



New Airways Pension Scheme
Trustee's Report & Financial Statements
For the Year Ended 31 March 2019

CONTENTS

CHAIR'S REVIEW.....	1-3
TRUSTEE DIRECTORS AND ADVISERS.....	4-5
TRUSTEE'S REPORT.....	6-12
STATEMENT OF TRUSTEE'S RESPONSIBILITIES.....	13
INVESTMENT REPORT.....	14-18
INDEPENDENT AUDITOR'S REPORT.....	19-20
FUND ACCOUNT.....	21
STATEMENT OF NET ASSETS.....	22
NOTES TO THE FINANCIAL STATEMENTS.....	23-37
INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS.....	38
TRUSTEE'S SUMMARY OF CONTRIBUTIONS.....	39
SCHEDULE OF CONTRIBUTIONS.....	40-42
ACTUARIAL CERTIFICATE.....	43
REPORT ON ACTUARIAL LIABILITIES.....	44-45
MEMBERSHIP INFORMATION.....	46
COMPLIANCE STATEMENT.....	47

Welcome to my annual report as Chair of the New Airways Pension Scheme (NAPS). This report covers issues around governance, funding, investment and administration during the Scheme year as well as updating you on some important events since the year end. Throughout the year we have kept members informed about Scheme developments; with articles in both In Focus and quarterly online newsletters/bulletins.

NAPS closure to future accrual

Following the consultation by British Airways (BA), which commenced in September 2017 with active members of NAPS and the British Airways Retirement Plan (BARP), pension build up ceased in both arrangements on and from 1 April 2018. Benefits built up in NAPS up to that date and pensions in payment are protected by law. BA still pays contributions where it is required to do so to ensure all benefits can be paid to members when they are due.

BA introduced a new pension arrangement for its employees, the British Airways Pension Plan (BAPP), on 1 April 2018. Deferred members of NAPS (and former members of BARP) who are still employed by BA can now contribute to this arrangement. This is a defined contribution scheme and is administered by a separate company, [Aviva Life and Pensions](#).

The NAPS Trustee was aware closure of NAPS to future accrual was a significant change for NAPS members, who faced complex decisions in relation to transitional options offered by BA. The BA Pensions team provided support and information to members during this period and the NAPS Trustee was impressed with how they dealt with a large variety and volume of closure-related enquiries.

Funding and investment

It is a requirement that the Scheme actuary carries out an actuarial valuation of the Scheme at least every three years. The valuation reviews the financial position of the Scheme and helps to establish the contributions payable to the Scheme in future and other actions that should be taken by the Trustee and BA. Work on the 2018 formal actuarial valuation is in progress. A further update will be provided when this is available.

The Trustee's report on page 6 shows how the funding has evolved since the last formal actuarial valuation as at 31 March 2015 by reference to the annual interim valuation updates. At the time of the 31 March 2017 update the deficit was £3.7bn and the funding level was 81.1%.

In the year ending 31 March 2019, BA paid £460m (including employee salary sacrifice contributions) into NAPS. We have continued to see steady investment returns and as a result the Scheme's assets have grown from £16.9bn to £18.1bn. The liabilities have evolved over the year, due to changing market conditions and the closure to future accrual. The full impact of these changes will be calculated as part of the 2018 formal valuation and more recent market changes reflected in the 2019 annual interim valuation update.

The annual de-risking programme continues, allowing us to make members' benefits more secure by reducing our exposure to investment risk. At 31 March 2019, liability-matching assets made up 51.7% of our benchmark portfolio. We have also put in place an interim de-risking framework while the 2018 valuation is ongoing to allow us to take advantage of favourable market conditions to further de-risk the portfolio. There will be a full review of the de-risking programme following completion of the 2018 valuation.

An update on investments is provided on pages 14 to 18.

Governance matters

As a matter of good governance, we review each of our professional advisers on a regular basis. We reviewed the Scheme's legal advisers and appointed CMS Cameron McKenna Nabarro Olswang LLP in March 2019. We also reviewed the Scheme's investment advisers and appointed Mercer in November 2018. I would like to thank the Scheme's former investment adviser Towers Watson Limited and former legal adviser Eversheds Sutherland LLP for all their work supporting the Scheme during their appointment.

GMP Equalisation

In October 2018, the High Court ruled that benefits in the Scheme should be 'equalised' for the effect of unequal Guaranteed Minimum Pension (GMP) so that equal benefits are provided for men and women in respect of any GMP earned between 17 May 1990 and 5 April 1997. At present, GMPs are inherently discriminatory because they are calculated by reference to and paid at different ages for men and women. The High Court ruling addresses this issue. Most NAPS members who were in pensionable service during that period are likely to have a GMP as a result of NAPS being contracted-out of the State Second Pension (formerly known as the State Earnings Related Pension (SERPS)). The process of ensuring equal benefits are provided to men and women is complex and the Court has suggested several methods that could be used to achieve this. It is likely it could take several years to complete a project to equalise benefits and further industry guidance on the methods is awaited. While the value of a member's pension will not reduce as a result of GMP equalisation, for some members this might result in a backdated uplift to pension. We have added some FAQs to the member website which provide further information.

Brexit

At the time of writing the UK is scheduled to depart from the European Union on 31 October 2019. It is possible this date may be delayed further. The Trustee, BA, and advisers are monitoring this and the potential impact any developments may have on the Scheme.

New office premises for BA Pensions - Waterside

After 25 years at Whitelocke House the BA Pensions team moved as a third-party tenant to a secure space within BA's headquarters, Waterside. Our new postal address details are available on the member website. Whilst the move was a significant challenge, the BA Pensions team have completed this successfully without impacting the high levels of service Scheme members have come to expect. It is rare for a complicated office move to be carried out so smoothly, which reflects well on the dedication of the BA Pensions team. BA Pensions continues to support the NAPS Trustee as before and remains completely independent of BA.

Trustee Directors

During the Scheme year, BA made changes to the Employer Nominated Trustee Directors serving the NAPS Trustee Board.

Rebecca Napier, Andrew Fleming and Jude Winstanley ceased to serve as NAPS Trustee Directors with effect from 24 July 2018. BA appointed Caroline Mellor, Ben Sehovic and Karen Slinger as NAPS Trustee Directors with effect from 25 July 2018. Following these changes, the Boards of APS and NAPS are now each made up of 12 entirely separate Trustee Directors. In addition, Sian Davis ceased to be a NAPS Trustee Director on 8 August 2019 and Jude Winstanley was reappointed.

On behalf of the NAPS Trustee Board, I would like to thank Rebecca and Andrew for their valuable contribution and extend a warm welcome to Caroline, Ben and Karen.

Additionally, Captain Ian Bretherton, the Trustee elected by the pilots, reached the end of his term of office and was elected for a further term of office uncontested.

Acknowledgements

Michelle McGregor Smith retired as CEO of British Airways Pensions Investment Management Limited (BAPIML) at the end of August. Michelle has been with BAPIML for 31 years, spending the last 14 years as CEO of BAPIML. The Trustee Directors of the New Airways Pension Scheme are immensely grateful to Michelle for her contribution to BAPIML, most notably her role in directing investment strategy and managing the Scheme's assets.

I would like to welcome John Harrison who joined BAPIML on 2 September 2019 as interim Chief Investment Officer (CIO). John brings a wealth of investment management experience and spent 16 years with UBS in various roles; originally as a UK Equity Portfolio Manager, more recently as a Client Portfolio Manager in the Multi-Asset Team and finally as UK CIO.

Finally, I would like to thank all the Trustee Directors for their dedication, diligence and commitment over the year. On behalf of my fellow NAPS Trustee Directors I would like to commend the BA Pensions team for its support and exceptional service throughout a challenging year and we were delighted the BA Pensions team's work has been recognised by the receipt of two pension scheme industry awards.

Virginia Holmes
Chair of the Trustee
1 October 2019

Appointed by British Airways Plc (BA)

**Virginia Holmes
(Chair)**
Independent Trustee

Jude Winstanley
Head of Brand and Customer
Effectiveness
BA Plc
Appointed 8 August 2019

William Francis
Director of Group IT
IAG GBS

Caroline Mellor
Senior Commercial
Lawyer
BA Plc
Appointed 25 July 2018

Ben Sehovic
Finance Controller
BA Plc
Appointed 25 July 2018

Karen Slinger
Head of Cabin Crew
BA Plc
Appointed 25 July 2018

Elected by pensioners/members

Neil Blackburn
Cabin Crew Purser

Ian Bretherton
Captain

Christopher Daw
Section Leader

Graham Fowler
Pensioner elected

Dave Southcott
Senior Customer Service
Agent

John Wheale
Pensioner elected

Left office during the year

Andrew Fleming
Ceased 24 July 2018

Rebecca Napier
Ceased 24 July 2018

Jude Winstanley
Ceased 24 July 2018

Sian Davis
Ceased 8 August 2019

Administration & investment management (BA Pensions)

British Airways Pension Services Ltd (BAPSL) – Trustee support and member services
British Airways Pension Investment Management Ltd (BAPIML) – investment management

Fraser Smart – Chief Executive Officer & Scheme Secretary, BA Pensions
Michelle McGregor Smith – Chief Executive Officer, BAPIML until 31 August 2019
John Harrison – Chief Investment Officer, BAPIML from 2 September 2019

Advisers***Scheme Actuary**

Aaron Punwani
Lane Clark & Peacock

Legal Advisers

Eversheds Sutherland LLP
Freshfields Bruckhaus
Deringer LLP

Bankers

BNY Mellon

External Custodian

State Street Bank and
Trust Co

CMS Cameron McKenna
Nabarro Olswang LLP
From March 2019

Investment Advisers

Mercer (From November
2018)
Towers Watson Limited
(Until October 2018)
BAPIML

Auditor

KPMG LLP

Covenant Adviser

PricewaterhouseCoopers LLP

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

Airways Pension Scheme – Pension Scheme Registry Number: 10057028

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, investments, Scheme governance, Scheme changes and pension administration matters.

The financial statements of the Scheme for the year ended 31 March 2019, as set out on pages 21 to 37, have been prepared and audited in accordance with Sections 41(1) and (2) of the Pensions Act 1995.

SCHEME FUNDING POSITION

It is a requirement that the Scheme actuary carries out an actuarial valuation of the Scheme at least every three years. The valuation reviews the financial position of the Scheme and helps to establish the contributions payable to the Scheme in future and other actions that should be taken by the Trustee and BA. The last formal actuarial valuation at 31 March 2015 was finalised in December 2016. The formal valuation for 31 March 2018 is in progress. 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. Following completion of the 31 March 2015 valuation, the Scheme actuary provided interim updates at 31 March 2016 and at 31 March 2017 and the associated 'annual funding statement' has been issued to members.

The 31 March 2017 update showed that the funding level improved to 81.1% (79.6% at 31 March 2016) but the deficit had increased to £3,747m (£3,354m at 31 March 2016).

The funding positions are shown below:

	31 March 2017 (£m)	31 March 2016 (£m)	31 March 2015 (£m)
Liabilities*	(19,809)	(16,449)	(16,065)
Assets	16,062	13,095	13,280
(Deficit)	(3,747)	(3,354)	(2,785)
Funding level	81.1%	79.6%	82.7%

*The liabilities are based on the technical provisions agreed between the Trustee and BA at the 31 March 2012 valuation, updated by the Scheme actuary in line with changes in market conditions to the relevant dates.

The formal valuation as at 31 March 2018 will reflect the Scheme's position following closure to future accrual. Negotiations between the Trustee and BA are ongoing.

The recovery plan

The Scheme has a recovery plan in place under the 2015 valuation to address the funding deficit (the recovery plan may be replaced once the negotiations between the Trustee and BA have concluded in respect of the 31 March 2018 valuation). Under the terms of the recovery plan the Trustee and BA have agreed to repair the deficit such that:

- BA will pay deficit contributions of £25m per month until 30 September 2027.
- If the assumptions in the recovery plan are borne out in practice, the deficit as 31 March 2015 is expected to be eliminated by 30 September 2027.
- In addition, the Trustee and BA have agreed a package of further measures aimed at improving the funding position and members' benefit security over time, which are documented in separate legal agreements. This includes a 'cash sweep' mechanism under which BA will pay additional contributions to the Scheme of up to £150m each year based on the level of BA's cash reserves.
- In the 2010 valuation, BA agreed that if the Airways Pension Scheme (APS) was not fully funded by 2019 it would make a cash payment to APS of up to £250m. To the extent this payment was not required by APS, it was agreed it would be paid to NAPS. APS has reached a settlement with BA in relation to its Discretionary Increase litigation and if the Court approves the proposed settlement, the full £250m will be paid to NAPS.

Depending on the Scheme's funding position at that time, some or all of these additional contributions may be treated as a pre-payment of contributions due under the recovery plan. The deficit contributions for April to June 2027 were prepaid by £75m of the March 2018 cash sweep payment and January to March 2027 were prepaid by £75m of the March 2019 cash sweep payment. Further analysis is currently being undertaken to determine the treatment of the remaining £75m of the March 2019 cash sweep payment and whether this may also be a prepayment. In any case, the Trustee is in the process of agreeing a new recovery plan as part of the 2018 valuation process which will replace the current funding arrangements.

PricewaterhouseCoopers LLP (PwC) is engaged by the Trustee to carry out extensive and ongoing reviews of BA's financial position and future cash flows. PwC advised the Trustee, as part of the 2015 valuation, that the contributions that BA had committed to pay to the Scheme and to APS were set at a level that BA could reasonably afford.

BA paid £150m to the Scheme in respect of the 31 March 2018 cash sweep payment, received and accounted for in the current year's financial statements, and £150m in respect of the 31 March 2019 cash sweep payment, which will be accounted for in the 2019/20 financial statements.

Scheme investment

The broad strategic asset allocations for the Scheme as at 31 March 2019 are shown below:

Investment category	Allocation
Return seeking	48.3%
Liability matching	51.7%

Return seeking assets are those chosen with long-term returns expected to exceed risk-free assets – which compensates for the higher risk exposure. Equities (UK and overseas), private equity, property and alternatives are examples of the return seeking assets used by the Scheme. Liability matching assets are those held to be aligned with the Scheme's future benefit payments and are intended to reduce the amount of investment risk. Government bonds are an example of a liability matching asset used by the Scheme.

Dynamic de-risking framework

The Trustee has put in place suitable arrangements to dynamically manage risk as funding levels improve, by moving the weighting from return seeking assets towards liability matching assets gradually over time and also when opportunities from market volatility arise. Such weighting adjustments will be made by reference to daily monitoring of the Scheme's funding ratio and market conditions.

The dynamic nature of the de-risking framework means that the strategic asset allocation described above will move over time towards a position with a higher allocation to liability matching assets and a lower amount of investment risk. Such movement will be linked to the funding position of the Scheme and changes in market conditions. The de-risking framework will be reviewed as part of the 2018 valuation alongside a liability hedging programme to better align the Scheme's assets with the liabilities. While negotiations are ongoing, an interim de-risking framework has been put in place to ensure that the Scheme continues to take advantage of de-risking opportunities when they arise.

Statement of Investment Principles (SIP)

An updated SIP was adopted in August 2019.

A copy of the SIP is available on request from the Scheme Secretary's office or can be accessed on the 'Scheme documents' page of the member website.

Measuring investment performance

The Trustee has adopted a customised strategic benchmark as this ensures that the investment performance objectives are related directly to the circumstances of the Fund.

The Trustee monitors the Fund's performance by comparing the returns achieved 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 Trustee has 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 Trustee will continue to monitor performance over a range of different time periods.

Details of the Fund performance can be found on page 16.

SCHEME GOVERNANCE

Trustee knowledge and understanding (TKU)

The Trustee has a formal training policy, the foundation of which is The Pension Regulator's (TPR) TKU regime. The Trustee conducts a detailed review of its approach to training annually.

An induction programme is provided for new Trustee Directors 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 law on TKU which allows six months for a new Trustee Director to be trained before they are expected to have achieved the required level of knowledge and understanding. After the initial training Trustee Directors are encouraged to undertake the Award in Pension Trusteeship, a formal pensions qualification.

The content, frequency and level of training is tailored to an assessment of each Trustee Director's particular learning needs but is also related to the Committee(s) on which the Trustee Director serves. The Trustee Board and each of its Committees produce an annual Committee calendar 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 Trustee Directors either in routine Main Board or Committee meetings or in specially arranged sessions. Bespoke training is also provided by BAPIML and BAPSL and Trustee Directors are actively encouraged to supplement this formal training plan by accessing other resources including TPR'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 Director.

Conflicts of interest

The Trustee understands that it is in a position of trust and needs to have policies and arrangements in place to identify, monitor and manage conflicts. The Scheme's legal advisers are CMS Cameron McKenna Nabarro Olswang LLP who were appointed in March 2019. They are different to the legal advisers for APS. Prior to March 2019, the Schemes' primary legal advisers were Eversheds Sutherland LLP who were also the primary legal advisers for APS. To ensure that appropriate processes were in place to manage

conflicts of interest, Freshfields Bruckhaus Deringer LLP acted for NAPS in relation to matters which required separate legal advice.

The Scheme's current policy and procedure for managing conflicts of interest was updated and adopted in December 2017.

Monitoring of the employer covenant

The Trustee considers it critical that it understands and monitors the financial strength and covenant of the employer on a continuing basis and in order to achieve this PwC acts as advisers to the Trustee on employer covenant issues. There is a reporting framework, which has been agreed with BA to ensure that the Trustee receives regular updates on the business activities and financial position of BA.

Change of actuary

Following an actuarial service provider review, on 1 April 2018 James Wintle of Willis Towers Watson resigned as Scheme actuary, and Aaron Punwani of Lane Clark & Peacock was appointed. On leaving office, Mr Wintle confirmed that he was not aware of any circumstances connected with his resignation which, in his opinion, significantly affected the interests of members or prospective members of, or beneficiaries under, the Scheme.

Trustee arrangements

The Scheme is administered by twelve Trustee Directors.

- Six of the Trustee Directors, including the independent Chair, are appointed by BA.
- Four of the Trustee Directors are elected by employed deferred members of the Scheme. As part of the closure of NAPS to accrual on and from 1 April 2018 the Scheme Rules for Trustee arrangements were amended, replacing the active member category with employed deferred members (i.e. members of NAPS not yet in receipt of pension who remain employed with BA). The Trustee Directors in office at the time of closure were carried forward. Each will come from a different occupational group. These Trustee Directors must be employed deferred members of NAPS.
- Two of the Trustee Directors are elected by pensioner members* of the Scheme and must be pensioner members* of NAPS.
- A Trustee Director 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 employed deferred Trustee Directors must be supported by at least twenty employed deferred members in the relevant constituency and nominations for pensioner member* Trustee Directors must be supported by ten pensioner members. If there is more than one nomination for a vacancy a 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 Director and an employed deferred Trustee Director at the same time, however flexible retirement members are eligible to vote in both employed deferred and pensioner member* Trustee Director elections.

- An elected Trustee Director may be removed from office following a 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 Trustee Directors by fifty of the relevant members.
- The Trustee may, at any time, use electronic communications to communicate with, give notice to, or ballot employed deferred members or pensioners.

* 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 and Committees. Joint meetings may be held if this is considered appropriate, although in those circumstances 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 Trustee). 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 certain proposed Rule changes, monitors legislative developments, oversees the Scheme's communication strategy and monitors levels of service.

The Investment Committee, which is supported by independent investment experts and strategic 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. As part of a formal actuarial valuation it also undertakes a detailed review of the Scheme's investments in the context of its liabilities which includes an asset liability modelling study.

The Environmental, Social and Governance (ESG) Committee, which is also supported by independent investment experts and strategic investment advisers, is responsible for supporting the Main Board in the development of its ESG policy, strategy and initiatives, ensuring it is in line with regulatory and industry standards.

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

Performance of Trustee Directors

Attendance records for Trustee and Committee meetings have been maintained and are shown below for the Scheme year to 31 March 2019. The attendance figures cover a transitional phase where there were changes to the Board and Committees during the summer of 2018.

Trustee	Governance Committee	Investment Committee	Operations Committee	ESG Committee	Main Board	Period of Appointment to Main Board
Virginia Holmes (Chair)	4/4	6/6	-	2/2	4/4	Whole Year
Neil Blackburn	-	-	7/8	-	4/4	Whole Year
Ian Bretherton	-	6/6	-	-	4/4	Whole Year
Sian Davies	3/3	-	-	-	4/4	Whole Year
Christopher Daw	4/4	-	-	-	4/4	Whole Year
Andrew Fleming	1/1	-	2/3	-	0/1	Part Year
Graham Fowler	3/4	-	-	-	3/4	Whole Year
William Francis	-	-	7/8	-	3/4	Whole Year
Caroline Mellor	-	-	4/5	-	3/3	Part Year
Rebecca Napier	-	2/2	-	-	1/1	Part Year
Ben Sehovic	-	3/4	-	-	3/3	Part Year
Karen Slinger	-	-	-	2/2	3/3	Part Year
Dave Southcott	-	5/6	-	2/2	4/4	Whole Year
John Wheale	-	-	5/8	1/2	4/4	Whole Year
Jude Winstanley	-	-	-	-	0/1	Part Year

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

On occasions that Trustee Directors 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 Trustee Directors 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 Ltd, holds the assets of the Scheme on behalf of the Trustee; however physical custody of the Scheme's securities (i.e. bonds and shares) has been delegated to independent external custodians, State Street Bank and Trust Co.

General Data Protection Regulation

An important legal change that took place during the year was that the General Data Protection Regulation came into force in May 2018. This legislation gave

people new rights to manage their personal data and required companies to collect and use data in line with key principles. To ensure the Scheme is compliant with the new regulation the Trustee issued a new Privacy Statement.

Defined contribution (DC) governance statement

Additional Voluntary Contributions (both money purchase and cash balance AVCs and contributions made to the BAMPS section) are considered in some respects to be Defined Contribution (DC) Benefits by TPR. In this regard the Trustee annually reviews and assesses the systems, processes and controls across key governance functions (the "controls") to ensure that they are consistent with the Standards of Practice set out in TPR's DC Code of Practice and Regulatory Guidance. The Trustee is satisfied that the controls are consistent with that Code, however, were the annual review to identify any areas where those Standards of Practice are not met, the Trustee would consider the reason for those differences and whether any changes to current practice are required.

SCHEME CHANGES

Cessation of future accrual and transitional options

On 1 April 2018 NAPS was closed to pension accrual and active members became deferred members on this date.

Transitional options and arrangements were offered by BA to active members on 31 March 2018. Two new options are being operated for those who selected these options:

- The promotional/incremental pay link option linked the value of the deferred NAPS Pension at 31 March 2018 to future qualifying promotional or increment-based pay increases up to the earlier of 31 March 2021 or Normal Retirement Age. In addition, special conditions apply in respect of Senior First Officer pilots (SFOs) who gain Command on or before 31 December 2023.
- Those who plan to retire before 31 March 2023 may have an opportunity, subject to certain conditions and qualifying criteria, to transfer all or part of their benefits in the new British Airways Pension Plan (BAPP) into their NAPS AVC Account. This may then be used towards their 25% NAPS tax-free lump sum.

New partial transfer-out option

The Scheme has introduced a new option for deferred members to transfer part of their pension benefits to another pension arrangement and leave the rest of their benefits in NAPS. There are rules and conditions to this option which are explained in the [Partial Transfer Operating rules](#).

Change to the Equity Biased Fund (EBF)

A change to the bonus component was made from 1 April 2019. From that date, the rate will be calculated at the last day of the month and announced for the previous month. The bonus component will be based on a notional benchmark of investments to provide returns related to the stock market, as an alternative to being calculated based on returns from NAPS investments.

TRUST DEED AMENDMENTS

A consolidated copy of the Trust Deed and Rules was signed in June 2019 to replace the last consolidation in April 2008.

The following amendments were made during the year:

- Partial transfers – amendment to allow deferred members, subject to conditions, to transfer part of their benefits to another pension arrangement and leave the rest of their benefits in NAPS.
- AVC arrangements – amendment for funds transferred into AVC accounts.
- BAMPS bonus component – amendment of calculation of the bonus component from 1 April 2019.
- Consolidation of the Trust Deed and Rules since the last consolidation in April 2008.

Copy of the Deed implementing these changes can be viewed via the 'Scheme documents' page of the member website.

PENSION 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

The Scheme Rules provide that the annual increase for most pensions shall be the percentage specified in the Pensions Increase (Review) Orders ('the 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. The 2019 Order was 2.4% and in accordance with the Scheme Rules, qualifying pensions were increased by 2.4% on 8 April 2019. Increases apply to indexed pensions payable under the Rules of the Scheme (whether in deferment or currently in payment).

Pensions in deferment and in payment under the Rules of the British Caledonian, 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 Trustee is 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 Richard Pilsworth, Head of Legal & Governance, BAPSL. In the event that the complainant is not satisfied with the outcome the matter is then referred to the Trustee's Operations Committee for second stage adjudication. Complaints made under this procedure must be in writing and a leaflet giving full details is available from BAPSL.

Tax

From 6 April 2019 the standard Lifetime Allowance increased to £1,055,000.

Online communications

During the year improvements have been made to our online communications. The Trustee quarterly newsletter was replaced by a seasonal bulletin, which was designed for online viewing with the option of a printable version. An online survey was launched inviting feedback on the pension increase statements, and the responses received were generally positive and informative. A summary of the results was published [Trustee winter bulletin 2018](#).

This report was approved by the Trustee Board on 1 October 2019 and was signed on its behalf by:

Fraser Smart
Scheme Secretary

(Forming part of the Trustee's Report)

The audited financial statements, which are to be prepared in accordance with the Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- i. 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 the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- ii. contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis.

They are also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

(Forming part of the Trustee's Report)

Review of the year to March 2019

Markets over the past year have been dominated by uncertainty over economic growth. Global growth in 2017 was stronger than most expected which caused the major central banks to discuss tightening monetary policy. Despite only tentative signs of wage growth in the US, the expectation coming into 2018 was that the Federal Reserve would continue to remove liquidity from the market. This view was underwritten by the extent of fiscal stimulus unleashed by the Trump administration's tax cuts in late 2017.

As the Federal Reserve continued to raise rates into the second half of 2018 however, the market's confidence in continued economic growth faltered. Although the US job market remained tight and consumer spending remained strong, business confidence was shaken by the prospect of steadily rising interest rates. At the same time, fears of a trade war accelerated. Strong anti-trade rhetoric from the Trump administration was targeted at the US's NAFTA partners and the EU as well as China, and the application of tariffs against blocks of US imports appeared set to escalate.

As a result, growth expectations shifted downwards. Starting in Q4 2018, the yield on US 10-year bonds dropped precipitously, with equity markets globally correcting by more than 15%. "Safe haven" assets such as core bond markets and the Japanese yen rallied materially.

In response the major central banks shifted stance. Departing from the tightening bias of the prior two years, the US Federal Reserve has stated that it will "act as appropriate to sustain expansion".

The Bank of Japan has said it stands ready to act if downside risks materialise. The European Central Bank (ECB) has extended its forward guidance by committing to keep interest rates at the present level, at least through the first half of 2020.

The change in policy has restored some measure of confidence in markets. The economic picture remains mixed, but growth is positive. Unemployment is at historic lows in most major economies, inflation is muted, and consumer confidence appears robust. Even in the UK, where Brexit is causing significant uncertainty in certain sectors, real wages have risen in the context of slower business investment.

As a result, most asset classes posted positive returns over the year to March 2019. Equity markets in aggregate were positive in local currencies, led by double-digit returns in the US. Sterling weakness over the 12 months increased the contribution to total returns from the Scheme's overseas holdings. Government bonds posted total returns in the mid-single digits as did the Scheme's alternative assets and property holdings.

(Forming part of the Trustee's Report)

Asset allocation

The NAPS strategic benchmark is composed of assets which are broadly categorised as being either return seeking or liability matching. Return seeking assets are those chosen with long term returns expected to exceed liability matching assets, which compensates for the higher risk exposure. Liability matching assets are those held to be aligned with the Scheme's future benefit payments and are intended to reduce risk.

The Trustee Directors' Investment Committee (IC) is responsible for monitoring the strategic benchmark and may, where possible and from time-to-time, recommend an update to the benchmark asset allocation with the intention of improving the risk return profile of the Fund.

The IC currently also has in place a trigger-based, dynamic governance framework to take advantage of opportunities to switch between the two categories as they arise. This is overseen and monitored by the IC and implemented by the Scheme's investment manager, BAPIML.

The closure of the Scheme on 31 March 2018, allowed the Fund to move 5.75% out of return seeking assets. Given the prevailing market conditions this was partly re-invested in bonds and partly held in cash to await better entry levels. Following this one-off adjustment, the Fund continued to de-risk at the rate of 0.75% per quarter through the rest of the year, moving return seeking assets into matching assets, predominantly corporate bonds.

The Trustee Directors and their advisers set bandwidths around the strategic benchmark which allows BAPIML to make tactical asset allocation decisions to take advantage of valuation differentials between asset classes which may occur from time-to-time.

The allocation of the Fund as at 31 March 2019 is shown below and was within the allowed bandwidths.

	Asset category	Actual % 31 March 2019	Benchmark % 31 March 2019	Actual % 31 March 2018	Benchmark % 31 March 2018
Return seeking	Equities	35.1	33.7	41.3	40.6
	UK	10.4	10.1	12.3	12.2
	Overseas	24.7	23.6	29.0	28.4
	Private equity	4.3	3.1	3.7	3.5
	Alternatives	4.3	3.6	3.8	4.0
	Property	8.1	7.8	8.2	8.4
Liability matching	Real assets	2.3	3.0	2.5	3.0
	Bonds	44.1	45.8	39.7	40.5
	UK fixed	22.0	22.7	20.2	20.7
	UK index-linked	21.6	23.1	19.0	19.8
	Overseas index-linked	0.5	-	0.5	-
	Cash	1.8	3.0	0.8	-
	Total	100.0	100.0	100.0	100.0

The Scheme's triennial valuation is currently underway. As part of the valuation process BAPIML will work with the Trustee and the Scheme's advisers to develop a new journey plan and investment strategy.

(Forming part of the Trustee's Report)

Fund performance including strategic hedging

Table 1 shows the performance of the Fund including the strategic hedging portfolio which includes derivatives held to reduce interest rate and inflation risk. Over the year to March 2019 the Fund returned 7.75%.

Table 1 – Performance including strategic hedging

Fiscal years to 31 March 2019	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Fund return	7.75	11.26	9.01	10.99

Fund performance excluding strategic hedging

Table 2 shows the performance of the Fund excluding strategic hedging which is the measure by which BAPIML is judged. The portfolio managers are set an outperformance target of 0.50% per annum relative to the strategic benchmark over a five-year rolling period. The aim is to achieve this outperformance via a combination of both tactical asset allocation and stock selection within individual portfolios.

Table 2 – Performance excluding strategic hedging

Fiscal years to 31 March 2019	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Fund return	7.03	10.87	9.50	11.14
Benchmark	6.03	10.02	9.25	11.06
Relative performance	0.94	0.77	0.23	0.08

In the year under review, 1 April 2018 to 31 March 2019, the Fund returned a total of 7.03% excluding strategic hedging, which means that it outperformed the benchmark by 0.94%. The Fund has outperformed its benchmark by 0.77% per annum averaged over the last three years and has outperformed by 0.23% per annum averaged over the last five years.

Although the Fund has outperformed its benchmark over five years, the Fund has not met its target of outperforming by 0.5% per annum over a rolling five-year period, largely due to underperformance relative to the benchmark at the start of this period.

In the 12 months to 31 March 2019, the contribution to relative outperformance was broad-based. There were positive performance contributions from three out of six equity portfolios as well as from bonds and illiquid assets. Tactical asset allocation was a significant contributor, with gains being made relative to benchmark in a number of different areas.

Fund's 10 largest quoted holdings as at 31 March 2019

Stock name	Security type	£m	Portfolio
UK Treasury 0.125% Index-Linked 2046	Government Bond	491	2.7
UK Treasury 3.250% Index-Linked 2044	Government Bond	491	2.7
UK Treasury 3.500% Index-Linked 2045	Government Bond	462	2.6
ISHARES CORE S+P 500 ETF	Equity	368	2.0
UK Treasury 0.750% Index-Linked 2034	Government Bond	362	2.0
UK Treasury 0.125% Index-Linked 2029	Government Bond	311	1.7
VANGUARD S+P 500 ETF	Equity	281	1.6
UK Treasury 0.125% Index-Linked 2036	Government Bond	279	1.5
UK Treasury 3.75% Fixed Interest 2019	Government Bond	248	1.4
UK Treasury 0.125% Index-Linked 2026	Government Bond	231	1.3

(Forming part of the Trustee’s Report)

Additional Voluntary Contributions (AVCs)

The Mixed Portfolio Fund (MPF) returned 5.6% for the year ending 31 March 2019.

The Trustee Directors set a benchmark for each type of asset class held within the MPF and use this to monitor the MPF’s performance. The benchmark returned 5.4% over the year meaning that the MPF outperformed its benchmark by 0.2%. Despite this, the MPF has not achieved its target, which is to beat its benchmark by 0.5% per annum over a five-year period, due largely to weak performance in 2016.

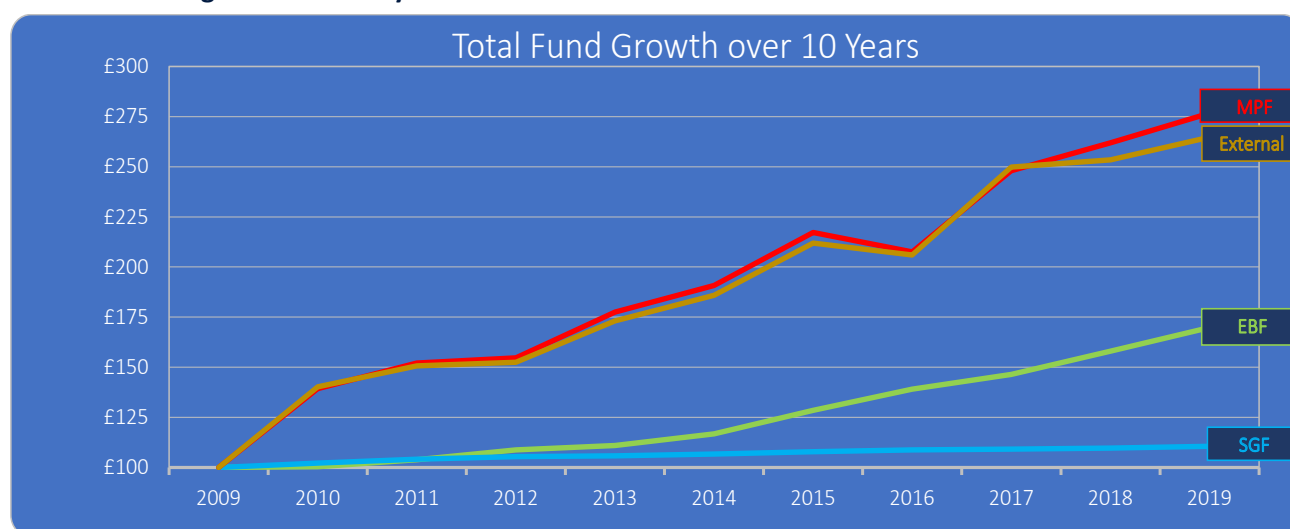
The 5.6% return on the MPF was however above the average achieved by other large AVC providers in the market place over the year, with the MPF beating

average returns by 1.1%. Over longer time periods the MPF has similar performance to these other funds.

In the year to March 2019, the Short-dated Gilts Fund (SGF) returned 0.8% and the Equity Biased Fund (EBF) returned 7.5%. Further information on the performance of the AVC funds can be found in the annual AVC Investment Commentary on the ‘Scheme documents’ page of the member website.

The long-term returns for the AVC funds are shown in the chart and table below. The chart shows how £100 invested in the funds in 2009 would have changed in value over time.

AVC funds total growth over 10 years



AVC funds performance returns

Annualised fiscal year return over period to 31 March 2019

	10 Years	5 Years	3 Years	1 Year (to 2019)
MPF (Actual)	10.7%	7.7%	10.0%	5.6%
MPF (Benchmark)	10.8%	7.9%	10.0%	5.4%
EBF	5.4%	7.8	6.9%	7.5%
SGF	1.0%	0.7%	0.6%	0.8%
External	10.2%	7.3%	8.7%	4.5%

(Forming part of the Trustee's Report)

Corporate governance

BAPIML's portfolio managers follow the UK Stewardship Code which aims to improve and enhance the quality of engagement between companies and institutional investors. Portfolio managers monitor and engage with companies on aspects of corporate governance and exercise voting rights in all regions through our custodian bank. Aspects of corporate social responsibility are also taken into account when assessing risks to shareholder value.

In respect of climate change, BAPIML 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 Trustee Directors of NAPSTL and BAPSTL. The voting records are held in the 'Responsible Investment' section of the '[Scheme documents](#)' page of the member website.

Source: All performance shown is calculated independently by either State Street or British Airways Pensions Services Limited (BAPSL). External Fund comparisons are sourced from Willis Towers Watson.

Independent auditor's report to the Trustee of the New Airways Pension Scheme**Opinion**

We have audited the financial statements of the New Airways Pension Scheme for the year ended 31 March 2019 which comprise the fund account and the statement of net assets (available for benefits) and related notes, including the accounting policies in note 2.

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 2019 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 accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All pension scheme audits assess and challenge the reasonableness of estimates made by the Trustee, such as valuation of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Scheme's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty

of outcomes, with the full range of possible effects unknown.

We applied a standardised firm-wide approach in response to that uncertainty when assessing the Scheme's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Scheme and this is particularly the case in relation to Brexit.

Going concern

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Scheme and, as they have concluded that the Scheme's financial position means that this is realistic, they have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme, including the impact of Brexit, and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Scheme will continue in operation.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities and the summary of contributions) and the actuarial certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Independent auditor's report to the Trustee of the New Airways Pension Scheme - continued

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 13, the Scheme's Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme's Trustee 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's Trustee 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's Trustee for our audit work, for this report, or for the opinions we have formed.

**Fang Fang Zhou
for and on behalf of KPMG LLP, Senior Statutory Auditor**

Chartered Accountants
15 Canada Square, Canary Wharf
London E14 5GL

Date: 4 October 2019

	Note	31 March 2019 £'m	31 March 2018 £'m
Contributions and Benefits			
Employer contributions	3	460.0	701.0
Employee contributions	3	85.0	35.2
Total contributions		545.0	736.2
Transfers in	4	0.8	-
		545.8	736.2
Benefits paid or payable	5	(447.7)	(374.8)
Payments to and on account of leavers	6	(276.3)	(352.3)
Administrative expenses	7	(9.6)	(7.0)
		(733.6)	(734.1)
Net (withdrawals)/additions from dealings with members		(187.8)	(2.1)
Returns on Investments			
Investment income	8	329.4	357.4
Investment management expenses	9	(16.6)	(10.9)
Change in market value of investments	10	999.2	520.4
Net return on investments		1,312.0	(866.9)
Net increase in the fund during the year		1,124.2	869.0
Net assets of the Scheme at 1 April		16,930.6	16,061.6
Net assets of the Scheme at 31 March		18,054.8	16,930.6

The notes on pages 23 to 37 form part of the financial statements.

STATEMENT OF NET ASSETS

New Airways Pension Scheme

(available for benefits)

	Note	31 March 2019 £'m	31 March 2018 £'m
Investment assets:			
Equities	10	5,992.8	6,882.4
Fixed interest bonds	10	4,210.0	3,365.6
Index-linked bonds	10	3,903.4	3,275.7
Property	10	3.2	-
Pooled arrangements			
Property	11	1,427.3	1,397.0
Alternative investments	11	1,187.1	1,070.0
Private equity	11	773.4	626.7
Derivatives	12	532.8	418.0
AVC mixed portfolio fund	14	168.8	147.1
Cash		180.2	85.4
Other investment balances		153.8	138.7
		18,532.8	17,406.6
Investment liabilities:			
Derivatives	12	(376.3)	(388.2)
Other investment balances		(89.3)	(77.3)
Total net investments		18,067.2	16,941.1
External AVC investments	15	0.3	0.4
Total investments		18,067.5	16,941.5
Current assets	21	2.2	85.6
Current liabilities	21	(14.9)	(96.5)
Net assets of the Scheme at 31 March		18,054.8	16,930.6

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the report on actuarial liabilities on pages 44 and 45 and these financial statements should be read in conjunction with this report.

The notes on pages 23 to 37 form part of the financial statements.

These financial statements were approved by the Trustee Board on 1 October 2019 and were signed on their behalf by:

Virginia Holmes **Trustee Director**

John Wheale **Trustee Director**

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, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (revised November 2014).

2. Accounting policies

The principal accounting policies of the Scheme are as follows:

a. Contributions

- i. Employee contributions, including AVCs, are accounted for when they are deducted from pay by the Employer and in accordance with the Schedule of Contributions in force during the year.
- ii. Employer normal contributions are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year. Employer normal contributions include contributions payable to the Scheme under salary sacrifice arrangements.
- iii. Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.
- iv. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and the Trustee.
- v. Income from cash and short-term deposits is accounted for on an accruals basis.

b. Payments to members

- i. Pensions in payment are accounted for in the period to which they relate.
- ii. Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, the date of retiring or leaving.
- iii. Individual transfers out of the Scheme are accounted for when member liability is discharged which is normally when the transfer amount is paid.

c. Administrative and investment management expenses

Expenses are accounted for on an accruals basis.

2. Accounting policies - continued

d. Investment income

- i. Dividends from equities are accounted for on the ex-dividend date.
- ii. Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- iii. Rental income is accounted for on an accruals basis.
- iv. Income from pooled arrangements is accounted for when declared by the fund manager, net of any associated management fees.
- v. Receipts from annuity policies are accounted for as investment income on an accruals basis.

e. Investment change in market value

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year.

f. Investments

- i. Investments are included at fair value as described below:
- ii. Quoted securities in active markets are usually valued at either the current bid price or the last traded price as at year end, depending on the convention of the stock exchange on which they are quoted, at the reporting date.
- iii. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.
- iv. Exchange traded derivatives are stated at market value determined using market quoted prices.
- v. Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year end date.
- vi. Swaps are valued by taking the current value of future cash flows arising from the swap determined using discounted cash flow models and relevant market data at the reporting date.
- vii. Annuity policies are deemed to be immaterial and so have not been included in the financial statements.

g. Pooled arrangements

The private equity, alternative and indirect property are invested in externally pooled funds. A proportion of the private equity, alternatives and all of the property investments (direct and indirect) are pooled internally and held jointly in unitised funds on behalf of the Airways Pension Scheme and the New Airways Pension Scheme.

Direct and indirect investment properties have been valued in accordance with the Royal Institution of Chartered Surveyors' (RICS) Valuation – Global Standards, taking into consideration the current estimate of the rental values and market yields. The valuations for the direct properties have been carried out by Cushman & Wakefield, chartered surveyors, who have the appropriate knowledge and experience to value such assets. Indirect properties are valued by the manager of the pooled funds.

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.

h. Foreign currencies

Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

3. Contributions

	2019	2018
	£'m	£'m
Employer contributions		
Normal	0.1	250.5
Deficit funding-regular	300.0	300.0
Deficit funding-cash sweep	150.0	150.0
Administration	9.6	-
Augmentation	0.3	0.5
Employee contributions		
Normal	-	2.7
Additional Voluntary Contributions	85.0	32.5
	545.0	736.2

Employer normal contributions include contributions in respect of salary sacrifice arrangements.

Deficit funding contributions as set out in the Schedule of Contributions on pages 40 to 42 are due until 30 September 2027 in order to improve the Scheme's funding position.

Further details regarding contributions are included in the summary of contributions on page 39.

4. Transfers in

	2019	2018
	£'m	£'m
Individual transfers in from other schemes	0.8	-

5. Benefits paid or payable

	2019	2018
	£'m	£'m
Pensions	317.9	284.1
Commutations of pensions and lump sum retirement benefits	108.5	76.9
Lump sum death benefits	0.8	2.4
Taxation where Lifetime or Annual Allowance exceeded	20.5	11.4
	<u>447.7</u>	<u>374.8</u>

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the Lifetime or Annual Allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

6. Payments to and on account leavers

	2019	2018
	£'m	£'m
Individual transfers out to other schemes	<u>276.3</u>	<u>352.3</u>

7. Administrative expenses

The Scheme bears the cost of administration. However, the levies required by the Pension Protection Fund are payable by BA Plc. The New Airways Pension Scheme bears an allocation of the overall costs of BAPSL except where a cost relates specifically to the Scheme, in which case the cost is met by the Scheme in full. The administrative expenses include the in-house costs of running the BAPSL team who provide member services, finance operations and trustee support. They also include the costs of external advisers engaged by the Trustee including the auditor, actuary, financial advisers, legal advisers and compliance costs. The split of costs at the year end are as follows:

	2019	2018
	£'m	£'m
BAPSL in-house administration and processing	5.6	4.8
External professional fees	4.0	2.2
	<u>9.6</u>	<u>7.0</u>

8. Investment income

	2019	2018
	£'m	£'m
Dividends from equities	181.3	204.5
Income from fixed interest bonds	99.9	82.8
Income from index-linked bonds	26.8	8.4
Swap income	13.6	52.7
Annuity income	4.7	4.7
Interest on cash deposits	2.0	1.0
Other income	1.1	3.3
	329.4	357.4

9. Investment management expenses

The Scheme bears the cost of investment management expenses. The New Airways Pension Scheme bears an allocation of the overall costs of BAPIML, based on the use of resources, except where a cost relates specifically to the Scheme, in which case the cost is met by the Scheme in full.

10. Reconciliation of investments

	Value at 31 March 2018	Purchases at cost & derivative payments	Sales proceeds & derivative receipts	Change in market value	Value at 31 March 2019
	£'m	£'m	£'m	£'m	£'m
Equities	6,882.4	2,584.3	(3,813.4)	339.5	5,992.8
Fixed interest bonds	3,365.6	3,684.9	(2,904.9)	64.4	4,210.0
Index-linked bonds	3,275.7	2,179.5	(1,790.4)	238.6	3,903.4
Property	-	3.2	-	-	3.2
Pooled arrangements					
- Property	1,397.0	18.1	(71.4)	83.6	1,427.3
- Alternative Investments	1,070.0	175.6	(155.8)	97.3	1,187.1
- Private equity	626.7	124.7	(125.6)	147.6	773.4
Derivatives					
- Inflation-linked swaps	(150.9)	-	-	59.2	(91.7)
- Interest rate swaps	13.9	-	-	38.6	52.5
Total return swaps	145.6	-	-	34.0	179.6
- Options	(0.4)	-	-	0.4	-
- Futures	0.4	16.0	(104.8)	94.6	6.2
- Forward foreign exchange	21.2	363.2	(165.5)	(209.0)	9.9
AVC mixed portfolio fund	147.1	37.3	(25.5)	9.9	168.8
External AVC investments	0.4	-	(0.1)	-	0.3
	16,794.7	9,186.8	(9,157.4)	998.7	17,822.8
Cash	85.4	94.6	-	0.2	180.2
Other investments	61.4	2.8	-	0.3	64.5
	16,941.5	9,284.2	(9,157.4)	999.2	18,067.5

10. Reconciliation of investments - continued

There were no individual investments which comprised greater than 5% of the net assets of the Scheme (2018: none).

Transaction costs are included in the cost of purchases and deducted from sale proceeds, however due to MiFID II, research costs have been unbundled and are now included within investment management expenses. Direct transaction costs analysed by main asset class and type of cost are as follows:

	Fees	Commission	Taxes	2019 Total	2018
	£'m	£'m	£'m	£'m	£'m
Equities	1.3	2.5	3.1	6.9	12.1
Other	-	0.2	-	0.2	0.2
2019	1.3	2.7	3.1	7.1	12.3
2018	1.0	8.1	3.2	12.3	-

In addition to the transaction costs disclosed above, indirect costs in relation to bonds are incurred through the bid-offer spread. Indirect costs are also incurred in relation to external pooled arrangements, through charges made to those vehicles.

11. Pooled arrangements**Property/Alternatives/Private equity**

The indirect property, alternatives and private equity investments are invested in externally pooled funds. A proportion of the private equity and alternatives, and all of the property investments (direct and indirect) are pooled internally and held jointly in unitised funds on behalf of the Airways Pension Scheme and the New Airways Pension Scheme. The remainder are held directly on behalf of the Scheme. As at 31 March 2019 the value of these funds are as follows:

Property	%held	2019	2018
		£'m	£'m
Externally pooled indirect funds		525.1	435.1
Direct UK property fund		902.2	961.9
Total property unitised	82.20%	1,427.3	1,397.0
Alternatives			
	%held	2019	2018
		£'m	£'m
Alternative unitised fund	49.37%	1.5	1.5
Direct investment funds		1,185.6	1,068.5
Total		1,187.1	1,070.0
Private equity			
	%held	2019	2018
		£'m	£'m
Private equity unitised fund	49.37%	10.4	13.5
Direct investment funds		763.0	613.2
Total		773.4	626.7

12. Taxation

The Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income.

13. Derivatives

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.

A summary of the Scheme's outstanding derivative contracts at the year end aggregated by key characteristics were as follows:

Over the counter swaps

Nature	Duration	Nominal Amount £'m	Asset value £'m	Liability value £'m
Inflation-linked swaps	<10 years	800.8	34.8	(0.5)
Inflation-linked swaps	10-20 years	552.4	16.9	(20.6)
Inflation-linked swaps	20-30 years	478.6	10.9	(86.5)
Inflation-linked swaps	30-40 years	968.9	69.4	(107.6)
Inflation-linked swaps	>40 years	61.0	4.3	(12.9)
Interest rate swaps	<10 years	51.9	-	(1.2)
Interest rate swaps	10-20 years	291.2	14.9	(7.7)
Interest rate swaps	20-30 years	947.4	1.2	(77.8)
Interest rate swaps	30-40 years	410.3	56.5	(13.4)
Interest rate swaps	>40 years	586.9	106.5	(26.5)
Total return swaps	<10 years	946.9	179.7	-
Total 2019		6,096.3	495.1	(354.7)
Total 2018		5,680.9	386.2	(377.6)

Futures

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

Nature		Notional Amount / Contract Size	Duration	Fair Value £'m
FTSE 100 stock futures	Buy	25,280	June 2019	5.1
Total UK futures				
EMINI S&P stock futures	Buy	3,350	June 2019	1.1
Total overseas futures				
			Total 2019	6.2
			Total 2018	0.4

Included within index-linked bond balances as disclosed in note 10 are £11.2m (2018: cash balances of £17.7m) in respect of initial and variation margins arising on open futures and options contracts at the year end.

13. Derivatives - continued**Options**

All the options positions were liquidated during the year and there were no open positions as at the year end. The fair value of the exchange traded put and call option spreads in the prior year across UK, US and Europe amounted to a liability of £0.4m.

Included within index-linked bond balances in the prior year were £17.7m in respect of initial and variation margins arising on open futures and options contracts as at the year end.

Forward foreign exchange contracts

The Scheme holds investments in a number of currencies and their policy is to hedge within agreed limits.

The Scheme enters into over the counter 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:

Contract	Maturity Date	Nominal value m	Asset value £'m	Liability value £'m
EUR				
Forward to sell EUR	Apr 19-Jun 19	€770.6	10.5	(0.1)
JPY				
Forward to sell JPY	Apr 19-Jun 19	¥46,164.1	3.8	(1.5)
USD				
Forward to buy USD	Apr 19-Jun 19	\$449.2	3.4	-
Forward to sell USD	Apr 19-Jun 19	\$4,083.1	13.8	(20.0)
Total 2019			31.5	(21.6)
Total 2018			30.8	(9.6)

14. Collateral

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

Counterparty	Collateral type	Pledge £'m	Derivative position
Goldman Sachs	UK Gilt	116.1	Swaps & FX Forwards
Morgan Stanley	UK Gilt	1.0	Swaps
UBS	Cash	(190.4)	Swaps & FX Forwards
HSBC	UK Gilt	(2.2)	Swaps
JP Morgan	UK Gilt	42.2	Swaps & FX Forwards
JP Morgan	Cash	(22.5)	Swaps & FX Forwards
RBS	UK Gilt	(103.8)	Swaps & FX Forwards
Nomura	UK Gilt	(54.2)	Swaps & FX Forwards
Barclays	UK Gilt	24.4	Swaps
		(189.4)	

Collateral pledged with counterparty is reflected as a negative value. However, they are included in the statement of net assets as part of the Scheme assets.

The collateral balances at the 2018 year end amounted to £10.6m.

15. Additional Voluntary Contributions (AVCs)

The Trustee holds assets to secure additional benefits on a defined contribution basis for those defined benefit section members electing to pay additional voluntary contributions. Members participating in this arrangement each year receive an annual statement confirming the amounts held in their account and the movements in the year.

There are three AVC funds. The Mixed Portfolio Fund, which is a separately managed unitised fund, the Short-Dated Gilts fund and the Equity Biased Fund, which are held within the investments. The aggregate amounts of AVC investments are as follows:

	%held	2019 £'m	2018 £'m
Mixed Portfolio Fund			
Equities		141.2	121.0
Bonds		24.7	24.2
Cash		2.9	1.9
Total Mixed Portfolio Fund	90.88%	168.8	147.1
Short-Dated Gilts Fund			
		24.8	28.1
Equity Biased Fund			
		198.0	199.2
		391.6	374.4

16. External AVC investments

In addition to the AVCs shown in note 15 above, there are four external additional voluntary contribution schemes. They are run for members who transferred from the British Caledonian Group Pension & Life Assurance Scheme ('British Caledonian'), the Davies & Newman Holdings Plc Pension and Life Assurance Scheme ('Davies & Newman') and the Dan Air Services Ltd Pension and Life Assurance Scheme ('Dan Air'). These funds have been separately invested for the benefit of the individuals. The values of these funds are as follows:

	2019 £'m	2018 £'m
British Caledonian		
Prudential	0.2	0.3
Davies & Newman and Dan Air		
Equitable Life Assurance	0.1	0.1
	0.3	0.4

17. Defined contribution scheme

Within NAPS is the British Airways Money Purchase Section (BAMPS). This section was closed to further benefit accrual 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:

	2019	2018
	£'m	£'m
Balance of BAMPS at 1 April	4.9	4.7
Interest	0.4	0.3
Retirements	-	(0.1)
Balance of BAMPS at 31 March	<u><u>5.3</u></u>	<u><u>4.9</u></u>

18. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level (1) The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level (2) Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level (3) Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

	As at 31 March 2019			
	Level	Level	Level	Total
	(1)	(2)	(3)	
	£'m	£'m	£'m	£'m
Equities	5,990.3	2.5	-	5,992.8
Bonds	8,113.4	-	-	8,113.4
Property	-	-	3.2	3.2
Pooled arrangements	-	-	3,387.8	3,387.8
Derivatives	6.2	150.3	-	156.5
AVC mixed portfolio fund	168.8	-	-	168.8
External AVCs	0.3	-	-	0.3
Cash	105.1	75.1	-	180.2
Other investment balances	64.5	-	-	64.5
	<u><u>14,448.6</u></u>	<u><u>227.9</u></u>	<u><u>3,391.0</u></u>	<u><u>18,067.5</u></u>

18. Fair value determination -continued

	As at 31 March 2018			
	Level	Level	Level	Total
	(1)	(2)	(3)	
	£'m	£'m	£'m	£'m
Equities	6,882.4	-	-	6,882.4
Bonds	6,641.3	-	-	6,641.3
Pooled arrangements	-	-	3,093.7	3,093.7
Derivatives	0.4	29.4	-	29.8
AVC mixed portfolio fund	147.1	-	-	147.1
External AVCs	0.4	-	-	0.4
Cash	28.4	57.0	-	85.4
Other investment balances	61.4	-	-	61.4
	13,761.4	86.4	3,093.7	16,941.5

Interest, inflation and discount rate assumptions were based on the prevailing market rates at the year end.

19. Investment risk disclosures**Investment risks**

The disclosure of information in relation to certain investment risks are as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk, inflation risk, and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk, inflation risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Inflation risk: In addition to the above, the Trustee has chosen to disclose inflation risk as this is considered a key risk. Inflation risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in inflation.

The Scheme has exposure to credit, currency, interest rate, inflation and other price risks as a result of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment manager and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

19. Investment risk disclosures - continued

(i) Investment strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long-term liabilities and the funding agreed with the employer. The investment strategy is set out in its Statement of Investment Principles (SIP) which can be viewed on the member website.

The current strategy is to hold:

- Liability matching assets – 51.7% in investments that move in line with the long-term liabilities of the Scheme. This is referred to as liability matching investments and comprises UK and overseas Government and corporate bonds and inflation and interest rate swaps, the purpose of which is to hedge against the impact of interest rate and inflation movements on long-term liabilities.
- Return seeking assets – 48.3% in return seeking investments comprising UK and overseas equities, equities futures, investment property, alternatives and private equity.

33% of the above investments are in overseas currencies. To minimise the currency risk the Trustee has put in place a currency hedging strategy using forward foreign exchange contracts.

(ii) Credit risk

The Scheme is subject to credit risk because the Scheme invests in bonds, OTC derivatives, holds cash balances and undertakes stock lending activities.

Credit risk arising on bonds is mitigated by investing predominantly in Government bonds where the credit risk is minimal or investment grade corporate bonds which are rated BB or above. The Trustee manages the associated credit risk by requesting that the investment manager diversifies the portfolio to minimise the impact of default by any one issuer. Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to have predominantly investment grade credit quality. This was the position at the year end.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). Exchange traded derivatives are guaranteed by a regulated exchange where OTC is not; therefore, the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC derivatives is reduced by collateral arrangements (see note 14).

Cash is held with financial institutions which are at least investment grade credit rated. This was the position at the year end.

The Scheme lends certain fixed interest and equity securities under a Trustee-approved stock lending program which is managed at the discretion of, and is fully indemnified by, the custodian State Street Bank and Trust Company. The Trustee manages the credit risk arising from stock lending activities by restricting the amount of overall stock that may be lent, only lending to approved borrowers, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. At the year end, the Scheme had lent £226.1m (2018: £247.6m) of public sector securities and £361.9m (2018: £431.4m) of quoted securities and held collateral in the form of cash and fixed interest securities with a value of 104.3% of stock lent.

The Scheme invests in private equity, alternatives, real assets, and indirect property funds through pooled arrangements and some of these investments are exposed to credit risk and leverage. This risk is mitigated through active management of the funds, the regulatory environments in which the pooled arrangements operate, and diversification of investments amongst a number of funds. The Trustee carries out due diligence checks on the appointment of a new fund and on an ongoing basis monitors any changes to the management, regulatory, and operating environment of the funds. The Scheme's holdings in pooled investment vehicles are unrated and predominantly held through shares of limited liability partnerships.

19. Investment risk disclosures - continued**(iii) Currency risk**

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled arrangements. The Trustee limits overseas currency exposure through a currency hedging policy.

The Scheme's total net unhedged exposure by major currency at the year end was as follows:

	2019	2018
	£'m	£'m
US Dollar	577.8	629.3
Euro	156.3	244.6
Other	1,499.8	1,816.4
	<u>2,233.9</u>	<u>2,690.3</u>

(iv) Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds and interest rate swaps. The Trustee has set an interest rate target hedge ratio to decrease the impact of adverse interest rate movements against liability as part of their liability matching investment strategy. Under this strategy, if interest rates fall, the value of liability matching investments will rise to help match the expected increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the liability matching investments will fall in value, as the actuarial liabilities are expected to because of an increase in the discount rate.

(v) Inflation risk

The Scheme is subject to inflation risk on the liability matching investments comprising index-linked bonds and inflation swaps. The Trustee has set an inflation target hedge ratio to decrease the impact of adverse movements in inflation against liability as part of their liability matching investment strategy. Under this strategy, if inflation rates rise, the liability matching investments will rise to help match the increase in actuarial liabilities arising from future pension increases. Similarly, if inflation rates fall, the value of liability matching investments will fall in value, as will the actuarial liabilities because the future pension increases will be expected to be lower.

(vi) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, investments held in pooled arrangements including private equity, alternatives, real assets, investment properties and equity futures. The Scheme has set a target asset allocation of 48.3% of investments in return seeking assets. This was the position at the year end.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

20. Contingent liabilities and contractual commitments

The following contractual commitments existed at the year end:

	2019	2018
	£'m	£'m
Property	108.6	87.4
Alternatives	392.0	468.5
Private equity	405.1	441.5
	905.7	997.4

21. Self-investment

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

22. Current assets and current liabilities

	2019	2018
	£'m	£'m
Current assets		
Cash balances	0.2	85.2
Sundry debtors and prepayments	2.0	0.4
	2.2	85.6
Current liabilities		
Contributions paid in advance*	-	85.0
Unpaid benefits	13.2	9.3
Accrued expenses	1.7	2.2
	14.9	96.5

* Relates to AVC receipts which were invested in the AVC funds on 1 April 2018

23. Related party transactions

The Corporate Trustee of NAPS is New Airways Pension Scheme Trustee Limited (NAPSTL). This company is dormant, and its set up cost was paid by the Scheme.

BAPTL, a company limited by guarantee, holds the assets on behalf of the Scheme as Custodian Trustee, including the assets of the pooled arrangements. The directors of BAPTL are all Directors of either NAPSTL or Airways Pension Scheme Trustee Limited (APSTL). The companies described below are all wholly owned by BAPTL.

BAPSL provides administration services and BAPIML provides investment management services to the Scheme. The Scheme is recharged for these services, as shown in the fund account, and in notes 7 and 9. BAPSL provides secretariat and financial administration to the British Airways Retirement Plan. BA Plc is recharged for these services. BA Plc provides occasional services to the Scheme (e.g. recruitment, advice on contracts for the purchase of equipment) for which the Scheme is not recharged.

The Trustee Directors of the Scheme are considered to be key management personnel. Virginia Holmes was remunerated by BA Plc in respect of her services as Chair of the Trustee Companies. Pensioner elected Trustee Directors were also paid by the Employer.

In addition to the member nominated Trustee Directors, two (2018: three) of the Trustee Directors of NAPSTL appointed by BA Plc that served during the year were members or pensioners of NAPS. If a Trustee Director is a member or a pensioner, then their pension rights are on terms normally granted to members.

24. Guaranteed Minimum Pension (GMP) equalisation

As explained on page 2, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women concerning guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and have already undertaken a significant amount of work to understand the impact on the Scheme. There are a number of subsequent Court hearings scheduled in relation to equalisation and the Trustee will await the outcome of these before they take any further action. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Independent auditor's statement about contributions to the Trustee of the New Airways Pension Scheme

Statement about contributions

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 2019 which is set out on page 39. In our opinion contributions for the Scheme year ended 31 March 2019 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Actuary on 28 March 2018.

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.

Respective responsibilities of the Trustee and the auditor

As explained more fully in the statement of Trustee's responsibilities set out on page 13, the Scheme's Trustee is 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 Trustee is 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 under the Schedule of Contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee 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 Trustee those matters we are required to state to it 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 Trustee for our work, for this statement, or for the opinions we have formed.

Fang Fang Zhou

For and on behalf of KPMG LLP, Senior Statutory Auditor

Chartered Accountants

15 Canada Square, Canary Wharf

London E14 5GL

Date: 4 October 2019

Statement of Trustee's responsibilities in respect of contributions

The Scheme's Trustee is 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 Trustee is 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.

Trustee's summary of contributions payable under the schedule in respect of the Scheme year ended 31 March 2019

This summary of contributions has been prepared on behalf of, and is the responsibility of, the Trustee. It sets out the employer and employee contributions payable to the Scheme under the schedule of contributions certified by the actuary on 28 March 2018 in respect of the Scheme year ended 31 March 2019. The Scheme auditor reports on contributions payable under the schedules in the auditor's statement about contributions.

Contributions payable under the schedule in respect of the Scheme year	£'m
Employer normal contributions	0.1
Employer deficit funding – regular	300.0
Employer deficit funding – cash sweep	150.0
Employer administration contributions	9.6
Contributions payable under the Schedule (as reported on by the Scheme auditor)	459.7

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 schedule (as above)	459.7
Contributions payable in addition to those due under the schedules:	
Employer augmentation	0.3
Employee AVCs	85.0
Total contributions reported in the financial statements	545.0

This report was approved by the Trustee Board on 1 October 2019 and was signed on their behalf by:

Fraser Smart
Scheme Secretary

New Airways Pension Scheme

Schedule of Contributions

Period covered by this schedule:

From the date of certification of this Schedule by the Actuary until 30 September 2027

The New Airways Pension Scheme was closed to future accrual on and from 1 April 2018. This schedule of contributions was amended to reflect the fact that no contributions will be due in respect of future accrual from members or employers after 31 March 2018.

Level of contributions payable:

By members:

- Salary sacrifice members: Nil
- “Lower accrual members”: Nil
- FSS members who are not salary sacrifice members or “lower accrual members” to and including 31 March 2018:
 - As specified in the table 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	Scheme 60	Scheme 65
Accrual rate 83 **	17.5% *	8.5% *	5.25% *
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 BA.

** accrual rate 83 introduced from 6 April 2016.

- FSS Members who are not salary sacrifice members or “lower accrual members” on and from 1 April 2018: Nil
- In addition, for members under State Pension Age and who are not a salary sacrifice member or a “2016 Lower Accrual Member”, but for the avoidance of doubt including “lower accrual members”, additional contributions of 3.1% of Band Earnings:
 - with effect from 6 April 2016 to and including 31 March 2018 for all Members save for those employed by Dunwoody Airline Services Limited (“Dunwoody”).
 - with effect from 1 July 2016 to and including 31 March 2018 in respect of Members employed by Dunwoody.
- Part of the above contributions may be paid by the Employers for lower paid members.

By the Employers:

- Contributions at the following rates of Pay to cover the core cost of accrual in respect of FSS members from 1 April 2015 to 31 December 2016:

% Pay for Contribution Purposes		
General Staff	15.0%	13.8%
Air Cabin Crew	13.5%	13.2%
Pilots and Officers	18.2%	17.1%

- Contributions at the rate of 32.7% of Pay for contribution purposes to cover the full cost of accrual in respect of FSS members from 1 January 2017 to and including 31 March 2018
- Contributions to eliminate the funding shortfall:
 - £18,416,667 per month from 1 October 2015 to 31 March 2016
 - £19,833,333 per month from 1 April 2016 to 31 December 2016
 - £25,000,000 per month from 1 January 2017 to 30 September 2027
- 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.
- In addition, from April 2018 lump sums of £600,000 each calendar month as an allowance in respect of recurring administrative and other non-investment expenses. Invoices for expenses in excess of this allowance shall be submitted for reimbursement by BA Pensions no less frequently than quarterly and, subject to being properly incurred by the Trustee, will be settled by BA plc within one calendar month.
- The Trustee 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. Under these additional arrangements, additional payments may be made from time to time as part of the cash sweep arrangement or as mitigation for special distributions, including payments in June 2015 and June 2016. In some circumstances, as documented in that legal agreement, part or all of these additional payments may be treated as pre-payments of the fixed deficit contributions which are furthest in the future and are still payable under the Recovery Scheme and still due for payment.

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 1: 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.

Note 2: Part of the monthly lump sum contributions payable before 1 January 2017 were allocated to cover the balance of the cost of accrual under the Schedule of Contributions dated 28 June 2013. In particular, £6,873,550 out of £18,416,667 per month from 1 October 2015 to 31 March 2016 and £6,962,375 out of £19,833,333 per month from 1 April 2016 to 31 December 2016 was allocated to cover the balance of the cost of accrual.

Date of Schedule (for reference purposes): 28 March 2018

Signed on behalf of the Trustee of the Scheme

Name: Virginia Holmes

Position: Chair

Signed for and on behalf of the Participating Employers of the Scheme

Name: Stephen Gunning

Position: Chief Financial Officer

Actuarial Certificate**Schedule of Contributions**

Name of Scheme: **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 2015 to be met by the end of the period specified in the recovery Scheme dated 5 December 2016.
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 Scheme.

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 5 December 2016.

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

Towers Watson Limited,
a Willis Towers Watson company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

28 March 2018

(Forming part of the Trustee's Report)

**New Airways Pension Scheme
Report on Actuarial Liabilities**

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2015. This showed that on that date:

The value of the technical provisions was: £16,065m

The value of the assets at that date was: £13,280m

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Assumption	Value
Discount rate	A term-dependent margin equivalent to a single equivalent margin of approximately 1.0% p.a. over the full nominal gilt yield curve
Retail Prices Index (RPI) inflation	Term-dependent rates derived from the difference between the full index-linked and nominal gilt yield curves
Salary increases (in addition to promotional scale)	RPI
Deferred pension revaluation	RPI-0.9% p.a.*
Pension increases in payment:	
- PIRO capped at 5% each year	RPI-0.9% p.a.*
- Dan Air (3% floor per annum)	RPI-0.9% p.a.*
- Post 88 GMP (capped at 3% each year)	RPI-0.9% p.a.*
LEL increases	RPI-0.9% p.a.*

*With relevant annual caps and floors applied to the forward rates.

Mortality: the base table of mortality assumed at 31 March 2015 is summarised below. This is based on standardised tables of mortality rates which are determined by reference to historic experience of occupational pension schemes. These tables are then calibrated, based on the results of a Generalised Linear Model (GLM) mortality analysis, to reflect the demographic profile of the Scheme (by reference to age, gender, category of membership, category of occupation, pension amount and postcode).

(Forming part of the Trustee's Report)

Group	
Male non-pensioners with: - Low pensions* - High pensions*	104% of S2PMA 86% of S2PMA_L
Female non-pensioners	87% of S2PFA_L
Male dependents of non-pensioners	87% of S2PMA_H
Female dependents of non-pensioners	97% of S2DFA
Male pensioners with: - Low pensions* - High pensions*	103% of S2PMA 90% of S2PMA_L
Female pensioners	94% of S2PFA_L
Male dependents of pensioners	87% of S2PMA_H
Female dependents of pensioners	97% of S2DFA

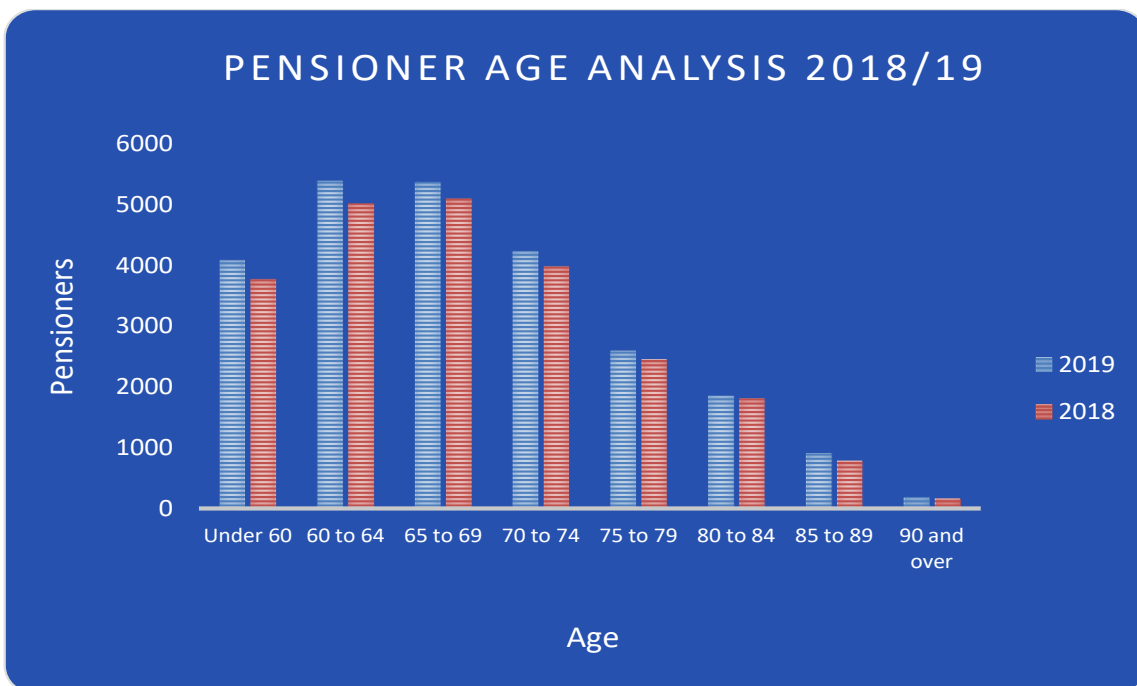
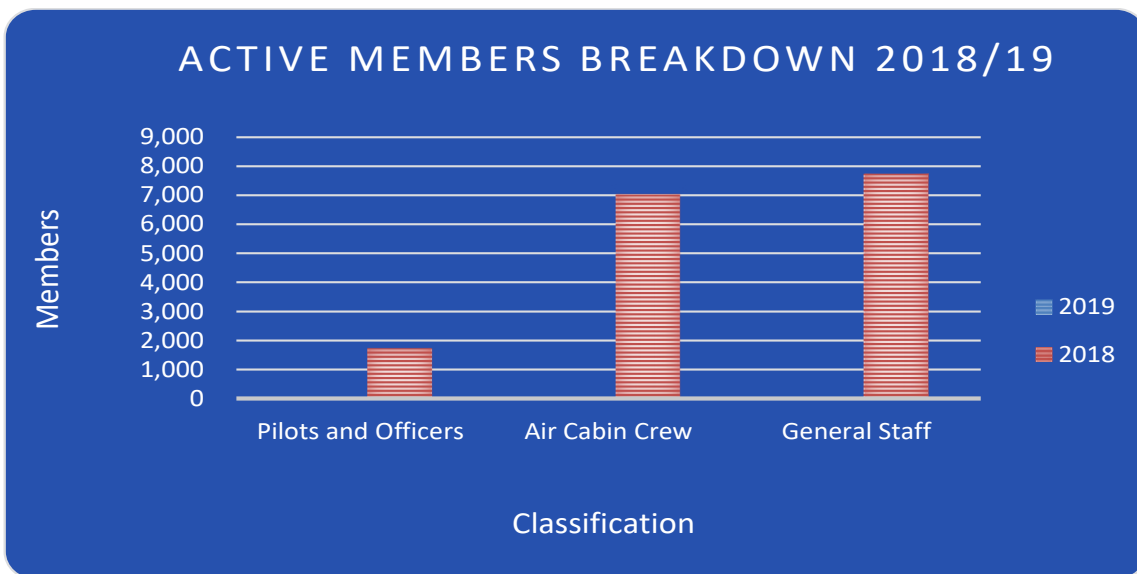
*Low pensions are classed as being lower than £25,100 p.a. at 31 March 2015. High pensions are higher than the specified limit.

The tables above were adjusted to incorporate improvement factors to 2015 based on the CMI2014 core projection model.

To address future improvements in mortality from 2015 an explicit allowance for long-term trend reductions in mortality rates of 1.5% p.a. has been applied to the CMI's 2015 core projection model.

The proportion of pension exchanged for a lump sum at retirement has been set at 17.5% of pension commuted on terms 12% higher than the rates applicable at the valuation date.

	2019	2018
Active members	-	16,497
Pensioners in payment	24,635	23,102
Dependant pensioners	4,315	4,143
Deferred pensioners	35,182	21,327
	64,132	65,069



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: Scheme 60 and Scheme 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 was contracted-out of the State Second Pension (formerly known as the State Earnings-Related Pension Scheme) until contracting-out ceased with effect from 6 April 2016. NAPS BAMPS was not contracted-out of the State Second Pension.

The Scheme closed to future accrual on 1 April 2018, and no further benefits will accrue. A number of employed deferred members, however, opted for transitional options including a promotional/incremental pay link option to continue for a limited period. The promotional/incremental pay link option will end on 31 December 2021. In addition, special conditions apply in respect of Senior First Officer pilots (SFOs) who gain Command on or before 31 December 2023.

Membership

The Scheme closed to future accrual on 1 April 2018. Employed deferred members may be automatically enrolled into the British Airways Pension Plan, a defined contributions pension scheme offered by BA Plc.



British Airways Pensions Services Ltd

Registered address:
Waterside HAA1
Harmondsworth
UB7 0GB

Address for correspondence:
PO Box 2074
Liverpool
L69 2YL