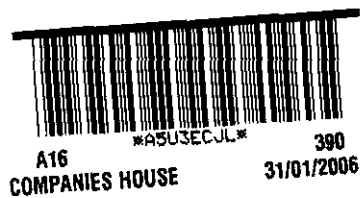


447296

Airways Aero Association Limited

Report and Financial Statements

31 March 2005



Airways Aero Association Limited

Registered No: 447296

Directors

T J Orchard
G Want
A Dormer
F Whetnall
J Austin

Secretary

K K Dosanjh

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 AF

Bankers

National Westminster Bank plc
7 High Street
Marlow
Buckinghamshire
SL7 1BZ

Registered office

Waterside
PO Box 365
Harmondsworth
UB7 0GB

Directors' report

The directors present their report and financial statements for the year ended 31 March 2005.

Results and dividends

The profit for the year amounted to £55,315. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the year continued to be recreational flying and aerodrome operation. The name of the Company was incorrectly spelt on the records held at Companies House, therefore the Directors passed a resolution on 2 December to correct the error and change the Company's name from Airways Aero Association Limited to Airways Aero Associations Limited.

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 and their interests

The directors at 31 March 2005 and their interests in the share capital of the parent company were as follows:

	Ordinary Shares Subject to no Restrictions		Options Executive and SAYE Share Schemes		Conditional Share Options- Long Term Incentive Plan 1996	
	31 March 2005	1 April 2004	31 March 2005	1 April 2004	31 March 2005	1 April 2004
*Anthony Dormer	6,621	6,621	0	7,398	0	0
*Fred Whetnall	4,142	4,142	213,528	173,070	62,745	46,118
*James Austin	11,213	11,213	0	0	0	0
Timothy Orchard	10,996	10,996	0	0	0	0
Geoffrey Want	687	6870	340,662	275,777	99,221	73,445

* or as at date of appointment

In addition, the following who served as directors of the company resigned during the year:

W D Lowe (resigned 30 June 2004)

D Maizey (resigned 18 May 2004)

The directors' interests set out above are in each case beneficial. The interests in ordinary shares are subject to no restrictions. The options under the Executive Share Option Scheme are at prices varying between 157p 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

Auditors

The company has passed elective resolutions in accordance with the provisions of sections 386(1) and 379(A) of the Companies Act 1985 and Ernst and Young LLP will automatically continue in office as the company's auditors.

By order of the board



K K Dosanjh
Secretary

2 December 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements 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 financial statements 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.

Independent auditors' report

to the members of Airways Aero Association Limited

We have audited the company's financial statements for the year ended 31 March 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

Independent auditors' report

to the members of Airways Aero Association Limited (continued)

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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered Auditor

London

25/1/2006

Profit and loss account

for the year ended 31 March 2005

	Notes	2005 £	2004 £
Turnover	2	1,560,737	1,591,779
Cost of sales		1,364,226	1,257,078
Gross profit		196,511	334,701
Administrative expenses		149,100	339,696
Operating profit/(loss)	3	47,411	(4,995)
Interest receivable and similar income	6	45,014	30,389
		45,014	30,389
Profit on ordinary activities before taxation		92,425	25,394
Tax on profit on ordinary activities	7	(37,110)	63,705
Profit retained for the financial year	16	55,315	89,099

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £55,315 attributable to the shareholders for the year ended 31 March 2005 (2004 - profit of £89,099).

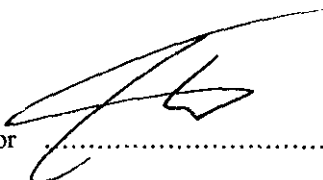
Balance sheet

at 31 March 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	8	1,206,928	1,301,836
Current assets			
Stocks	9	50,497	66,732
Debtors	10	1,319,860	1,163,512
Cash at bank and in hand		343,458	360,188
		1,713,815	1,590,432
Creditors: amounts falling due within one year	11	424,236	451,076
Net current assets		1,289,579	1,139,356
Total assets less current liabilities		2,496,507	2,441,192
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account	16	2,496,407	2,441,092
Equity shareholders' funds	16	2,496,507	2,441,192

The Financial statements were approved by the Board of Directors on 2 December 2005 and signed on behalf of the Board:

Director



Notes to the financial statements

at 31 March 2005

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates which amortise each asset evenly over its expected useful life, as follows:

Short leasehold property & improvements

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

Aircraft overhaul

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

The cost of fixed assets is written off by equal annual instalments over their expected useful lives, except engine and top overhauls, which are capitalised and amounts written off to the profit and loss account by reference to the number of hours flown.

Stocks

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 March 2005

1. Accounting policies (continued)

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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.

2. Turnover

Turnover, which is stated net of value added tax, comprises income from flying subscriptions, entrance fees, flying fees, sale 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.

An analysis of turnover by geographical market is given below:

	2005 £	2004 £
United Kingdom	<u>1,560,737</u>	<u>1,591,779</u>

3. Operating profit/(loss)

This is stated after charging/(crediting):

	2005 £	2004 £
Auditors' remuneration - audit services	7,140	8,172
- non-audit services	-	-
Depreciation of owned fixed assets	<u>165,796</u>	<u>164,908</u>
Profit on disposal of fixed assets	(9,028)	-
Operating lease rentals - land and buildings	<u>42,800</u>	<u>42,800</u>

4. Staff costs

	2005 £	2004 £
Wages and salaries	477,565	537,023
Social security costs	50,393	47,250
Staff pension contributions (note 12)	22,836	13,559
	<u>550,794</u>	<u>597,832</u>

The monthly average number of employees during the year amounted to 20 (2004 - 19).

Notes to the financial statements

at 31 March 2005

5. Directors' emoluments

	2005 £	2004 £
Emoluments	—	90,000

The directors' emoluments are included in a management charge by British Airways plc. No directors are paid by the company.

6. Interest receivable

	2005 £	2004 £
Bank interest receivable	7,470	3,134
Interest from group undertakings	37,544	27,255
	<u>45,014</u>	<u>30,389</u>

7. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax credit is made up as follows:

	2005 £	2004 £
<i>Current Tax</i>	-	-
<i>Deferred tax:</i>		
Accelerated Capital Allowances	12,498	(39,300)
Previous Year Adjustment	24,612	(24,405)
Origination and reversal of timing differences	<u>37,110</u>	<u>(63,705)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 30% (2004 - 30%). The differences are reconciled below:

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>92,425</u>	<u>25,394</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(27,728)	(7,618)
Expenses not deductible for tax purposes	(5,000)	(5,400)
Depreciation in excess of capital allowances	13,000	(39,300)
Free group relief from group members	19,728	52,318
Total current tax (note 7(a))	<u>-</u>	<u>-</u>

Notes to the financial statements

at 31 March 2005

7. Taxation on ordinary activities (continued)

(c) Deferred tax

	2005 £	2004 £
Capital allowances in advance of depreciation	92,052	129,162
Other timing differences	877	877
Provision for deferred taxation	<u>92,929</u>	<u>130,039</u>
	2005 £	2004 £
Provision at start of period	(130,039)	(66,334)
P&L charge/(credit) for the period – current (note 7(a))	12,498	(39,300)
P&L charge/(credit) for the period – prior (note 7(a))	24,612	(24,405)
Provision at end of period	<u>(92,929)</u>	<u>(130,039)</u>

8. Tangible fixed assets

	Short leasehold property & improvements £	Assets in the course of construction £	Operating ground equipment £	Office & commercial equipment £	Aircraft Fleet £	Total £
Cost:						
At 1 April 2004	1,813,732	38,750	171,124	51,933	455,094	2,530,633
Additions	7,799	–	–	4,606	65,455	77,860
Disposals	–	–	(636)	(1,606)	(44,912)	(47,154)
Transfers	–	(38,750)	–	–	38,750	–
At 31 March 2005	<u>1,821,531</u>	<u>–</u>	<u>170,488</u>	<u>54,933</u>	<u>514,387</u>	<u>2,561,339</u>
Depreciation:						
At 1 April 2004	784,728	–	71,428	31,344	341,297	1,228,797
Provided during the year	113,095	–	11,452	8,046	33,203	165,796
Disposals	–	–	(636)	(1,606)	(37,940)	(40,182)
At 31 March 2005	<u>897,823</u>	<u>–</u>	<u>82,244</u>	<u>37,784</u>	<u>336,560</u>	<u>1,354,411</u>
Net book value:						
At 31 March 2005	<u>923,708</u>	<u>–</u>	<u>88,244</u>	<u>17,149</u>	<u>177,827</u>	<u>1,206,928</u>
At 1 April 2004	<u>1,029,004</u>	<u>38,750</u>	<u>99,696</u>	<u>20,589</u>	<u>113,797</u>	<u>1,301,836</u>

Notes to the financial statements

at 31 March 2005

9. Stocks

	2005 £	2004 £
General stores - shop	5,266	4,885
Aircraft spares	39,564	40,550
Aviation fuel	5,667	21,297
	<u>50,497</u>	<u>66,732</u>

10. Debtors

	2005 £	2004 £
Trade debtors	282,614	256,731
Amounts owed by group undertakings	926,147	728,604
Prepayments and accrued income	18,170	48,138
Deferred taxation (note 7)	92,929	130,039
	<u>1,319,860</u>	<u>1,163,512</u>

11. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	103,502	60,284
Amounts owed to group undertakings	46,953	46,033
Other taxation	21,514	22,523
Accruals and deferred income	252,267	322,236
	<u>424,236</u>	<u>451,076</u>

12. Pensions

The company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme, operated by British Airways plc. Details of the scheme as a whole, taken from the Annual Report and Accounts of British Airways Plc, are set out below. The company is a member of the Airways Pension Scheme (APS).

British Airways operates two funded principal defined benefit pension schemes in the United Kingdom, the Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS), both of which are closed to new members. APS has been closed to new members since March 31, 1984 and NAPS closed to new members on March 31, 2003. From April 1, 2003 British Airways commenced a new defined contribution scheme, the British Airways Retirement Plan (BARP), of which all new permanent employees over the age of 18 employed by the company and certain subsidiary undertakings in the United Kingdom may become members. The assets of these schemes are held in separate trustee-administered fund. Benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to increases in payment in line with the Retail Price Index. Those provided under NAPS are based on final average pensionable pay reduced by an amount (the "abatment") not exceeding one and a half times the Government's lower earnings limit. NAPS benefits are subject to Retail Price Index increases in payment up to a maximum of 5 per cent in any one year.

Notes to the financial statements

at 31 March 2005

12. Pensions (continued)

Most employees engaged outside the United Kingdom are covered by appropriate local arrangements.

Standard employees' contributions range from 5.75 per cent to 8.5 per cent of full pensionable pay in APS, and from 3.75 per cent to 6.5 per cent of full pensionable pay less the abatement in NAPS.

The latest actuarial valuations of APS and NAPS were made as at March 31, 2003 by an independent firm of qualified actuaries, Watson Wyatt LLP, using the attained age method for APS and the projected unit method for NAPS. At the date of the actuarial valuation the market values of the assets of APS and NAPS amounted to £5,421 million and £3,184 million respectively. The value of the assets represented 101 per cent (APS) and 78 per cent (NAPS) of the value of the benefits that had accrued to members after allowing for assumed increases in earnings. These valuations showed that an employer's contribution equal to an average of 3.75 times the standard employees' contribution from November 1, 2003 (nil prior to November 1, 2003) was appropriate for APS. For NAPS the corresponding regular employer's contribution was 2.8 times the standard employees' contributions from January 1, 2004 (3 times from April 1, 2003 to December 31, 2003 including a multiple of 0.5 to cover the deficit contributions) in addition to deficit contributions of £9.56 million per month increasing each April in line with inflation for a period of 10 years.

The pension costs for the schemes are assessed in accordance with the advice of an independent qualified actuary. For those purposes valuations of the schemes were carried out as at March 31, 2003 using the attained age method of APS and the projected unit method for NAPS. The principle assumptions adopted were that investments would return 3.1 per cent per annum in real terms (ahead of price inflation assumed to be 2.5 per cent per annum) for APS and 4.6 per cent per annum in real terms for NAPS. Annual increases in earnings were assumed to remain level with price inflation for the five years following March 31, 2003 and thereafter increase at 1.5 per cent ahead of price inflations. Limited Price indexation increases awarded to pensions in payment are assumed on average to follow the rate of inflation.

On this basis the regular cost is 25.41% of pensionable pay for APS and 14.16% per cent of pensionable pay for NAPS. Any SSAP 24 surplus or deficit has been amortised over the remaining service lives of members of the scheme and this leads to variation in cost of (20.21) % of pensionable pay for APS and 10.06 per cent of pensionable pay for NAPS.

Total pension costs (calculated as set out above for APS and NAPS), including pension augmentation payments, charged in the accounts were:

£ Million	Group	
	2005	2004
Airways Pension Scheme	5	9
New Airways Pension Scheme	182	183
British Airways Retirement Plan	2	
Other Pension Schemes and provident funds- mainly outside the UK	56	36
	245	228

Employer contributions in respect of overseas employees have been determined in accordance with best local practice.

Notes to the financial statements

at 31 March 2005

12. Pensions (continued)

There was a pension prepayment of £54 million as at March 31, 2005 (March 31, 2004: provision of £20 million). The pension prepayment arises due to the difference between the amounts recognised as cost and the amounts paid directly.

FRS 17 disclosures for the year ended March 31, 2005.

The group has continued to account for pensions in accordance with SSAP 24. The following additional disclosures are required in accordance with FRS 17 'Retirement benefits':

Per cent p.a.	APS and NAPS	Group		Group
		At March 31, 2005 Other schemes	APS and NAPS	At March 31, 2004 Other schemes
Inflation	2.8	3.0- 4.0	2.5	3.0- 4.0
Rate of increase in salaries	2.8*	1.5- 6.0	2.5*	1.5- 6.0
Rate of increase of pensions in payment	2.7	1.7- 5.0	2.5	2.0- 5.0**
Rate of increase in deferred pension	2.8	3.0- 5.5	2.5	3.0- 5.5
Discount rate	5.4	2.0- 7.0	5.6	2.0- 9.0

*Rate of increase in salaries is 2.8 per cent per annum for 3 years and 4.3 per cent per annum thereafter. (2004: Rate increase in salaries is 2.5 per cent per annum for four years and 4.0 per cent per annum thereafter).

** Excludes rate of increase on post-retirement medical benefit liabilities provided in the United States.

Market values of the scheme's assets at March 31, 2005 were:

£ million	APS and NAPS	Group		APS and NAPS	Other schemes	Group Total
		At March 31 2005 Other schemes	Total			At March 31 2004 Total
Equities	5,054	186	5,240	4,669	170	4,839
Bonds	4,627	104	4,731	4,456	64	4,520
Others	914	1	915	642	59	701
	10,595	291	10,886	9,767	293	10,060

Notes to the financial statements

at 31 March 2005

12. Pensions (continued)

Expected rate of return per cent per annum:

£ million	APS	Group At March 31 2005		APS	Group At March 31 2004	
		NAPS	Other schemes		NAPS	Other schemes
Equities	8.5	8.5	6.0-9.5	8.4	8.4	6.0- 9.5
Bonds	4.7	4.8	3.0-7.0	4.4	4.7	3.0- 9.0
Others	5.6	5.3	3.0-8.0	5.9	5.6	3.0
	6.0	7.4	5.0-8.25	5.8	7.3	3.0- 9.0

If the requirements of FRS 17 had been recognised in the financial statements, the defined benefit costs for the year ended March 31, 2005 would be as follows:

£ million	APS and NAPS	Group At March 31 2005		APS and NAPS	Group At March 31 2004	
		Other schemes	Total		Other schemes	Total
Current service cost	178	13	191	162	11	173
Past service cost	5	-	5	15	-	15
Total charged to operating profit	183	13	196	177	11	188
<i>Amounts charged to other finance income:</i>						
Interest on pension scheme liabilities	603	26	629	545	24	569
Expected return on assets in the pension scheme	(599)	(20)	(619)	(522)	(13)	(535)
Net charge to other finance income	4	6	10	23	11	34
Total profit and loss charge before deduction for tax	187	19	206	200	22	222

Notes to the financial statements

at 31 March 2005

12. Pensions (continued)

If the requirements of FRS 17 had been recognised in the financial statements, the group's statement of total recognised gains and losses for the year ended March 31, 2005 would have been:

£ million	Group			Group		
	APS and NAPS	Other Schemes	At March 31 2005 Total	APS and NAPS	Other Schemes	At March 31 2004 Total
Difference between actual and expected returns on assets	(389)	(1)	(390)	(885)	(28)	(913)
Experience loss/(gain) on liabilities	108	(2)	106	625	4	629
Loss on change of assumptions (financial and demographic)	746	21	767	310	7	317
Total loss/(gain) recognised in statement of total recognised gains and losses before adjustment for tax	465	18	483	50	(17)	33

Notes to the financial statements

at 31 March 2005

12. Pensions (continued)

The following amounts for the year ended March 31, 2005 were measured in accordance with the requirements of FRS 17:

	Group			Group		
£ million	APS and NAPS	At March 31 2005 Other Schemes	Total	APS and NAPS	At March 31 2004 Other Schemes	Total
<i>(Gain)/loss on scheme assets:</i>						
Amount (£ million)	(389)	(1)	(390)	(885)	(28)	(913)
Percentage of scheme assets at year end	(3.7)%	(0.3)%	(3.6)%	(9.1)%	(9.6)%	(9.1)%
<i>Experience loss/(gain) on scheme liabilities:</i>						
Amount (£ million)	108	(2)	106	625	4	629
Percentage of scheme liabilities at year end	0.9%	(0.5)%	0.8%	5.7%	0.9%	5.5%
<i>Total actuarial loss/(gain) recognised in statement of total recognised gains and losses:</i>						
Amount (£ million)	465	18	483	50	(17)	33
Percentage of scheme liabilities at year end	3.8%	4.1%	3.8%	0.5%	(3.7)%	0.3%

Notes to the financial statements

at 31 March 2005

12. Pensions (continued)

The following amounts at March 31, 2005 were measured in accordance with the requirements of FRS 17:

£ million	Group			Group		
	At March 31 2005			At March 31 2004		
	APS and NAPS	Other Schemes	Total	APS and NAPS	Other Schemes	Total
Total market value of assets	10,595	291	10,886	9,767	293	10,060
Present value of liabilities	12,126	442	12,568	10,907	459	11,366
Deficit	(1,531)	(151)	(1,682)	(1,140)	(166)	(1,306)
APS irrecoverable surplus	(301)	-	(301)	(385)	-	(385)
Pension liability (before allowance for deferred tax)	(1,832)	(151)	(1,983)	(1,525)	(166)	(1,691)
Related deferred tax	550	45	595	458	50	508
Net pension liability	(1,282)	(106)	(1,388)	(1,067)	(116)	(1,183)

Notes to the financial statements

at 31 March 2005

12. Pensions (continued)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at March 31 2005 would be as follows:

£ million	Group	Group
	At March 31 2005	At March 31 2004
Net assets excluding pension liability	2,684	2,428
Pension liability, net of related deferred tax and SSAP 24 provisions and prepayments	(1,442)	(1,163)
Net assets including pension liability	1,242	1,265
Profit and loss reserve excluding pension liability	1,177	897
Pension liability	(1,442)	(1,163)
Profit and loss reserve	(265)	(266)

The amounts have been calculated after taking account of pensions prepayments and provisions for pension and other post-retirement benefits, net of related deferred tax.

Analysis of the movement in deficit in the schemes during the year:

£ million	Group			Group		
	At March 31 2005			At March 31 2004		
	APS and NAPS	Other Schemes	Total	APS and NAPS	Other Schemes	Total
Deficit before irrecoverable surplus and impact of deferred tax at April 1, 2004	(1,140)	(166)	(1,306)	(1,064)	(197)	(1,261)
Contributions paid	261	52	313	174	36	210
Current service cost	(178)	(13)	(191)	(162)	(11)	(173)
Past service cost	(5)		(5)	(15)	-	(15)
Other finance charge	(4)	(6)	(10)	(23)	(11)	(34)
Actuarial (loss)/gain	(465)	(18)	(483)	(50)	17	(33)
Deficit before irrecoverable surplus and impact of deferred tax at March 31, 2005	(1,531)	(151)	(1,682)	(1,140)	(166)	(1,306)

13. Commitments under operating leases

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
In over five years	42,800	42,800

14. Related party transactions

In accordance with the exemption stated in FRS 8, no details have been disclosed of related party transactions with the parent company or fellow subsidiary entities within the British Airways Plc group.

Notes to the financial statements

at 31 March 2005

15. Share capital

	2005 £	Authorised 2004 £
Ordinary shares of £1 each	100	100

	Allotted, called up and fully paid	
	2005	2004
	No.	No.
	£	£
Ordinary shares of £1 each	100	100

16. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 1 April 2003	100	2,351,993	2,352,093
Profit for the year	—	89,099	89,099
At 31 March 2004	100	2,441,092	2,441,192
Profit for the year	—	55,315	55,315
At 31 March 2005	100	2,496,407	2,496,507

17. Ultimate parent company

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. This is also the smallest group in which the results of the company are consolidated. Copies of British Airways Plc's accounts can be obtained from Waterside, PO Box 365, Harmondsworth, UB7 OGB.