

AIRWAYS AERO ASSOCIATIONS LIMITED

Report and Accounts

31 March 2002

Registered Number: 447296

 ERNST & YOUNG



DIRECTORS

W D Lowe
T J Orchard
D Hyde
D Maizey
G Want

SECRETARY

A K Buchanan

AUDITORS

Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

REGISTERED OFFICE

Waterside
PO Box 365
Harmondsworth
UB7 OGB

Airways Aero Associations Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2002.

ACCOUNTS AND DIVIDENDS

The profit for the year attributable to shareholders amounted to £194,098 (2001: £68,739)

The directors do not recommended the payment of a dividend (2001: £600,000).

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activities of the company continued to be recreational flying and aerodrome operation.

FUTURE DEVELOPMENTS

The company will continue to promote recreational flying at the best possible terms and to provide facilities in the field of light aviation.

DIRECTORS

The directors of the company during the year ended 31 March 2002 were those listed on page 1.

DIRECTORS' INTERESTS

The directors had no interests in the shares of the company during the year.

According to the register maintained under the Companies Act 1985, the directors' interests in the share capital of British Airways Plc, which require disclosure in these accounts, were as follows:

	Ordinary shares of 25p				Options under	
	Subject to no		Subject to		Executive and SAYE	
	31/3/02	31/3/01	31/3/02	31/3/01	31/3/02	31/3/01
W D Lowe	11,568	9,508	-	233	-	31,452
T Orchard	10,996	10,809	-	187	-	559
D Hyde	25,042	24,236	-	242	88,425	88,984
D Maizey	5,550	4,500	-	189	107,434	68,508
G Want	-	-	-	-	93,083	61,929

* as at date of appointment

The directors' interests set out above are in each case beneficial. The options under the Executive and Save As You Earn Share Schemes are at prices varying between 238p and 405p per share.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The parent undertaking maintains a directors' and officers' liability insurance for its subsidiary undertakings' directors and officers as permitted by Section 310(3) of the Companies Act 1985.

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIRWAYS AERO ASSOCIATIONS LIMITED

We have audited the company's financial statements for the year ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

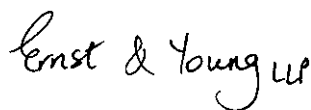
Basis of audit opinion

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

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

Opinion

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



Registered Auditor
London

25/10/02

Airways Aero Associations Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2002

	Note	2002 £	(restated) 2001 £
TURNOVER	2	1,609,744	1,400,015
Cost of sales		1,196,389	1,137,269
GROSS PROFIT		413,355	262,746
Administrative expenses		259,755	273,466
OPERATING PROFIT/(LOSS)	3	153,600	(10,720)
Interest receivable	5	34,437	76,934
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		188,037	66,214
Tax on profit on ordinary activities	6	6,061	2,525
PROFIT FOR THE FINANCIAL YEAR	13	194,098	68,739
DIVIDENDS		-	600,000
PROFIT/(LOSS) RETAINED FOR THE FINANCIAL YEAR		194,098	(531,261)

Airways Aero Associations Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2002

	2002 £	(restated) 2001 £
Profit for the financial year	194,098	68,739
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	194,098	68,739
Prior year adjustment (as explained in note 1)	60,282	-
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT	254,380	68,739

Airways Aero Associations Limited

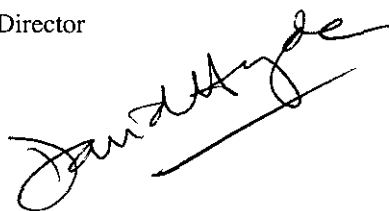
BALANCE SHEET

At 31 March 2002

	Note	2002 £	(restated) 2001 £
FIXED ASSETS			
Tangible assets	7	1,247,003	1,067,164
CURRENT ASSETS			
Stocks	8	59,102	55,935
Debtors	9	485,848	459,440
Amounts owed by parent undertaking		673,773	741,330
Cash at bank and in hand		213,685	168,104
		1,432,408	1,424,809
CREDITORS: amounts falling due within one year	10	(419,573)	(426,233)
NET CURRENT ASSETS		1,012,835	998,576
TOTAL ASSETS LESS CURRENT LIABILITIES		2,259,838	2,065,740
CAPITAL AND RESERVES			
Called-up share capital	12	100	100
Profit and loss account		2,259,738	2,065,640
EQUITY SHAREHOLDER FUNDS	13	2,259,838	2,065,740

Approved by the Board on 25/10/02

Director



NOTES TO THE ACCOUNTS

At 31 March 2002

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

The cost of fixed assets is written off by equal annual instalments over their expected useful lives as follows:

Aircraft fleet	4 - 10 years
Leasehold property	Over the period of the lease
Leasehold improvements	10 - 20 years or the period of the lease
Other fixed assets	5 - 10 years

The cost of engine and top overhauls are capitalised and amounts are written off to the profit and loss account by reference to the number of hours flown:

Top overhaul	1,000 - 1,200 hours
Engine overhaul	1,500 - 2,400 hours

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred taxation

During the year, in line with the rest of the BA Group, the company implemented accounting standard FRS 19 - Deferred Tax, to change its accounting policy with the result that the comparatives have been restated. This has resulted in a prior year adjustment of £(60,282) for deferred tax (see note 11) and the creation of a tax credit for the year to 31 March 2001 of £(2,525).

Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

Pensions

Two employees are members of the Airways Pension Scheme. This is a defined benefit pension scheme operated by British Airways Plc. The assets of the scheme are held in a separate trustee administered fund. Contributions to the scheme are made on the basis of independent actuarial advice and charged to the profit and loss account so as to spread the cost over the remaining service lives of the employees. The contributions to the scheme are determined on the basis of triennial valuations using the attained age method. Particulars of the valuation of the scheme are contained in the accounts of British Airways Plc.

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS

At 31 March 2002

2 TURNOVER

Turnover comprises income from subscriptions, entrance fees, flying fees, sales of fuel and oil, rentals and hangarage, excluding intra-company items. All activities are continuing.

Turnover and pre-tax profit is attributable to the activities of recreational flying and airfield operations. All operations are within the United Kingdom.

	<i>Recreational flying £</i>	<i>Airfield operations £</i>	<i>Total £</i>
Total sales	516,470	1,212,372	1,728,842
Inter segmental sales	-	(119,098)	(119,098)
Sales to third parties	516,470	1,093,274	1,609,744
Segmental profit	16,119	137,481	153,600

3 OPERATING PROFIT/(LOSS)

Is stated after charging/(crediting):

	<i>2002 £</i>	<i>2001 £</i>
Depreciation of owned tangible fixed assets	144,660	120,499
Auditors' remuneration	7,302	6,430
Operating lease rentals - land and buildings	42,800	40,039
Rents receivable	(299,067)	(221,876)

4 STAFF COSTS

	<i>2002 £</i>	<i>2001 £</i>
Wages and salaries	498,474	483,989
Social security costs	39,454	36,313
Other Pension costs	8,956	7,871
	546,884	528,173

Numbers

The average number of persons employed by the company during the year was 17 (2001: 16).

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS

At 31 March 2002

5 INTEREST RECEIVABLE

	2002 £	2001 £
Parent undertaking	32,443	74,487
Bank deposits	1,994	2,447
	<u>34,437</u>	<u>76,934</u>

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of debit/(credit) for the year

	2002 £	(restated) 2001 £
Current tax:		
Tax charge for the year	-	-
Deferred tax:		
Accelerated capital allowances	(6,706)	(2,525)
Other timing differences	645	-
	<u>(6,061)</u>	<u>(2,525)</u>

During the year the company implemented FRS 19 Deferred Tax (see Accounting Policy note) which resulted in the recognition of deferred tax assets.

(b) Factors affecting tax debit/(credit) for the year

The current tax charge/(credited) for the period is less than the profit at the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2002 £	(restated) 2001 £
Profit on ordinary activities before tax	<u>188,037</u>	<u>66,214</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in The UK of 30% (2001: 30%)	56,411	19,864
Effects of:		
Expenses not deductible for tax purposes	7,340	6,626
Timing differences:		
Depreciation in excess of capital allowances	6,706	2,525
Other differences	(645)	-
Free group relief from group members	(69,812)	(29,015)
Current tax charge for the year as above	<u>-</u>	<u>-</u>

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS

At 31 March 2002

7 TANGIBLE FIXED ASSETS

	<i>Aircraft overhaul</i> £	<i>Aircraft fleet</i> £	<i>Short leasehold property & improve- ments</i> £	<i>Operating ground equipment</i> £	<i>Office & commercial equipment</i> £	<i>Total</i> £
Cost:						
At 1 April 2001	112,504	317,918	1,387,396	81,399	55,651	1,954,868
Additions	10,457	-	282,499	2,436	33,148	328,540
Disposals	(11,994)	-	-	-	(36,033)	(48,027)
At 31 March 2002	110,967	317,918	1,669,895	83,835	52,766	2,235,381
Depreciation:						
At 1 April 2001	48,718	217,864	497,393	73,798	49,931	887,704
Charge for year	12,037	16,639	108,438	3,580	3,966	144,660
Disposals	(7,953)	-	-	-	(36,033)	(43,986)
At 31 March 2002	52,802	234,503	605,831	77,378	17,864	988,378
Net book value:						
at 31 March 2002	58,165	83,415	1,064,064	6,457	34,902	1,247,003
at 31 March 2001	63,786	100,054	890,003	7,601	5,720	1,067,164

8 STOCKS

	<i>2002</i> £	<i>2001</i> £
Aviation fuel	14,852	12,248
General stores - shop	6,025	8,247
Aircraft spares	38,225	35,440
	59,102	55,935

The replacement cost of stocks does not differ significantly from original invoice cost.

9 DEBTORS

	<i>Note</i>	<i>2002</i> £	<i>(restated) 2001</i> £
Due within one year:			
Trade debtors		401,147	380,425
Prepayments and accrued income		18,358	18,733
Deferred taxation	11	66,343	60,282
		485,848	459,440

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS

At 31 March 2002

10 CREDITORS: amounts falling due within one year

	2002 £	2001 £
Trade creditors	155,476	190,777
Accruals and deferred income	208,948	188,327
Amounts owed to group undertakings	41,488	31,450
Other taxes and social security costs	13,661	15,679
	<u>419,573</u>	<u>426,233</u>

11 DEFERRED TAXATION

	2002 £	(restated) 2001 £
Accelerated capital allowances	(65,379)	(60,282)
Other timing differences	(964)	-
	<u>(66,343)</u>	<u>(60,282)</u>
Provision at start of period	(60,282)	-
P&L credit for the period	(6,061)	-
	<u>(66,343)</u>	<u>-</u>
Provision at end of period	<u>(66,343)</u>	<u>-</u>

12 CALLED-UP SHARE CAPITAL

	2002 £	2001 £
Authorised, allotted and fully paid: Ordinary shares of £1	<u>100</u>	<u>100</u>

13 RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 April 2000 (originally £2,539,244 before prior year adjustment of £57,657)	100	2,596,901	2,597,001
Profit for the year	-	(531,261)	(531,261)
At 1 April 2001 (originally £2,005,358 before prior year adjustment of £60,282)	100	2,065,640	2,065,740
Profit for the year	-	194,098	194,098
At 31 March 2002	<u>100</u>	<u>2,259,738</u>	<u>2,259,838</u>

NOTES TO THE ACCOUNTS

At 31 March 2002

14 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2001: £290,000).

15 FINANCIAL COMMITMENTS

The annual commitment under non-cancellable operating leases was as follows:

	<i>Land and buildings</i>	
	<i>2002</i>	<i>2001</i>
	<i>£</i>	<i>£</i>
Leases expiring:		
Over five years	42,800	42,800

16 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party of the group of undertakings for which group accounts are drawn up and of which the company is a member is British Airways Plc, registered in England and Wales. Copies of British Airways Plc's accounts can be obtained from Waterside, PO Box 365, Harmondsworth, UB7 OGB. The company has taken advantage of the exemption under FRS 8 not to disclose related party transactions, consolidated in the group accounts of British Airways Plc.

THE FOLLOWING STATEMENTS DO NOT FORM PART OF
THE AUDITED STATUTORY ACCOUNTS OF THE COMPANY

Airways Aero Associations Limited

OPERATING STATEMENT

For the year ended 31 March 2002

	<i>BAFC</i> £	<i>WAP</i> £
REVENUE		
Subscription and entrance fees	38,573	-
Flying fees	413,034	-
Landing fees	-	107,381
Hangarage & parking	-	171,255
Rents	-	299,067
Fuel and oil sales	-	584,026
Other revenue	64,863	50,643
	<u>516,470</u>	<u>1,212,372</u>
DIRECT COSTS		
Operations	195,458	672,756
Maintenance and overhaul	70,867	32,866
Standing charges	77,777	120,352
	<u>344,102</u>	<u>825,974</u>
ADMINISTRATIVE EXPENSES		
Accommodation	14,353	148,660
General overheads	141,896	100,257
	<u>156,249</u>	<u>248,917</u>
OPERATING PROFIT	<u>16,119</u>	<u>137,481</u>
Interest income	-	34,437
PROFIT BEFORE TAXATION	<u>16,119</u>	<u>171,918</u>

Airways Aero Associations Limited

OPERATING STATEMENT

For the year ended 31 March 2002

	BAFC £	WAP £
DIRECT COSTS		
Operations		
Instructors pay, pension and insurance	105,454	-
Airpark services crew pay, pension and insurance	-	150,814
Flying control pay, pension and insurance	-	147,984
Fuel and oil	89,962	368,436
Hire of aircraft	42	-
Other costs	-	5,522
	<u>195,458</u>	<u>672,756</u>
Maintenance and overhaul		
Operating equipment	-	3,660
Radio and avionics	9,572	3,340
Aircraft maintenance costs	61,295	-
Airfield and buildings	-	25,866
	<u>70,867</u>	<u>32,866</u>
Standing charges		
Insurance	19,285	2,958
Licences	680	1,410
Depreciation	28,676	115,984
Hangarage and landing fees	29,136	-
	<u>77,777</u>	<u>120,352</u>
ADMINISTRATIVE EXPENSES		
Accommodation		
Rent and rates	9,000	84,863
Electricity, water and gas	2,248	60,135
Maintenance and cleaning	3,105	3,662
General overheads		
Engineering and administration salaries, pensions and insurance	104,436	39,991
Other personnel expenses	509	1,991
Audit, accountancy and other fees	3,650	6,650
Office costs	13,647	13,219
Legal and professional fees	-	11,511
Advertising	6,103	-
General expenses	13,551	26,895
	<u>156,249</u>	<u>248,917</u>