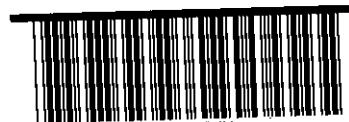


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AIRWAYS AERO ASSOCIATIONS LIMITED

Report and Accounts

31 March 2001



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COMPANIES HOUSE

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17/11/01

Airways Aero Associations Limited

Registered Number 447296

DIRECTORS

W D Lowe

T J Orchard

D Hyde

D Maizey

G Want (Appointed 11/12/00)

SECRETARY

A K Buchanan

AUDITORS

Ernst & Young LLP

Becket House

1 Lambeth Palace Road

London

SE1 7EU

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 2001.

ACCOUNTS AND DIVIDENDS

The profit for the year attributable to shareholders amounted to £66,214 (2000: £247,142)

The directors have recommended the payment of a dividend in an amount of £600,000 (2000: £Nil).

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 2001 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:

	<i>Ordinary shares of 25p</i>				<i>Options under Executive and SAYE Share scheme</i>	
	<i>Subject to no restrictions</i>		<i>Subject to restrictions</i>			
	<i>31/3/01</i>	<i>31/3/00</i>	<i>31/3/01</i>	<i>31/3/00</i>	<i>31/3/01</i>	<i>31/3/00</i>
W D Lowe	9,508	10,081	233	1,406	31,452	57,704
T Orchard	10,809	9,905	187	1,091	559	559
D Hyde	24,236	22,644	242	1,415	88,984	88,425
D Maizey	4,500	4,500	189	1,050	68,508	14,576
G Want	-	-	-	-	61,929	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 419p 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

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young LLP as the Company's auditor with effect from 28 June 2001. Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

By order of the board



Secretary

REPORT OF THE AUDITORS
to the shareholders of Airways Aero Associations Limited

We have audited the accounts on pages 5 to 12, which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

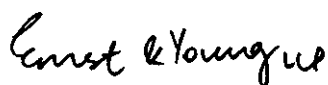
Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
London

18.10.01

Airways Aero Associations Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2001

	<i>Note</i>	<i>2001</i> £	<i>2000</i> £
TURNOVER	2	1,400,015	1,490,818
Cost of sales		1,137,269	993,470
GROSS PROFIT		262,746	497,348
Administrative expenses		273,466	344,069
OPERATING (LOSS) /PROFIT	3	(10,720)	153,279
Interest receivable	5	76,934	93,863
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		66,214	247,142
Tax on profit on ordinary activities	6	-	-
PROFIT FOR THE FINANCIAL YEAR	14	66,214	247,142
DIVIDENDS		600,000	-
(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR		(533,786)	247,142

In 2001, Engineering costs have been relocated from Administrative Expenses to Cost of Sales.

Airways Aero Associations Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2001

	2001 £	2000 £
Profit for the financial year	66,214	247,142
TOTAL RECOGNISED GAINS AND LOSSES	<u>66,214</u>	<u>247,142</u>

Airways Aero Associations Limited

BALANCE SHEET at 31 March 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	1,067,164	725,300
CURRENT ASSETS			
Stocks	8	55,935	72,455
Debtors	9	399,158	354,841
Amounts owed by parent undertaking		741,330	1,601,644
Cash at bank and in hand		168,104	159,983
		<u>1,364,527</u>	<u>2,188,923</u>
CREDITORS: amounts falling due within one year	10	<u>426,233</u>	<u>374,979</u>
NET CURRENT ASSETS		<u>938,294</u>	<u>1,813,944</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,005,458</u>	<u>2,539,244</u>
CAPITAL AND RESERVES			
Called-up share capital	12	100	100
Profit and loss account		2,005,358	2,539,144
EQUITY SHAREHOLDER FUNDS	14	<u>2,005,458</u>	<u>2,539,244</u>

Approved by the Board on 18/10/01

Director

[Signature]

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS

for the year ended 31 March 2001

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

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing difference will reverse.

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 for the year ended 31 March 2001

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	450,711	1,058,665	1,509,376
Inter segmental sales	-	(109,361)	(109,361)
Sales to third parties	450,711	949,304	1,400,015
Segmental (loss)/profit	(41,478)	30,758	(10,720)

3 OPERATING PROFIT

Is stated after charging/(crediting):

	<i>2001 £</i>	<i>2000 £</i>
Depreciation of owned tangible fixed assets	120,499	101,544
Auditors' remuneration	6,430	4,850
Operating lease rentals - land and buildings	40,039	36,500
Rents receivable	(221,876)	(224,174)

4 STAFF COSTS

	<i>2001 £</i>	<i>2000 £</i>
Wages and salaries	483,989	452,229
Social security costs	44,184	42,738
	528,173	494,967

Numbers

The average number of persons employed by the company during the year was 16 (2000: 17).

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS for the year ended 31 March 2001

5 INTEREST RECEIVABLE

	2001 £	2000 £
Parent undertaking	74,487	91,030
Bank deposits	2,447	2,833
	<u>76,934</u>	<u>93,863</u>

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

There is no tax charge for the current year. Taxable profits will be sheltered in full by group relief, for which no payment is to be made.

If full provision for deferred taxation had been made there would have been an additional credit for the year of £nil (2000: £nil).

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 2000	104,930	317,918	978,501	81,418	53,774	1,536,541
Additions	19,370	-	439,692	424	3,570	463,056
Disposals	(11,796)	-	(30,797)	(443)	(1,693)	(44,729)
At 31 March 2001	<u>112,504</u>	<u>317,918</u>	<u>1,387,396</u>	<u>81,399</u>	<u>55,651</u>	<u>1,954,868</u>
Depreciation:						
At 1 April 2000	47,874	196,900	453,236	69,391	43,840	811,241
Charge for year	12,293	20,964	74,608	4,850	7,784	120,499
Disposals	(11,449)	-	(30,451)	(443)	(1,693)	(44,036)
At 31 March 2001	<u>48,718</u>	<u>217,864</u>	<u>497,393</u>	<u>73,798</u>	<u>49,931</u>	<u>887,704</u>
Net book value:						
at 31 March 2001	<u>63,786</u>	<u>100,054</u>	<u>890,003</u>	<u>7,601</u>	<u>5,720</u>	<u>1,067,164</u>
at 31 March 2000	<u>57,056</u>	<u>121,018</u>	<u>525,265</u>	<u>12,027</u>	<u>9,934</u>	<u>725,300</u>

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS for the year ended 31 March 2001

8 STOCKS

	2001 £	2000 £
Aviation fuel	12,248	23,089
General stores - shop	8,247	7,835
Aircraft spares	35,440	41,531
	<u>55,935</u>	<u>72,455</u>

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

9 DEBTORS

	2001 £	2000 £
Due within one year:		
Trade debtors	380,425	336,001
Prepayments and accrued income	18,733	18,840
	<u>399,158</u>	<u>354,841</u>

10 CREDITORS: amounts falling due within one year

	2001 £	2000 £
Trade creditors	190,777	162,418
Accruals and deferred income	188,327	167,195
Amounts owed to group undertakings	31,450	32,829
Other taxes and social security costs	15,679	12,537
	<u>426,233</u>	<u>374,979</u>

11 DEFERRED TAXATION

There is no deferred taxation (2000: £nil).

12 CALLED-UP SHARE CAPITAL

	2001 £	2000 £
Authorised, allotted and fully paid:		
Ordinary shares of £1	100	100
	<u>100</u>	<u>100</u>

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS for the year ended 31 March 2001

13 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 April 1999	100	2,292,002	2,292,102
Profit for the year	-	247,142	247,142
At 1 April 2000	100	2,539,144	2,539,244
Profit for the year	-	66,214	66,214
Dividends	-	(600,000)	(600,000)
At 31 March 2001	100	2,005,358	2,005,458

14 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £290,000 (2000: nil).

15 FINANCIAL COMMITMENTS

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

	<i>Land and buildings 2001 £</i>	<i>2000 £</i>
Leases expiring: Over five years	42,800	36,500

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.