



**The BAA Pension Scheme
Report & Accounts
for the year ended 30 September 2015**

Report and Accounts for the year ended 30 September 2015

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Any enquiries regarding the Scheme generally or in relation to an individual's entitlement to benefits should be addressed to:

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THE BAA PENSION SCHEME

The BAA Pension Scheme ("the Scheme") was established in April 1966. It is a contributory, final salary, defined benefit arrangement. The Scheme includes the transferred assets and liabilities of the BAA Group Pension Scheme established 1 January 1991 and wound up 30 June 1996.

The Scheme was closed to new entrants with effect from 14 June 2008.

The Scheme is established under irrevocable trusts and administered by the Trustee in accordance with the provisions of the Trust Deed and the Rules which are amended from time to time. The Principal Employer is LHR Airports Limited ("the Employer") and the primary purpose of the Scheme is to provide pensions on retirement and other benefits for all eligible participants.

1. TRUSTEE AND ADVISERS

The Trustee is BAA Pension Trust Company Limited, and it is responsible for the management of the Scheme. Law Debenture Pension Trust Corporation (LDPTC), although not formally a trustee is referred to in the Rules as the Independent Trustee and has special reserve powers designed to safeguard the accrued rights of beneficiaries. LDPTC satisfies requirements of independence from the Employer set out in the Trust Deed and Rules. LDPTC's nominated representatives, who attend Trustee meetings, are Messrs M Chatterton or J Nestor.

The Trustee is responsible for all aspects of the Scheme. However, in order to facilitate the efficient discharge of business certain matters are, from time to time, delegated to and managed by an investment committee or other specialist committees. Any decisions of the committees are subject to endorsement by the full Trustee Board, except where this is not appropriate, e.g. where doing so would create a "conflict of interest".

Details of the Directors of the Trustee Company ("the Trustee Directors") and its advisers, who served during the year, are set out below:

BAA Pension Trust Company Limited

Unless otherwise stated, the Trustee Directors are Management Representatives

Trustee Directors

P Wilbraham *β	Chairman
S Chambers **β	(Member Nominated Trustee Representative)
M Gorman #+	
A Hurn *β	
M Macgregor #+	(Pensioner Nominated Trustee Representative)
P Stannett #	
P Williams #	(Member Nominated Trustee Representative)

Independent Trustee

*+β Mr M Chatterton (LDPTC)
*+β Mr J Nestor (LDPTC)

Secretary to the Trustee

#*+β Mr A Knowles

+member of the Audit Committee
* member of the Investment Committee
member of the Administration Committee
β member of the Valuation Committee

The Law Debenture Trust Corporation plc owns the whole of the share capital of LDPTC and has the right to appoint and remove the Directors of LDPTC and is currently the sole Director.

**BAA Pension Scheme
Trustee's Report**

ADVISERS

Actuary	C Sheppard FIA, Mercer Limited
Auditor	Crowe Clark Whitehill LLP
Administrators	Equiniti Paymaster
Bankers	Lloyds TSB
Custodian	JP Morgan Chase. Assets are held in the name of 'Chase Nominees'.
Investment Managers	Baring Asset Management (until March 2015) BlackRock Investment Management (UK) Limited BlueBay Asset Management LLP Brevan Howard Fund Ltd Invesco Asset Management Ltd (from March 2015) M&G Asset Management Rogge Investment Management State Street Global Advisors Ltd Wellington Asset Management Westwood Holdings Group Winton Capital Management Ltd (from February 2015)
Investment Consultants	Cardano
Legal Adviser	CMS Cameron McKenna LLP

1. TRUSTEE AND ADVISERS (continued)

Procedure for Appointment and Removal of Trustee Directors of BAA Pension Trust Company Limited

The approved arrangements for this Scheme, which comply with the requirements specified in the Pension Act 2004, which were endorsed by the Board at their meeting on 4 May 2007 are summarised as follows:

Trustee Directors are appointed by the Board of the Employer and will normally serve a three year term. There shall be eight Trustee Directors: four Management Representatives, three Members' Representatives and one Pensioner Representative. At 30 September 2015 there was one Trustee Director vacancy on the Board. The appointment of the Chairman and Management Representatives is based on nominations made by the Employer. The Members' and Pensioner Representatives are chosen by ballot controlled by the Electoral Reform Society.

A Trustee Director may also be removed at his/her own or at the Employer's request and any Trustee Director who fails to attend any Trustee meeting in a six month period may be removed from office by the Employer at the request of the other Trustee Directors. Where the Trustee Director being removed was a Member or Pensioner representative, all the other Trustee Directors must agree to the removal and elections would then be held to appoint a replacement.

The procedure for the appointment and removal of Trustee Directors is currently being reviewed by the Trustee and the Employer.

Procedure for Appointment and Removal of the Independent Trustee

There must at all times be a single Independent Trustee of the Scheme. It is appointed by and can be removed by the Employer in certain circumstances or may, at its own request, retire. A replacement Independent Trustee would have to be appointed simultaneously with any removal or resignation and the outgoing Independent Trustee would be entitled to write to all beneficiaries explaining the circumstances of its replacement, removal or resignation.

Investment Committee

The membership of the Committee is noted on page 1. The Trustee decided that this group will be a standing committee which would make operational decisions relating to the implementation of the Scheme's investment strategy including selection and appointment of investment managers.

Valuation Committee

The membership of the Committee is noted on page 1. The Trustee decided that this group will be an ad hoc committee which would only deal with the issues relating to the actuarial valuation as at 30 September 2015, including dialogue with the Company and preparation of valuation related correspondence for the Main Board.

Audit Committee

The membership of the Committee is noted on page 1. The Trustee decided that this group will be a standing committee which would be responsible for dealing with any issues relating to the preparation and audit of the statutory accounts, monitoring the Scheme's internal controls and record keeping, and maintenance of the Risk Register of the Scheme.

Administration Committee

The membership of the Committee is noted on page 1. The Trustee decided that this group will be a standing committee which would be responsible for monitoring the third party administration services provided by Equiniti Paymaster and make delegated day to day decisions concerning settlement of death benefits and other discretionary benefits.

Trustee Training

All newly appointed Trustee Directors are required to attend suitable training. Subsequently, during their term of office or on reappointment, Trustee Directors are encouraged to identify their own training needs and attend appropriate courses. In addition a formal half day's training is organised every November.

BAA Pension Scheme Trustee's Report

The Pensions Regulator has issued scope guidance specifying the expected knowledge and understanding requirements of a competent trustee. Each Trustee Director attends appropriate training so they become conversant with Scheme documents and develop knowledge and understanding (appropriate to their role as Trustee Director) of trusts and pensions law and the principles of funding and investment.

2. CHANGES DURING THE YEAR

(a) Sale of Aberdeen, Glasgow and Southampton Airports

In October 2014 the Employer announced that an investor consortium formed by Ferrovial and Macquarie was the successful bidder, paying £1,048 million for Glasgow, Aberdeen and Southampton airports in December 2014.

As with the sale of previous airports, the active members of the Scheme whose contracts of employment transferred were offered the option to transfer their accrued service benefits to the AGS Airports Pension Scheme. This is a new, wholly independent scheme established by the investor consortium.

The Trustee paid a transfer amount of £136.2m to the AGS Airports Pension Scheme in respect of transferring members on a basis agreed with the Employer. The Trustee received an additional payment of £50.5m from Glasgow, Aberdeen and Southampton to sever its obligations to the Scheme in respect of deferred and pensioner members. These payments were settled during August 2015.

(b) Investment Manager Changes

The Trustee redeemed £150m of assets from the BlackRock Global Credit Screened Corporate Bond Pooled Fund and topped up the investment in the BlueBay Global Multi Asset Credit Fund over two tranches in November and December 2014.

The Trustee also agreed to allocate £150m to a new mandate; the Winton Futures Fund. This mandate was funded from the full redemption of the BlackRock Global Credit Screened Corporate Bond Pooled Fund (c. £81m) and partial redemption of the State Street global equity fund (c. £69m). The mandate was funded over a two month period from February to March 2015.

The Trustee agreed to fully redeem Baring's mandate, given Cardano's forward looking view of the mandate, and invest the proceeds in Invesco's Global Targeted Returns fund. This took place in March 2015.

In July 2015, the Trustee implemented an equity protection strategy through the use of an equity option put-spread collar with State Street (the incumbent equity manager). This provided the Scheme with downside protection against falls in equity markets beyond a certain level, at the expense of upside potential.

3. CHANGES AFTER YEAR-END

With effect from 1st October 2015 following a Company led consultation process with the Active membership, it was agreed to amend the Scheme Rules for future service from 1 October 2015 to reflect a reduction in the accrual rate from 1/54th to 1/60th, to cap pension increases at the maximum of RPI or 2.5% (whichever is lower) and to recognise the agreed contractual change between the Company and members to cap pensionable pay increases at 2% per annum for both past and future service.

4. MEMBERSHIP OF THE SCHEME AND PENSIONERS

	30 September 2015	30 September 2014
(a) Active Members	3,655	4,564
(b) Pensioners		
Former Members	7,108	6,922
Dependents	1,727	1,720
(c) Deferred Pensioners	5,108	5,073
Total	<u>17,598</u>	<u>18,279</u>

5. ACTUARIAL VALUATION AND CONTRIBUTIONS

The Trustee undertakes a full valuation at least every three years in line with the requirements of the Pensions Act 2004. A full valuation of the BAA Pension Scheme was carried out as at 30 September 2013 and determined a shortfall of £300m (equal to a funding level of 90%). Following the benefit changes introduced by the Employer, it has been agreed that the next valuation will be carried out as at 30 September 2015.

The 2013 valuation was the third valuation for the Scheme under the Pensions Act 2004 and the Scheme Funding Regulations issued in 2005 which require schemes to adopt the Statutory Funding Objective. The Trustee decided on a funding objective, including a set of actuarial assumptions, and agreed it with the Employer. This is set out in the current Statement of Funding Principles.

The Trustee and Employer agreed a Recovery Plan that sets out how the shortfall of £300m as at 30 September 2013 is to be addressed. The Trustee and Employer agreed that £24m would be paid into the Scheme during 2014 followed by £27.0m p.a. paid for 9 years, from 1 January 2015 to 31 December 2023. At the end of this Recovery Plan period, the shortfall is expected to be eliminated. The Recovery Plan will be reviewed, and may be revised, as part of the Scheme's next valuation as at 30 September 2015.

As a result of the 2013 valuation, the Trustee and Employer agreed that regular Employer contributions of 33.3% of Basic Pay plus Shift Pay will be paid from 1 January 2015, in addition to the deficit reduction contributions of £27.0m p.a., to meet the cost of the future accrual of benefits.

As at 30 September 2013 regular Employer contributions were £70.1m per annum. This amount fell to £63.1m per annum with effect from November 2013 (following the sale of Edinburgh airport) before the rate of 33.3% of Basic Pay plus Shift Pay mentioned above was introduced.

The Employer also continues to pay the augmentation costs (if any) arising following redundancies.

The level of contributions paid by members of the Scheme is set out in the Schedule of Contributions and Trust Deed and Rules of the Scheme.

Employees' and Employers' contributions are due monthly by the 19th day of the following month to which contributions relate. Contributions relating to benefit augmentations are due within one month of the later of the date of granting of the augmentation or such later date as is agreed between the Trustee and the Employer.

A revised Schedule of Contributions was agreed by the Employer and the Trustee during the year, effective from 1 January 2015, which set out the changes to contributions due to the Scheme as detailed above.

6. FINANCIAL DEVELOPMENT OF THE SCHEME

The financial statements have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of The Pensions Act 1995. The Fund Account shows in detail the financial development of the assets of the Scheme over the year to 30 September 2015.

A summary of the changes in the Scheme during the year and in the preceding year were as follows:

	Year to 30 September 2015 £'000	Year to 30 September 2014 £'000
Income	155,259	99,968
Expenditure	(245,312)	(103,310)
Net withdrawals	(90,053)	(3,342)
Net return from investments	273,392	319,536
Net increase	183,339	316,194
Net assets at beginning of year	3,154,180	2,837,986
Net assets at end of year	3,337,519	3,154,180

7. PENSION INCREASES

Although the two original schemes have been merged, pension increases are still determined relative to the category of membership basis.

Both the "Plc Section" basis and the "Group Section" basis are determined in accordance with the relevant version of the Trust Deed and Rules (as amended) that applies to particular members. Under the version of the Rules in place as at 30 September 2015, pensions are increased with effect from 1 October in line with the proportionate increase in the Government's Index of Retail Prices during the year ending in the preceding August. For the Group Section basis only, increases are capped at 5% per year. Deferred pensions have increased in accordance with the Scheme's Trust Deed and Rules.

Pensions payable under the version of the Trust Deed and Rules that were in place as at 30 September 2015 were increased on 1 October 2015 by 1.1% for the Plc section and 1.1% for the Group section (in line with RPI for the year to August 2015). There were no discretionary increases.

8. ADMINISTRATION AND INVESTMENT MANAGEMENT COSTS

The fees for professional services provided by the actuary, auditor, custodian, independent trustee, legal advisers, investment adviser and investment managers are all paid by the Scheme as well as the salary for the Scheme Secretary.

9. TRUSTEE GOVERNANCE MATTERS – RISK MANAGEMENT

The Trustee has adopted and maintains a formal risk management process to assess risks and implement risk management strategies. This has involved identifying the type of risks the Scheme faces, presenting them in terms of potential impact and likelihood of occurrence and identifying means of mitigating the risks. As part of this process the Trustee has reviewed the adequacy of the Scheme's internal controls. This document is reviewed annually and amended as appropriate.

10. SUMMARY FUNDING STATEMENT

The Scheme provides members with an annual statement summarising the funding position under the Scheme. The next statement for the year ended 30 September 2015 will be sent to members in Spring 2017.

11. STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustees. 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:

- Show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- Contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements 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 any estimates and judgments on a prudent and reasonable basis.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The 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 Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

1. INVESTMENT STRATEGY

Over the course of the year, a number of changes were made to the investment strategy. The Scheme's allocation to the BlueBay Global Multi Asset Credit fund was increased. A new strategy was introduced with the funding of the Winton Futures Fund, a medium term trend following systematic strategy. This mandate was partially funded from the termination of the BlackRock Global Credit Screened Corporate Bond Pooled Fund. The Baring's Dynamic Growth Fund mandate, with an investment strategy focused on asset allocation, was redeemed in favour of a higher conviction relative value diversified growth fund; the Invesco Global Targeted Returns Fund.

Additionally, a downside equity protection strategy was implemented with State Street through an equity put spread collar which covered the Scheme's passive and active equity exposure. This equity protection strategy was a short term tactical move and provides the Scheme with downside protection against falls in equity markets beyond a certain level, at the expense of upside potential.

The Trustee continued to build up the interest rate and inflation hedge ratios over the course of the year through the agreed plan. The hedge ratios as at 30 September 2015 were estimated to be 67% and 77% respectively, as a proportion of Technical Provisions liabilities.

The table below shows the Scheme's investment manager structure as at 30 September 2015:



Source: JPM, Investment Managers and Cardano

The LIBOR + mandates are included under credit

Residual cash balances and legacy portfolios included under JPM Liquidity

Investment in stock, shares, debentures or other securities issued by Grupo Ferrovial SA, any holding company of Grupo Ferrovial SA or any subsidiary of Grupo Ferrovial SA or any such holding company is restricted under the terms of the investment manager agreements in place. The Trustee accepts that where they invest in pooled investment vehicles the Trustee cannot impose this restriction on the investment manager.

2. ASSET ALLOCATION

The table below shows the Scheme's investment allocation as at 30 September 2015 versus last year's asset allocation and target strategic allocation:

	30 September 2015	30 September 2014	Target asset allocation
Equity	16.7%	20.6%	18.5%
Credit	14.8%	18.6%	17.5%
Property	3.4%	3.5%	4.0%
Macro Orientated/ Multi Strategy	12.6%	8.7%	14.0%
LIBOR+	18.5%	19.7%	22.0%
Liability hedging assets & Cash*	34.0%	28.9%	24.0%

*Includes liability hedging interest rate and inflation swaps, cash and residual balance in legacy portfolios
Figures subject to rounding

The significant fall in interest rates over the year resulted in a large increase in the value of the liability hedging assets. The Trustees are aware of this change and have made a conscious decision to retain the position at the current time. A detailed review of the Scheme's strategy is scheduled for completion in 2016.

A Statement of Investment Principles (SIP), which reflects the Trustee's investment approach, has been produced and is periodically reviewed and updated. The SIP was amended in December 2014 and again in January 2016 to reflect the Scheme's latest investment objectives and strategy.

3. INVESTMENT PERFORMANCE

The table below shows the Scheme's return over various periods to 30 September 2015.

	1 Year	3 Years (p.a.)	5 Years (p.a.)
Scheme	9.1%	9.6%	8.7%
Change in value of liabilities*	15.2%	11.7%	9.1%

*Change in liabilities has been calculated on a Gilts basis by the Actuary and the asset return uses performance data provided by the Custodian

As the most appropriate overall benchmark for the investment strategy, the Scheme uses an approximation for the movement in the value of its liabilities through time. Adopting this benchmark means that over certain periods there may be significant discrepancies between this benchmark and the underlying targets for each of the investment managers used. This is because strategic decisions (such as not to fully liability hedge at low interest rates) have been taken with a long term view, and individual investment managers are therefore not intended to exactly match a liability based benchmark.

As at 30 September 2015, all of the investment managers were performing within acceptable tolerances of their individual objectives.

4. INVESTMENT MANAGER FEES

All of the investment managers are remunerated on an ad valorem basis, i.e. fees are geared to the market value of the assets under their management. There are however additional performance related fees in place for Brevan Howard and Winton.

5. INVESTMENT POLICY

The Trustee makes all major decisions on the management of assets and liabilities based on investment advice. There is also an Investment Committee that has limited powers to make certain decisions as agreed and delegated by the Trustee. The Investment Committee also receives investment advice before taking decisions.

The Trustee has clear investment objectives, which relate to improving the value of the assets compared to the liabilities. They also monitor the risk versus the liabilities, based on information supplied by their investment advisor. Performance is measured against the Trustee's liability related benchmark each quarter, as well as underlying manager performance being reviewed on a quarterly basis against their respective benchmarks.

The Trustee's Statement of Investment Principles (SIP) sets out their policy on Responsible Ownership. The Trustee's policy is that its Investment Managers should take account of social, environmental and ethical considerations in the selection, retention and realisation of investments to the extent material to the value of the investments, and where to do so would not prejudice the best long-term financial interests of the Scheme, more generally. With regard to corporate governance, the Trustee wishes to encourage best practice in terms of activism. It therefore encourages its managers investing in equities to discharge their responsibilities in respect of investee companies in accordance with the Statement drawn up by the Institutional Shareholders' Committee.

The Trustee communicates periodically with members on investment issues as part of their regular member updates. In particular, the SIP is reviewed periodically and is available to all members on request.

Signed on behalf of BAA Pension Trust Company Limited:

Director

Director

Date: 11 April 2016

**BAA Pension Scheme
Independent Auditor's Report**

Independent Auditor's Report to the Trustee of the BAA Pension Scheme

We have audited the financial statements of the BAA Pension Scheme for the year ended 30 September 2015 which comprise the Fund Account, the Net Assets Statement and the related Notes set out on pages therein.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the 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 and the Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report, (which comprises the Trustee's Report, the Investment Report, the Actuarial Certificate and the Compliance Statement) to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme for the year ended 30 September 2015, 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 United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Crowe Clark Whitehill LLP
Statutory Auditor
London

11 April 2016

BAA Pension Scheme
Fund Account for the year ended 30 September 2015

	Note	2015	2014
		£'000	£'000
Contributions and benefits			
Contributions receivable	3	155,148	99,655
Transfers in	4	111	313
		<u>155,259</u>	<u>99,968</u>
Benefits payable	5	(99,800)	(93,011)
Payments to and on account of leavers	6	(142,529)	(7,222)
Administrative expenses	7	(2,983)	(3,077)
		<u>(245,312)</u>	<u>(103,310)</u>
Net deductions from dealings with members		<u>(90,053)</u>	<u>(3,342)</u>
Return on investments			
Net investment income	8	41,879	47,175
Investment management expenses	9	(5,395)	(5,315)
Change in market value of investments	10(a)	236,908	277,676
Net returns on investments		<u>273,392</u>	<u>319,536</u>
Net increase in the Fund during the year		<u>183,339</u>	<u>316,194</u>
Net assets of the Scheme at the start of the year		<u>3,154,180</u>	<u>2,837,986</u>
Net assets of the Scheme at the end of the year		<u>3,337,519</u>	<u>3,154,180</u>

The notes on pages 14 to 27 form part of these financial statements

BAA Pension Scheme
Net Assets Statement as at 30 September 2015

	Note	2015 £'000	2014 £'000
Investment assets	10(b)	3,767,320	3,309,900
Investment liabilities	10(c)	(442,045)	(167,384)
Net investments	10(a)	3,325,275	3,142,516
Current assets	11	15,092	14,950
Current liabilities	12	(2,848)	(3,286)
Net assets of the Scheme at the year end		3,337,519	3,154,180

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 does take account of such obligations, is dealt with in the Trustee's Report and Actuarial Certificate included in the Annual Report and these financial statements should be read in conjunction with them.

The financial statements were approved by the Directors of BAA Pension Trust Company Ltd on
11 April 2016

Director

Director

The notes on pages 14 to 27 form part of these financial statements

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 with the guidelines set out in the Statement of Recommended Practice, "Financial Report of Pension Schemes" (revised May 2007) except for the disclosure of transaction costs.

2. ACCOUNTING POLICIES

The principal accounting policies adopted by the Trustee are shown below:

a) Investments

(i) Investments other than derivatives

- Listed securities are valued at bid price as at the year end date.
- Pooled investment vehicles are valued at the bid market values at the year end date for funds with bid/offer spreads, or a single price where there are no bid/offer spreads, as provided by the relevant fund managers on the last dealing day prior to the year-end date.
- The Macro Orientated Funds disclosed within pooled investment vehicles are valued at fair value either using a swinging single price or the net asset value at the year-end.
- Investments held in foreign currencies are valued as above and translated into sterling at the relevant spot rates ruling at the year-end date.
- Investments are included in the financial statements at fair value. In the absence of a liquid market for certain securities, these fair values may differ from their realisable value.

(ii) Derivatives

Futures

- Open futures contracts that are exchange traded are included in the net asset statement at market value. For futures contracts that are assets, market value will be unrealised profit at the quoted bid price of the contract at the year end. For futures contracts that are liabilities, market value will be the unrealised loss at the quoted offer price of the contract at the year end.
- Amounts due from brokers are included within cash deposits and other investment balances and represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker.
- The amounts included in change in market value are the realised and unrealised gains or losses on open and closed futures contracts.

2. ACCOUNTING POLICIES (continued)

(iii) Swaps

- Swaps are 'Over the Counter' (OTC) derivatives and are included in the net asset statement at market value using pricing models and relevant market data at the year-end date.
- Interest is accrued monthly on a basis consistent with the terms of each contract. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts.
- Interest receipts or payments on swap contracts are reported within investment income.
- All gains and losses arising on these contracts are included within change in market value.

(iv) Options

- All option derivatives utilised by the Scheme are exchange traded and are included in the net asset statement at their mark to market value.
- Options contracts are entered to hedge risk exposures and all gains or losses arising on open and closed contracts are included within change in market value.

(v) Bond Forwards

- Bond forward contracts are included in the net asset statement at their mark to market value. All gains or losses arising on open and closed contracts are included within change in market value.

(vi) Forward Foreign Exchange

- Forward foreign exchange contracts outstanding at the year-end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was closed out at the year-end date with an equal and opposite contract.
- All gains or losses arising on these contracts are included within change in market value.

(vii) Repurchase Agreements

- Securities sold subject to repurchase agreements are included in the financial statements as assets of the Scheme at their year-end market value. Amounts payable under repurchase agreements are included under other investment liabilities.

b) Contributions Receivable

Contributions receivable are included on an accruals basis.

2. ACCOUNTING POLICIES (continued)

c) Investment Income

- (i) Investment income from fixed interest and index linked securities is recognised on an accruals basis.
- (ii) Dividend income from equity shares is recognised when the Scheme becomes entitled to the dividend. In the case of UK quoted shares this will be from the ex-dividend date.
- (iii) Income from accumulating pooled investment vehicles is reinvested by the fund managers and is included within change in market value.
- (iv) Deposit and other interest receivable is accounted for on an accruals basis.

d) Transfers in

Transfers in from other registered pension arrangements include all transfers which have been formally accepted by the Trustee of the Scheme as at 30 September in respect of individual members.

e) Benefits Payable and Payments to Leavers

- (i) Individual transfers out are accounted for on a cash basis and represent the capital sums paid to personal pensions or pension plans of new employers for members who have left service. Group transfers are recognised in accordance with the transfer agreement.
- (ii) Benefits payable in respect of retirements and deaths are accounted for on an accruals basis.

f) Expenses

Administration and investment management expenses are accounted for on an accruals basis.

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

3. CONTRIBUTIONS RECEIVABLE

	2015	2014
	£'000	£'000
Employer		
Normal - future service	48,491	63,691
Augmentations	3,608	4,200
Deficit funding	26,250	24,000
Commutation Payment*	50,462	-
Additional**	20,000	-
Member		
Normal	6,070	7,450
Additional Voluntary Contributions	84	90
Additional Contributions to purchase added years	183	224
	<u>155,148</u>	<u>99,655</u>

Augmentations were receivable during the year in respect of unreduced pensions, payable on redundancy. Augmentations also includes £1.005m (2014: £987k) in respect of the reimbursement by the employer of discretionary UURBS pensions paid by the Scheme and included in pensions payable in note 5.

* The Commutation Payment received in the year was due on the disposal of Aberdeen, Southampton and Glasgow Airports in respect of former employees.

** The Employer agreed to pay a one-off additional contribution of £20m which was received by the Scheme in December 2014.

4. TRANSFERS IN

	2015	2014
	£'000	£'000
Individual transfers in from other schemes	<u>111</u>	<u>313</u>

5. BENEFITS PAYABLE

	2015	2014
	£'000	£'000
Pensions	85,669	82,132
Lump sum death benefits	323	414
Lump sum retirement benefits	12,575	10,465
Taxation on lifetime or annual allowance exceeded	1,233	-
	<u>99,800</u>	<u>93,011</u>

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2015	2014
	£'000	£'000
Refund on leaving	1	-
Refund on death	10	-
State scheme premium	2	2
Individual transfers out to other schemes	6,284	7,195
Group transfer out	136,232	25
	<u>142,529</u>	<u>7,222</u>

The group transfer out in the year was due on the disposal of Aberdeen, Southampton and Glasgow Airports in respect of former employees.

7. ADMINISTRATIVE EXPENSES

	2015	2014
	£'000	£'000
Actuarial fees	548	439
Legal and professional fees	456	698
Investment adviser fees	536	550
Independent Trustee fees	111	72
PPF levy and other regulatory levies	479	515
Audit fee	68	65
Scheme administrative costs	785	738
	<u>2,983</u>	<u>3,077</u>

8. NET INVESTMENT INCOME

	2015	2014
	£'000	£'000
Income from fixed interest and index-linked securities	33,436	34,035
Dividends from equities	153	6,596
Income from pooled investment vehicles	4,891	3,666
Interest on cash deposits	62	21
Interest receivable on swap contracts	15,002	15,012
Interest payable on swap contracts	(11,517)	(11,924)
Net interest on cash instruments	(202)	(349)
Income from stock lending	54	118
	<u>41,879</u>	<u>47,175</u>

Income from pooled investment vehicles principally consists of distributions from the M&G property fund £4,723k (2014: £3,298k) and Bluebay £162k (2014: £368k).

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

9. INVESTMENT MANAGEMENT EXPENSES

	2015 £'000	2014 £'000
Administration, management and custody	5,471	5,315
Investment managers fee rebate	(76)	-
	5,395	5,315

Included within investment management expenses is irrecoverable VAT amounting to £507k (2014: £328k).

10. INVESTMENTS

10(a) Investment Movements Table

	Value at 30 September 2014 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Value at 30 September 2015 £'000
Fixed Interest & Index					
Linked Securities	1,510,279	906,608	(748,495)	65,692	1,734,084
Equities	150,951	76	(158,857)	7,830	-
Pooled Investment					
Vehicles	1,248,732	853,276	(812,188)	6,306	1,296,126
Derivative Contracts	210,485	248,260	(316,182)	154,852	297,415
AVC Investments	1,566	95	(397)	30	1,294
	3,122,013	2,008,315	(2,036,119)	234,710	3,328,919
Cash Deposits & Other					
Investment Balances	20,503			2,198	(3,644)
	3,142,516			236,908	3,325,275

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, including profits and losses realised on the sale of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. In addition to direct transaction cost indirect costs are incurred through the bid-offer spread on certain investments. The amount of direct and indirect transaction costs have not been separately provided to the scheme.

Investment sales during the year include the transfer of assets amounting to £128,761,068 following the disposal of Aberdeen, Southampton and Glasgow Airports in respect of former employees. Investment purchases and sales also include the following transitions that took place during the year:

- An investment of £150m was made in the Winton Futures Fund using funds disinvested from the BlackRock corporate bond fund and State Street Global Advisors global equity fund.
- Assets amounting to £150m were transitioned from the BlackRock corporate bond fund to the BlueBay Global Multi Asset Credit Fund.
- The Barings Dynamic Growth Fund was fully redeemed and the proceeds of £159m were invested in a Global Targeted Returns Fund managed by Invesco.

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

10. INVESTMENTS (continued)

10(b) Investment Allocation – Assets

	Note	2015 £'000	2014 £'000 (Reanalysed)
Fixed interest securities			
UK Quoted – Public Sector		200,167	98,983
UK Quoted – Other		93,478	110,072
UK Unquoted - Other		860	3,032
Overseas Quoted – Public Sector		13,560	21,222
Overseas Quoted – Other		639,147	625,674
Overseas Unquoted – Public Sector		-	307
Overseas Unquoted – Other		25,040	35,755
		<u>972,252</u>	<u>895,045</u>
Index Linked Securities			
UK Quoted – Public Sector		<u>761,832</u>	<u>615,234</u>
Total Fixed Interest & Index Linked Securities		<u>1,734,084</u>	<u>1,510,279</u>
Equities			
UK Quoted		<u>-</u>	<u>150,951</u>
Pooled Investment Vehicles			
Overseas Managed Funds		<u>1,296,126</u>	<u>1,248,732</u>
<p>The investment managers of the pooled investment vehicles in which the Scheme has invested are registered in the UK, except for Brevan Howard which is registered in the Cayman Islands and Bluebay which is registered in Luxembourg.</p>			
Derivative Contracts			
Futures	10(e)	501	415
Forward Foreign Exchange Contracts	10(f)	3,076	11,374
Swaps	10(g)	555,170	299,861
Options	10(h)	51,137	125
Bond Forwards	10(k)	6	3
		<u>609,890</u>	<u>311,778</u>
Totals carried forward		<u>3,640,100</u>	<u>3,221,740</u>

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

10. INVESTMENTS (continued)

10(b) Investment Allocation – Assets (continued)

	Note	2015 £'000	2014 £'000
Totals brought forward		<u>3,640,100</u>	<u>3,221,740</u>
Cash Deposits and Other Investment Assets			
Investment income receivable		9,766	11,487
Cash deposits and liquidity funds		48,102	52,123
Short term investments		8,269	10,129
Cash due from broker		47,683	2,656
Outstanding trades		12,106	10,199
		<u>125,926</u>	<u>86,594</u>
AVC Investments	10(d)	<u>1,294</u>	<u>1,566</u>
Total Investment Assets		<u>3,767,320</u>	<u>3,309,900</u>
10(c) <u>Investment Allocation – Liabilities</u>			
Derivative contracts			
Futures	10(e)	(2,532)	(590)
Forward Foreign Exchange Contracts	10(f)	(14,144)	(26,175)
Swaps	10(g)	(266,786)	(74,492)
Options	10(h)	(27,465)	-
Bond Forwards	10(k)	(1,548)	(36)
		<u>(312,475)</u>	<u>(101,293)</u>
Other Investment Liabilities			
Amounts payable under repurchase agreements	10(l)	(120,307)	(42,980)
Outstanding trades		(9,263)	(23,111)
		<u>(129,570)</u>	<u>(66,091)</u>
Total Investment Liabilities		<u>(442,045)</u>	<u>(167,384)</u>
Total Investments	10(a)	<u>3,325,275</u>	<u>3,142,516</u>

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

10. INVESTMENTS (continued)

10(d) AVC Investments

	2015 £'000	2014 £'000
Santander	319	444
Equitable Life Insurance	135	212
Friends Provident	840	910
	<u>1,294</u>	<u>1,566</u>

AVC investments held on a money purchase basis are invested separately from main Scheme assets. Members participating in such AVC arrangements each receive an annual statement confirming the value of their investments and the movement in the year.

10(e) Futures

The Scheme manages risk in the portfolio by entering into a futures position to adjust the portfolio weighting without disturbing the underlying assets.

Futures contracts are exchange traded derivatives, which reduce the risk that the counterparty does not fulfill their side of the contract.

Outstanding futures contracts at the year-end are as follows:

Investment	Underlying	Economic	Economic	Market Value	Market Value
Future		Exposure	Exposure	(asset)	(liability)
		Value (asset)	Value (liability)		
		£'000	£'000	£'000	£'000
UK Fixed Interest		77,355	(7,024)	47	(24)
Overseas Fixed Interest		41,218	(376,338)	454	(1,289)
UK Equity		5,657	-	-	(8)
Overseas Equity		53,823	-	-	(1,211)
Total		<u>178,053</u>	<u>(383,362)</u>	<u>501</u>	<u>(2,532)</u>

Expiration

Less than one year:

Total 30 September 2015	<u>178,053</u>	<u>(383,362)</u>	<u>501</u>	<u>(2,532)</u>
30 September 2014	<u>156,306</u>	<u>(434,732)</u>	<u>415</u>	<u>(590)</u>

The economic exposure values futures on a 'gross basis' showing the total exposure to the underlying asset class that the future effects as if the change in asset allocation in the underlying asset has taken place.

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

10. INVESTMENTS (continued)

10(f) Forward Foreign Exchange Contracts

The Scheme enters into investments and transactions in currencies other than sterling, consequently the Scheme is exposed to the risk that the exchange rate of its currency relative to other currencies may change in a way that has an adverse effect on the assets held in overseas currencies. During the period forward foreign exchange contracts were entered into by the Scheme to hedge foreign exchange risk on overseas securities.

Forward contracts are individually traded over-the-counter contracts. The contracts are generally three months duration.

Outstanding forward foreign exchange contracts at the year-end are as follows:

Country of currency underlying forward foreign exchange contracts	Gross amount at inception (asset) £'000	Gross amount at inception (liability) £'000	Market Value (asset) £'000	Market Value (liability) £'000
USA	271,351	(801,116)	1,971	(8,911)
Europe	70,786	(213,525)	565	(4,000)
UK	922,754	(234,812)	-	-
Japan	9,500	(25,380)	27	(638)
Others	40,052	(39,609)	513	(595)
Total 30 September 2015	1,314,443	(1,314,442)	3,076	(14,144)
30 September 2014	2,421,712	(2,728,234)	11,374	(26,175)

The gross amount is the gross sterling equivalent of the currency on which the contract is based.

10(g) Swaps

The Scheme has entered into a series of interest rate, inflation, total return and credit default swaps primarily to hedge against long term interest rate and inflation rate movements. The value of the swaps will therefore be likely to move in the same direction as the actuarial liabilities.

Swap contracts in place as at 30 September 2015 are as follows:

Expiration	Nominal Principal £'000	Market Value (asset) £'000	Market Value (liability) £'000
Up to 2020	1,575,145	25,382	(13,081)
2021 to 2030	992,541	63,894	(72,888)
After 2030	1,438,031	465,894	(180,817)
Total 30 September 2015	4,005,717	555,170	(266,786)
30 September 2014	3,821,596	299,861	(74,492)

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

10. INVESTMENTS (continued)

10(g) Swaps (continued)

Types of swaps	Nominal Principal £'000	Market Value (asset) £'000	Market Value (liability) £'000
Interest rate	2,902,198	527,979	177,615
Inflation	685,419	5,506	83,429
Total return	418,100	21,685	5,742
Total 30 September 2015	4,005,717	555,170	(266,786)
30 September 2014	3,821,596	299,861	(74,492)

The notional principal of the swap is the amount used to determine the value of swapped receipts and payments.

To reduce counterparty risk during the life of the swap collateral in the form of cash or government bonds is passed between the parties depending on whether there is an asset or a liability and the value of the swap. See note 10(i).

10(h) Options

The Scheme enters into option contracts to meet the requirements of its risk management activities. These option contracts are exchange traded and the exchange acts as the counterparty, bearing the risk of failure to deliver the position. All contracts expire within one year.

Investment underlying option Contract	Nominal amount of contract £'000	Market value (asset) £'000	Market value (liability) £'000
Overseas fixed Interest purchased - Puts	12,529	51,032	-
Overseas fixed interest purchased - Calls	11,421	105	-
Overseas fixed interest written - Puts	2,025	-	(20,645)
Overseas fixed interest written - Calls	34	-	(6,820)
Total 30 September 2015	26,009	51,137	(27,465)
30 September 2014	11,552	125	-

The notional amount represents the value of underlying stocks subject to the option contracts. Included in options are swaptions with a value of £21,595 (2014: £331).

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

10(i) Collateral

During the year collateral was received and pledged in respect of swaps, bond forward contracts and forward foreign exchange contracts. As at 30 September 2015 the collateral received/pledged was as follows:

	2015	2014
	£'000	£'000
Collateral Received		
Stock Equivalents	31,802	12,814
Cash Equivalents	358,293	224,201
	<u>390,095</u>	<u>237,015</u>
 Collateral Pledged	 £'000	 £'000
Stock Equivalents	(111,193)	(14,241)
Cash Equivalents	(7,839)	-
	<u>(119,032)</u>	<u>(14,241)</u>

10(j) Stock Lending

During the year the Fund lent some of its investments under a stock lending agreement. The titles to the investments that have been lent remain with the Fund and dividends paid during the year in respect of stock lent by the Fund are paid to the Fund. Collateral is received by the Fund in excess of the market value of the stock lent. At 30 September 2015 the position was as follows:

	2015	2014
	£'000	£'000
Stock Lending		
Fixed Interest	<u>22,266</u>	<u>12,882</u>
 Collateral	 £'000	 £'000
Fixed Interest	10,062	3,049
Cash Equivalents	<u>23,640</u>	<u>9,833</u>
	<u>33,702</u>	<u>12,882</u>
	 £'000	 £'000
Income for the year (note 8)	<u>54</u>	<u>118</u>

10. INVESTMENTS (continued)

10(k) Bond Forward Contracts

Bond forwards are over the counter contracts entered into by two counterparties to buy or sell a bond on a specified future date at an agreed price. The contracts generally expire in up to three months.

	Gross amount at inception (asset)	Gross amount at inception (liability)	Market value (asset)	Market value (liability)
	£'000	£'000	£'000	£'000
UK	89,920	(6,805)	-	(1,546)
Overseas	2,848	-	6	(2)
Total 30 September 2015	92,768	(6,805)	6	(1,548)
30-September 2014	2,805	(28,137)	3	(36)

10(l) Repurchase Agreements

The Scheme holds an interest rate and inflation hedging mandate under which fixed interest securities have been sold subject to repurchase agreements.

The Scheme retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date.

The securities are included in the financial statements as assets of the Scheme at their market value. At 30 September 2015 the market value of securities sold under repurchase agreements was £120.92m (2014: £43.1m).

Cash received from counterparties in respect of the securities that have been sold is used by the investment manager to purchase additional securities to meet desired exposure levels. Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Scheme's financial statements under other investment liabilities. At 30 September 2015 this amounted to £120.3m including accrued interest (2014: £43.0m).

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2015

11. CURRENT ASSETS

	2015	2014
	£'000	£'000
Debtors		
Contributions due from the Principal Employer in respect of augmentations	402	1,502
AVC Benefits due	-	11
Prepayments	381	215
Due from HMRC – VAT	149	278
	<u>932</u>	<u>2,006</u>
Cash balances:		
Current Account	14,160	12,944
	<u>15,092</u>	<u>14,950</u>

The contributions due from the Principal Employer in respect of augmentations at the year-end were received 180 days after the due date set out in the Schedule of Contributions.

12. CURRENT LIABILITIES

	2015	2014
	£'000	£'000
Creditors		
Administration and investment management expenses	(1,419)	(1,618)
Due to HMRC	(1,125)	(1,132)
State Scheme premiums payable	(9)	(9)
Benefits payable	(295)	(527)
	<u>(2,848)</u>	<u>(3,286)</u>

13. RELATED PARTY TRANSACTIONS

LHR Airports Ltd provides certain administration and other services to the Scheme. The costs of these services are recharged to the Scheme and are included within administrative expenses disclosed in Note 7. During the year these costs amounted to £120,000 (2014: £120,000).

LHR Airports Ltd is responsible for certain discretionary payments of pension benefits. The actual payment of these amounts is made by the Scheme and reimbursed by LHR Airports Ltd. During the year such payments amounted to £1,005,180 (2014: £987,479). Apart from the above, and transactions and balances with the Principal Employer shown in the Financial Statements and notes thereto, there were no other related party transactions.

14. CAPITAL COMMITMENTS

At the year-end the Scheme had no capital commitments (2014: nil)

BAA Pension Scheme
Independent auditor's statement about contributions

Independent auditor's statement about contributions, under regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the BAA Pension Scheme

We have examined the summary of contributions payable to the BAA Pension Scheme for the year ended 30 September 2015 which is set out on page 29.

This report is made solely to the Scheme's Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our 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 auditors' statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member 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 and to report our opinion to you.

Scope of work on Statement of Contributions

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

Statement about contributions payable under the Schedule of contributions

In our opinion contributions for the Scheme year ended 30 September 2015 as reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 21 December 2011 (for the period 1 October 2014 to 31 December 2014) and 7 January 2015 (for the period 1 January 2015 to 30 September 2015).

Crowe Clark Whitehill LLP
Statutory Auditor
London

Date: 11 April 2016

BAA Pension Scheme
Independent auditor's statement about contributions

Trustee's summary of contributions payable during the Scheme year ended 30 September 2015

Contributions payable to the Scheme in accordance with the Schedules of Contributions in respect of the year ended 30 September 2015 were as follows:

	2015 £'000
Employer normal contributions	48,491
Employer deficit funding contributions	26,250
Employer augmentations	3,608
Employer commutation payments	50,462
Member normal contributions	6,070
Total contributions paid under the Schedule of Contributions	<u>134,881</u>
Employer additional contribution	20,000
Member additional voluntary contributions	84
Member additional contributions to purchase added years	183
Contributions disclosed in the financial statements	<u><u>155,148</u></u>

For and on behalf of the BAA Pension Trust Company Limited

Director


Director

Date: 11 April 2016

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Name of Scheme

BAA 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 30 September 2013 to be met by the end of the period specified in the Recovery Plan.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 7 January 2015.

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.

Signature

Scheme Actuary

Chris Sheppard

Qualification

Fellow of the Institute and Faculty of Actuaries

Date of signing

7th January 2015

Name of Employer

Mercer Limited

Address

One Christchurch Way
Woking
Surrey
GU21 6JG

COMPLIANCE STATEMENT

1. Tax Status

The Scheme was approved by the Inland Revenue Pension Schemes Office under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 until 5 April 2007. Subsequently it became a Registered Scheme with Her Majesty's Revenue and Customs from 6 April 2007, in accordance with the provisions of the Finance Act 2006. The Trustees' opinion is that there is no reason to believe this approval/registration may be prejudiced or withdrawn.

2. Employer Related Investments

Shares in Grupo Ferrovial

Following the acquisition of BAA plc (now LHR Airports Limited) the Trustees decided that there should be no direct investment in the shares of Grupo Ferrovial and there was no such investment during the year.

3. Transfer of Pension Rights

The Scheme can transfer pension rights to, or receive them from such schemes as are suitably approved by the Commissioners of Inland Revenue. Transfers out to other pension schemes include transfers to arrangements approvable under Section 32 of the Finance Act 1981. The sums transferred were cash equivalents calculated, and paid in the manner prescribed by the Actuary in accordance with legislation. The calculation of transfer values does not make any allowance for discretionary benefits as these are not a feature of the Scheme. Transfer values paid during the year are the full cash equivalent and have not been adjusted as a result of Scheme funding levels.

4. Complaints

If Scheme members have any queries concerning their benefits they should contact the Scheme's administrator at the address shown for enquiries on the contents page. If the enquiry is not resolved to their satisfaction, members should use the Scheme's dispute resolution procedure, which is aimed at resolving complaints and disputes.

The Pensions Advisory Service (TPAS), an independent voluntary organisation, offers free advice and assistance to members at any stage during the complaints process. The TPAS can be contacted at:

11 Belgrave Road

London

SW1V 1RB

Tel: 0845 601 2923

www.pensionsadvisoryservice.org.uk

COMPLIANCE STATEMENT (continued)

If the matter remains unresolved after TPAS has assisted, members have the right to refer their complaint to the Pensions Ombudsman, who investigates complaints of injustice caused by bad administration or disputes of fact or law. The Pensions Ombudsman can be contacted at:

11 Belgrave Road

London

SW1V 1RB

Tel: 0207 834 9144

www.pensions-ombudsman.org.uk

5. The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes.

The Regulator's aim is to encourage high standards in the way pension schemes are run, to prevent problems from developing. The Regulator works with pension scheme trustees and scheme managers to help protect work-based pensions and if problems do develop, the Regulator has powers to put matters right. The Regulator cannot help with individual complaints or disputes, but if members believe that the Scheme is not complying with pensions rules and regulations, they can report this to the Regulator, at the following address:

Napier House

Trafalgar Place

Brighton

BN1 4DW

Tel: 0870 6063636

www.thepensionsregulator.gov.uk