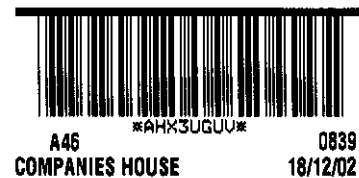


DIRECTORS' REPORT AND ACCOUNTS

BRITISH AIRWAYS (ESPANA) LIMITED

31 MARCH 2002

Company Number 437440



BRITISH AIRWAYS (ESPANA) LIMITED

DIRECTORS' REPORT

Directors : A K Buchanan
K Williams

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

The Company did not trade during the year. Any overhead expenses were borne by the Ultimate Parent Undertaking, British Airways Plc. Stephen Walsh resigned as Director on 30 March 2002 and Keith Williams was appointed Director on 31 March 2002.

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
A K Buchanan	3,728	3,312	0	226	119,323	70,817	0	0
K Williams	0	0	0	0	95,711	56,771	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 (ESPANA) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2002

	Note	2002 £	2001 £
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 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:

- (a) Ensuring the company keeps accounting records which comply with section 221.
- (b) 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:

12/12/02

BRITISH AIRWAYS (ESPANA) LIMITED

NOTES TO THE ACCOUNTS

AS AT 31 MARCH 2002

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 2002 (2001 ~ Nil)..

3. Loss on Ordinary Activities before Taxation

	2002 £	2001 £
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
	<u>-</u>	<u>32,161</u>

4. Taxation

	2002 £	2001 £
Overseas taxation on capital gain	-	49,633
	<u>-</u>	<u>49,633</u>

5. Share Capital

The share capital of the Company is as follows:

	2002 £	2001 £
Authorised, allotted, issued and fully paid:		
20,000 ordinary shares of £1 each	20,000	20,000
	<u>20,000</u>	<u>20,000</u>

BRITISH AIRWAYS (ESPANA) LIMITED

NOTES TO THE ACCOUNTS

AS AT 31 MARCH 2002

(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 2001 and 31 March 2002	<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