC Schemes

In addition to the separately managed AVC Mixed Portfolio Fund there are two Additional Voluntary Contribution Schemes within the Investments; The Short-dated Gilts Fund and the Equity Biased Fund. The value of these funds is as follows:

	2009 £'m	2008 £'m
Short-dated Gilts Fund	17.0	16.6
Equity Biased Fund	92.6	77.1
	<hr/>	<hr/>
	109.6	93.7

## 16. External AVC Investments

Within the Net Assets are four external Additional Voluntary Contribution Schemes. They are run for members who transferred from the British Caledonian Group Pension & Life Assurance Scheme, Davies & Newman Holdings Plc Pension and Life Assurance Scheme and Dan Air Services Ltd Pension and Life Assurance Scheme. These funds have been separately invested for the benefit of the individuals. The values of these funds are as follows:

	2009 £'m	2008 £'m
<b>British Caledonian Group Pension &amp; Life</b>		
Prudential	0.6	0.7
<b>Davies and Newman and Dan Air</b>		
Scottish Life	0.1	0.1
Equitable Life Assurance	0.1	0.1
Norwich Union	0.1	0.1
	<hr/>	<hr/>
	0.9	1.0

## 17. Money Purchase Scheme

Within NAPS is the British Airways Money Purchase Section (BAMPS). These assets are not held separately, but members receive an annual statement informing them of the value of their entitlement. The total figures are shown below:

	2009 £'m	2008 £'m
Balance of BAMPS at 1 April 2008	4.9	4.4
Contributions	0.2	0.2
Interest	0.7	0.6
Transfers out	(0.1)	(0.3)
	<hr/>	<hr/>
Balance of BAMPS at 31 March 2009	5.7	4.9

# Notes to the Accounts

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## 18. Contingent Liabilities and Contractual Commitments

The following contractual commitments existed at the year-end

	2009 £'m	2008 £'m
Alternative Investments	480.8	229.9
Property Unitised Fund	13.6	16.3
	<hr/> 494.4	<hr/> 246.2

## 19. Self Investment

The Scheme holds no direct investment in BA or any shares or other securities as defined by section 40 of the Pensions Act 1995.

## 20. Related Party Transactions

The employees of the Pension Scheme are employed by BA Plc, BAPIML or BAPSL. All employee costs are borne by the Schemes.

BAPSL provides secretariat and financial administration to the British Airways Retirement Pension Plan. BA Plc is recharged for these services. BA Plc provide occasional services to the Scheme (e.g. recruitment, advice on contracts for the purchase of equipment) for which the Scheme is not recharged.

The Trustees appointed by BA Plc can be members or pensioners of either APS or NAPS. If they are members or pensioners then their pension rights are on terms normally granted to members.

Pensioner elected Trustees were eligible for payment by the Company during the year.

BAPTL, a company limited by guarantee, holds the assets on behalf of the Scheme as Custodian Trustee, including the assets of the unitised funds. The Directors of BAPTL are all Trustees of either APS or NAPS. The companies described below are all wholly owned by BAPTL.

BAPSL provides administration services and BAPIML provides investment management services.

British Airways Pension Property Holdings Ltd and British Airways Pension Property Holdings (Number 2) Ltd, hold the legal title of the properties given as security on the loan facility set up to gear the Property Unitised Fund.

British Airways Pension NAPS Nominees Ltd holds the legal title to the units held in the JPUT for investment in the Tesco Red Limited Partnership. BAPTL has 50% ownership of Tesco Red (GP) Ltd.

# Independent Auditors' Statement About Contributions

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**Independent Auditors' Statement about Contributions, made under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the trustees, of the New Airways Pension Scheme.**

We have examined the summary of contributions payable under the schedule of contributions to the New Airways Pension Scheme in respect of the Scheme year ended 31 March 2009 which are set out on pages 33 to 34.

This statement is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our 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 auditors' 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 statement, or for the opinions we have formed.

## **Respective Responsibilities of Trustees and Auditors**

As described on page 32, the Scheme's Trustees are responsible, under the Pensions Act 2004, for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The Trustees have a general responsibility for procuring that contributions are made to the Scheme in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid to the Scheme and to report our opinion to you.

We read the Trustees' report and other information in the annual report and consider whether it is consistent with the summary of contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

## **Basis of Statement about Contributions**

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. For this purpose, the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments. Our statement about contributions is required to refer to those exceptions which come to our attention in the course of our work.

## **Statement about Contributions Payable under the Schedule**

In our opinion contributions for the scheme year ended 31 March 2009 as reported in the summary of contributions and payable under the schedule have been paid in all material respects at least in accordance with the schedule of contributions certified by the actuary on 29 March 2007.

**KPMG LLP**  
**Chartered Accountants**

**22 June 2009**  
**8 Salisbury Square**  
**London**  
**EC4Y 8BB**

# Summary of Contributions

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## Statement of Trustees' Responsibilities in respect of Contributions

The Scheme's Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised 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 Scheme's Trustees are also responsible for keeping records of contributions received in respect of any active member of the scheme and for procuring that contributions are made to the scheme in accordance with the schedule.

## Trustees' Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 March 2009

This Summary of Contributions has been prepared on behalf of, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Scheme under the schedule of contributions certified by the Actuary on 29 March 2007 in respect of the Scheme year ended 31 March 2009. The Scheme Auditor reports on contributions payable under the schedule in the Auditors' Statement about Contributions.

### Contributions payable under the Schedule in respect of the Scheme year

	£'m
Employer normal contributions	222.8
Employer deficit funding	131.5
Member normal contributions	5.9
<b>Contributions payable under the Schedule (as reported on by the scheme auditors)</b>	<b>360.2</b>

### Reconciliation of Contributions

Reconciliation of contributions payable under the schedule to contributions reported in the accounts in respect of the Scheme year:

	£'m
Contributions payable under the Schedule (as above)	360.2
Contributions payable in addition to those due under the Schedule:	
Member additional voluntary contributions	18.7
Section 75 debt	43.3
Employer augmentations	2.5
<b>Total contributions reported in the accounts</b>	<b>424.7</b>

This Report was approved by the Board of Trustees on 22 June 2009 and was signed on their behalf by:

**Teresa Suriyae**  
Secretary

# Schedule of Contributions

**Period covered by this schedule:** From the date of certification of this Schedule by the Actuary until 31 March 2016

**Level of contributions payable:**

By members: As specified in the rules of the Scheme

By the Employers: Contributions at the following rates until 31 March 2007 in respect of FSS members:  
the following multiples of members' standard contributions:

General Staff	2.5
Air Cabin Crew	2.5
Pilots and Officers	3.8

plus £9,560,000 per month from 1 January 2004 increasing every April in line with pension increases (the increase in April 2004 being a quarter increase)

plus £240,000,000 on 9 February 2007

plus contributions in respect of BAMPS members at the rates specified in Rule 37 of the Scheme Rules

Subject to review at future actuarial valuations, ongoing contributions from 1 April 2007 in respect of FSS members at the following percentages of Pay for Contribution Purposes:

	NRA 60	NRA 65
General Staff	19.1%	18.1%
Air Cabin Crew	21.7%	20.7%
Pilots and Officers	25.9%	23.9%

plus deficit contributions of £10,547,000 per month, increasing each April from 2008 at the rate specified in the Pensions Increase (Review) Orders as certified by the Actuary

plus £560,000,000 by 2 April 2007

plus contributions (if any) payable under Clause 3.1 (c) and (d) of the Agreement between the Trustee and British Airways dated 7 February 2007.

plus contributions in respect of BAMPS members at the rates specified in Rule 37 of the Scheme Rules.

**Due date for payment of contributions**

All contributions (from both members and the Employers except where noted otherwise above) are payable monthly and are due to be paid to the Scheme by the 19th day of the month following that to which the contributions relate.

Note: This schedule of contributions relates to the payment of normal contributions to the Scheme payable under Rule 5; it does not relate to payments by any Participating Employer on the cessation of participation in the Scheme, nor to the payment of additional voluntary contributions (AVCs) under Rule 32, nor to contributions payable under Rule 31. Pension Protection Fund levies are to be paid directly by BA plc in addition to the amounts specified in this Schedule.

Agreed on behalf of the Management Trustees

Agreed on behalf of the Employers

**J Birch**  
Secretary to the Management Trustees

**K Williams**  
Chief Financial Officer

# Schedule of Contributions

**Period covered by this schedule:** From the date of certification of this Schedule by the Actuary until 31 March 2016

**Level of contributions payable:**

By members:

Salary sacrifice members: Nil

FSS members who are not salary sacrifice members:

	Plan 65	Plan 60	Option 55
Accrual rate 60	5.25%	8.5%	17.5%*
Accrual rate 56	8.25%*	11.5%*	20.5%*
Accrual rate 52	11.25%*	14.5%*	23.5%*

\* or at such other rates as may from time to time be specified by the Company

All rates subject to variation as specified in the Scheme Rules

BAMPS members who are not salary sacrifice members: the percentage of Pay for Contribution Purposes elected by the member in accordance with Scheme Rule 5(a)

By the Employers:

Contributions at the following rates until 31 March 2007 in respect of FSS members: the following multiples of members' standard contributions:

General Staff	2.5
Air Cabin Crew	2.5
Pilots and Officers	3.8

plus £9,560,000 per month from 1 January 2004 increasing every April in line with pension increases (the increase in April 2004 being a quarter increase)

plus £240,000,000 on 9 February 2007

plus contributions in respect of BAMPS members at the rates specified in Rule 38 of the Scheme Rules

Subject to review at future actuarial valuations, ongoing contributions from 1 April 2007 in respect of FSS members at the following percentages of Pay for Contribution Purposes:

	Plan 60	Plan 65
General Staff	19.1%	18.1%
Air Cabin Crew	21.7%	20.7%
Pilots and Officers	25.9%	23.9%

plus, in respect of salary sacrifice members, an amount equal to the contributions that would be payable by the members if they were not salary sacrifice members

plus deficit contributions of £10,547,000 per month, increasing each April from 2008 at the rate specified in the Pensions Increase (Review) Orders as certified by the Actuary

plus £560,000,000 by 2 April 2007

plus contributions (if any) payable under Clause 3.1 (c) and (d) of the Agreement between the Trustee and British Airways dated 7 February 2007.

plus contributions in respect of BAMPS members at the rates specified in Rule 38 of the Scheme Rules.

**Due date for payment of contributions**

All contributions (from both members and the Employers except where noted otherwise above) are payable monthly and are due to be paid to the Scheme by the 19th day of the month following that to which the contributions relate.

Note : This schedule of contributions relates to the payment of normal contributions to the Scheme payable under Rule 5; it does not relate to payments by any Participating Employer on the cessation of participation in the Scheme, nor to the payment of additional voluntary contributions (AVCs) under Rule 32, nor to contributions payable under Rule 31. Pension Protection Fund levies are to be paid directly by BA plc in addition to the amounts specified in this Schedule.

Agreed on behalf of the Management Trustees

Agreed on behalf of the Employers

**J Birch**

Secretary to the Management Trustees

**K Williams**

Chief Financial Officer

# Actuarial Certificate

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Name of Scheme: The New Airways Pension Scheme

## **Adequacy of rates of contributions**

- 1 I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 29 March 2007.
- 2 I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

## **Adherence to statement of funding principles**

- 3 I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 7 February 2007.

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.

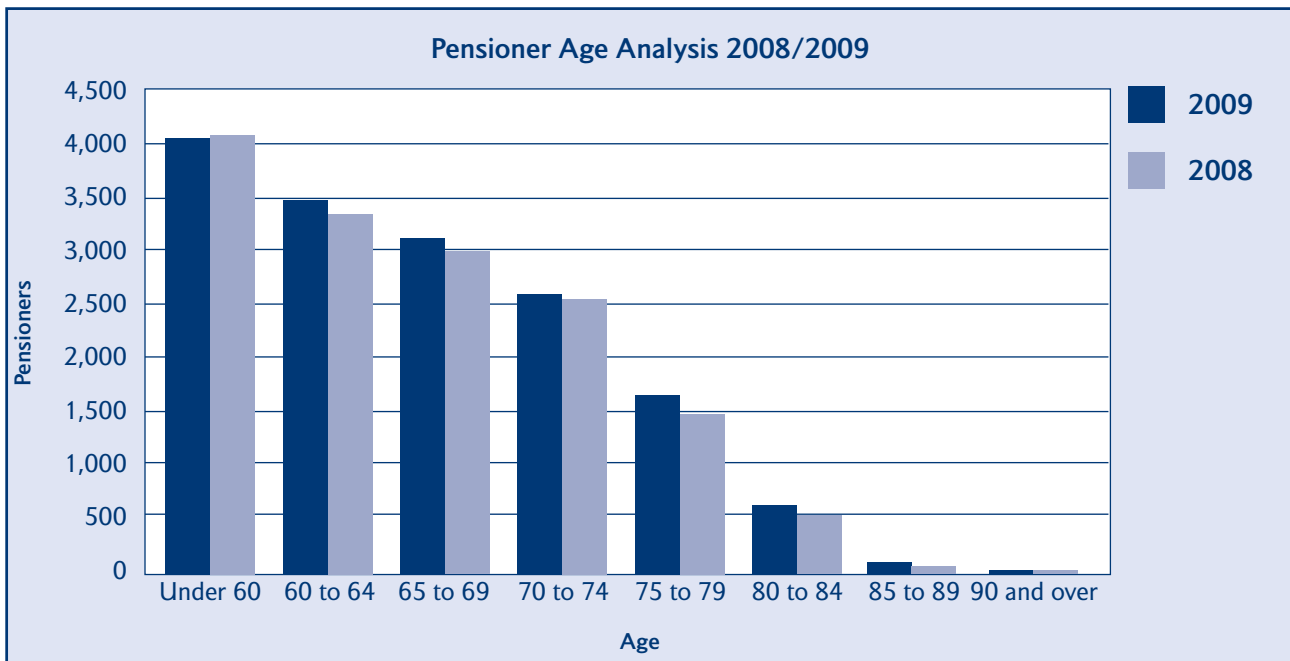
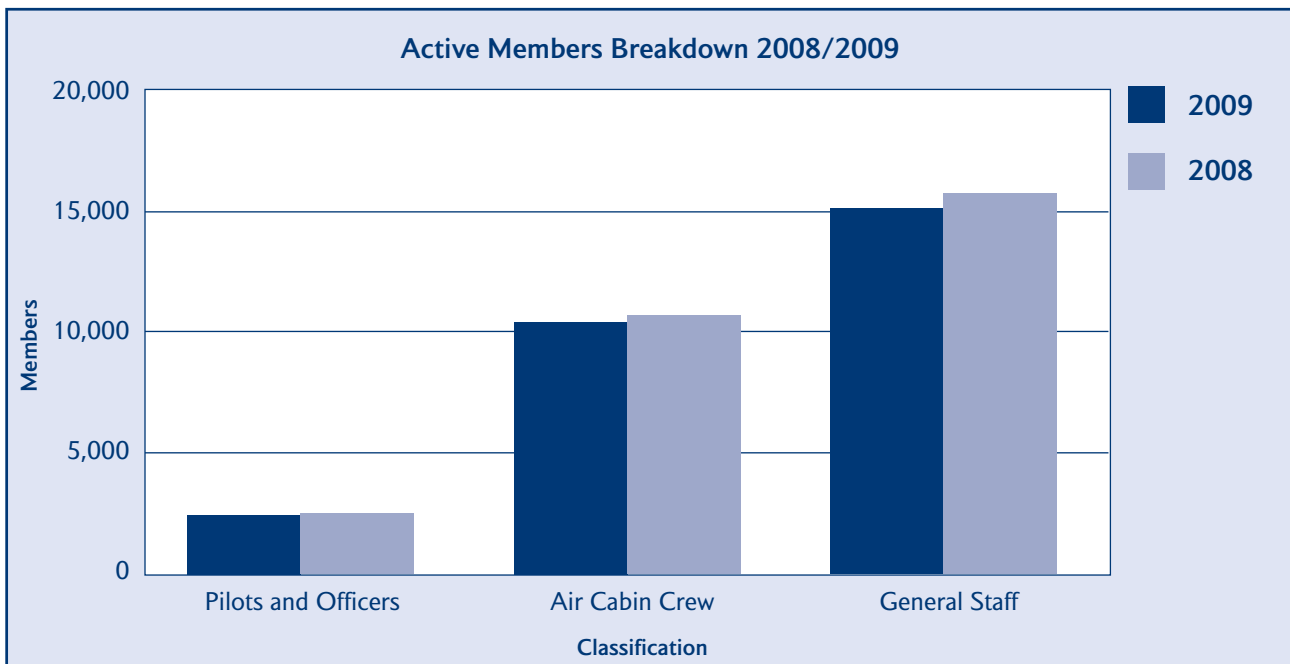
**G R Alexander**  
Fellow of the Faculty of Actuaries  
Watson Wyatt Limited

Watson House  
London Road  
Reigate  
Surrey  
RH2 9PQ

11 April 2008

# Membership Information

	2009	2008
Active Members	28,130	29,546
Pensioners in Payment	15,699	15,030
Dependant Pensioners	2,756	2,574
Deferred Pensioners	22,307	21,972
	<u>68,892</u>	<u>69,122</u>



# Compliance Statement

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## The Scheme

NAPS provides retirement benefits for employees of BA and some of its subsidiary and associated companies and benefits for dependants of members and pensioners who die.

NAPS was established under a Trust Deed dated 16 March 1984 and has been the current scheme for eligible new employees of BA since 1 April 1984. A new section of NAPS, called the "British Airways Money Purchase Section" ("BAMPS") was established on 1 April 1993. The original section of the Scheme is now called the "Final Salary Section" ("FSS").

On 15 May 1996 the Trustees of NAPS resolved to amend the Rules of the Scheme to introduce a new sub-section of the FSS, to be known as 'NAPS2'. The original FSS is now called 'NAPS1'.

NAPS is no longer available to employees joining after 31 March 2003.

NAPS benefits structure for benefits earned from 1 April 2007 was amended to provide a choice of two arrangements: Plan 60 and Plan 65.

From 1 April 2007 NAPS members may pay up to 30% of salary in pension contributions.

The Scheme was "exempt approved" by the Inland Revenue and is now a registered scheme under the Finance Act 2004. NAPS FSS is contracted-out of the State Second Pension (formerly known as the State Earnings-Related Pension Scheme). NAPS BAMPS is contracted-in to the State Second Pension.

## Membership

Membership of the Scheme is voluntary and members can opt out on giving one calendar month's notice in writing to the Trustees.

Members of NAPS have the opportunity to switch between FSS and BAMPS during their membership. The number of switching opportunities and the frequency of switching are at the Trustees' discretion, but currently members can switch between sections (in either direction) on unlimited occasions by giving one calendar month's notice in writing to the Trustees.

Members who opt out of NAPS will not be permitted re-entry into NAPS unless at British Airways' discretion and only in special circumstances as determined by British Airways such as a member opting out of NAPS 1 specifically in order to join NAPS 2 for future service.

## Internal Dispute Resolution Procedure (IDRP)

The Trustees are required by law to operate an IDRP. This is a mechanism by which a member may request a designated person to adjudicate on a disagreement with their scheme. The Trustees have appointed Kate Tollis, Head of Secretariat, BAPSL as the designated person to deal with the first stage adjudication. Complaints made under this procedure must be in writing and a leaflet giving full details is available from Whitelocke House.

British Airways Pensions  
Whitelocke House  
2-4 Lampton Road  
Hounslow  
Middlesex TW3 1HU  
Tel: 020 8513 2222