

DIRECTORS' REPORT AND ACCOUNTS

BRITISH AIRWAYS (ESPANA) LIMITED

31 MARCH 2004

Company Number 437440



BRITISH AIRWAYS (ESPANA) LIMITED

DIRECTORS' REPORT

Directors : A K Buchanan
 K Williams

Secretary : A K Buchanan

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

The Directors present their report and accounts for the year ended 31 March 2004.

Principal Activities

The Company did not trade during the year. Any overhead expenses were borne by the Ultimate Parent Undertaking, British Airways Plc.

Directors' Interests

None of the Directors had any beneficial interest in the shares of the Company at 31 March 2004.

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 | | Options Executive and SAYE Share Schemes | | Long Term Incentive Plan (LTIPs) | | Convertible Bonds | |
|--|--|-----------------|--|-----------------|-------------------------------------|-----------------|-------------------|-----------------|
| | 31 March 2004 | 1 April 2003 | 31 March 2004 | 1 April 2003 | 31 March 2004 | 1 April 2003 | 31 March 2004 | 1 April 2003 |

| | | | | | | | | |
|----------------|-------|-------|---------|---------|---------|---------|---|---|
| Alan Buchanan | 3,728 | 3,728 | 305,915 | 206,339 | 196,668 | 120,000 | 0 | 0 |
| Keith Williams | 0 | 0 | 301,520 | 186,871 | 82,561 | 31,132 | 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 £1.57 to £4.05.

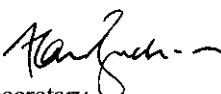
Directors' Liability Insurance

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

The company satisfies the provisions of section 249AA(1) of the Companies Act 1985 and accordingly the company is exempt from the obligation to appoint auditors.

By order of the Board


Secretary
Date:

BRITISH AIRWAYS (ESPANA) LIMITED

BALANCE SHEET

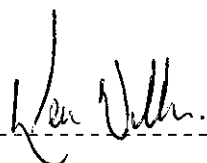
AS AT 31 MARCH 2004

| | Note | 2004 £ | 2003 £ |
|------------------------------------|------|----------------|----------------|
| Current Assets | | | |
| Amount owed by British Airways Plc | | 429,835 | 429,835 |
| | | <u>429,835</u> | <u>429,835</u> |
| Capital and Reserves | | | |
| Called up share capital | 5 | 20,000 | 20,000 |
| Profit and loss account | 6 | 409,835 | 409,835 |
| Revaluation reserve | 6 | ~ | ~ |
| | 6 | <u>429,835</u> | <u>429,835</u> |

For the year ended 31 March 2004:

- 1 the company was entitled to the exemption conferred by section 249AA(1) of the Companies Act 1985 from the provisions of that Act relating to the audit of accounts;
- 2 the members have not required the company to obtain an audit of its accounts in accordance with section 249B(2) of the Companies Act 1985;
- 3 the directors acknowledge their responsibilities for:
 - ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985.
 - preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226 of the Companies Act 1985, and which otherwise comply with the requirements of that Act relating to accounts, so far as applicable to the company.

Director:



Date:

BRITISH AIRWAYS (ESPANA) LIMITED

NOTES TO THE ACCOUNTS

AS AT 31 MARCH 2004

1. Accounting Policies

The accounts are prepared under the historical cost convention modified to include the revaluation of freehold land and property.

2. Directors' Remuneration

The directors received no remuneration or other emoluments from the company during the year ended 31 March 2004 (2003 ~ Nil)..

3. Loss on Ordinary Activities before Taxation

| | 2004 £ | 2003 £ |
|---|-----------|-----------|
| Loss on ordinary activities before taxation is stated after charging: | | |
| Depreciation and amounts written off tangible fixed assets: | | |
| Charge for the year on owned assets | - | 4,007 |
| Loss on disposals | - | 32,161 |

4. Taxation

| | 2004 £ | 2003 £ |
|-----------------------------------|-----------|-----------|
| Overseas taxation on capital gain | - | 49,633 |

5. Share Capital

The share capital of the Company is as follows:

| | 2004 £ | 2003 £ |
|--|-----------|-----------|
| Authorised, allotted, issued and fully paid: | | |
| 20,000 ordinary shares of £1 each | 20,000 | 20,000 |

BRITISH AIRWAYS (ESPANA) LIMITED

NOTES TO THE ACCOUNTS

AS AT 31 MARCH 2004

(continued)

6. Reconciliation of Shareholders Funds and Movements in Reserves

| | Share capital £ | Reval- uation reserve £ | Profit and loss account £ | Total £ |
|---|-----------------------|----------------------------------|------------------------------------|----------------|
| Balance at 1 April 1997 | 20,000 | 373,162 | 122,474 | 515,636 |
| Loss for the year | ~ | ~ | (85,801) | (85,801) |
| Transfer from revaluation reserve relating to the element of depreciation charge on revalued property | ~ | (3,943) | 3,943 | ~ |
| Transfer of realised profits relating to sale of revalued property | ~ | (369,219) | 369,219 | ~ |
| Balance at 31 March 2003 and 31 March 2004 | <u>20,000</u> | <u>~</u> | <u>409,835</u> | <u>429,835</u> |

7. Ultimate Parent Undertaking

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

8. 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