



**The BAA Pension Scheme
Report & Accounts
for the Year Ended 30 September 2012**

The BAA Pension Scheme

Report and Accounts for the year ended 30 September 2012

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

**BAA Pension Trust Ltd
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Sutherland House
Russell Way
Crawley,
West Sussex
RH10 1UH
T: 01293 604180**

BAA Pension Scheme Trustee's Report

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 April 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 (formerly BAA 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 (BAA) 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. Their nominated representatives, who attend Trustee meetings, are Mr J Bloxsome or Mr M Chatterton.

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 or other specialist committee. Any decisions of the committees are subject to endorsement by the full Trustee Board, except where doing so would create "conflict of interest".

Details of the Directors of the Trust Company, ("the Trustees") 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

*Mr P Wilbraham Chairman

#*+Ms M Drew

*Mr T Morgan

\$/#Mr P McCall

\$/#Mr M Roberts Resigned 31 March 2012

\$/#Mr M Macgregor Appointed 1 September 2012

#Ms P Stannett Appointed 30 September 2011

\$/+Mr G Price Appointed 1 March 2012

\$/#Mr D Turner

**BAA Pension Scheme
Trustee's Report**

1. TRUSTEE AND ADVISERS (continued)

Independent Trustee

*+Mr J Bloxsome (LDPTC)

*+Mr M Chatterton (LDPTC)

Secretary to the Trustee

#*+Mr A Knowles

+Member of the Audit Committee

* Member of the Investment Committee

Member of the Administration Committee

\$ Non-Management Representative

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.

ADVISERS

Actuary	C Sheppard FIA, Mercer Limited
Auditor	Crowe Clark Whitehill LLP
Administrators	Xafinity Paymaster
Bankers	Lloyds TSB
Custodian	JP Morgan Chase. Assets are held in the name of 'Chase Nominees'.
Investment Managers	BlackRock Investment Management (UK) Limited (appointed March 2012) BlueBay Asset Management LLP (appointed June 2012) Brevan Howard Fund Ltd Lazard Asset Management Ltd Rogge Investment Management Royal London Asset Management Ltd Standard Life Investments Ltd State Street Global Advisors Ltd
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:

Trustees are appointed by the Board of the Employer and will normally serve a three year term. The appointment of the Chairman and Management Representatives is based on nominations made by the Employer. The Members' and Pensioners' Representatives are chosen by ballot controlled by the Electoral Reform Society.

A Trustee representing members will automatically be removed from office if he/she ceases to be in the Employer's employment. A Trustee may also be removed at his/her own or at the Employer's request and any Trustee who fails to attend any meeting in a six month period may be removed from office by the Employer at the request of the other Trustees. Where the Trustee being removed was a member or pensioner representative, elections would then be held to appoint a replacement.

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 pages 3 and 4. 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.

Audit Committee

The membership of the Committee is noted on pages 3 and 4. 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 and maintenance of the Risk Register of the Scheme.

Administration Committee

The membership of the Committee is noted on pages 3 and 4. The Trustee decided that this group will be a standing committee which would be responsible for monitoring the third party administration services provided by Xafinity Paymaster and have delegated day to day decisions concerning settlement of death benefits and other discretionary benefits.

Trustee Training

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

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

CHANGES DURING THE YEAR

(i) Investment Manager Changes

During the year, the Trustee terminated RLAM's Corporate Bond mandate and transferred the assets plus the balance from the JPMorgan Sterling Liquidity Fund to BlackRock, details of which are contained in the Investment Report.

The Trustee also appointed BlueBay to run a High Yield Credit mandate, the monies for which were sourced equally from the LIBOR+ portfolios with Wellington and Rogge. Again further details are contained in the Investment Report.

CHANGES AFTER YEAR END

(a) Sale of Edinburgh Airport Limited (EAL) to Global Infrastructure Partners Ltd (GIP)

On 31 May 2012 EAL was sold by an associated company of the Employer to GIP. Active members of the Scheme whose contracts of employment transferred from the Employer could elect to transfer their accrued service benefits to a new, wholly independent scheme established by GIP. The Trustee paid a transfer amount of £50.7m to the new scheme in respect of transferring members on a basis agreed with the Employer. The Trustee received an additional payment of £13.4m from EAL to sever its obligations to the Scheme in respect of deferred members and pensioners. These payments were settled in December 2012.

(b) Sale of Stansted Airport Limited (STAL) to Manchester Airport Group Limited (MAG)

On 25 January 2013 it was announced that agreement had been reached to sell STAL to MAG with the sale being completed on 28 February 2013.

(c) Investment Manager Changes

The Trustee agreed to switch £100m of the SSgA Global Equity Fund assets to the SSgA Emerging Market Equity Fund with £25m funded at each quarter end over the 12 months from 30 September 2012.

The Trustee also agreed to fund an investment in a Long Lease Property Fund via M&G with assets expected to be drawn down over the coming 12 months. At least a portion of this is expected to be funded from the LIBOR+ portfolios with Wellington and Rogge.

2. MEMBERSHIP OF THE SCHEME AND PENSIONERS

	30 September 2012	30 September 2011
(a) Active Members	6,146	6,986
(b) Pensioners		
Former Members	6,688	6,548
Dependants	1,696	1,701
(c) Deferred Pensioners	4,946	4,776
Overall Total	<u>19,476</u>	<u>20,011</u>
(e) Average pension payable		
Pensioner	£9,958	£9,967
Dependant	£5,529	£5,427

3. ACTUARIAL VALUATION AND CONTRIBUTIONS

The Trustee usually undertakes a full valuation every three years. This is in line with the requirement of the Pensions Act 2004 that there should be full valuations at intervals no greater than three years. A full valuation of the BAA Pension Scheme was carried out as at 30 September 2010 and determined a shortfall of £275m (equal to a funding level of 89%).

This was the second 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 has decided on a funding objective, including a set of actuarial assumptions, and agreed it with the Employer. This is set out in the Statement of Funding Principles.

The Trustee and Employer have agreed a Recovery Plan that sets out how the shortfall of £275m is to be addressed. Under the Recovery Plan, the Trustee and Employer have agreed that £24m p.a. will be paid for 9 years, from 1 January 2012 to 31 December 2020. At the end of this Recovery Plan period, the shortfall was expected to be eliminated. The Recovery Plan will be reviewed, and may be revised, following the Scheme's next valuation as at 30 September 2013.

As a result of the most recent valuation, the Trustee and Employer agreed that £73m p.a. of Employer contributions would be paid from 1 January 2012, in addition to the deficit reduction contributions of £24m p.a., to meet the cost of the future accrual of benefits. The total Employer contributions have therefore increased from £80m p.a. to £97m p.a.

In addition the Employer 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 Trust Deed and Rules of the Scheme.

Employees' and Employer's 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 granting of the augmentation and the date on which the Employer received details of the costs from the Trustee.

A Schedule of Contributions setting out all of the contributions due to the Scheme has been agreed between the Employer and the Trustee.

To satisfy the requirements of section 224 of the Pensions Act 2004, the Trustee received an update of the funding level as at 30 September 2012, known as an Actuarial Report, which indicated an increased deficit on the technical provisions basis of £389m (equivalent to a funding level of 87%).

4. 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 2012.

**BAA Pension Scheme
Trustee's Report**

4. FINANCIAL DEVELOPMENT OF THE SCHEME (continued)

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

	Year to 30 September 2012 £'000	Year to 30 September 2011 £'000
Income	120,128	94,339
Expenditure	(143,646)	(87,503)
Net (Withdrawals)/Additions	(23,518)	6,836
Net Return from Investments	195,956	151,449
Net Increase	172,438	158,285
Net Assets at beginning of year	2,498,482	2,340,197
Net Assets at end of year	2,670,920	2,498,482

5. PENSION INCREASES

Although the two original schemes have been merged, pension increases are still determined in accordance with the rules of each section.

Both the "Plc Section" basis and the "Group Section" basis are determined in accordance with the Trust Deed and Rules and 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%. Deferred pensions have increased in accordance with the Scheme's Trust Deed and Rules.

As at 1 October 2012, pensions were increased by 2.9% (2011: 5.2%) for the Plc section and 2.9% (2011: 5.0%) for the Group section (in line with RPI for the year to August 2012). There were no discretionary increases.

6. 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.

7. 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.

7. TRUSTEE GOVERNANCE MATTERS (continued)

Pensions Act 2004

This Act introduced a number of significant changes including a Pension Protection Fund (PPF). This is intended to help safeguard the benefits of members where a scheme is in deficit and the sponsoring employer is in liquidation. The assets of the PPF are drawn in respect of all defined benefit schemes by way of a levy.

The Pension Regulator has set down a list of notifiable events. These are matters of significance that potentially negatively impact on members benefits and where a report has to be made to the Regulator. During the year there were no notifiable events arising in relation to either the Scheme, or to the Employer.

8. SUMMARY FUNDING STATEMENT

The Scheme provides members with an annual statement summarising the funding position under the Scheme. The statement for the year ended 30 September 2011 was sent to members in Spring 2012. The 30 September 2012 statement is targeted to be sent out by end of May 2013.

9. STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Financial Statements 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:

- 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 arranged for 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. Where breaches of the Scheme occur, the Trustee is required by law to consider making reports to the Pensions Regulator and the members.

The Trustee is responsible under pension legislation for ensuring that there is prepared, maintained and from time to time revised, a schedule of contributions showing the rates of contributions payable to 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.

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.

BAA Pension Scheme Investment Report

1. INVESTMENT STRATEGY

There is a degree of delegation of responsibility for investment decisions. The investment strategy is agreed by the Trustee after taking appropriate advice. The day-to-day management of the Scheme's asset portfolio, which includes full discretion for stock selection, is the responsibility of the investment managers.

Over the course of the year, a number of changes were made to the strategy including the addition of the BlueBay High Yield Mandate and the replacement of Royal London with BlackRock for the management of investment grade corporate bonds. The Scheme's Liability Driven Investments were also consolidated at Rogge, with legacy Royal London and Wellington assets scheduled to be transferred shortly after the year end.

The table below shows the Scheme's investment manager structure, and strategic weights, as at 30 September 2012:

Equity 21.0%	Credit 20.0%	Property 4.0%	Macro Orientated 9.0%	LIBOR+ 22.0%	Cash & High Quality Bonds 24.0%
State Street Passive	BlackRock Global Screened Corporate Bond Fund	M&G	Brevar Howard	Rogge Short-dated Credit Mandate	Rogge LDI
State Street Currency Hedge	BlackRock Credit Screened 5+ Strategy		Standard Life	Wellington LIBOR +	Royal London legacy
Lazard	Bluebay Global High Yield Fund				Wellington legacy
					JPMorgan

Notes

1. Cash and High Quality Bonds also includes the use of inflation and interest rate swaps and other capital efficient liability hedging strategies
2. Whilst there is a strategic allocation to Property of 4%, which is specifically allocated to Long Lease Property, as at 30 September 2012 M&G had not been formally appointed (this happened January 2013) and it is expected that the drawdown of monies by M&G will happen in the second half of 2013.

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. INVESTMENT ALLOCATION

The table on the following page shows the Scheme's investment allocation as at 30 September 2012 versus last year's asset allocation and target strategic allocation. It should be noted that over 2012 the Trustee reviewed and finalised the Scheme's investment objectives and investment strategy, following the last actuarial valuation. The target allocation set out in the table on the following page is therefore in accordance with the revised investment strategy for the Scheme agreed during 2012:

**BAA Pension Scheme
Investment Report**

2. INVESTMENT ALLOCATION (continued)

	30 September 2012	30 September 2011	Target allocation
Equity	20.0%	18.3%	21.0%
Credit	19.8%	38.8%	20.0%
Property	0.0%	n/a	4.0%
Macro Orientated	9.2%	9.5%	9.0%
LIBOR+	23.5%	n/a	22.0%
Cash & High Quality Bonds*	27.5%	33.4%	24.0%

Notes

*Includes liability hedging interest rate and inflation swaps, and other efficient liability hedging strategies. In previous years LIBOR + and Credit categories were grouped together under the Credit heading. Figures subject to rounding.

A Statement of Investment Principles (SIP), which reflects the Trustee's investment approach, has been produced and is periodically reviewed and updated. Since the year-end the SIP has been amended to reflect the Scheme's investment objectives and strategy that was finalised during 2012.

3. INVESTMENT PERFORMANCE

The table below shows the Scheme's return over various periods to 30 September 2012.

	1 Year	3 Years (p.a.)	5 Years (p.a.)
Scheme	7.2%	8.9%	4.4%
Change in value of liabilities*	6.4%	8.4%	10.5%

*Change in liabilities has been calculated on a Gilts basis by the Actuary

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 2012, 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.

5. COMPLIANCE WITH MYNERS PRINCIPLES

The primary purpose of the Myners Principles is to ensure that Trustee has the right skill set and decision-making structures and also that they have clear objectives for the Scheme and an appropriate and well-documented strategy in place for achieving these objectives.

5. COMPLIANCE WITH MYNERS PRINCIPLES (continued)

The ten original recommendations of the first Myners review have been narrowed down to six major principles:

1. Effective decision making
2. Clear objectives
3. Risk and liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and reporting

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 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:

19/3/2013

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 2012 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 the financial statements and for being satisfied that they 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.

We read all the 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. 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 2012, 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

Date: 26 March 2013

BAA Pension Scheme
Fund Account for the year ended 30 September 2012

	Note	2012	2011
		£'000	£'000
Contributions and benefits			
Contributions receivable	3	119,297	92,990
Transfers in	4	831	1,349
		<u>120,128</u>	<u>94,339</u>
Benefits payable	5	(85,677)	(79,858)
Payments to and on account of leavers	6	(55,459)	(4,888)
Administrative expenses	7	(2,510)	(2,757)
		<u>(143,646)</u>	<u>(87,503)</u>
Net (deductions)/additions from dealings with members		<u>(23,518)</u>	<u>6,836</u>
Return on investments			
Net investment income	8	43,751	45,265
Investment management expenses	9	(5,327)	(4,282)
Change in market value of investments	10(a)	157,532	110,466
Net returns on investments		<u>195,956</u>	<u>151,449</u>
Net increase in the Fund during the year		<u>172,438</u>	<u>158,285</u>
Net assets of the Scheme at the start of the year		<u>2,498,482</u>	<u>2,340,197</u>
Net assets of the Scheme at the end of the Year		<u>2,670,920</u>	<u>2,498,482</u>

The notes on pages 16 to 29 form part of these Financial Statements

BAA Pension Scheme
Net Assets Statement as at 30 September 2012

	Note	2012 £'000	2011 £'000
Investment assets	10(b)	3,063,679	2,775,014
Investment liabilities	10(c)	(367,585)	(284,801)
Net investments	10(a)	2,696,094	2,490,213
Current assets	11	29,303	11,806
Current liabilities	12	(54,477)	(3,537)
Net assets of the Scheme at the year end		2,670,920	2,498,482

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

.....19/3/2013.....

Director

Director

The Notes on pages 16 to 29 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 market values for the year ended 30 September 2012.
- Pooled investment vehicles are valued at the bid market values for the year ended 30 September 2012 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 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 future contracts that are assets, market value will be unrealised profit at the current bid quoted price of the contract for the year ended 30 September 2012. For futures contracts that are liabilities, market value will be the unrealised loss at the current offer quoted price of the contract for the year ended 30 September 2012.
- 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) Investments income from fixed interest and index linked securities is recognised on an accruals basis.
- (ii) Divided 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) Where income from pooled investment vehicles is reinvested by the fund managers it 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) 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.
- (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. Fee rebates are accounted for within investment management expenses.

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

3. CONTRIBUTIONS RECEIVABLE

	2012	2011
	£'000	£'000
Employer		
Normal - Future Service	74,776	80,061
Augmentations	2,834	1,855
Deficit Funding	18,000	-
Other – Commutation Payment*	13,433	-
Member		
Normal	9,866	10,371
Additional Voluntary Contributions	72	67
Additional Contributions to purchase added years	316	636
	<u>119,297</u>	<u>92,990</u>

Augmentations were receivable during the year in respect of unreduced pensions, payable on redundancy. With effect from 1 January 2012 the new contribution rates are Future Service Cost contributions of £73m per annum and deficit contributions of £24m per annum.

*The Commutation Payment was due on the disposal of Edinburgh Airport Ltd, in respect of former employees.

4. TRANSFERS IN

	2012	2011
	£'000	£'000
Individual transfers in from other schemes	831	1,349
	<u>831</u>	<u>1,349</u>

5. BENEFITS PAYABLE

	2012	2011
	£'000	£'000
Pensions	75,102	70,016
Lump sum death benefits	871	369
Lump sum retirement benefits	9,704	9,458
Spouse's commutations	-	15
	<u>85,677</u>	<u>79,858</u>

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2012	2011
	£'000	£'000
Refunds to members leaving service	6	10
Payments for members joining state scheme	-	2
Individual transfers out to other schemes	4,705	4,876
Group transfer out*	50,748	-
	<hr/>	<hr/>
	55,459	4,888

*Pension liabilities transferred to new pension scheme established by GIP for Edinburgh Airport Ltd employees.

7. ADMINISTRATIVE EXPENSES

	2012	2011
	£'000	£'000
Actuarial fees	578	537
Legal and professional fees	260	264
Investment adviser fees	418	391
Independent Trustee fees	59	59
PPF levy	169	623
Audit fee	56	59
Scheme administration costs	970	824
	<hr/>	<hr/>
	2,510	2,757

8. NET INVESTMENT INCOME

	2012	2011
	£'000	£'000
Income from fixed interest securities	33,228	36,784
Income from index-linked securities	5,218	4,831
Dividends from equities	7,606	7,094
Income from pooled investment vehicles	72	742
Interest on cash deposits	23	24
Interest receivable on swap contracts	2,762	969
Interest payable on swap contracts	(5,368)	(5,982)
Interest on cash instruments	74	582
Income from stock lending	136	140
Recoverable tax	-	81
	<hr/>	<hr/>
	43,751	45,265

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

9. INVESTMENT MANAGEMENT EXPENSES

	2012 £'000	2011 £'000
Administration, management and custody	5,327	4,282
	5,327	4,282

Included within investment management expenses is irrecoverable VAT amounting to £820k.

10. INVESTMENTS

10(a) Investment Movements Table

	Value at 30 September 2011	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Market Value	Value at 30 September 2012
	£'000	£'000	£'000	£'000	£'000
Fixed Interest & Index					
Linked Securities	1,452,359	1,671,726	(1,754,310)	20,206	1,389,981
Equities	286,352	44,474	(36,602)	34,646	328,870
Pooled Investment					
Vehicles	411,105	509,927	(212,801)	60,420	768,651
Derivative Contracts	304,249	345,094	(380,874)	40,078	308,547
AVC Investments	1,449	72	(85)	104	1,540
	2,455,514	2,571,293	(2,384,672)	155,454	2,797,589
Outstanding Trades	(8,635)			(400)	(9,447)
Cash Deposits & Other					
Investment Balances	43,334			2,478	(92,048)
	2,490,213			157,532	2,696,094

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.

Assets held with Lehman Brothers amounting to £6,183,427 for which recoverability is uncertain were written down to nil value in the previous years. These assets continue to be carried at nil value.

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

10. INVESTMENTS (continued)

10(b) Investment Allocation – Assets

	Note	2012 £'000	2011 £'000
Fixed interest securities			
UK Quoted – Public Sector		68,756	75,502
UK Quoted – Other		88,144	416,404
Overseas Quoted – Public Sector		25,216	41,088
Overseas Quoted – Other		669,787	398,080
		851,903	931,074
Index Linked Securities			
UK Quoted – Public Sector		538,078	517,806
UK Quoted – Other		-	2,499
Overseas Quoted – Other		-	980
		538,078	521,285
Total Fixed Interest & Index Linked Securities			
		1,389,981	1,452,359
Equities			
UK Quoted		30,957	28,748
Overseas Quoted		297,913	257,604
		328,870	286,352
Pooled Investment Vehicles			
UK Managed Funds		-	4,788
Overseas Managed Funds		768,651	406,317
		768,651	411,105
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.			
Derivative Contracts			
Futures	10(e)	758	1,258
Forward Foreign Exchange Contracts	10(f)	20,469	23,290
Swaps	10(g)	473,378	369,374
Options	10(h)	85	245
Bond Forwards	10(k)	28	359
		494,718	394,526
Totals carried forward		2,982,220	2,544,342

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

10. INVESTMENTS (continued)

10(b) Investment Allocation – Assets (continued)

	Note	2012 £'000	2011 £'000
Totals brought forward		2,982,220	2,544,342
Cash Deposits and Other Investment Assets			
Investment Income Receivable		12,666	14,364
Cash Deposits and Liquidity Funds		42,524	100,126
Short Term Investments		-	100,734
Investment Fee Rebates Receivable		121	-
Cash Due from Broker		3,915	5,290
		<u>59,226</u>	<u>220,514</u>
Outstanding Trades		<u>20,693</u>	<u>8,709</u>
AVC Investments	10(d)	<u>1,540</u>	<u>1,449</u>
Total Investment Assets		<u>3,063,679</u>	<u>2,775,014</u>

10(c) Investment Allocation – Liabilities

Derivative contracts			
Futures	10(e)	(826)	(1,176)
Forward Foreign Exchange Contracts	10(f)	(9,103)	(30,434)
Swaps	10(g)	(176,149)	(58,429)
Options	10(h)	(28)	(61)
Bond Forwards	10(k)	(65)	(177)
		<u>(186,171)</u>	<u>(90,277)</u>
Other Investment Liabilities			
Amounts payable under repurchase agreements	10(l)	(148,043)	(174,278)
Other		(3,231)	(2,902)
		<u>(151,274)</u>	<u>(177,180)</u>
Outstanding Trades		<u>(30,140)</u>	<u>(17,344)</u>
Total Investment Liabilities		<u>(367,585)</u>	<u>(284,801)</u>
Total Investments	10(a)	<u>2,696,094</u>	<u>2,490,213</u>

The following investments represent more than 5% of the net assets of the scheme:

	30 September 2012	
	£'000	%
BlackRock Global Screened Corporate Bond Fund	209,519	7.74
MPF All World Equity Index	183,980	6.82
SLI Global Absolute Returns	136,227	5.05

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

10. INVESTMENTS (continued)

10(d) AVC Investments

	2012	2011
	£'000	£'000
Abbey National Bank	449	456
Equitable Life Insurance	189	182
Friends Provident	902	811
	1,540	1,449

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 Future	Economic Exposure Value (asset)	Economic Exposure Value (liability)	Market Value (asset)	Market Value (liability)
	£'000	£'000	£'000	£'000
UK Fixed Interest	22,689	(24,443)	27	(128)
Overseas Fixed Interest	151,585	(338,258)	731	(698)
Total	174,274	(362,701)	758	(826)

Expiration

Less than one year	151,490	(351,888)	751	(815)
More than one year	22,784	(10,813)	7	(11)
Total 30 September 2012	174,274	(362,701)	758	(826)
30 September 2011	146,222	(370,381)	1,258	(1,176)

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 2012

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 affect 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)	Gross amount at inception (liability)	Market Value (asset)	Market Value (liability)
	£'000	£'000	£'000	£'000
USA	323,048	(1,048,273)	15,174	(3,578)
Europe	79,039	(268,020)	122	(1,880)
United Kingdom	1,299,102	(241,723)	-	-
Japan	79,433	(126,804)	3,188	(1,932)
Others	93,290	(189,092)	1,985	(1,713)
Total 30 September 2012			20,469	(9,103)
30 September 2011			23,290	(30,434)

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, 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 2012 are as follows:

Expiration	Nominal Principal £'000	Market Value (asset) £'000	Market Value (liability) £'000
Up to 2020	1,125,064	40,934	(34,235)
2021 to 2030	938,610	132,848	(86,057)
After 2030	1,309,104	299,596	(55,857)
Total	3,372,778	473,378	(176,149)

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

10. INVESTMENTS (continued)

10(g) Swaps (continued)

Types of swaps	Nominal Principal £'000	Market Value (asset) £'000	Market Value (liability) £'000
Interest Rate	2,263,093	469,004	(98,174)
Inflation	753,339	4,176	(63,923)
Credit Default	10,146	198	(78)
Total return	346,200	-	(13,974)
Total 30 September 2012	3,372,778	473,378	(176,149)
30 September 2011	1,907,523	369,374	(58,429)

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	18,561	25	-
Overseas fixed interest Written – Calls	(8,699)	-	(28)
Overseas fixed interest Written – Puts	8,903	60	-
Total 30 September 2012	18,765	85	(28)
30 September 2011	15,899	245	(61)

The notional amount represents the value of underlying stocks subject to the option contracts. Included in options are swaptions with a value of £25,000 (2011: £200,000)

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

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 2012 the collateral received/pledged was as follows:

	2012	2011
	£'000	£'000
Collateral Received		
Stock Equivalents	5,645	25,451
Cash Equivalents	360,279	303,228
	<u>365,924</u>	<u>328,679</u>
Collateral Pledged	£'000	£'000
Stock Equivalents	59,048	15,804
Cash Equivalents	-	335
	<u>59,048</u>	<u>16,139</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 2012 the position was as follows:

	2012	2011
	£'000	£'000
Stock Lending		
Fixed Interest	31,487	50,690
Equities	8,192	9,415
	<u>39,679</u>	<u>60,105</u>
Collateral	£'000	£'000
Fixed Interest	7,368	29,156
Equities	3,450	-
Cash Equivalents	30,228	34,381
	<u>41,046</u>	<u>63,537</u>
	£'000	£'000
Income for the year (note 8)	<u>136</u>	<u>140</u>

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

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	877	(11,160)	9	(34)
Overseas	12,792	(23,218)	19	(31)
Total 30 September 2012	13,669	(34,378)	28	(65)
30 September 2011	40,765	(28,868)	359	(177)

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 2012 the market value of securities sold under repurchase agreements was £144.4m (2011: £174.9m).

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 2012 this amounted to £148.0m including accrued interest (2011: £174.3m).

11. CURRENT ASSETS

	2012 £'000	2011 £'000
Debtors		
Contributions due from Heathrow Express Operating Company Ltd	1	6
Contributions due from the Principal Employer in respect of augmentations	1,235	139
Other amounts due from the Principal Employer	-	287
Due from HMRC – VAT	72	106
Contributions due in respect of sale of Edinburgh Airport	13,433	-
Sundry Debtors	-	2
	14,741	540
Cash balances:		
Current Account	14,562	11,266
	29,303	11,806

BAA Pension Scheme
Notes for the Financial Statements for the year ended 30 September 2012

11. CURRENT ASSETS (continued)

The contributions due from the Principal Employer and Heathrow Express Operating Company Ltd at the year end were received in accordance with the timescales set out in the Schedule of Contributions.

12. CURRENT LIABILITIES

	2012	2011
	£'000	£'000
Creditors		
PPF levy payable	(131)	(572)
Administration and investment management expenses	(1,816)	(1,684)
Due to HMRC	(1,006)	(905)
VAT owed to Principal Employer	(211)	-
State Scheme premiums payable	(15)	(21)
Benefits payable	(531)	(347)
Sundry creditors	(19)	(8)
Group transfer payable in respect of the sale of Edinburgh Airport	(50,748)	-
	<u>(54,477)</u>	<u>(3,537)</u>

13. RELATED PARTY TRANSACTIONS

LHR Airports Ltd provides certain administration and other services to the Scheme. The cost 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 (2011: £200,000).

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 £936,814 (2011: £927,191). 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.

BAA Pension Scheme Summary of 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 2012 which is set out on page 31.

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 2012 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 24 December 2008 (for the period up to 31 December 2011) and 21 December 2011 (for the period from 1 January 2012).

Crowe Clark Whitehill LLP
Statutory Auditor
London

Date: 26 March 2013

**BAA Pension Scheme
Summary of Contributions**

**TRUSTEE'S SUMMARY OF CONTRIBUTIONS PAYABLE DURING THE SCHEME YEAR
ENDED 30 SEPTEMBER 2012**

Contributions payable to the Scheme in accordance with the Schedules of Contributions in respect of the year ended 30 September 2012 were as follows:

	2012 £'000
Employer normal contributions	74,776
Employer deficit funding contributions	18,000
Employer augmentations	2,834
Member normal contributions	9,840
Total contributions paid under the Schedule of Contributions	<u>105,450</u>
Employer other contributions in respect of the sale of Edinburgh Airport	13,433
Employer normal contributions – Heathrow Express	26
Member additional voluntary contributions	72
Member additional contributions to purchase added years	316
Contributions disclosed in the financial statements	<u><u>119,297</u></u>

For and on behalf of the BAA Pension Trust Company Limited

Director

Director

Date.....19/3/2013

**BAA Pension Scheme
Actuarial Certificate**

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 2010 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 21 December 2011.

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

21.12.2011

Name of Employer

Mercer Limited

Address

Riverside Court
Guildford Road
Leatherhead
Surrey KT22 9DF

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 page 2. 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