

BRITISH AIRWAYS PENSION SERVICES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 March 2002

COMPANY NUMBER 3123736



BRITISH AIRWAYS PENSION SERVICES LIMITED

Report of the Directors for the year ended 31 March 2002

Directors : J Birch
M. Grey

The Directors of British Airways Pension Services Limited (BAPSL, 'the Company') present their report and audited accounts for the year ended 31 March 2002.

1 Principal Activity

The company is an administration company and provides certain administration services for the Airways Pension Scheme and New Airways Pension Scheme ("the Schemes").

2 Accounts & Dividends

The Company made neither a profit nor a loss for the year (2001 - nil) as management fees received from the Schemes were sufficient to cover the costs incurred directly by the Company. The Directors do not recommend the payment of a dividend.

3 Directors

The movement in Directors during the year were as follows:

G Lomas	Resigned on 20 February 2002
M Grey	Appointed on 20 February 2002
M Street - Chairman	Resigned on 10 October 2002

4 Directors' Interests

No Director held a beneficial interest in the share capital of the company at any time during the year. The entire called-up share capital is held by British Airways Pension Trustees Limited as custodian for the Schemes. Mr. M Street and Mr. M Grey are trustees of both schemes and all directors are active members of either the Airways or the New Airways Pension Scheme. Mr J Birch is Secretary to the Trustees of both Schemes.

5 Directors' Responsibilities for the Accounts

Company Law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

6 Auditors

The auditors, Ernst & Young LLP, have expressed their willingness to be re-appointed, and a resolution to that effect will be submitted to the next Annual General Meeting.

7 Registered Office

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

By order of the Board



25/11/02

H Smith
Secretary

BRITISH AIRWAYS PENSION SERVICES LIMITED

Report of the Auditors to the Members of British Airways Pension Services Limited

We have audited the company's financial statements for the year ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 11. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Bases of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its result for the year ended and have been properly prepared in accordance with the Companies Act 1985

Ernst & Young LLP

ERNST & YOUNG LLP

REGISTERED AUDITOR

READING

27 November 2002

BRITISH AIRWAYS PENSION SERVICES LIMITED

Profit and Loss Account for the year ended 31 March 2002

	Note	2002 £	2001 £
Turnover	2	1,786,738	1,781,288
Operating Costs	3	(1,786,738)	(1,781,288)
Operating Profit	4	<u>0</u>	<u>0</u>
Taxation		0	0
Profit for the Financial Year		<u>0</u>	<u>0</u>

Statement of Accumulated Profits

Balance as at 1 April 2001	0	0
Result for the year	0	0
Retained profits at 31 March 2002	<u>0</u>	<u>0</u>

Statement of Total Recognised Gains and Losses

There are no recognised gains or losses for the year ended 31 March 2002 (2001 - Nil)

BRITISH AIRWAYS PENSION SERVICES LIMITED

Balance Sheet as at 31 March 2002

	Note	2002 £	2001 £
Current Assets			
Debtors	7	141,147	163,491
		<u>141,147</u>	<u>163,491</u>
Creditors			
Amounts falling due within one year	8	(141,047)	(163,391)
Total Net Assets		<u>100</u>	<u>100</u>
Capital & Reserves			
Called-up share capital	9	100	100
Profit and Loss Account		0	0
		<u>100</u>	<u>100</u>
Equity Shareholders' Funds			

Approved by the board on:


J Birch
 Director

25/11/02

BRITISH AIRWAYS PENSION SERVICES LIMITED

Notes to the Accounts for the year ended 31 March 2002

1 Accounting Policies

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards. The accounts have been prepared on a going concern basis as the parent company has indicated that it will provide adequate funds to enable the Company to pay its liabilities as they fall due for the foreseeable future.

2 Turnover

Turnover from continuing activities, which is stated net of value added tax, comprises the invoice value to the holding company of administration services provided for the Schemes. Turnover for the period was generated from clients in the United Kingdom.

3 Operating Costs

		2002 £	2001 £
Employee costs	See note 6	1,785,230	1,779,825
Other costs		1,508	1,463
		<u>1,786,738</u>	<u>1,781,288</u>

4 Operating Profit

The operating profit for the year is arrived at after charging

Auditor's Remuneration	audit	1,033	1,050
	other services	475	413

5 Directors' Emoluments

None of the Directors received emoluments during the period for services as a director of the Company.

6 Employees

The average number of employees employed by the Company during the year was 60 (2001 - 59).

The costs incurred for these employees were:

	2002 £	2001 £
Wages and Salaries	1,506,804	1,539,873
Pension Costs	160,248	110,581
Social Security Costs	118,178	129,371
	<u>1,785,230</u>	<u>1,779,825</u>

7 Debtors

	2002 £	2001 £
Amounts owed by holding company	141,147	163,491
	<u>141,147</u>	<u>163,491</u>

BRITISH AIRWAYS PENSION SERVICES LIMITED

Notes to the Accounts for the year ended 31 March 2002

8 Creditors - Amounts falling due within one year

	2002 £	2001 £
Amounts owed to British Airways Plc	139,539	161,928
Accruals	1,508	1,463
	<u>141,047</u>	<u>163,391</u>

9 Called-Up Share Capital

Authorised, allotted, called up and fully paid ordinary shares of £1 each.	100	100
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10 Pension Costs

The Company participates in one of the British Airways Group Defined Benefit Pension Schemes, the New Airways Pension Scheme (NAPS) of which all new employees over the age of 18 employed by the Company can become members. The assets of the Scheme are held in separate trustee administered funds. Contributions are based on pension costs across the British Airways group as a whole.

Benefits provided under NAPS are based on final average pensionable pay reduced by a maximum amount (the "abatement") equivalent to either one and a half times the Government's lower earnings limit or 15% of full pensionable pay (according to the option selected by the member), and are subject to Retail Price Index increases up to a maximum of 5 per cent in any one year.

Employees' contributions range from 3.75 per cent to 6.5 per cent of full pensionable pay less abatement.

The latest actuarial valuation of NAPS was made as at 31 March 2000 by an independent firm of qualified actuaries, Watson Wyatt Worldwide, using the projected unit method. The valuation showed that an employer's contribution equal to an average of 3.0 times the contribution of the Company's employees for the period 1 January 2001 to 31 March 2002 (2.35 times for 1 April 2000 to 31 December 2000) was appropriate.

	2002 £	2001 £
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All amounts recognised as costs were either funded or paid directly.

Employer's pension contributions paid during the year for all staff were:	160,248	110,581
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As at the date of the actuarial valuation, the market value of the assets of NAPS amounted to £3,796 million. The relevant value of the assets represented 93 per cent of the value of the benefits that had accrued to members after allowing for assumed increases in earnings.

The actuarial value of the assets with future contributions from employees was sufficient to cover past service liabilities and some future liabilities. The employers' contribution is intended to make up the balance of future service liabilities. The principal assumptions used in the actuarial valuation were that, over the long term, the annual increase in earnings and in dividends would be 1.5% higher than annual increases in price inflation. The annual return on investments was assumed to be 2.75 per cent higher than the onward increase in earnings. Annual pension increases, over the long term, were assumed to be less than price inflation.

11 Holding Company

The Directors consider the Company's ultimate holding company and controlling party to be British Airways Pension Trustees Limited, incorporated in the UK, which holds the shares as custodian trustee for the Trustees of the Schemes.