



In Focus

September 2007

Chairman's Review



In our regular summer edition of *In Focus* I usually let you know what the Trustees have been doing during the preceding year as well as summarising the year ahead. As you know, we issued an *In Focus* in May this year which covered the valuation results and also contained a summary of much of the work we had completed during 2006/7. As a result, my comments in this *In Focus* will be quite short.

Annual Report and Accounts

Our annual report and accounts for the Scheme has been published and is available on www.mybapension.com under the 'Scheme Documents' link or a hard copy is available from Whitelocke House. The annual report and accounts sets out in detail the Scheme's activities during 2006/7 and this edition of *In Focus* summarises that document for you.

Trustee Matters

As you are already aware the Trustee board will increase from 10 to 12 with effect from 1 October 2007. One of the two additional Trustees will be elected by the APS pensioner population and the other will be appointed by British Airways. British Airways has already confirmed that Raj Mehta (a General Manager in Engineering) will be appointed as an APS Trustee from that date. The ballot for the election of the additional pensioner Trustee is currently underway.

Paul Douglas (Head of Flight Operations) is retiring from British Airways at the end of September and will cease to be a Trustee at that time. British Airways has yet to confirm his replacement, but I would like to take this opportunity to thank Paul for his contribution to the Trustee board and to wish him well for the future.

I would also like to congratulate Allan Bromwich, who has been a Trustee for APS for more than 22 years, on being awarded 'Trustee of the Year' by the readers of *Engaged Investor* magazine. This magazine is primarily aimed at trustees such as ours and so the award was endorsed by many of Allan's peers from across the UK.

Year Ahead

Now that we have completed the three-yearly valuation we will continue to monitor the Scheme's funding position and, if necessary, adjust the investment allocation to ensure continued security of benefits.


The last year has been a busy time for the pensions team with the implementation of the new administration system and the changes to the New Airways Pension Scheme, which have had an impact on some of our service levels. We are in the process of addressing these issues and are doing all we can to ensure that the usual level of service to our members is resumed as soon as possible.

Subject to further discussions with British Airways we also expect to make further changes to the Scheme Rules to allow for the introduction of a salary sacrifice scheme and flexible retirement provisions. When and if introduced, current members will be able to consider these additional options.

Finally, I would like to thank my fellow Trustees for the enormous amount of work they completed during last year and to thank the teams at BAPIML and BAPSL who support our work on a daily basis.

Roger Maynard
Chairman of Trustees
September 2007

Investment update

 Last year we explained that, towards the end of 2005, the Trustees considered that market movements, particularly strong equity performance and the associated effect on the estimated funding position of the Scheme, indicated that it would be appropriate to accelerate the planned reduction in exposure to equity assets in order to reduce the level of investment risk. In essence, it was considered that the level of investment risk which the Fund was taking should be reduced given the relatively modest returns required for the Scheme to be able to meet its liabilities. It was agreed to amend the asset allocation benchmark so that the unprotected equity component of the Fund reduced from 28% to 15% effective from 1 April 2006. The first 1% of this reduction represented a pre-planned move from equities to index-linked gilts. The remaining reduction was achieved by holding a strategic cash allocation of 5%, a 1% allocation in commodities and ensuring that 6% of the equity portfolio was protected through the use of derivatives instruments. The investment in commodities

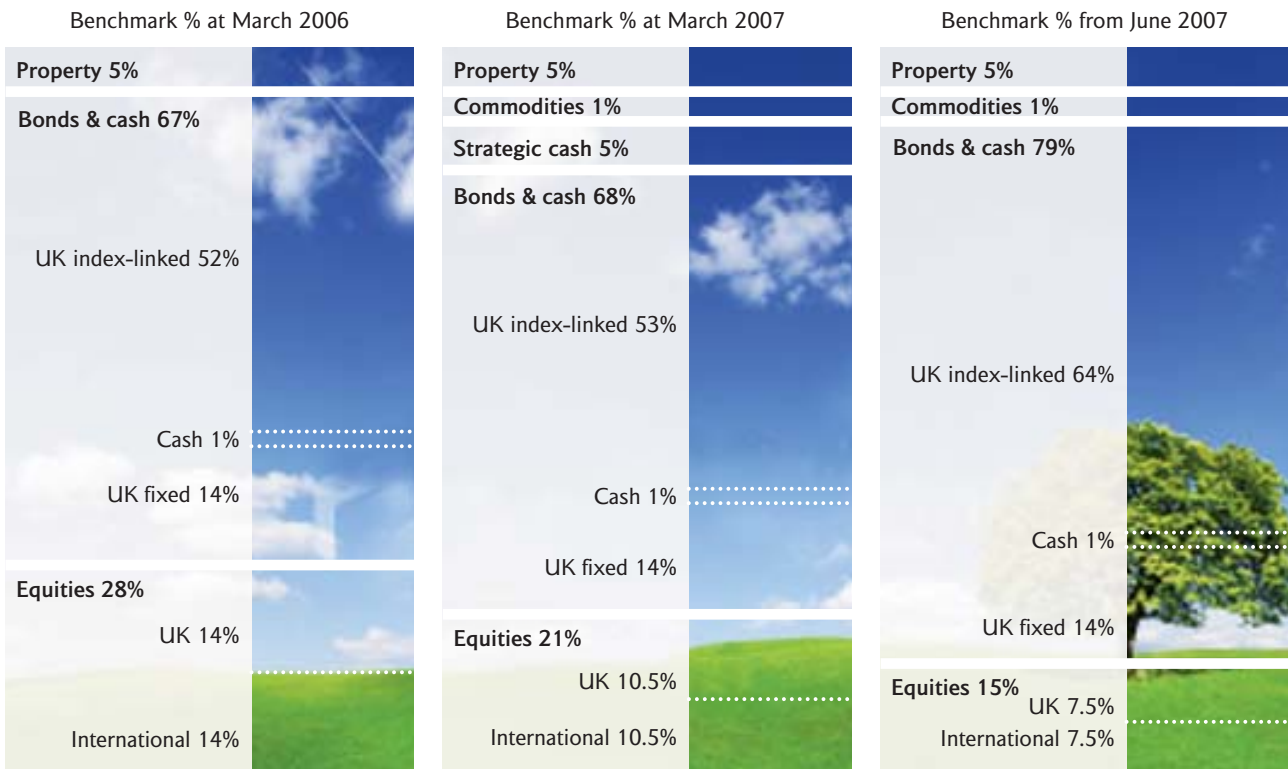
is made through the use of derivative instruments or funds. As part of the valuation process the Trustees reviewed the investment allocation again and concluded that the then current position remained appropriate in the short to medium term.

The Trustees further reviewed the allocation in June 2007 and agreed to invest both the 6% protected equity holding and the strategic cash holding in index-linked gilts. The Trustees will continue to monitor the Fund's investment allocation carefully and take action as opportunities arise.

A revised Statement of Investment Principles (SIP) was adopted with effect from 1 April 2006 which reflected the changes to the strategic asset allocation policy. A further revision was adopted in June 2007 following the decision to purchase index-linked gilts.

A copy of the SIP is available on request from the Secretary's office or can be accessed on the www.mybapension.com website.

Investments Policy (the actual investments held might be slightly different to the benchmarks shown)

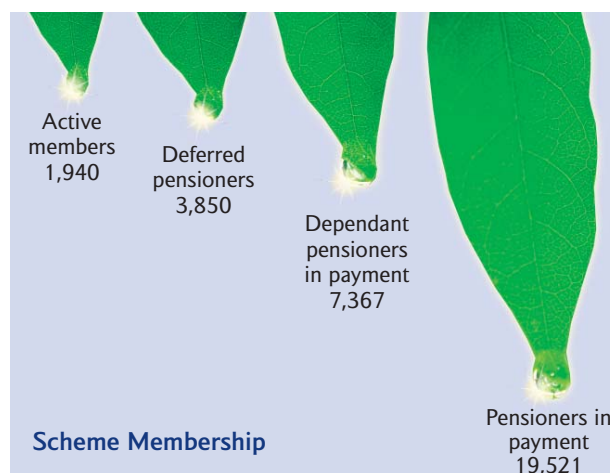


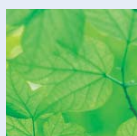
Monies in and out of APS

The chart below shows the income and expenditure of APS during the year

Money into APS		£m
Total contributions received		35.6
Transfers in		0.2
Investment income		170.2
Total income		206.0
Money out of APS		£m
Benefits		348.0
Leavers		35.9
Administration expenses		3.1
Investment management expenses		4.0
Total expenditure		391.0
APS Fund value		£m
Value of assets as at 1 April 2006		6,638.1
Total income		206.0
Less total expenditure		391.0
Changes in market value of investments		66.9
Value of Fund at 31 March 2007		6,520.0

British Airways Pensions Investment Management Ltd (BAPIML) continues to manage APS Funds and the Trustees have set BAPIML performance targets covering a rolling five-year period. In terms of the five-year period target BAPIML's performance of 7.39% compared to the benchmark of 7.42% fell short of the 0.3% out-performance target set by the Trustees. However, during the last year BAPIML has just out-performed the Trustees' benchmark.





Death in Service Benefits

If you are an active member of the Scheme you will be covered for death in service benefits in the event of your death whilst employed by the Company. To help the Trustees distribute this benefit it is important that you complete a Notice of Wish form which can be found under 'Forms' link on www.mybapension.com. Please complete a new Notice of Wish form every couple of years, even if your preferred beneficiaries have not changed so that, in the event of your death, the Trustees will be aware of your latest wishes. It is not usually necessary for any pensioner or deferred pensioner to complete a Notice of Wish form.

Where can I get more information?

As always, copies of past editions of *In Focus*, the full Annual Report and Accounts, the SIP and other documents relating to the Scheme are available on our website www.mybapension.com.

Getting in Touch

You can contact us by:

Email: enquiries@bapensions.co.uk

or follow the link in our website (click on 'Talk to Us')

Telephone: call our customer service team on 020 8513 2222

Fax: externally on 020 8572 6235 or internally on x32257

Important

You should contact a professional adviser, such as an Independent Financial Adviser before taking any decisions regarding your pension arrangements.