



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

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.

New NAPS Arrangements

More than 12,000 active members of NAPS returned forms indicating that they wished to pay contributions and earn benefits at a higher rate than the new default arrangement that was introduced on 1 April 2007. These contributions and the appropriate Company contributions

have now been collected and active members will have a further opportunity to make changes to their pension arrangements with effect from 1 July next year.

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 Scheme, which have had an impact on some of our service levels. We are in the process of addressing these issues, including the updating of our benefit administration systems to reflect the new benefit arrangements. We 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

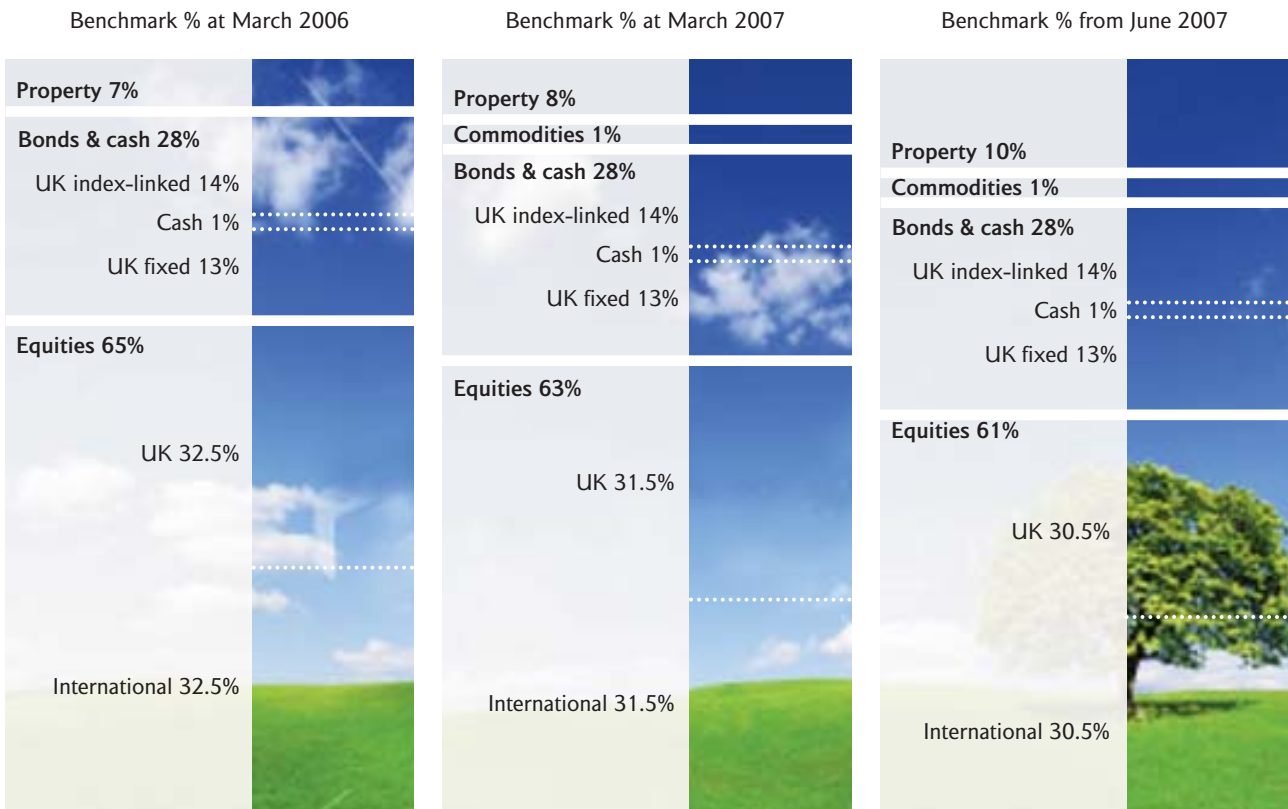
Investment update

 When the Trustees are assessing the appropriateness of the Scheme's investment policy they use a tool known as Asset Liability Modelling (ALM) which matches the type of liabilities (benefits) the Scheme has with an appropriate set of assets (investments). An ALM exercise is undertaken at each valuation. The 2006 ALM study concluded that there was no major change required to the previously agreed strategy, but some minor changes were appropriate and these were made with effect from 1 April 2007 and are shown in the table below.

A revised Statement of Investment Principles (SIP) was adopted with effect from 1 April 2007 which reflected the changes to the strategic asset allocation policy. A copy of the SIP is available on request from the Secretary's office or can be accessed on the www.mybapension.com website.

British Airways Pensions Investment Management Ltd (BAPIML) continues to manage NAPS Funds and the Trustees have set BAPIML performance targets covering a rolling five-year period. During the last year BAPIML have under-performed the Trustees benchmark and in terms of the five-year period target BAPIML's performance of 8.81% compared to the benchmark of 8.84% fell short of the 0.5% out-performance target set by the Trustees.

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



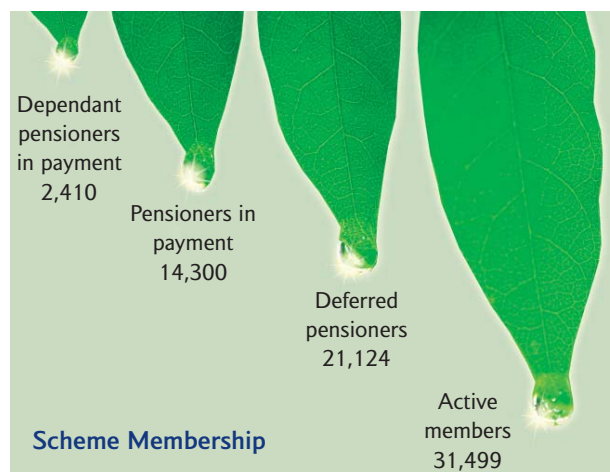
Monies in and out of NAPS

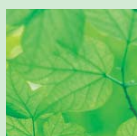
The chart below shows the income and expenditure of NAPS during the year

Money into NAPS	£m
Total contributions received	576.7*
Transfers in	0.9
Other income	4.8
Investment income	162.3
Total income	744.7
Money out of NAPS	£m
Benefits	194.7
Leavers	22.5
Administration expenses	7.2
Investment management expenses	4.0
Total expenditure	228.4
NAPS Fund value	£m
Value of assets as at 1 April 2006	5,846.0
Total income	744.7**
Less total expenditure	228.4
Changes in market value of investments	239.7
Value of Fund at 31 March 2007	6,602.0

* Includes £240m received from British Airways as part of the NAPS Recovery Plan.

** In addition, £560m was received from British Airways on 2 April 2007 completing the £800m cash contribution to the Recovery Plan. This amount will be declared in the 2007/8 accounts.





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.