

Annual Report and Accounts 2014

New Airways Pension Scheme



**Year ended
31 March 2014**

Annual Report and Accounts

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Email: enquiries@bapensions.co.uk

Chairman's Review

I last reported to you, on behalf of the Scheme Trustees in October 2013. As well as meeting as a full Board four times a year (in addition to Committee and Subcommittee meetings) as is usual, the Trustees have needed to convene full Board meetings on three additional occasions to ensure that they continued to exercise their duties diligently over the full ranges of issues which have arisen. This report and the following pages are intended to update you on these key funding, governance, investment and administration issues. Over this period we have also published a quarterly newsletter on the member website to keep members up to date.

Headline Results

As shown on page 17, the net asset value of the Scheme has increased from £11.0 billion as at 31 March 2013 to £11.7 billion as at 31 March 2014. The key factors contributing to this increase are contributions made by British Airways Plc (BA), the investment returns achieved and the increase in the market value of investments, particularly the Scheme's equities holding and the associated currency hedging.

We have seen a modest improvement in the Scheme deficit from £2.7 billion at 31 March 2012 to £1.9 billion at 31 March 2013. The interim funding position of the Scheme as at 31 March 2014 is currently being assessed by the Scheme Actuary and will be reported before the end of the year. The next formal valuation will be as at 31 March 2015 which will be the first undertaken against the backdrop of the Pension Regulator's revised code of practice (Funding Defined Benefits, published June 2014) which anticipated the introduction of the Pension Regulator's sustainable growth objective which came into force on 14 July 2014. Page 4 contains more information on the valuation process.

Investment Policy and Performance

As always considerable work has been undertaken to manage the Scheme's investment risk. The main focus has been the detailed three-yearly review of the Scheme's investments in the context of its liabilities which includes an asset liability modelling (ALM) study. The work required for this review is extensive and commenced at the same time as the valuation work in the spring of 2012. As part of the review the Trustees have agreed a new Journey Plan and an updated Scheme's Statement of Investment Principles.

More information about the management of the Scheme's investments and the 2013/14 investment and economic environment can be found on page 11 and 12.

The day to day management of the Scheme's investments is delegated to British Airways Pension Investment Management Ltd (BAPIML). The Trustees closely monitor BAPIML's performance. BAPIML's track record over the near and long term is shown on pages 12 to 14.

Trustee Board

During the year since last reporting to you there have been no Trustee appointments or retirements.

I would like to thank the Trustee Board for the commitment they have shown in fulfilling their Trustee duties and on behalf of the Trustees I would like to thank BAPIML, British Airways Pension Services Ltd (BAPSL) and all the Scheme Advisers.

Paul Spencer CBE
Chairman of Trustees
October 2014

Trustees and Advisers

Appointed by British Airways Plc (The Company)

| | | | |
|--|--|---|---|
| Paul Spencer (Chairman) Independent Trustee | Charlie Maunder Head of Flight Operations | Peter Simpson Director of Gatwick | Alan Buchanan Former Employee |
|--|--|---|---|

| | |
|--|---|
| Jo Boswell Head of Customer & Commercial Analysis | Philip Osmond Director of Airport Transformation |
|--|---|

Member Elected

| | | | |
|----------------------------------|---|---|----------------------------------|
| Ian Bretherton Captain | Graham Fowler Pensioner elected | Geoff Le Boutillier Pensioner elected | Ian Rycraft Technician |
|----------------------------------|---|---|----------------------------------|

| | |
|--|---|
| Dave Southcott Senior Customer Services Agent | Adrian Smith Eurofleet Purser |
|--|---|

Advisers*

| | | | |
|--|---|------------------------------|--|
| Scheme Actuary James Wintle Towers Watson Ltd | Legal Advisers Eversheds LLP Freshfields Bruckhaus Deringer LLP | Bankers BNY Mellon | External Custodian State Street Bank and Trust Co |
|--|---|------------------------------|--|

| | | | |
|---|-----------------------------|---|---|
| Investment Advisers Towers Watson Ltd | Auditors KPMG LLP | Convenant Advisers PricewaterhouseCoopers LLP | Independent Investment Advisers AllenbridgeEpic Investment Adviser Geoff Lindey Andrew Threadgold Phillip Williams |
|---|-----------------------------|---|---|

Administration
British Airways Pension Services Ltd (BAPSL)
Teresa Suriyae
Managing Director & Scheme Secretary

Investment Management
British Airways Pension Investment
Management Limited (BAPIML)
Michelle McGregor Smith
Chief Executive

* In addition to the Scheme's principal advisers the Trustees have appointed legal and other advisers to provide advice on specific matters as required.

The New Airways Pensions 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.

The financial statements of the Scheme for the year ended 31 March 2014, as set out on pages 16 to 27 have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

SCHEME FUNDING POSITION

The formal valuation for 31 March 2012 was concluded in June 2013 and showed that the scheme was in deficit and a Recovery Plan is in place. Details on the outcome of the valuation were set out in the Trustees' letter to Members and Pensioners in September 2013 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 2015. 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 2013 findings is set out opposite. More information regarding the Scheme Actuary's findings was included in the February 2014 edition of In Focus (also available on the member website www.mybapension.com). The 2014 interim update exercise is underway and the outcome will be reported to the membership later in the year.

The 31 March 2013 update shows that the funding level has improved from 78.3% at 31 March 2012 to 85.1% as at 31 March 2013 and the deficit has reduced from £2.7bn to £1.9bn. The value of the Scheme's liabilities increased over the year to reflect changing market conditions, however this was more than offset by a greater than expected investment return.

The funding levels are shown below:

| | 31 March 2012 | 31 March 2013 |
|---------------|------------------|------------------|
| Liabilities* | (12,275) | (12,962) |
| Assets | 9,615 | 11,025 |
| (Deficit) | (2,660) | (1,937) |
| Funding level | 78.3% | 85.1% |

* The liabilities are based on the technical provisions agreed between the Trustees and BA at the 31 March 2012 valuation, updated by the Actuary in line with changes in market conditions as at 31 March 2013.

The Recovery Plan

The Scheme has a Recovery Plan in place to address the deficit. Under the terms of the Recovery Plan the Trustees and the Company have agreed to repair the deficit by:

- The Company continuing to pay lump sum contributions to the Scheme at the amounts agreed following the 2009 valuation, starting from around £15 million per month increasing each year to around £32 million per month by 2026. Part of the lump sum contributions are to eliminate the deficit (around £8 million per month increasing each year incrementally to around £25 million per month by 2026) with the remainder being used to cover part of the cost of continued accrual of benefits in the Scheme
- Making an allowance for investment returns at 0.5% a year in excess of the discount rate
- If the assumptions in the Recovery Plan are borne out in practice, the deficit is expected to be eliminated by 31 March 2026.

Trustees' Report

PricewaterhouseCoopers LLP (PwC) are engaged by the Trustees to carry out extensive and ongoing reviews of the Company's financial position and future cash flows. PwC have advised the Trustees that the contributions that the Company has committed to pay to the NAPS and the Airways Pension Scheme (APS) are set at the level that the Company can reasonably afford in current circumstances. The airline industry is volatile and the Trustees have agreed protections in the event that the Company's position were to deteriorate but have also agreed a cash sweep mechanism which means that the Scheme will receive additional contributions in the event that the Company's 31 March cash balance exceeds prescribed thresholds.

SCHEME 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.

The in depth review of the Scheme's investment strategy which takes place following each valuation has now been completed. This review includes an asset liability modelling (ALM) study the results of which have been used to set out a Journey Plan which seeks to support the objective of returning to full funding. In addition to agreeing the Journey Plan the Trustees also reviewed the Scheme's Statement of Investment Principles (SIP) following which a new SIP was issued in October 2013.

As part of the Journey Plan the Trustees have also reviewed and updated the de-risking framework which seeks to capture outperformance and provides a governance structure which has been proven to deliver timely execution. The framework also details the Scheme's hedging strategies which are used, for example, to protect against inflation and interest rate fluctuations. In addition the downside protection programme originally implemented in 2010 which uses equity options to manage funding level volatility has again been rolled forward.

The Journey Plan also details the Scheme's hedging strategies which are used, for example, to protect against inflation and interest rate fluctuations.

Statement of Investment Principles (SIP) Changes

An updated SIP was adopted in October 2013.

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.

Measuring Investment Performance

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.

The Trustees monitor the Fund's performance by comparing the returns that the Scheme 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 the Scheme. BAPIML's expenses are charged to the Scheme at cost and routine or day to day investment decisions are delegated 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.

Details of the Fund performance can be found on pages 12 to 14.

Trustees' Report

STATEMENT OF COMPLIANCE WITH THE UPDATED MYNERS PRINCIPLES

The updated Myners Investment Principles published by the Government in October 2008 have been reviewed on a self-assessment basis by AllenbridgeEPIC Investment Advisers, and it was concluded that the Scheme is fully compliant with the Principles.

Notwithstanding full compliance 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.

SCHEME GOVERNANCE

Trustee Governance

Trustee Knowledge and Understanding (TKU)

The Trustees have a formal training policy the foundation of which is the TKU framework. The Trustees conduct a detailed review of their approach to training biennially.

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 six 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, seminars and publications. Records of all training undertaken are maintained in respect of each individual Trustee.

Conflicts of Interest

The Trustees understand 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 Scheme's primary legal advisers are Eversheds LLP and they are also the primary legal advisers for APS. NAPS has appointed Freshfields Bruckhaus Deringer LLP to act for them should matters arise which require separate legal advice.

Trustees' Report

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. A reporting framework was agreed with the Company during the 2012 valuation to ensure that the Trustees receive regular updates on the business activities and financial position of the Company.

Trustee Arrangements

- The Scheme is administered by 12 Trustees.
- Six of the Trustees are appointed by the Company.
- Four of the Trustees are elected by active members of the Scheme. Each will come from a different occupational group. These Trustees must be active members of NAPS.
- Two of the Trustees are elected by pensioner members* of the Scheme and must be pensioner members* 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 member Trustees must be supported by at least 20 members in the relevant constituency and nominations for pensioner member* Trustees must be supported by 10 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.
- Members taking Flexible Retirement cannot apply to be a pensioner member* Trustee and an active member Trustee at the same time however Flexible Retirement members are eligible to vote in both active member and pensioner member* Trustee elections.
- 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 50 of the relevant members.

* For this purpose 'pensioner members' do not include pensioners whose benefits have not yet come into payment or contingent beneficiaries.

Committees

NAPS and APS have separate Trustee Boards however much of the business of the two Schemes is common. Although separate meetings are held when required, most Main Board and Committee meetings have been held in tandem although each Trustee Board reaches its decisions independently. Much of the 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 and Audit Committee is principally concerned with legislative compliance, audit 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, reviewing the performance of the Scheme Advisers, budget reviews and internal procedures such as ballot processes.

The Operations Committee considers a range of matters requiring Trustee 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 such as 2012/13 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.

In addition to the three main Trustee Committees, sub-committees are established where a small number of Trustees are tasked with a detailed investigation into one or more defined issues.

Trustees' Report

Performance of Trustees

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

Although the Main Board is scheduled to meet quarterly, the number of matters requiring the Trustees' attention necessitated the convening of additional meetings which were often called at short notice.

On occasions that Trustees are not able to attend a meeting, the Rules provide for them to appoint an alternate to attend and vote for them. During the period under review this has been standard practice. In addition, some Trustees attended, as observers, meetings of Committees to which they were not formally appointed, such occurrences are not included in the attendance list.

Security of Assets

The Custodian Trustee of the Scheme, British Airways Pension Trustees Limited, holds the assets of the Scheme on behalf of the Trustees, however physical custody of the Scheme's securities (i.e. stocks and shares) has been delegated to independent external custodians, State Street Bank and Trust Co.

SCHEME CHANGES

Factor Review

Following completion of the 2012 valuation the Trustees have undertaken a full review of factors. The factor review reflects the changes in financial and mortality assumptions. The revised factors have been implemented and are effective from 1 April 2014.

Money Purchase Definition

Under new legislation AVCs invested in the Equity Biased Fund (EBF) and the Short-dated Gilts Fund (SGF) are no longer classed as money purchase benefits and are now classed as cash balance or non-money benefits. The Mixed Portfolio Fund (MPF) is not affected by this change in definition.

Online Communications

The member website (www.mybapension.com) has been enhanced and E-comms has been launched for the whole membership to enable easy access, less reliance on post and potential cost savings for the Scheme.

| Trustee | Governance Committee | Investment Committee | Operations Committee | Main Board | Period of Appointment to Main Board |
|-------------------------|----------------------|----------------------|----------------------|------------|-------------------------------------|
| Paul Spencer (Chairman) | 4/4 | 6/6 | - | 7/7 | Whole year |
| Jo Boswell | - | 5/6 | - | 6/7 | Whole year |
| Ian Bretherton | - | 4/6 | - | 4/7 | Whole year |
| Alan Buchanan | 4/4 | - | 6/8 | 7/7 | Whole year |
| Graham Fowler | - | - | 5/8 | 7/7 | Whole year |
| Geoff Le Boutillier | 3/4 | - | - | 7/7 | Whole year |
| Charlie Maunder | - | - | 8/8 | 7/7 | Whole year |
| Philip Osmond | - | - | - | 6/7 | Whole year |
| Ian Rycraft | - | 5/6 | - | 7/7 | Whole year |
| Peter Simpson | - | - | - | 6/7 | Whole year |
| Adrian Smith | 3/4 | - | - | 5/7 | Whole year |
| Dave Southcott | - | - | 7/8 | 7/7 | Whole year |

Trustees' Report

Trivial Commutation

As a result of a change introduced by the Budget there has been an increase in the qualifying capital value of pension below which the whole pensions can be drawn as cash.

State Pension Age

The Pensions Act 2014 brought the increase in the State Pension Age from 66 to 67 forward to the mid-2020s and provides for a regular review of the State Pension Age. The Government believes that future generations should spend up to a third of their adult life in retirement which, based on current assumptions about changes in longevity, implies that State Pension Age may rise to 68 by the mid-2030s and 69 by the late 2040s.

Trust Deed Amendments

The following amendments were made during the year:

- Forfeiture – the Trustees now have discretion to forfeit a pension payable to a beneficiary if that person is convicted of the Member's murder.
- SmartAVCs – changes were made to define regular AVCs as Non-Notional Voluntary Contributions and to allow the conversion of all regular AVCs to SmartAVCs on 1 October 2013 unless the Member elected otherwise.
- Management Trustee Alternates – the facility for Trustees to appoint a Primary and Secondary alternate was introduced.
- Benefits for same sex spouses – amendments were made to allow contingent benefits to be payable to an individual who is the same sex spouse of a member in the same way as an opposite sex spouse of a member.
- Transfer of contracted-out benefits – the Rules were aligned with legislation which lifted restrictions on transfers of contracted-out benefits.

Copies of the deeds implementing these changes can be viewed on the member website www.mybapension.com

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 (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 the preceding September. Increases apply to indexed pensions payable under the Rules of the Scheme (whether in deferment or currently in payment). The 2014 Order was 2.7% and in accordance with the Scheme Rules, pensions were increased by 2.7% on 7 April 2014.

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 the Scheme, 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 Trustee Governance & 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.

Trustees' Report

Multiple Entitlements

Members who have built up more than one pension within the Scheme for different periods of employment with British Airways can take a maximum tax free lump sum of up to 25% of the combined pension values if drawn at the same time.

Optional Dependant's Pension

Where a member has elected to provide additional dependant's pension and the member's pension has commenced, in the event of the dependant's death the member can request the Trustees to exercise discretion to consider an alternative dependant.

Tax Allowance Changes

Due to changes in the Annual Allowance and Lifetime Allowance, new protection measures - Fixed Protection 2014 and Individual Protection 2014 - have been introduced.

NAPS Option Date

Members now have two opportunities a year, 1 April and 1 October, to consider changing their pension build up rate or Plan.

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 available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- 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 1 October 2014 and was signed on their behalf by:

Teresa Suriyae
Secretary

Investment Report

REVIEW OF THE YEAR

Overall 'return seeking assets' such as equities, property and alternative assets performed better than UK government bonds which produced negative returns.

The economic themes which have dominated the post-financial crisis world continued into 2014. Economic recovery was fragile and in most regions required the continued support of monetary authorities through low interest rates, the provision of additional liquidity and a range of policy initiatives designed to encourage growth. At the beginning of 2013 Japan announced a significant stimulus package which helped equities and bonds rally into the first quarter of the year. The banking system in the US and Europe carried on the healing process through recapitalisation and the workout of bad debts. However concerns over the rate of slowdown in China and the impact on other Asian and emerging markets weighed on sentiment throughout the year.

The environment was mainly benign for assets, and markets appeared to be supported by the actions of monetary authorities willing to support economies until there was enough evidence to suggest growth was self-sustaining. However, during the second quarter, the US Federal Reserve unsettled markets with talk of 'tapering', meaning the withdrawal of monetary stimulus, and both equities and bonds fell. Confidence returned with stocks rallying into 2014. Economic growth in the UK was better than many expected. There was also progress in restructuring economies in Europe including some of the periphery countries. More recently the Russia / Ukraine tensions have worried markets and the European economic recovery has stalled. However in equity markets this has been offset by an increase in corporate takeover activity across a wide range of industries and countries, as excess liquidity is put to work by corporates as sentiment improves and they take advantage of the historically low cost of capital.

Returns in the different regional equity markets varied substantially. The Fund's emerging market benchmark was the worst performer for the second year running, falling by 16.07%. As we reflected last year this bespoke benchmark includes Latin America, Russia, South Africa and Emerging Europe. These markets have higher exposure to global

growth, especially China, as the indices tend to be heavily weighted towards basic commodities. In addition, domestic politics were also unfavourable to investment confidence in a number of these countries. In contrast the developed markets of UK, North America and Europe produced strong returns. In the UK and North America this reflected the better economic backdrop, continued recovery and more policy support with the housing and labour markets showing improvements. In Europe, whilst benchmark returns were strong the recovery faltered as poor consumer confidence, weaker export markets and more recently the Russia / Ukraine tensions restrained demand. Whilst some of the periphery economies such as Spain and Portugal have improved, Italy and France have struggled to restructure.

Bond performance was mixed with both UK index-linked and fixed income bonds producing negative returns as expectations of rising interest rates and the potential end of quantitative easing unsettled investors. However corporate bonds produced positive returns as investors searched for higher yields and the outlook for corporates improved. Inflation in the developed markets remained subdued, generally moderating as the year progressed.

Sterling strengthened against the US dollar, Euro and Japanese Yen over the year.

The UK real estate market continued to perform well as the demand from UK and overseas investors outstripped supply of properties, particularly in prime locations. The IPD benchmark returned 13.55% exceeding the sterling returns of all the other major asset class benchmarks except for European equities.

The Fund's benchmark has a 68% weighting in return seeking assets and this resulted in a positive return overall for the Fund's strategic benchmark.

The Fund began the year moderately overweight equities. We believed equities were attractive on valuation grounds relative to bonds and expected interest rates to stay low into 2014. Equities had performed well in the early part of the year and we believed markets would be susceptible to setbacks as confidence remained fragile. After the summer setback most assets rallied into the year end.

Investment Report

| | Asset Category | Actual % 31 Mar 2014 | Benchmark % 31 Mar 2014 | Actual % 31 Mar 2013 | Benchmark % 31 Mar 2013 |
|--------------------|-------------------------|-------------------------|----------------------------|-------------------------|----------------------------|
| Return Seeking | Equities | 53.3 | 50.0 | 52.8 | 50.0 |
| | UK | 15.9 | 15.0 | 15.6 | 15.0 |
| | Overseas | 37.4 | 35.0 | 37.2 | 35.0 |
| | Private Equity | 4.2 | 4.5 | 4.4 | 4.5 |
| | Alternatives | 3.6 | 4.5 | 3.7 | 4.5 |
| | Property | 8.2 | 9.0 | 8.0 | 9.0 |
| Liability Matching | Real Assets | 1.3 | 2.0 | 1.1 | 1.0 |
| | Bonds & Cash | 25.7 | 30.0 | 27.4 | 31.0 |
| | UK Fixed | 13.6 | 19.0 | 13.4 | 19.0 |
| | Overseas Fixed | 0.6 | - | 0.7 | - |
| | UK Index-Linked | 10.9 | 11.0 | 12.5 | 12.0 |
| | Overseas Index-Linked | 0.6 | - | 0.8 | - |
| | Cash | 3.7 | - | 2.6 | - |
| | Total | 100.0 | 100.0 | 100.0 | 100.0 |

The Fund remains overweight equities, although with many developed equity markets close to all-time highs we have moderated the weightings in those areas that have performed well such as North American equities whilst beginning to increase the Asian exposure. However we remain nervous on emerging markets and bonds. In bonds the focus will be on rising interest rates into 2015 and we remain cautious.

Asset Allocation and Benchmarks

The Trustees and their advisers have set bandwidths around the strategic benchmarks shown above. The strategic benchmark is composed of assets which can broadly be categorised as having a principal focus of either return seeking or liability matching. The bandwidths around the strategic benchmark 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 the allowed bandwidths.

Strategic Benchmark and Performance

The Trustees' Investment Committee set a business plan each year which deals with the annual monitoring of performance and activities such as Corporate Governance alongside work on developing the strategic benchmark to improve the risk return profile of the Fund where possible, as well as having a trigger based dynamic governance process to be able to take advantage of opportunities as

they arise. AllenbridgeEpic monitor the Investment Committee's achievement against the business plan and during the year the Committee met the targets. Internally BAPIML have measured the impact of the cumulative changes to the strategic benchmark since 2009, for example where de-risking actions immediately change the strategic benchmark allocation this becomes subsumed within the strategic benchmark rather than a tactical decision. These changes have been positive to the end of March 2014.

The Trustees' Investment Committee continued to develop the de-risking framework, adopting a revised journey plan following the completion of the 2012 valuation and also introduced a revised Asia Pacific equity benchmark.

During the last year, the Fund modified the downside protection programme against falls in the equity market through the use of derivatives. This is part of the liability hedging portfolio.

The performance of the Fund is shown in the three tables on page 13. Table 1 shows the performance of the Fund including the liability hedging portfolio which includes the derivatives held for hedging equities as well as those held to hedge interest rate and inflation risk. Table 2 and Table 3 show the performance of the Fund compared to agreed strategic benchmarks.

Investment Report

Strategic Benchmark and Performance (continued)

Table 2 shows the performance including overseas currency hedging (as described below) and Table 3 shows the performance excluding overseas currency hedging.

Table 1 – Inc Options, Interest Rates and Inflation Swaps

| Fiscal years to 31 March 2014 | 1 year %pa | 3 years %pa | 5 years %pa | 10 years %pa |
|----------------------------------|---------------|----------------|----------------|-----------------|
| Fund return | 4.99 | 8.48 | 12.99 | 8.22 |

The Fund reduces currency risk by hedging a proportion of overseas assets (shown as Inc hedging in the Fund performance table below). Since 1st April 2011 the overseas currency hedging policy has been incorporated into the strategic benchmark and BAPIML will manage the hedging tactically within agreed limits.

Table 2 – Inc Hedging (ex Options, Interest Rates and Inflation Swaps)

| Fiscal years to 31 March 2014 | 1 year %pa | 3 years %pa | 5 years %pa | 10 years %pa |
|----------------------------------|---------------|----------------|----------------|-----------------|
| Fund return | 5.84 | 8.51 | 13.01 | 8.23 |
| Benchmark | 5.97 | 8.30 | 13.14 | 8.06 |

The Fund Managers are set an outperformance target of 0.5% per annum relative to the strategic benchmark over a five year rolling period (this excluded currency hedging before the latest year but currency hedging is included for the year under review).

Fund's 10 Largest Stock Holdings as at 31 March 2014

| Stock Name | Security Type | £M | % Portfolio |
|--------------------------------------|------------------|-------|-------------|
| UK Treasury 1.25% Index-Linked 2032 | Government Bond | 572.4 | 4.9 |
| UK Treasury 5% 2014 | Government Bond | 472.3 | 4.0 |
| UK Treasury 4.25% 2040 | Government Bond | 294.8 | 2.5 |
| UK Treasury 1.25% Index-Linked 2027 | Government Bond | 252.2 | 2.2 |
| UK Treasury 0.75% Index-Linked 2034 | Government Bond | 174.4 | 1.5 |
| Network Rail 1.75% Index-Linked 2027 | Government Bond* | 166.7 | 1.4 |
| UK Treasury 3.25% 2044 | Government Bond | 166.0 | 1.4 |
| Royal Dutch Shell Plc A Shares | UK Equity | 118.5 | 1.0 |
| HSBC Holdings Plc | UK Equity | 113.6 | 1.0 |
| UK Treasury 4.25% 2036 | Government Bond | 110.6 | 0.9 |

*Government Guaranteed Corporate Bond

The long run returns are shown in table 3:

Table 3 – Ex-Hedging, Options, Benchmark Interest Rate and Inflation Swaps

| Fiscal years to 31 March 2014 | 1 year %pa | 3 years %pa | 5 years %pa | 10 years %pa |
|----------------------------------|---------------|----------------|----------------|-----------------|
| Fund return | 5.84 | 8.51 | 12.81 | 8.65 |
| Benchmark | 5.97 | 8.30 | 12.89 | 8.39 |
| Relative Performance | (0.12) | 0.19 | (0.07) | 0.23 |

In the year under review (1 April 2013 to 31 March 2014) the Fund underperformed the benchmark. In relation to the outperformance target of 0.5% per annum relative to the strategic benchmark over a rolling five year period, the Fund underperformed the benchmark (returning 12.81% compared to a benchmark return of 12.89%). In equities, the UK, European, Japanese and Emerging Market Portfolios produced very good five year relative returns. In addition, the property portfolio added to very strong long run relative returns. The real assets portfolio within liability matching assets, which invests in long dated mainly inflation linked assets such as PFI / Infrastructure, performed well against the benchmark as did the alternative assets portfolio. The government bond portfolios struggled to meet their benchmarks after good performance in the prior year, performing poorly when bond markets fell due to concerns over rising interest rates, whilst corporate bonds outperformed.

Investment Report

Strategic Benchmark and Performance (continued)

The results in table 3 include BAPIML's tactical performance managing the interest rate and inflation Swaps for liability hedging.

The Fund outperformed the benchmark in every rolling 10 year period for the last 10 years.

AVCs

The MPF returned 7.51% in the year to March 2014. The Trustees set a benchmark for each type of asset (shares, bonds etc.) held within the Fund and use this to monitor the Fund's performance. The benchmark returned 7.86% overall. The Fund has an investment objective to outperform the benchmark by 0.5% over five years which was not achieved. The Fund has exceeded the benchmark over three and 10 years. The MPF returns compare favourably with other large AVC providers in the market place, which returned an average of 7.31%. The Fund performance exceeded that of these external providers when measured over one, three, five and 10 years. The long term returns for all the AVC funds are shown in the following table:

| AVC Funds Performance Returns - Annualised Returns | | | | |
|--|------|------|------------------|----------|
| Fund | EBF | SGF | MPF ¹ | External |
| | % | % | % | % |
| 10 Years | 6.45 | 2.88 | 8.36 | 7.84 |
| 5 Years | 3.15 | 1.31 | 13.79 | 13.19 |
| 3 Years | 4.00 | 0.82 | 7.85 | 7.24 |
| 1 Year (to March 2014) | 5.23 | 0.83 | 7.51 | 7.31 |

The Fund's benchmark has a high weighting in equities, standing at 80%. Equity returns were largely responsible for the positive single digit returns. The Fund hedges a proportion of holdings in overseas assets by converting these back to Sterling. These returns are shown as the 'inc hedging' returns in the table on the right. From 1 January 2012 the currency hedging has been incorporated into the strategic benchmark and will be tactically managed by BAPIML within agreed tolerances, a similar policy to NAPS.

BAPIML was measured on the returns excluding the strategic currency hedging up to 31 December 2011, whilst from 1 January 2012 the currency has been incorporated into the strategic benchmark. These returns are shown in the table below as the 'ex hedging' line. The Fund underperformed the benchmark over the last year and over the five year period whilst outperforming over three and ten years.

| Fiscal years to 31 March 2014 | 1 year %pa | 3 years %pa | 5 years %pa | 10 years %pa |
|----------------------------------|---------------|----------------|----------------|-----------------|
| Inc Hedging | | | | |
| MPF | 7.51 | 7.84 | 13.78 | 8.36 |

Ex hedging

| | | | | |
|----------------------|-------|------|-------|------|
| MPF | 7.51 | 8.02 | 13.64 | 9.00 |
| Benchmark | 7.86 | 7.90 | 13.67 | 8.60 |
| Relative Performance | -0.32 | 0.11 | -0.03 | 0.37 |

In the year to March 2014, the Short Dated Gilt Fund returned 0.83% and the Equity Biased Fund returned 5.23%. Further information on the performance of the Funds can be found in the annual AVC Funds Investment commentary at www.mybapensions.com.

Corporate Governance

The Fund Managers follow the UK Stewardship Code, which has its origins in the earlier Code Responsibilities of Institutional Investors issued by the Institutional Shareholders' Committee (ISC) set out to improve and enhance the quality of engagement between companies and institutional investors. The Fund Managers monitor and engage with companies on aspects of corporate governance and exercising voting rights in all regions through our custodian bank. Research and monitoring aspects of corporate social responsibility are also taken into account to assess impacts on shareholder value. In respect of climate change, the Fund Manager participates in the Carbon disclosure project investor initiatives to encourage investee companies to disclose their impact on the environment and natural resources. The outcomes of these programmes are reported back to the Trustees of NAPS and APS 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.

Independent Auditor's Report

Independent Auditor's Report to the Trustees

We have audited the financial statements of the New Airways Pension Scheme for the year ended 31 March 2014 set out on pages 16 to 27 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 10, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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

1 October 2014

15 Canada Square

Canary Wharf

London

E14 5GL

Fund Account

| | Note | 2014 £'m | 2013 £'m |
|--|------|-------------|-------------|
| Contributions and Benefits | | | |
| Contributions Receivable | 3 | 430.3 | 375.3 |
| Funded Pensions Receivable | | 4.8 | 4.8 |
| | | 435.1 | 380.1 |
| Benefits Payable | 4 | (275.1) | (261.7) |
| Leavers | 5 | (40.5) | (47.6) |
| Administration Expenses | 6 | (6.0) | (5.9) |
| | | (321.6) | (315.2) |
| Net contributions from dealing with members | | 113.5 | 64.9 |
| Return on Investments | | | |
| Investment Income | 7 | 255.0 | 232.2 |
| Change in Market Value of Investments | 8 | 300.2 | 1,119.2 |
| Investment Management Expenses | 6 | (6.4) | (6.7) |
| Net Return on Investments | | 548.8 | 1,344.7 |
| Net Increase in funds | | 662.3 | 1,409.6 |
| Net Assets of the Scheme at the beginning of the year | | 11,024.7 | 9,615.1 |
| Net Assets of the Scheme at the end of the year | | 11,687.0 | 11,024.7 |

Net Assets Statement

| | Note | 2014 £'m | 2013 £'m |
|--|--------------|------------------------|------------------------|
| Investments | | | |
| Investment Assets: | | | |
| Equities | | 5,837.5 | 5,486.3 |
| Fixed Interest Securities | | 2,198.0 | 1,888.4 |
| Index-Linked Securities | | 1,320.0 | 1,437.9 |
| Property | | 956.7 | 863.4 |
| Private Equity | | 492.2 | 475.4 |
| Alternative Investments | | 568.9 | 523.7 |
| Derivatives | | 78.6 | 124.9 |
| AVC Mixed Portfolio Fund | | 122.1 | 108.9 |
| Other Investments | | 97.5 | 111.6 |
| Cash | | 145.3 | 182.0 |
| | | <u>11,816.8</u> | <u>11,202.5</u> |
| Investment Liabilities: | | | |
| Derivatives | | (74.4) | (76.3) |
| Other Investments | | (48.7) | (94.9) |
| Total Net Investments | 8,9,10,11,12 | <u>11,693.7</u> | <u>11,031.3</u> |
| External AVC Investment | 13 | 0.7 | 0.8 |
| Total Investments | | <u>11,694.4</u> | <u>11,032.1</u> |
| Current Assets | | 1.7 | 1.4 |
| Current Liabilities | | (9.1) | (8.8) |
| Net Assets of the Scheme at 31 March 2014 | | <u><u>11,687.0</u></u> | <u><u>11,024.7</u></u> |

The financial statements summarise the transactions of the Scheme for the year ended 31 March 2014 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 4 and 5 of the Trustees' Report and should be read in conjunction with these accounts.

These accounts were approved by the Board of Trustees on 1 October 2014 and were signed on their behalf by:

Paul Spencer, CBE Management Trustee

Ian Rycraft 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.

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 contracts are 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.

Notes to the Accounts

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 BNP Paribas Real Estate 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.

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

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

| | 2014 £'m | 2013 £'m |
|----------------------|--------------|--------------|
| Employer | | |
| Normal | 160.8 | 162.1 |
| Deficit Funding | 242.3 | 177.0 |
| Other | - | 11.3 |
| Augmentations | 0.2 | 0.2 |
| Employee | | |
| Normal | 3.1 | 3.5 |
| Additional Voluntary | 23.9 | 21.2 |
| | <u>430.3</u> | <u>375.3</u> |

Normal employee contributions represent deductions which fall outside of the salary sacrifice scheme. As advised by the Actuary additional funding was required from BA Plc for augmentations.

Included within deficit funding are prepaid contributions covering the period April to June 2014 of £51.3m. Further details regarding contributions are included in the Summary of Contributions on page 29.

4. Benefits Payable

| | 2014 £'m | 2013 £'m |
|------------------------------------|----------------|----------------|
| Pensions | (234.0) | (222.6) |
| Commutations | | |
| Normal | (28.3) | (27.8) |
| Additional Voluntary Contributions | (9.6) | (7.1) |
| Lump sum death benefits | (3.2) | (4.2) |
| | <u>(275.1)</u> | <u>(261.7)</u> |

5. Payment to and on account of Leavers

| | 2014 £'m | 2013 £'m |
|---|---------------|---------------|
| Individual transfers to other pension schemes | (40.5) | (47.6) |
| | <u>(40.5)</u> | <u>(47.6)</u> |

6. 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 Plc. The New Airways Pension Scheme bears 65% of the costs of BAPSL and 50% of BAPIML except where a cost relates specifically to the Scheme. The Administration expenses include the in house costs of running the BAPSL team who provide pension administration services, finance operations and Secretariat support. They also include the costs of external advisers engaged by the Trustees including the auditors, actuary, financial adviser, lawyers and compliance costs. The split of costs at the year-end are as follows:

| Administration expenses | 2014 £'m | 2013 £'m |
|---------------------------------------|--------------|--------------|
| BAPSL in house administration | (3.4) | (3.1) |
| External adviser and compliance costs | (2.6) | (2.8) |
| | <u>(6.0)</u> | <u>(5.9)</u> |

Notes to the Accounts

7. Investment Income

| | 2014 | 2013 |
|---------------------------------------|--------------|--------------|
| | £'m | £'m |
| Net Dividends from Equities | 148.0 | 129.0 |
| Income from Fixed Interest Securities | 89.1 | 85.1 |
| Income from Index-Linked Securities | 10.8 | 11.4 |
| Income from Cash Balances | 0.5 | 0.5 |
| Rental Income | 2.8 | 2.6 |
| Other Income | 3.8 | 3.6 |
| | <u>255.0</u> | <u>232.2</u> |

8. Change in Market Value of Investments

| | Opening Value 2013 | Purchase Costs & Derivative Payments | Sale Proceeds & Derivative Receipts | Change in Market Value | Closing Value 2014 |
|---------------------------|-----------------------|--|---|------------------------------|-----------------------|
| | £'m | £'m | £'m | £'m | £'m |
| Equities | 5,486.3 | 3,933.4 | (3781.5) | 199.3 | 5,837.5 |
| Fixed Interest Securities | 1,888.4 | 1,051.8 | (637.5) | (104.7) | 2,198.0 |
| Index-Linked Securities | 1,437.9 | 20.8 | (21.3) | (117.4) | 1,320.0 |
| Property | 863.4 | 94.6 | (123.1) | 121.8 | 956.7 |
| Private Equity | 475.4 | 66.8 | (102.3) | 52.3 | 492.2 |
| Alternative Investments | 523.7 | 107.3 | (74.6) | 12.5 | 568.9 |
| Derivatives | | | | | |
| Futures | 4.7 | 6.8 | (55.2) | 48.2 | 4.5 |
| Forward Foreign Exchange | (30.6) | 53.9 | (180.1) | 175.5 | 18.7 |
| Option | (7.8) | 20.4 | (14.9) | (42.5) | (44.8) |
| Inflation-Linked SWAP | 82.3 | 0.0 | (13.8) | (45.6) | 22.9 |
| Swaptions | 0.0 | 0.0 | 0.0 | 2.9 | 2.9 |
| AVC Mixed Portfolio Fund | 108.9 | 13.4 | (8.5) | 8.3 | 122.1 |
| Other Investment | 16.7 | 32.3 | 0.0 | (0.2) | 48.8 |
| Cash | 182.0 | 0.0 | (26.5) | (10.2) | 145.3 |
| External AVC Investments | 0.8 | 0.1 | (0.2) | 0.0 | 0.7 |
| Total Investments | <u>11,032.1</u> | <u>5,401.6</u> | <u>(5,039.5)</u> | <u>300.2</u> | <u>11,694.4</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 £35.3m (2013: £34.1m) Property Unitised Fund, nil (2013: nil) Private Equity Fund and £3.1m (2013: £2.7m) AVC Mixed Portfolio Fund.

Included within the above purchase and sales figures are transaction costs of £13.3m (2013: £11.0m). Pooled investment vehicle costs are taken into account when calculating the bid/offer spread of these investments.

Notes to the Accounts

| 9. Investments | 2014 £'m | 2013 £'m |
|-----------------------------------|-----------------|-----------------|
| Equities: | | |
| UK quoted | 1,756.2 | 1,584.6 |
| Overseas quoted | 4,081.3 | 3,901.7 |
| | <u>5,837.5</u> | <u>5,486.3</u> |
| Fixed Interest Securities: | | |
| UK public sector quoted | 1,425.4 | 1,115.5 |
| UK other quoted | 700.9 | 693.7 |
| Overseas quoted | 71.7 | 79.2 |
| | <u>2,198.0</u> | <u>1,888.4*</u> |
| Index-Linked securities: | | |
| UK public sector quoted | 1,220.5 | 1,316.7 |
| UK other quoted | 30.0 | 31.8 |
| Overseas quoted | 69.5 | 89.4 |
| | <u>1,320.0</u> | <u>1,437.9*</u> |
| Private Equity: | | |
| UK | 24.4 | 29.9 |
| Overseas | 467.8 | 445.5 |
| | <u>492.2</u> | <u>475.4</u> |
| Alternatives: | | |
| UK | 176.3 | 143.7 |
| Overseas | 392.6 | 380.0 |
| | <u>568.9</u> | <u>523.7</u> |
| Property | 956.7 | 863.4 |
| AVC Mixed Portfolio Fund | 122.1 | 108.9 |
| External AVCs | 0.7 | 0.8 |
| Other Investment Assets | 97.5 | 111.6 |
| Derivative Assets: | | |
| Forward foreign exchange | 20.7 | 15.4 |
| Options | 10.1 | 22.4 |
| Swaptions | 9.7 | 0.0 |
| Futures – exchange traded | 4.5 | 4.8 |
| Inflation-Linked swaps | 33.6 | 82.3 |
| | <u>78.6</u> | <u>124.9</u> |
| Cash | | |
| Cash deposits | 145.3 | 233.2 |
| Net collateral due | 0.0 | (51.2) |
| | <u>145.3</u> | <u>182.0</u> |
| Total Investment Assets | <u>11,817.5</u> | <u>11,203.3</u> |

*The Fixed Interest and Index Linked balances at 31 March 2013 have been restated due to reclassification of Fixed Interest bonds worth £269.0m as Index Linked Securities.

Notes to the Accounts

| 9. Investments (continued) | 2014 £'m | 2013 £'m |
|-------------------------------------|----------------|----------------|
| Derivative Liabilities | | |
| Forward foreign exchange | (2.0) | (46.0) |
| Futures – exchange traded | (0.0) | (0.1) |
| Options | (54.9) | (30.2) |
| Swaptions | (6.8) | (0.0) |
| Inflation-Linked swaps | (10.7) | - |
| | <u>(74.4)</u> | <u>(76.3)</u> |
| Other Investment Liabilities | (48.7) | (94.9) |
| Total Investment Liabilities | <u>(123.1)</u> | <u>(171.2)</u> |

There were no individual investments which comprised greater than 5% of the Net Assets of the Scheme.

Private Equity/Alternatives/Property

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 2014 the value of these funds are as follows:

| Private Equity | % held | 2014 £'m | 2013 £'m |
|------------------------------|--------|--------------|--------------|
| Private Equity Unitised Fund | 49.37% | 22.8 | 30.0 |
| Direct Investments | | 469.4 | 445.4 |
| Total Private Equity | | <u>492.2</u> | <u>475.4</u> |

All the Private Equity investments are managed funds.

| Alternatives | % held | 2014 £'m | 2013 £'m |
|---------------------------|--------|--------------|--------------|
| Alternative Unitised Fund | 49.37% | 10.9 | 12.2 |
| Direct Investments | | 558.0 | 511.5 |
| Total Alternatives | | <u>568.9</u> | <u>523.7</u> |

All the Alternative investments are managed funds.

| Property | % held | 2014 £'m | 2013 £'m |
|--------------------------------|--------|--------------|--------------|
| Property Unitised Fund | | | |
| UK Property | | 760.9 | 655.3 |
| Property Unit Trusts | | 74.0 | 73.3 |
| Other Managed Funds | | 52.6 | 59.4 |
| Other | | (3.8) | 5.6 |
| Total Property Unitised | 78.89% | <u>883.7</u> | <u>793.6</u> |
| Direct Investments | | 73.0 | 69.8 |
| Total Property | | <u>956.7</u> | <u>863.4</u> |

Notes to the Accounts

9. Investments (continued)

Property unit trusts valued at £56.7m were managed by companies operated outside the UK and £17.3m in the UK. For the managed funds £35.6m were managed by Jersey companies and £17.0m by UK companies.

Included in the investments are securities loaned as at 31 March 2014 of £893.6m (2013: £1,399.6m). 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%.

10. 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 and their policy is to hedge within agreed limits. The Scheme enters into foreign exchange forward contracts to offset the impact of currency fluctuations in foreign currency. The open FX contracts at the year-end were as follows:

| Period | Maturity Date | Nominal Value m | Fair Value £'m |
|---------------------|---------------|--------------------|-------------------|
| EUR | | | |
| Forward to sell EUR | Apr 14-Sep 14 | € 524.61 | 2.5 |
| Forward to sell EUR | Jul 14-Aug 14 | € 307.93 | (1.0) |
| Japanese Yen | | | |
| Forward to sell JPY | Jun 14-Sep 14 | Y64407.30 | 3.8 |
| USD | | | |
| Forward to sell USD | Apr 14-Sep 14 | \$1570.45 | 14.4 |
| Forward to sell USD | Aug 14-Aug 14 | \$398.90 | (0.1) |
| AUD | | | |
| Forward to sell AUD | Aug 14-Aug 14 | AUD 72 | (0.9) |
| Total | | | <u>(18.7)</u> |

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 circa £1billion.

Combined fair value of the put and call option spreads expiring in June 2015 across UK, US and Europe amounts to an asset of £10.1m

Combined fair value of the put and call option spreads expiring in June 2015 across UK, US and Europe amounts to a liability of £54.9m

Included within cash balances are £38.8m in respect of initial and variation margins arising on open futures and options contracts as at the year end.

Notes to the Accounts

10. 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/ Contract Size | Duration | Fair Value £'m |
|-------------------------------|--------|-----------------------------------|----------|-------------------|
| FTSE100 stock futures | Bought | 6,330 | Jun 2014 | 0.2 |
| Total UK futures | | | | 0.2 |
| Topix stock futures | Bought | 9,890,000 | Jun 2014 | 0.6 |
| DJ EURO STX 50 | Bought | 4,400 | Jun 2014 | 0.4 |
| EMINI S&P | Bought | 174,400 | Jun 2014 | 3.3 |
| Total Overseas futures | | | | 4.3 |
| Total Futures | | | | 4.5 |

Included within cash balances are £38.8m in respect of initial and variation margins arising on open futures and options contracts at the year end.

Inflation-Linked SWAP

The Scheme had 48 Inflation-Linked swap contracts with a combined value of £22.9m as at the year-end. The total notional value of the contract amounts to £1,156.1m.

11. Collateral

Collateral is used by the Scheme to manage counterparty risk. The collateral balances at the year-end are as follows:

| Counterparty | Type collateral | Pledge £'m | Derivative position |
|-----------------------|-----------------|---------------|-------------------------------|
| Goldman Sachs | UK GILT | (2.8) | Inflation Swaps & FX Forwards |
| Morgan Stanley | UK GILT | (20.6) | FX Forwards & Options |
| UBS | UK GILT/Cash | 1.8 | FX Forwards/Options/Inflation |
| Swap | | | |
| JP Morgan | Cash | 2.8 | Inflation Swaps & FX Forwards |
| RBS | Cash | 61.4 | Inflation Swaps & FX Forwards |
| Barclays | Cash | 9.5 | Inflation Swaps/FX |
| Forwards/Swaptions | | | |
| Net collateral | | 52.1 | |

Collateral pledged with a counterparty is reflected as a negative value.

The balance above includes collateral held for positive FX forward positions of circa £48m which were closed on 31 March 2014.

Notes to the Accounts

12. 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 | 2014 £'m | 2013 £'m |
|---------------------------------|--------|--------------|--------------|
| Mixed Portfolio Fund | | | |
| Equities | | 102.3 | 86.6 |
| Fixed Interest | | 16.0 | 14.2 |
| Index Linked | | 0.0 | 0.9 |
| Cash | | 3.8 | 7.2 |
| Total Mixed Portfolio Fund | 85.82% | 122.1 | 108.9 |
| Short-dated Gilts Fund | | 20.7 | 20.6 |
| Equity Biased Fund | | 114.9 | 107.3 |
| Total Value of AVC Funds | | 257.7 | 236.8 |

13. 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:

| | 2014 £'m | 2013 £'m |
|--|-------------|-------------|
| British Caledonian Group Pension & Life | | |
| Prudential | 0.6 | 0.7 |
| Davies and Newman and Dan Air | | |
| Scottish Life | 0.1 | 0.1 |
| Equitable Life Assurance | - | - |
| Norwich Union | - | - |
| | 0.7 | 0.8 |

14. Money Purchase Scheme

Within NAPS is the British Airways Money Purchase Section (BAMPS). This section was terminated on 30 September 2012. Some of the members transferred out and any remaining members are deferred. 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:

| | 2014 £'m | 2013 £'m |
|-----------------------------------|-------------|-------------|
| Balance of BAMPS at 1 April 2013 | 3.9 | 6.1 |
| Contributions | - | 0.1 |
| Interest | 0.2 | 0.1 |
| Transfers out | (0.1) | (2.4) |
| Retirements | (0.1) | - |
| Balance of BAMPS at 31 March 2014 | 3.9 | 3.9 |

Notes to the Accounts

15. Contingent Liabilities and Contractual Commitments

The following contractual commitments existed at the year-end

| | 2014 | 2013 |
|-------------------------|--------------|--------------|
| | £'m | £'m |
| Private Equity | 244.3 | 230.6 |
| Alternative Investments | 109.5 | 100.1 |
| Property Unitised Fund | 26.5 | 13.6 |
| | <u>380.3</u> | <u>344.3</u> |

16. Self Investment

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

17. 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.

Some of the Trustees appointed by BA Plc are members or pensioners of APS or NAPS with the exceptions of Paul Spencer, Peter Simpson and Philip Osmond who are not members of either scheme. If they are members or pensioners then their pension rights are on terms normally granted to members.

Paul Spencer was remunerated by BA Plc in respect of his services as Chairman of the Trustees and Alan Buchanan was remunerated by the company in respect of his services as an Employer appointed Trustee. 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 some of the properties.

British Airways Pension NAPS Nominees Ltd holds the legal title to the units held in the Jersey Property Unit Trust for investment in the Tesco Red Limited Partnership. The Jersey Property Unit Trust holds 49.95% interest in The Tesco Red Limited Partnership UK Ltd (LP). BAPTL has 50% ownership of Tesco Red (GP) Ltd of which 70% is held in its capacity as Custodian Trustee for the Scheme.

Independent Auditor's Statement About Contributions

Independent Auditor's Statement about Contributions to the Trustees

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 2014, which is set out on page 29.

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 auditor's 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 explained more fully in the Statement of Trustee Responsibilities set out on page 29, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing 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 are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the Scheme by the employer 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 schedule of contributions. 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 schedule of contributions.

Statement about Contributions Payable Under the Schedule of Contributions

In our opinion contributions for the Scheme year ended 31 March 2014 as reported in the summary of contributions and payable under the schedule have been paid from 1 April 2013 to 27 June 2013 in all material respects at least in accordance with the schedule of contributions certified by the actuary on 30 June 2010 and subsequently in all material respects at least in accordance with the schedule of contributions certified by the actuary on 28 June 2013.

Karen MacKenzie

**For and on behalf of KPMG LLP, Statutory Auditor,
Chartered Accountants
1 October 2014**

**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 2014

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 2013. The Scheme Auditor reports on contributions payable under the schedule in the Auditor's Statement about Contributions.

Contributions payable under the Schedule in respect of the Scheme year

| | £'m |
|---|--------------|
| Employer normal contributions | 160.8 |
| Employer deficit funding | 191.0 |
| Employer other | 4.8 |
| Member normal contributions | 3.1 |
| Contributions payable under the Schedule (as reported on by the scheme auditors) | 359.7 |

Reconciliation of Contributions

Reconciliation of contributions payable under the Schedules to contributions reported in the financial statements in respect of the Scheme year:

| | £'m |
|---|--------------|
| Contributions payable under the Schedules (as above) | 359.7 |
| Contributions payable in addition to those due under the Schedules: | |
| Prepaid deficit contribution April – June 2014 | 51.3 |
| Member additional voluntary contributions | 23.9 |
| Employer augmentations | 0.2 |
| Total contributions reported in the financial statements | 435.1 |

This Report was approved by the Board of Trustees on 1 October 2014 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.

| | % Pay for contribution purposes | | |
|-----------------|---------------------------------|----------|---------|
| | Option 55 | Plan 60 | Plan 65 |
| Accrual rate 75 | 17.5% * | 8.5% * | 5.25% |
| Accrual rate 67 | 19.75% * | 10.75% * | 7.5% * |
| Accrual rate 60 | 22.0% * | 13.0% * | 9.75% * |

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

Part of the above contributions may be paid by the Employers for lower paid members.

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

| | % 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% |

Schedule of Contributions

| Year to 31 March | Additional allocation to cover the balance of cost of accrual in respect of FSS members on technical provisions basis (£) | Estimated contributions to eliminate the funding shortfall (£) | Total monthly lump sum contribution (£) |
|------------------|---|--|---|
| 2013 | 6,431,275 | 8,318,725 | 14,750,000 |
| 2014 | 6,601,982 | 9,314,685 | 15,916,667 |
| 2015 | 6,753,802 | 10,329,531 | 17,083,333 |
| 2016 | 6,873,550 | 11,543,117 | 18,416,667 |
| 2017 | 6,962,375 | 12,870,958 | 19,833,333 |
| 2018 | 7,030,115 | 14,386,552 | 21,416,667 |
| 2019 | 7,037,969 | 16,045,364 | 23,083,333 |
| 2020 | 7,025,035 | 17,808,298 | 24,833,333 |
| 2021 | 6,945,197 | 19,804,803 | 26,750,000 |
| 2022 | 6,869,351 | 21,963,982 | 28,833,333 |
| 2023 | 6,736,139 | 22,847,194 | 29,583,333 |
| 2024 | 6,593,181 | 23,740,152 | 30,333,333 |
| 2025 | 6,375,015 | 24,708,318 | 31,083,333 |
| 2026 | 6,065,806 | 25,850,861 | 31,916,667 |

- 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.

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. As part of these arrangements, a one-off payment of £11,250,000 was paid in June 2012 as part of the cash sweep arrangement

In accordance with the 2013 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): 28 June 2013

Agreed on behalf of the Trustees of the Scheme
Paul Spencer
 Chairman of the Trustees

Agreed on behalf of the Employers of the Scheme
Robert French
 Treasurer

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 2012 to be met by the end of the period specified in the recovery plan dated 28 June 2013.
- 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 28 June 2013.

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.

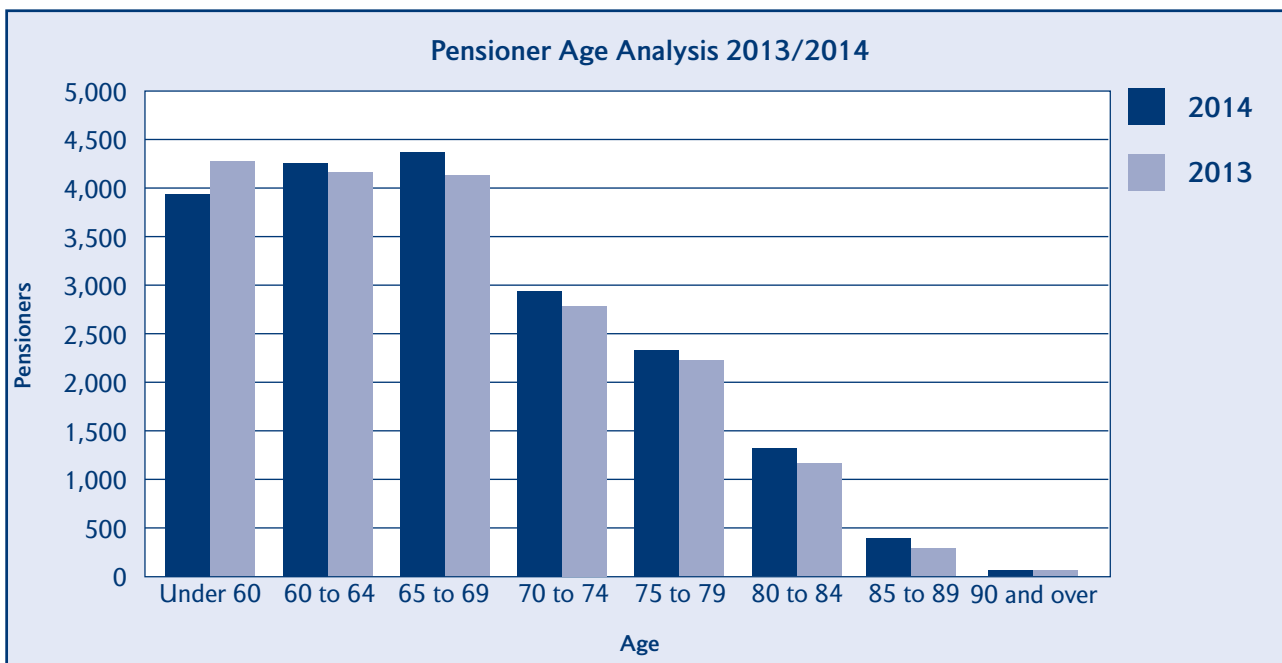
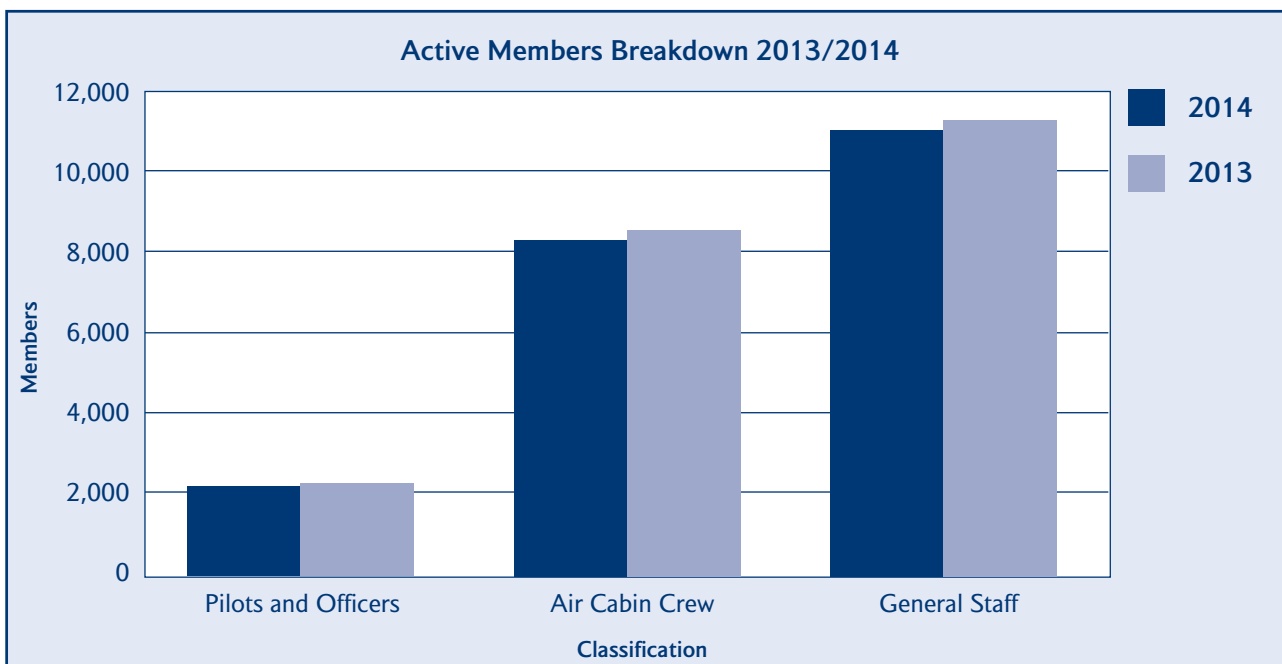
James C Wintle
Fellow of the Institute and Faculty of Actuaries

28 June 2013

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

Membership Information

| | 2014 | 2013 |
|-----------------------|---------------|---------------|
| Active Members | 21,477 | 22,351 |
| Pensioners in Payment | 19,724 | 19,229 |
| Dependant Pensioners | 3,505 | 3,356 |
| Deferred Pensioners | 22,636 | 22,665 |
| | <u>67,342</u> | <u>67,601</u> |



Compliance Statement

The Scheme

The Scheme 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.

The Scheme 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 the Scheme, was established. The original section of the Scheme is referred to as the "Final Salary Section" ("FSS").

On 15 May 1996 the Trustees of the Scheme 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'.

The Scheme is no longer offered to employees joining after 31 March 2003.

The Scheme's 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 the Scheme was reduced from 1/60th to 1/75th and maximum contributions were increased to 50%.

BAMPS contributions and BAMPS Contributory Service ceased from 1 October 2012.

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 who opt out of the Scheme will not be permitted re-entry into the Scheme unless at the Company's discretion and only in special circumstances as determined by the Company such as a member opting out of NAPS 1 specifically in order to join NAPS 2 for future service. They may opt into the British Airways Retirement Plan, a defined contribution pension scheme offered by BA Plc.

British Airways Pensions
Whitelocke House
2-4 Lampton Road
Hounslow
Middlesex TW3 1HU