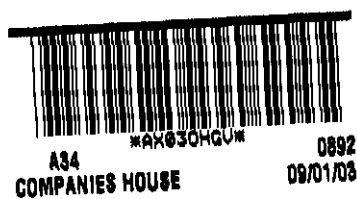


DIRECTORS REPORT AND ACCOUNTS

BRITISH AIRWAYS ENGINEERING SERVICES LIMITED

31 MARCH 2002

COMPANY NUMBER 545942



BRITISH AIRWAYS ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT

Directors : D G Richardson
L S Werling

Secretary : P H Jarvis

Registered Office : Waterside, P O Box 365, Harmondsworth, UB7 0GB

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

Principal Activities

During the period, the Company did not trade and therefore there is no change to the Company's position. All expenses relating to the Company were borne by British Airways Plc.

Directors' Interests

None of the Directors had any beneficial interest in the shares of the Company at 31 March 2002.

According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of British Airways Plc and in the 9.75% Convertible Capital Bonds 2005 of British Airways Capital Limited which require disclosure in these accounts were as follows:

| | British Airways Plc | | | | | | British Airways Capital Limited | |
|----------------|--|-----------------|---|-----------------|--|-----------------|------------------------------------|-----------------|
| | Ordinary Shares Subject to no Restrictions | | Ordinary Shares Subject to Restrictions | | Options Executive and SAYE Share Schemes | | Convertible Bonds | |
| | 31 March 2002 | 1 April 2001 | 31 March 2002 | 1 April 2001 | 31 March 2002 | 1 April 2001 | 31 March 2002 | 1 April 2001 |
| D G Richardson | 538 | 361 | 0 | 0 | 134,406 | 57,112 | 0 | 0 |
| L S Werling | 188 | 0 | 0 | 0 | 120,185 | 73,457 | 0 | 0 |

The Directors' interests set out above are in each case beneficial. The options under the Executive Share Scheme and the SAYE Share Schemes are at prices ranging from £2.38 to £4.05.

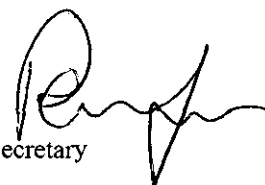
Directors' Liability Insurance

The ultimate parent undertaking, British Airways Plc, maintains a directors' and an officers' liability insurance policy for the directors and officers of its subsidiary undertakings.

Auditors

Under section 252(2) of the Companies Act 1985 the Company is exempted from the obligation to appoint an auditor.

By order of the Board


Secretary

BRITISH AIRWAYS ENGINEERING SERVICES LIMITED

BALANCE SHEET

AS AT 31 MARCH 2002

| | Notes | 2002 | 2001 |
|--------------------------------------|-------|----------------|----------------|
| | | £ | £ |
| CURRENT ASSETS | | | |
| Amounts due from British Airways Plc | | 219,985 | 219,985 |
| | | <u>219,985</u> | <u>219,985</u> |
| | | | |
| NET CURRENT ASSETS | | <u>219,985</u> | <u>219,985</u> |
| | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 3 | 20,000 | 20,000 |
| Profit and Loss account | 2 | 199,985 | 199,985 |
| | | <u>219,985</u> | <u>219,985</u> |

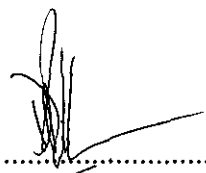
For the year ended 31 March 2002 the Company was entitled to exemption under section 249AA(1) of the Companies Act 1985.

No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 249B(2).

The directors acknowledge their responsibility for:

- Ensuring the Company keeps accounting records which comply with section 221
- Preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of its financial year, and of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

Director



Date

...23 December 2002

BRITISH AIRWAYS ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

2. Profit and Loss Account

The company did not trade during the year and therefore no profit and loss account has been prepared.

3. Share Capital

| 31st March | 2002 £ | 2001 £ |
|--|-----------|-----------|
| Authorised, allotted, called up and fully paid Ordinary Shares of £1 each | 20,000 | 20,000 |

4. Ultimate Parent Undertaking

The Company is a wholly owned subsidiary undertaking of British Airways Plc, a Company incorporated in the United Kingdom.

5. Related Parties

The Company has taken advantage of the exemption in FRS8 not to disclose related party transactions as 90 per cent or more of the voting rights are controlled within the group.

6. Directors' Remuneration

The directors did not receive remuneration for their services to the Company during the year ended 31 March 2002 (2001 ~ Nil).

7. Annual Report and Accounts

Copies of the British Airways Plc report and accounts can be obtained on the internet from:-

www.bashareholders.com

or direct from:-

The Shareholder Services Department
British Airways Plc
Waterside HBA3
P O Box 365
Harmondsworth
UB7 0GB