

Annual Report and Accounts 2011

New Airways Pension Scheme



**Year ended
31 March 2011**

Annual Report and Accounts

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Chairman's Review

Since my last report in September 2010 the Trustees' agenda has been dominated by the impact of the Government's change to the index on which the Pensions Increase (Review) Orders are based from the Retail Price Index (RPI) to the Consumer Price Index (CPI). Fully aware of the impact the change would have on individual members and pensioners, the Board has allocated significant time and resource to determining how they are able, in the context of their legal and fiduciary duties, to respond to this change. Introducing an alternative provision for pension increases to that set out in the Pensions Increase (Review) Orders would require an amendment to the Scheme Rules. Amendments to the Rules can only be made jointly with BA. However, a key impediment to amending the Rules is that whilst NAPS is in significant deficit, it is difficult to reconcile taking action which would be detrimental to the funding position with the primary duty of the Trustees to ensure that existing benefits are secured to the maximum extent possible. Notwithstanding that NAPS remains some considerable distance from circumstances which might enable increases above those prescribed by the Order to be paid the Trustees' long term aspiration is to try and restore RPI increases. We will continue to report to the membership on developments in this area.

Of course RPI/CPI was not the only issue that faced the Trustee Board and challenges arose from other legislative changes and the relatively uncertain financial and economic environment. More information is provided in the Trustees' Report.

Headline Results

The net asset value of the Scheme has increased from £8.0 bn as at 31 March 2010 to £8.8 bn as at 31 March 2011. The key factors contributing to this increase are the continued recovery in the market value of the investments held by the Scheme over the period and the contributions paid by members and British Airways (BA) during the year.

The increase in asset values is likely to have contributed to an improvement in the funding position however the latest interim valuation undertaken as at 31 March 2010 showed that the Scheme remained significantly in deficit.

Investment

The investment strategy of the Scheme is kept under constant review and is designed to capture opportunities as they arise and to manage the risks to which the Scheme is exposed in the years ahead. This applies to the management of both the liabilities and the assets. A programme of inflation hedging was undertaken in the autumn of 2010 and the opportunity was taken to capture investment outperformance in January 2011 by reducing the allocation to return seeking assets from 72% to 66%. In addition protection against adverse equity market movements has been put in place. Please turn to page 4 for more information on the Scheme's investment strategy.

Funding

I am pleased to report that under the terms of the cash sweep arrangements in the Scheme Funding Agreement signed as part of the 2009 Valuation, BA will be paying an additional contribution to the Scheme. The amount payable under the arrangement has to be finalised but is in addition to the £205.7 paid in normal (i.e. current accrual for active members) and deficit contributions since completion of the 2009 valuation.

Work on the 2011 annual funding update is underway and we will write to all Members and Pensioners to notify them of the outcome of that interim funding review as at 31 March 2011 in the autumn. Once that exercise is complete work will begin in earnest for the 2012 formal valuation.

Trustee Board Appointments and Retirements

On behalf of the Trustees I would like to thank those Trustees who have left the Board since my last report: Robert Boyle and Ian Howick. Both made an invaluable contribution. Thus we welcomed Jo Boswell and Kieran Graham and we also welcomed Ian Dart who replaced Micky Grey, Alan Buchanan who replaced Raj Mehta and congratulated Geoff Le Boutillier on his successful re-election.

I would like to thank the Trustee Board for the commitment they have shown in fulfilling their Trustee duties. My gratitude also extends to BAPIML, BAPSL and all the Scheme Advisers.

Paul Spencer
Chairman of Trustees

June 2011

Trustees and Advisers

Appointed by British Airways

Paul Spencer
Independent Trustee

Charlie Maunder
GM Fleet

Steve Gunning
MD Cargo

Alan Buchanan
Chief of Staff

Jo Boswell
Head of Revenue &
Customer Analysis

Kieran Graham
GM Operations Support

Member Elected

Ian Bretherton
Captain

Nikki Jones
Cabin Crew

Geoff Le Boutillier
Pensioner elected

Ian Rycraft
Technician

Paul McGarry
Heathrow Resources and
Contracts Manager

Ian Dart
Crew Leader Ramp Services

Retired during the year

Raj Mehta
BA appointed
(31 July 2010)

Michael Grey
Member elected
(31 August 2010)

Robert Boyle
BA appointed
(31 December 2010)

Ian Howick
BA appointed
(23 December 2010)

Advisers*

Scheme's Actuary
James Wintle
Towers Watson Ltd

Legal Advisers
Eversheds LLP

Bankers
Bank of New York
Mellon

External Custodian
State Street Bank and
Trust Co

**Investment
Advisers**
Towers Watson Ltd

Auditors
KPMG LLP

**Financial Advisers
& Internal Auditors**
PricewaterhouseCoopers LLP

**Independent Investment
Advisers**
Andrew Threadgold
Geoff Lindey
AllenbridgeEPIC
Investment Advisers

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

* 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, Shepherd and Wedderburn, Nabarro, S J Berwin LLP and CMS Cameron McKenna are legal advisers in relation to some property transactions and Mercer Human Resource Consulting Limited and Redington Ltd are advisers in respect of the management of currency transactions.

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

Trustees' Report

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 funding position of the Scheme, investment, Scheme governance, Scheme changes and pension administration matters. The final section contains general information about the Trustees' responsibilities.

SCHEME FUNDING POSITION

The formal valuation for 31 March 2009 was concluded in July 2010 and showed that NAPS was in deficit and a recovery plan was put into place. Details on the outcome of the valuation were set out in the Trustees' letter to Members and Pensioners in July 2010 a copy of which can be viewed on the member website www.mybapension.com.

Formal valuations are carried out every three years and the next is due in 2012 and preparation for this exercise is now underway.

In the years between formal valuations the Scheme Actuary provides an interim update which is reported to the membership in an annual funding statement to show how the funding position is evolving.

The interim update does not involve the detailed analysis required for a formal valuation but some of the underlying assumptions can be updated to reflect changed conditions e.g. investment return expectations. It is not necessary to agree the results of an interim update with BA and contributions do not have to be revised, unlike for a formal valuation. However, an interim update provides a useful guide as to developments between formal valuations.

A summary of the Scheme Actuary's 2010 findings is set out below. More information regarding the Scheme Actuary's findings was included in the November 2010 edition of In Focus (also available on the member website www.mybapension.com). The 2011 interim update exercise is underway and the outcome will be reported to the membership in the Autumn.

The table below compares the position as at the formal 2009 valuation with the position at 31 March 2010.

Date	31 March 2009 (nearest £m)	31 March 2010 (nearest £m)
Technical provisions* (Liabilities)	8,778	10,684
Assets	6,096	8,033
Deficit	(2,682)	(2,651)
Funding Level	69.4%	75.2%

* technical provisions refer to the value that is placed on the Scheme's liabilities (the benefits the Scheme is expecting to pay out).

SCHEME INVESTMENT

During the year considerable work has been undertaken to manage the Scheme's investment risk.

The Trustees completed work on a governance framework designed to enable investment decisions to be taken quickly and effectively. The process was used to take advantage of improvements in the funding position ahead of expectations by reducing the allocation to return seeking assets in favour of bonds and to obtain protection against adverse equity market movements through a series of derivatives trades. This process remains in place and where appropriate further steps will be taken to reduce the investment risks to which the Scheme is exposed.

Statement of Investment Principles (SIP) changes

Revised SIPs were adopted on 1 April 2009, 1 July 2009, 1 January 2010, 24 March 2010 and 29 September 2010.

A copy of the SIP is available on request from the Secretary's office or can be accessed on the member website www.mybapension.com.

Trustees' Report

STATEMENT OF COMPLIANCE WITH THE UPDATED MYNERS PRINCIPLES

Since the original Myners Review in 2001 established 10 principles of investment for defined benefit schemes, the Trustees have carried out a self-assessment of their position and implemented arrangements in order to comply with these principles. An external review of governance undertaken by PwC in 2007 included an assessment of compliance with the Myners Principles, and further changes were introduced to enhance compliance in line with industry-wide best practice.

In October 2008, the Government published their response to consultation on updating the Myners review and restructured the original principles into 6 new high level principles, providing guidance on recommended best practice for applying the principles, and identifying tools to provide practical help and support to trustees and their advisers.

These updated Principles have been reviewed on a self-assessment basis by AllenbridgeEPIC Investment Advisers, and it was concluded that the British Airways Pension Schemes are fully compliant with the updated Principles, as summarised below for each principle:

Principle 1: Effective decision-making

The Trustees have ensured that decisions are taken by those with the skills, knowledge, advice and resources necessary to take them effectively, that their implementation is regularly monitored, and that they have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Principle 2: Clear Objectives

The Trustees have set out an overall investment objective that takes account of the Scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the Trustees and the sponsor, and have clearly communicated these to advisers and investment managers.

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, the Trustees have taken full and proper account of the form and structure of liabilities, including the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Principle 4: Performance Assessment

The Trustees have made suitable arrangements for the formal measurement of the performance of the investments, investment managers and advisers, and periodically make a formal policy assessment of their own effectiveness as a decision-making body, reporting to Scheme members each year.

Principle 5: Responsible Ownership

The Trustees have ensured that BAPIML adopt "The Financial Reporting Council UK Stewardship Code" and comply with the principles of the Code. A statement of the Scheme's policy on responsible ownership is included in the Statement of Investment Principles and the discharge of such responsibilities is reviewed each year.

Principle 6: Transparency and reporting

The Trustees act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives, and report regularly to scheme members.

While full compliance is shown with these high level principles, it is recognised that standards can continue to be improved and developed in line with emerging industry-wide practice. The Investment Committee Business Plan provides for maintaining compliance with the Principles and improving their practices and procedures accordingly.

Trustees' Report

Measuring Investment Performance

In accordance with the Myners' Principles the Trustees have adopted a customised strategic 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.

BAPIML is the in-house investment manager to NAPS. BAPIML's expenses are charged to the Scheme at cost and we 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 we will continue to monitor performance over a range of different time periods.

Details of the Fund performance can be found on page 13.

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 a new Trustee to be trained before they are expected to have achieved the required level of knowledge and understanding. After the initial training Trustees are encouraged to undertake a formal pensions qualification. 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 each Trustee's particular learning needs but is also related to the Committee on which the 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.

Training is provided in a range of formats by a variety of providers. The Scheme 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 sessions. Bespoke training is also provided by BAPIML and BAPSL and Trustees are actively encouraged to supplement this formal training plan by accessing other resources including the Regulator's Trustee Toolkit pensions related publications and, where appropriate, industry conferences and seminars and publications. Records of all training undertaken are maintained.

Trustees' Report

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.

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 (PwC) act as advisers to the Trustees on employer covenant issues. The employer covenant review formed an integral part of the 2009 funding valuation exercise and has continued under the terms of the funding agreement whereby a reporting framework was agreed with BA to ensure that the Trustees receive regular updates on the business activities and financial position of the Company, particularly following the formation of International Airlines Group. The Trustees will work closely with PwC as they prepare for the formal 2012 valuation.

Trustee Arrangements

The Trustee arrangements were reviewed last year and the number of elected Trustees from the active employee category will reduce from five to four and the elected Trustees from the pensioner category will increase from one to two. The change was made to better reflect the changing membership profile of NAPS. The Trustees and BA agreed a change to the Rules to facilitate this change. The Ground Services and Engineering constituencies have been merged and the Scheme will move to this arrangement when the first of the existing Trustees within these constituencies comes to the end of their term of office. The current 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. 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 active Trustees must be supported by at least twenty members in the relevant constituency and pensioner Trustees must be supported by ten members. 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 Scheme 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.

The Governance Committee 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, budget reviews and internal procedures such as ballot processes.

Trustees' Report

Committees continued

The Operations Committee considers 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 and monitors levels of service.

The Investment 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 valuation years it also undertakes a detailed review of the Scheme's investments in the context of its liabilities which includes an asset liability modelling (ALM) study.

Performance of Trustees

Attendance records for Trustee and Committee meetings have been maintained and are shown below:

Although the Main Board usually meets quarterly, the additional work generated by the valuation process necessitated the convening of additional meetings which were often called at short notice.

On several occasions those Trustees not able to attend a meeting appointed an alternate. 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.

On occasions sub-committees are established where a small number of Trustees are tasked with a detailed investigation into a certain issue.

Security of Assets

The Custodian Trustee of 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 Co.

Trustee	Governance Committee	Investment Committee	Operations Committee	Main Board	Period of Appointment
Paul Spencer (Chairman)	3/4	8/9	-	7/7	Whole year
Jo Boswell	-	1/1	-	2/2	From 01/01/11
Robert Boyle	-	5/7	-	5/5	To 23/12/10
Capt Ian Bretherton	-	9/9	-	6/7	Whole year
Alan Buchanan	1/1	-	1/2	3/3	From 10/12/10
Ian Dart	-	-	2/3	0/3	From 01/10/10
Kieran Graham	-	-	-	2/2	From 01/01/11
Micky Grey	-	-	3/4	2/3	To 31/08/10
Steve Gunning	-	-	-	6/7	Whole year
Ian Howick	-	-	5/7	4/5	To 31/12/10
Nikki Jones	-	-	9/10	7/7	Whole year
Geoff Le Boutillier	4/4	-	-	6/7	Whole year
Capt Charlie Maunder	2/2	-	6/7	6/7	Whole year
Paul McGarry	4/4	-	-	6/6	Whole year
Raj Mehta	0/1	-	2/3	2/3	To 31/07/10
Ian Rycraft	-	9/9	3/3	7/7	Whole year

Trustees' Report

SCHEME CHANGES

AVC Contributions

The maximum level of AVC payments was increased from 30% to 50% of gross pay (less any standard employee contributions) from 1 October 2010.

1 July Options

The Option allowing members to increase their pension build up rates was deferred until 1 October 2010 and the ability to elect for Option 55 was withdrawn with effect from 1 July 2010.

1 October Scheme Changes

The following changes were implemented:

- The standard pension build up rate within NAPS was reduced from 1/60 to 1/75 of retiring pay for every year of service from 1 October 2010.
- The existing choices of faster pension build up rates were replaced by new choices of pension build up rates.
- The maximum level of AVC payments was increased from 30% to 50% of gross pay (less any standard employee contributions).

Surplus Repayments

In accordance with requirements of the Pensions Act 2004 the Trustees passed a resolution to allow payments to the Employer from the Scheme assets. Any repayment of surplus monies would only be permitted in the event of a Scheme wind up and only once all benefits built up had been secured for pensioners, deferred pensioners and active members.

Tax Changes

From 6 April 2011 the Annual Allowance for tax relief on pension savings was reduced from £255,000 to £50,000. Any increase in an individual's pension saving exceeding the Annual Allowance will incur a tax charge. An interim election date of 1 April 2011 was introduced to allow members to choose a lower pension accrual rate.

Trust Deed Amendments

The Trust Deed was amended to enable full commutation of pension benefits, including GMP benefits from GMP Age, on the grounds of triviality in line with new regulations which took effect from 1 December 2009.

The Trust Deed was also amended to reflect the 1st October 2010 Scheme changes which were; the standard pension build up rate reduction from 1/60 to 1/75, new choices of pension build up rates replaced the previous faster pension build up rate options and an increase in the maximum member contribution limit.

An amendment was made to change the maximum member contribution limit, including AVCs, from 30% to 50% of Pay (currently the Company exercise their discretion to treat Pay as gross pay less employee contributions).

Further changes to the Trust Deed were also made in respect of the Payment of Trustees, Trustee Appointments, Member Nominated Trustees and Investment of the Fund.

Trustees' Report

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. 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. The Orders currently reflect the rise in the Consumer Prices Index (CPI) over a twelve-month period measured up to the end of September each year. Increases apply to indexed pensions payable under the Rules of NAPS (whether in deferment or currently in payment).

In accordance with the 2011 Order, pensions were increased by 3.1% on 11 April 2011.

Pensions in deferment and payment under the Rules of the British Caledonian, Golden Lion, Dan Air, 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 designated person to deal with the first stage adjudication is Kate Tollis, Head of Secretariat, BAPSL. 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 the member website www.mybapension.com.

Trustees' Report

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, including the maintenance of appropriate internal controls.

This Report was approved by the Board of Trustees on 29 June 2011 and was signed on their behalf by:

Teresa Suriyae
Secretary

Investment Report

REVIEW OF THE YEAR

Returns in all major asset classes were positive, continuing the recovery in markets which began in 2009. Equities overall produced high single digit returns, exceeding the return on bonds by a margin consistent with long term averages. This was less than the high double digit returns exhibited in the 2009/10 bounce back from depressed crisis valuations. Within equities the Japanese equity market produced the only negative return amongst the major geographic regions, particularly affected by the devastating earthquake and tsunami in March 2011. European equities lagged the returns of other developed markets due to the uncertainty over government finances in the peripheral countries. In a repeat of 2009/10, Emerging Market and Asian Equities were the best two performing markets, although the gap between these two and the rest was not as significant as last year.

Within bonds, the fixed interest gilts and corporate bond indices performed broadly in line with each other, producing mid single digit returns and a greater return than cash. Index-Linked gilts outperformed other bonds, reflecting the demand for inflation protection on growing expectations of higher inflation. Property outperformed the other broad asset classes with the Fund's benchmark returning 11.2%, continuing the recovery which began last year.

The Fund retained an over weighting in equities through most of the year in review, reflecting a continuation of the Fund Managers' belief that governments and central banks had done enough to support economies and markets in the near term, and would continue to do so. This allowed restructuring of highly indebted corporates, institutions and governments to occur. If economic activity continued to improve to a sustainable level we expected further growth in corporate earnings, leading to a further rise in equity markets. In addition, equities appeared attractively valued relative to bonds. The stock selection within the portfolios echoed this view with a bias to greater exposure to economically sensitive companies. This positioning was positive for stock selection performance. Although the difficulties in peripheral Europe and a summer slowdown in the U.S. economy reignited fears of a double dip

recession, the autumn witnessed higher levels of economic activity which continued to lift confidence and improved corporate earnings leading to better equity performance.

Due to the fragile nature of the recovery, the authorities delayed increasing interest rates and the withdrawal of liquidity which had been anticipated in the middle of 2010. Whilst this was positive for returns, it is likely that the authorities will revisit the case for increased interest rates and the withdrawal of liquidity later in 2011/12. This may hold back the returns from equities and corporate bonds.

More recently, tensions in the Middle East, disruptions to the global supply chain from the Japanese tsunami and high commodity prices are threatening to inhibit further recovery, giving policy makers a headache as concerns over short-term inflation data need to be balanced against ensuring adequate levels of long term sustainable growth. Against this more uncertain backdrop and after good relative equity performance the Fund has reduced the equity overweight to a more neutral position relative to the benchmark, whilst remaining underweight in bonds.

Asset Allocation and Benchmarks

The Trustees and their advisers have set bandwidths around the strategic benchmarks shown below. 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. The Fund reduces currency risk by hedging a proportion of overseas assets (shown as Inc hedging in the Fund performance table on page 13).

During the year, the Fund reduced the equity component in the benchmark and increased the bond holdings by an equivalent amount in line with the plan to de-risk the Scheme's asset allocation at target funding levels. The Fund also increased the amount of inflation hedging in the Scheme using derivatives and acquired some downside protection against falls in the equity market again through the use of derivatives. These components make up a liability hedging portfolio.

Investment Report

Asset Category	Actual % 31 Mar 2011	Benchmark % 31 Mar 2011	Actual % 31 Mar 2010	Benchmark % 31 Mar 2010
Equities	51.8	51.2	63.6	57.3
UK	15.2	15.3	18.8	17.2
Overseas	36.6	35.9	44.8	40.1
Private Equity	4.0	3.9	3.3	3.3
Alternatives	3.4	3.4	2.4	2.6
Bonds & Cash	31.8	32.5	23.0	27.0
UK Fixed	15.5	19.3	8.4	13.5
Overseas Fixed	0.9	-	1.0	-
UK Index-Linked	11.7	13.2	10.4	13.5
Overseas Index-Linked	1.0	-	1.1	-
Cash	2.7	-	2.1	-
Property	9.0	9.0	7.7	10.0
Total	100.0	100.0	100.0	100.0

The Trustees Investment Committee reviewed benchmarks, bandwidths and target level of performance relative to the benchmark. The Scheme adopted new benchmarks in corporate bonds, giving a wider opportunity set and in April 2011 adopted a revised set of bandwidths.

Fund performance

During the period under review, the Fund outperformed its strategic benchmark, returning 8.95% versus the benchmark return of 8.50%, including currency hedging, which increased the benchmark return during the current year. The total fund including currency hedging and the liability hedging portfolio returned 9.04%.

The Fund Managers are set an outperformance target of 0.5% per annum relative to the strategic benchmark (excluding currency hedging). In the latest year, the Fund Managers outperformed the strategic benchmark, achieving a return of 8.68% versus 8.16% for the benchmark (excluding currency hedging) achieving the performance target. The Fund Managers have also exceeded the benchmark over three, five and ten years. However, the outperformance falls short of the 0.5% target.

The longer term performance of the Fund and the benchmark returns is shown in the table below:

	2011	2009	2007	2002
		/2011	/2011	/2011
Inc hedging	1 year %pa	3 years %pa	5 years %pa	10 years %pa
NAPS	8.95	4.98	4.33	5.83
Benchmark	8.50	4.95	4.20	5.64*
Ex hedging				
NAPS	8.68	6.20	5.14	6.24
Benchmark	8.16	5.99	4.87	5.97*

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

The Fund benefited from positive equity stock selection in most regions. In bonds, the Fund exceeded the benchmark in all of the categories. The property portfolio performed well, returning 14%. Private equity produced a return close to public equity returns. Alternative assets, which includes amongst other opportunities infrastructure and leveraged loans, produced returns above benchmark.

Investment Report

Fund's 10 Largest Stock Holdings as at 31 March 2011

Stock Name	Security Type	£M	% Portfolio
UK Treasury 1.25% Index-Linked 2027	Government Bond	326.4	3.7
UK Treasury 1.25% Index-Linked 2032	Government Bond	282.1	3.2
UK Treasury 5% 2025	Government Bond	278.9	3.2
UK Treasury 2.5% Index-Linked 2024	Government Bond	211.0	2.4
Network Rail 1.75% Index-Linked 2027	Government Bond*	139.1	1.6
UK Treasury 4.25% 2040	Government Bond	135.4	1.5
UK Treasury 3.75% 2020	Government Bond	118.1	1.3
UK Treasury 4.25% 2036	Government Bond	114.0	1.3
UK Treasury 4.25% 2039	Government Bond	89.6	1.0
HSBC Holding	UK Equity	85.4	1.0

*Government Guaranteed Corporate Bond

AVCs

The Mixed Portfolio Fund returned 9.07%, outperforming the strategic benchmark return of 8.37%, (including currency hedging). The external AVC comparators returned an average of 7.45%. Over the longer term the Fund was below the returns of these external comparators when measured on a three year basis and continued to exceed their returns when measured over five and ten years.

The Fund returned 8.71% versus the benchmark return of 7.90% (excluding currency hedging) exceeding the target of 0.5% set for the Fund Managers by the Trustees. The long term numbers are shown below:

	2011	2009	2007	2002
		/2011	/2011	/2011
Inc hedging	1 year %pa	3 years %pa	5 years %pa	10 years %pa
MPF	9.11	5.49	4.36	5.96
Benchmark	8.37	5.49	4.14	5.37*
<hr/>				
Ex hedging				
MPF	8.71	7.21	5.52	6.53
Benchmark	7.90	6.84	5.02	5.80*

* Combination of WM2000 industry peer group and a customised BA strategic benchmark adopted in 2002.

The Fund Managers are below the 0.5% target on three years but have met and exceeded the target over five and ten years.

In the year to March 2011, the Short Dated Gilt Fund returned 1.85% and the Equity Biased Fund returned 3.44%. Further information on the performance of the Funds can be found in the annual AVC Funds Investment commentary and at www.mybapensions.com.

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 through our 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. During the year the Fund signed up to the Financial Reporting Council's Stewardship Code aimed at improving involvement by Institutional Investors. The outcomes of these programmes are reported back to the Trustees of APS and NAPS on an annual basis. The voting records of the Fund Manager are held on our website; www.mybapension.com on the 'Corporate Governance' page. These records are updated each year usually in August.

Independent Auditors' Report

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 2011 set out on pages 16 and 17 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 Auditor

As explained more fully in the Statement of trustees' responsibilities set out on page 11, the scheme trustees are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on Financial Statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year ended 31 March 2011 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;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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.

Karen Mackenzie

**For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

29 June 2011

**15 Canada Square
Canary Wharf
London
E14 5GL**

Fund Account

	Note	2011 £'m	2010 £'m
Contributions and Benefits			
Contributions Receivable	3	345.3	368.1
Transfers In	4	0.3	0.4
Funded Pensions Receivable		4.8	4.5
		<u>350.4</u>	<u>373.0</u>
Benefits Payable	5	(236.9)	(293.0)
Leavers	6	(58.4)	(101.8)
Administration Expenses	7	(6.7)	(6.4)
		<u>(302.0)</u>	<u>(401.2)</u>
Net contributions from dealing with members		<u>48.4</u>	<u>(28.2)</u>
Return on Investments			
Investment Income	8	183.7	186.5
Change in Market Value of Investments	9	549.8	1,783.4
Investment Management Expenses	7	(6.1)	(5.1)
Net Return on Investments		<u>727.4</u>	<u>1,964.8</u>
Net Increase in funds		775.8	1,936.6
Net Assets of the Scheme			
At 1 April 2010		8,033.0	6,096.4
At 31 March 2011		<u>8,808.8</u>	<u>8,033.0</u>

Net Assets Statement

	Note	2011 £'m	2010 £'m
Investments			
Investment Assets:			
Fixed Interest Securities		1,547.9	1,091.1
Index-Linked Securities		958.8	792.4
Equities		4,600.2	4,932.3
Private Equity		349.8	260.8
Alternative Investments		292.3	181.7
Property		779.7	593.7
Derivatives		36.7	12.4
AVC Mixed Portfolio Fund		93.3	86.8
Other Investments		67.3	92.9
Cash		140.2	84.5
		<u>8,866.2</u>	<u>8,128.6</u>
Investment Liabilities:			
Derivatives		(31.7)	(56.5)
Other Investments		(20.9)	(35.8)
		<u>8,813.6</u>	<u>8,036.3</u>
Total Net Investments	9,10,11,12		
External AVC Investment	14	0.9	0.9
		<u>8,814.5</u>	<u>8,037.2</u>
Total Investments			
Current Assets		1.5	3.3
Current Liabilities		(7.2)	(7.5)
		<u>8,808.8</u>	<u>8,033.0</u>
Net Assets of the Scheme at 31 March 2011			

The financial statements summarise the transactions of the Scheme for the year ended 31 March 2011 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 page 4 of the Trustees' Report and should be read in conjunction with these accounts.

These accounts were approved by the Board of Trustees on 29 June 2011 and were signed on their behalf by:

Paul Spencer Management Trustee

Ian Bretherton Management Trustee

Teresa Suriyae Secretary

Notes to the Accounts

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).

2. 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.

Notes to the Accounts

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".

The inflation linked SWAP agreement is valued at the anticipated net present value of all net future cash flows occurring over the duration of the contract.

Private equity and alternative investments are valued at the best estimate of fair value taking the latest available valuations issued by the 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.

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

3. Contributions Receivable	2011	2010
	£'m	£'m
Employer		
Normal	179.5	208.4
Deficit Funding	144.0	138.1
Augmentations	0.1	0.7
Employee		
Normal	3.8	4.7
Additional Voluntary	17.9	16.2
	<u>345.3</u>	<u>368.1</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 30.

Normal employee contributions represent deductions which fall outside of the salary sacrifice scheme.

4. Transfers In	2011	2010
	£'m	£'m
Individual transfers in from other schemes	0.3	0.4
	<u>0.3</u>	<u>0.4</u>

5. Benefits Payable	2011	2010
	£'m	£'m
Pensions	(200.5)	(187.0)
Commutations		
Normal	(27.8)	(83.0)
Addition Voluntary Contributions	(6.4)	(20.8)
Lump sum death benefits	(2.2)	(2.2)
	<u>(236.9)</u>	<u>(293.0)</u>

6. Payment to and on Account of Leavers	2011	2010
	£'m	£'m
Individual transfers to other pension schemes	(58.4)	(101.8)
	<u>(58.4)</u>	<u>(101.8)</u>

7. Administrative and Investment Management Expenses

Administrative and Investment Management expenses are met by the Scheme. However, the levies required by the Pension Protection Fund 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

8. Investment Income

	2011 £'m	2010 £'m
Income from Fixed Interest Securities	50.9	48.7
Income from Index-Linked Securities	14.0	14.7
Net Dividends from Equities	114.1	121.1
Income from Cash Balances	0.4	0.8
Rental Income	1.8	1.2
Other Income	2.5	-
	<u>183.7</u>	<u>186.5</u>

9. Change in Market Value of Investments

	Opening Value 2010 £'m	Purchase Costs & Derivative Payments £'m	Sale Proceeds & Derivative Receipts £'m	Change in Market Value £'m	Closing Value 2011 £'m
Fixed Interest Securities	1,091.1	1,478.6	(1,042.7)	20.9	1,547.9
Index-Linked Securities	792.4	238.9	(112.1)	39.6	958.8
Equities	4,932.3	2,471.1	(3,125.7)	322.5	4,600.2
Private Equity	260.8	87.0	(25.6)	27.6	349.8
Alternative Investments	181.7	112.9	(17.3)	15.0	292.3
Property	593.7	136.7	(40.9)	90.2	779.7
Derivatives					
Futures	3.8	2.9	(9.1)	(2.1)	(4.5)
Forward Foreign Exchange	(48.1)	118.8	(100.4)	27.8	(1.9)
Option	0.2	38.5	(30.1)	(3.7)	4.9
Inflation-Linked SWAP	-	-	-	6.5	6.5
AVC Mixed Portfolio Fund	86.8	11.5	(12.7)	7.7	93.3
Other Investment	57.1	-	(10.7)	-	46.4
Cash	84.5	57.9	-	(2.2)	140.2
External AVC Investments	0.9	-	-	-	0.9
Total Investments	<u>8,037.2</u>	<u>4,754.8</u>	<u>(4,527.3)</u>	<u>549.8</u>	<u>8,814.5</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 £29.4m (2010: £28.9) Property Unitised Fund, £0.3m (2010: £0.2m) Private Equity Fund and £2.4m (2010: £2.7m) AVC Mixed Portfolio Fund.

Included within the above purchase and sales figures are transaction costs of £12.6m (2010: £10.8m). 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

10. Investments	2011 £'m	2010 £'m
Fixed Interest Securities:		
UK public sector quoted	847.1	400.9
UK other quoted	627.1	611.6
Overseas quoted	73.7	78.6
	<u>1,547.9</u>	<u>1,091.1</u>
Index-linked securities:		
UK public sector quoted	848.1	682.8
UK other quoted	25.9	24.1
Overseas quoted	84.8	85.5
	<u>958.8</u>	<u>792.4</u>
Equities:		
UK quoted	1,393.8	1,432.5
Overseas quoted	3,206.4	3,499.8
	<u>4,600.2</u>	<u>4,932.3</u>
Private Equity		
UK	32.4	25.2
Overseas	317.4	235.6
	<u>349.8</u>	<u>260.8</u>
Alternatives		
UK	48.2	42.2
Overseas	244.1	139.5
	<u>292.3</u>	<u>181.7</u>
Property	779.7	593.7
AVC Mixed Portfolio Fund	93.3	86.8
Other Investment Assets	67.3	92.9
Derivative Assets:		
Futures – exchange traded	-	3.8
Forward foreign exchange	14.9	8.4
Options	15.3	0.2
Inflation-Linked SWAP	6.5	-
	<u>36.7</u>	<u>12.4</u>
Cash		
Cash deposits	145.9	65.7
Collateral due in respect of Inflation Linked SWAP	(5.7)	-
Collateral received in respect of forward foreign exchange	-	18.8
	<u>140.2</u>	<u>84.5</u>
Total Investment Assets	<u>8,866.2</u>	<u>8,128.6</u>
Derivative Liabilities		
Forward foreign exchange	(16.8)	(56.5)
Futures – exchange traded	(4.5)	-
Options	(10.4)	-
Other Investment Liabilities	(20.9)	(35.8)
Total Investment Liabilities	<u>(52.6)</u>	<u>(92.3)</u>

Notes to the Accounts

10. Investments (continued)

Included within the Private Equity, Alternative and Property values are a number of investments which are held jointly in unitised funds on behalf of APS and NAPS. As at 31 March 2011 the value of these funds are as follows:

Private Equity	% held	2011 £'m	2010 £'m
Private Equity Unitised Fund	49.37%	39.6	40.2
Direct Investments		310.2	220.6
Total Private Equity		349.8	260.8

All the Private Equity investments are managed funds.

Alternatives	% held	2011 £'m	2010 £'m
Alternative Unitised Fund	49.37%	17.1	16.6
Direct Investments		275.2	165.1
Total Alternatives		292.3	181.7

All the Alternative investments are managed funds.

Property	% held	2011 £'m	2010 £'m
Property Unitised Fund	73.96%		
UK Property		631.1	483.8
Property Unit Trusts		82.0	76.1
Other Managed Funds		25.5	5.3
Other		(2.6)	(0.5)
Total Property Unitised		736.0	564.7
Direct Investments		43.7	29.0
Total Property		779.7	593.7

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

Included in the investments are securities loaned as at 31 March 2011 of £860.1m (2010; £1,436.9m). 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

11. 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:

	2011 £'m	2010 £'m
Gross Assets	520.7	478.6
Gross Liabilities	(461.6)	(466.3)
Net (Liability) / Asset Value	59.1	12.3
Tesco Red Unit Trust % holding 49.95%	29.5	6.1

The value of the Tesco Investment attributable to NAPS:

	2011	2010
Tesco Red Unit Trust		
Loan notes	32.9	35.4
Tesco Red Limited Partnership	29.5	6.1
Total	62.4	41.5
General Partner 50% Share	0.1	-
Total	62.5	41.5
Scheme holding 70%	43.7	29.0

Notes to the Accounts

12. 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	Nominal Value m	Fair Value £'m
Euros			
Forward to sell EUR	April 11-August 11	€539.6	(16.2)
Japanese Yen			
Forward to sell JPY	May 11-June 11	Y34309.5	3.6
Forward to buy JPY	May 11-June 11	Y2140.3	(0.2)
USD			2.4
Forward to sell USD	April 11-August 11	\$1455.6	11.3
Forward to sell USD	April 11-August 11	\$97.2	(0.4)
			(1.9)

Options

The investment committee agreed to protect 25% (approximately £1billion) of the NAPS quoted equity exposure. The strategy seeks to provide protection against the equity market downside risk and finances this through paying away some equity upside. The total notional traded as at end of March amounts to £580m.

Fair value of the put option spreads expiring between Sep 2012 to June 2013 across UK, US and Europe amounts to an asset of £15.3m

Fair value of the call spreads expiring between Sep 2012 to June 2013 across UK, US and Europe amounts to a liability of £10.4m

Included within cash balances are £9.7m in respect of initial and variation margins arising on open futures and options contracts as at the year end.

Notes to the Accounts

12. Derivative Contracts continued

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	Sold	11,270	Jun 2011	(2.7)
Total UK futures				(2.7)
Topix stock futures	Bought	104,000	Jun 2011	(0.5)
DJ EURO STX 50	Sold	6,790	Jun 2011	(0.8)
EMINI S&P	Sold	24,150	Jun 2011	(0.5)
Total Overseas futures				(1.8)

Included within cash balances are £8.6m in respect of initial and variation margins arising on open futures contracts at the year end.

Inflation-Linked SWAP

The Scheme had 21 Inflation-Linked SWAP contracts with a combined value of £6.5m as at the year-end. The total notional value of the contract amounts to £486.8m.

As at 31 March 2011, BAP received France Government Bonds worth £6m as collateral from Goldman Sachs, to cover the SWAP exposure.

13. Additional Voluntary Contributions (AVCs)

There are three Additional Voluntary Contribution Funds. The Mixed Portfolio which is a separately managed unitised fund, The Short-dated Gilts Fund and The Equity Biased Fund which are held within the Investments. The value of these funds is as follows:

	% held	2011 £'m	2010 £'m
Mixed Portfolio Fund	84.73%		
Fixed Interest		13.3	11.7
Equities		75.4	73.2
Cash		4.6	1.9
Total Mixed Portfolio Fund		93.3	86.8
Short-dated Gilts Fund		24.9	37.8
Equity Biased Fund		18.1	58.4
Total Value of AVC Funds		136.3	183.0

Notes to the Accounts

14. 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:

	2011 £'m	2010 £'m
British Caledonian Group Pension & Life		
Prudential	0.6	0.6
Davies and Newman and Dan Air		
Scottish Life	0.1	0.1
Equitable Life Assurance	0.1	0.1
Norwich Union	0.1	0.1
	<hr/>	<hr/>
	0.9	0.9

15. 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:

	2011 £'m	2010 £'m
Balance of BAMPS at 1 April 2010	5.5	5.6
Contributions	0.2	0.2
Interest	0.3	-
Transfers out	(0.2)	(0.3)
	<hr/>	<hr/>
Balance of BAMPS at 31 March 2011	5.8	5.5

Notes to the Accounts

16. Contingent Liabilities and Contractual Commitments

The following contractual commitments existed at the year-end

	2011 £'m	2010 £'m
Private Equity	315.1	379.7
Alternative Investments	105.2	100.8
Property Unitised Fund	20.8	15.0
	<hr/> 441.1	<hr/> 495.5

17. 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.

18. 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 are typically members or pensioners of APS or NAPS with the exception of Mr Paul Spencer who is not a member of either scheme. If they are members or pensioners then their pension rights are on terms normally granted to members.

Mr Paul Spencer was remunerated by BA Plc in respect of his services as Chairman of the Trustees. Pensioner elected Trustees were also eligible for payment by the Company.

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

Independent Auditor's Statement about Contributions 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 2011, which is set out on page 30.

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 30, 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.

Scope of Work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the payment schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the payment schedule.

Statement about Contributions Payable Under the Schedule

In our opinion contributions for the scheme year ended 31 March 2011 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 30 June 2010.

Karen Mackenzie

**For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

29 June 2011

**15 Canada Square,
Canary Wharf
London, E14 5GL**

Summary of Contributions

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 2011

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 30 June 2010 in respect of the Scheme year ended 31 March 2011. 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	179.5
Employer deficit funding	144.0
Member normal contributions	3.8
Contributions payable under the Schedule (as reported on by the scheme auditors)	327.3

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)	327.3
Contributions payable in addition to those due under the Schedule:	
Member additional voluntary contributions	17.9
Employer augmentations	0.1
Total contributions reported in the accounts	345.3

This Report was approved by the Board of Trustees on 29 June 2011 and was signed on their behalf by:

Teresa Suriyae
Secretary

Schedule of Contributions

The New Airways Pension Scheme Schedule of Contributions

Period covered by this schedule: From the date of certification of this Schedule by the Actuary until 31 March 2026

Level of contributions payable:

By members: Salary sacrifice members: Nil

FSS Members who are not salary sacrifice members: As specified in the tables below. In addition, members may elect not to pay for spouse's benefits, in which case the contribution rates will be 1.5% lower than shown below. All rates are subject to variation as specified in the Scheme Rules.

From the date of certification of this Schedule until 30 September 2010:

	% Pay for contribution purposes		
	Option 55	Plan 60	Plan 65
Accrual rate 60	17.50%*	8.50%*	5.25%
Accrual rate 56	20.50%*	11.50%*	8.25%*
Accrual rate 52	23.50%*	14.50%*	11.25%*

From 1 October 2010 to 30 September 2011:

	% Pay for contribution purposes		
	Option 55	Plan 60	Plan 65
Accrual rate 75	16.00%*	7.00%	3.75%
Accrual rate 67	18.25%*	9.25%*	6.00%*
Accrual rate 60	20.50%*	11.50%*	8.25%*

From 1 October 2011:

	% Pay for contribution purposes		
	Option 55	Plan 60	Plan 65
Accrual rate 75	17.50%*	8.50%	5.25%
Accrual rate 67	19.75%*	10.75%*	7.50%*
Accrual rate 60	22.00%*	13.00%*	9.75%*

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

From 1 October 2010, part of the above contributions may be paid by the Employers for lower paid members.

BAMPS members who are not salary sacrifice members: the percentage of Pay for Contribution Purposes elected by the member in accordance with Rule 6(a).

Schedule of Contributions

By the Employers: Contributions at the following rates to cover the cost of accrual in respect of FSS members:

From the date of certification of this Schedule until 30 September 2010:

	% 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%

From 1 October 2010 to 30 September 2011:

	% Pay for contribution purposes	
	Plan 60	Plan 65
General Staff	16.5%	15.3%
Air Cabin Crew	15.0%	14.7%
Pilots and Officers	19.7%	18.6%

From 1 October 2011:

	% Pay for contribution purposes	
	Plan 60	Plan 65
General Staff	15.0%	13.8%
Air Cabin Crew	13.5%	13.2%
Pilots and Officers	18.2%	17.1%

Contributions in respect of BAMPS members will be paid according to the rates specified in Rule 47 of the Scheme Rules.

In addition, for salary sacrifice members, an amount equal to the contributions that would be payable by the members if they were not salary sacrifice members. Similarly, for any lower paid members who are not salary sacrifice members, an amount equal to any difference between the rates in the member contribution tables above and the amounts actually paid by the lower paid members.

Schedule of Contributions

In addition to the above, contributions will be paid at the following rates to eliminate the funding shortfall:

- £11,506,250 per month from April 2009 to June 2010 inclusive
- £13,481,250 during July 2010
- £12,000,000 per month from August 2010 to March 2011 inclusive
- £13,666,667 per month from April 2011 to March 2012 inclusive
- £14,750,000 per month from April 2012 to March 2013 inclusive
- £15,916,667 per month from April 2013 to March 2014 inclusive
- £17,083,333 per month from April 2014 to March 2015 inclusive
- £18,416,667 per month from April 2015 to March 2016 inclusive
- £19,833,333 per month from April 2016 to March 2017 inclusive
- £21,416,667 per month from April 2017 to March 2018 inclusive
- £23,083,333 per month from April 2018 to March 2019 inclusive
- £24,833,333 per month from April 2019 to March 2020 inclusive
- £26,750,000 per month from April 2020 to March 2021 inclusive
- £28,833,333 per month from April 2021 to March 2022 inclusive
- £29,583,333 per month from April 2022 to March 2023 inclusive
- £30,333,333 per month from April 2023 to March 2024 inclusive
- £31,083,333 per month from April 2024 to March 2025 inclusive
- £31,916,667 per month from April 2025 to March 2026 inclusive

The Trustees and BA have agreed a package of additional security and other measures aimed at improving the funding position and members' benefit security over time, which are documented in a separate legal agreement.

In accordance with the 2010 Funding Agreement, any payment made under Section 75 of the Pensions Act 2004 may be treated as a pre-payment of amounts due under this schedule.

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 6 and these rates include an allowance for administrative and non-investment expenses. This Schedule does not relate to the payment of any amounts under the separate legal agreement, nor to the payment of additional voluntary contributions (AVCs) under Rule 36, nor to contributions payable under Rule 35. Pension Protection Fund levies are to be paid directly by BA Plc in addition to the amounts specified in this Schedule.

Date of Schedule (for reference purposes): 30 June 2010

Agreed on behalf of the Trustees of the Scheme

Paul Spencer

Chairman of the Trustees

Agreed on behalf of the employers

Keith Williams

Chief Financial Officer

Actuarial Certificate

Actuarial Certificate Schedule of Contributions

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 2009 to be met by the end of the period specified in the recovery plan dated 30 June 2010.
- 2 I also certify that any rates of contributions forming part of this Schedule which the Scheme requires me to determine 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 30 June 2010.

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.

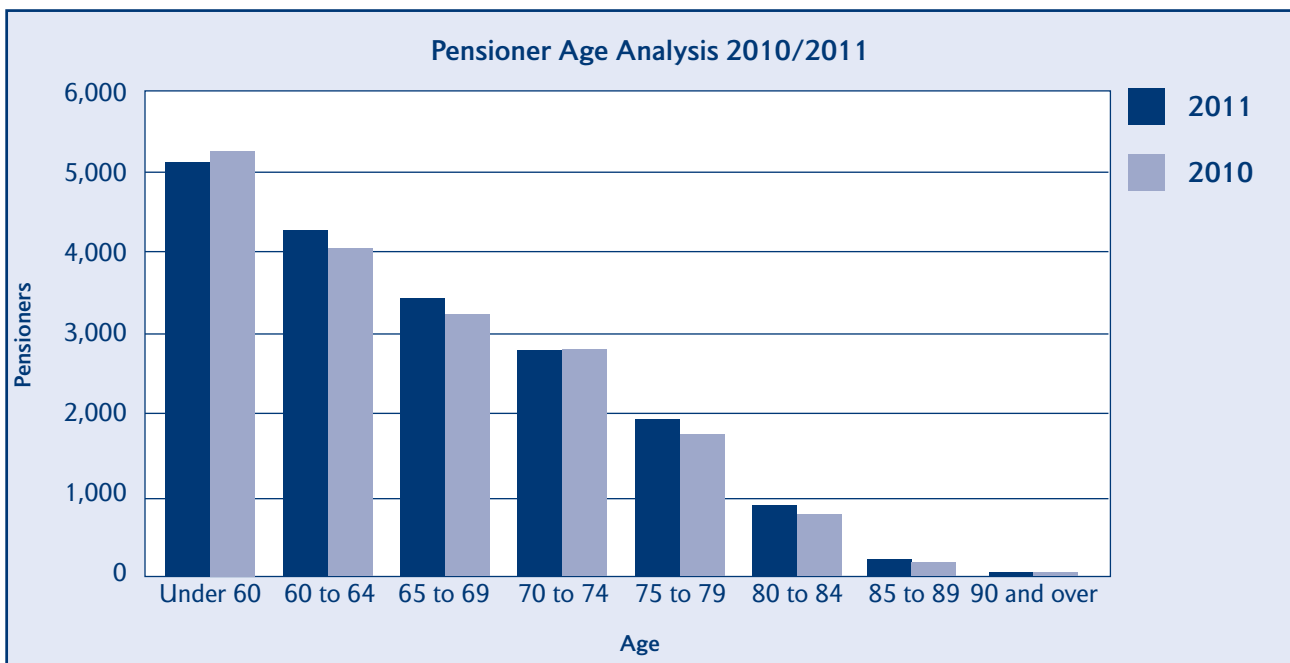
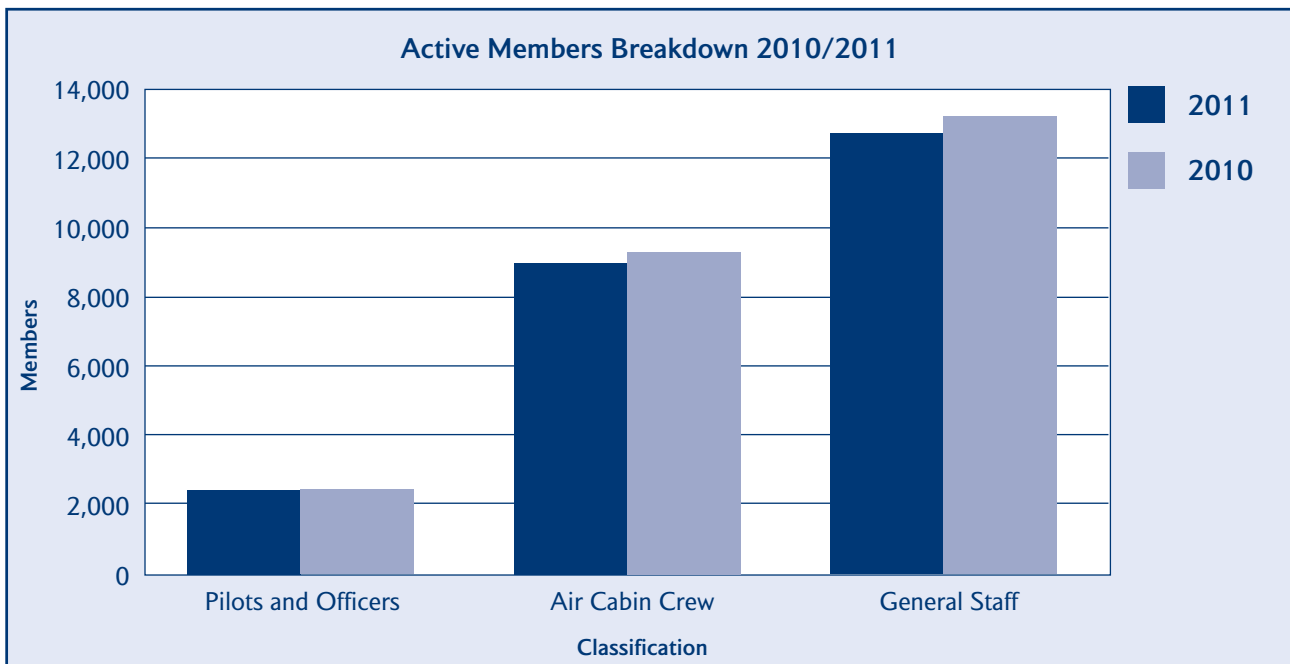
James C Wintle
Fellow of the Faculty of Actuaries

30 June 2010

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Membership Information

	2011	2010
Active Members	24,033	24,968
Pensioners in Payment	18,504	17,964
Dependant Pensioners	3,010	2,898
Deferred Pensioners	22,567	22,694
	<u>68,114</u>	<u>68,524</u>



Compliance Statement

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 was the scheme offered to eligible new employees of BA between 1 April 1984 and 31 March 2003. On 1 April 1993 the "British Airways Money Purchase Section" ("BAMPS"), a section within NAPS, was established. The original section of the Scheme is referred to as 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 offered 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 October 2010 the standard accrual within NAPS was reduced from 1/60th to 1/75th and maximum contributions were increased to 50%

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.

British Airways Pensions
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Hounslow
Middlesex TW3 1HU