

Airways Aero Associations Limited

DIRECTORS

W D Lowe Chairman
T J Orchard
D Hyde
D Maizey

SECRETARY

P H Jarvis

AUDITORS

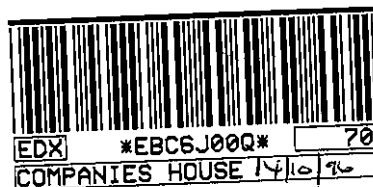
Ernst & Young
Becket House
London
SE1 7EU

REGISTERED OFFICE

Speedbird House
Heathrow Airport
Hounslow
Middlesex
TW6 2JA

REGISTERED NUMBER

447296



DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1996.

ACCOUNTS AND DIVIDENDS

The profit for the year attributable to shareholders amounted to £139,593.
(1995 £189,976).

The directors have not recommended the payment of a dividend (1995: 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.

FIXED ASSETS

The significant changes in tangible fixed assets during the year are summarised in note 7 to the accounts.

DIRECTORS

The directors of the company during the year ended 31 March 1996 were those listed on page 1 and J D Lewry who resigned on 31 May 1996.

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:

DIRECTORS' REPORT

DIRECTORS' INTERESTS (continued)

	<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>31/3/96</i>	<i>31/3/95</i>	<i>31/3/96</i>	<i>31/3/95</i>	<i>31/3/96</i>	<i>31/3/95</i>
W D Lowe		9,113		557		205,059
J D Lewry		nil		1,738		nil
D Hyde		5,937		2,340		155,842
D Maizey		nil		nil		12,334
<i>Convertible capital bonds</i>						
W D Lowe		nil		nil		nil

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 135p and 419p per share.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The parent undertaking maintains a directors and offices liability insurance for its subsidiary undertakings' directors and officers as permitted by Section 310(3) of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The following statement, which should be read in conjunction with the report of the auditors set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the financial year.

The Directors consider that in preparing the financial statements on pages 6 to 14, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS (continued)

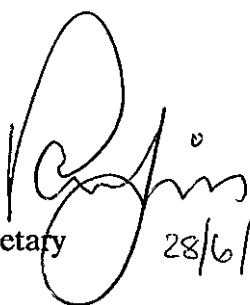
The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

AUDITORS

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

By order of the board


Secretary 28/6/96

REPORT OF THE AUDITORS

to the members of Airways Aero Associations Limited

We have audited the accounts on pages 6 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on pages 3 and 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

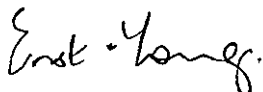
Basis of opinion

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 judgments 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 state of the company's affairs as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
London

27 September 1996

Airways Aero Associations Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 March 1996

	<i>Note</i>	<i>1996</i> £	<i>1995</i> £
TURNOVER	2	1,088,451	1,077,659
Cost of sales		820,338	761,250
		<hr/>	<hr/>
GROSS PROFIT		268,113	316,409
Administrative expenses		240,108	200,693
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)	3	28,005	115,716
Interest receivable	5	85,308	70,154
Profit on disposal of fixed assets		26,280	2,850
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		139,593	188,720
Tax on profit on ordinary activities	6	-	1,256
		<hr/>	<hr/>
PROFIT RETAINED FOR THE FINANCIAL YEAR		£139,593	£189,976
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £139,593 in the year ended 31 March 1996 and of £189,976 in the year ended 31 March 1995.

Airways Aero Associations Limited

BALANCE SHEET at 31 March 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	7	414,986	429,346
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	8	49,794	65,518
Debtors	9	242,122	273,548
Amounts owed by parent undertaking		1,293,534	1,160,280
Cash at bank and in hand		122,213	53,648
		<hr/>	<hr/>
		1,707,663	1,552,994
		<hr/>	<hr/>
CREDITORS - amounts falling due within one year	10	208,645	208,768
		<hr/>	<hr/>
NET CURRENT ASSETS		1,499,018	1,344,226
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,914,004	1,773,572
		<hr/>	<hr/>
PROVISION FOR LIABILITIES AND CHARGES	11	40,894	40,055
		<hr/>	<hr/>
		£1,873,110	£1,733,517
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	13	100	100
Profit and loss account	16	1,873,010	1,733,417
		<hr/>	<hr/>
EQUITY SHAREHOLDER FUNDS		£1,873,110	£1,733,517
		<hr/>	<hr/>

Approved by the Board on 28 June, 1996

Director



NOTES TO THE ACCOUNTS
for the year ended 31 March 1996

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	5 - 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

Stocks

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

Provision for engine overhaul

The costs of replacement or overhaul of engines are charged against a provision maintained by regular transfers from profit and loss account calculated by reference to engine hours flown.

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 1996

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>Flying</i> £	<i>Recreational Operations</i> £	<i>Airfield Total</i> £
Turnover			
Total sales	401,721	773,587	1,175,308
	-	86,857	86,857
Inter segmental sales			
Sales to third parties	401,721	686,730	1,088,451
Profit			
Segmental (loss)/profit	(31,656)	171,249	139,593

3 OPERATING PROFIT/(LOSS)

Is stated after charging/(crediting):

	<i>1996</i> £	<i>1995</i> £
Depreciation of owned tangible fixed assets	71,314	65,615
Auditors' remuneration	4,000	4,000
Operating lease rentals - land and buildings	34,500	35,960
Rents receivable	(180,783)	(165,932)

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS for the year ended 31 March 1996

4 EMPLOYEES

	1996 £	1995 £
(a) <i>Employees</i>		
<i>Employee costs</i>		
Wages and salaries	380,678	358,506
Social security costs	29,879	29,029
	<u>£410,557</u>	<u>£387,535</u>

Numbers

The average number of persons employed by the company during the year was (full-time: 16 (1995: 16) part-time: 14 (1995: 14)).

(b) *Director's remuneration*

	1996 £	1995 £
Fees	-	-
Other emoluments (including pension contributions)	51,471	46,943
	<u>£51,471</u>	<u>£46,943</u>
Emoluments (excluding pension contributions) of the chairman	£Nil	£Nil
Emoluments (excluding pension contributions) of the highest paid director	£47,703	£43,658

The emoluments (excluding pension contributions) of the directors fell within the following ranges:

	1996 No.	1995 No.
£ nil - £ 5,000	3	3
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS for the year ended 31 March 1996

5 INTEREST RECEIVABLE

	1996 £	1995 £
Parent undertaking	83,354	68,546
Bank deposits	1,954	1,608
	<u>£85,308</u>	<u>£70,154</u>

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
UK Corporation tax at 33%	-	-
Prior year overpayment of tax	-	1,256
	<u>£Nil</u>	<u>£1,256</u>

There is no charge or credit for the year. All taxable profits will be sheltered 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 £112 (1995: £23,480) comprising:

	1996 £	1995 £
Accelerated capital allowances	329	(13,942)
Other timing differences	(441)	(9,538)
	<u>(112)</u>	<u>£(23,480)</u>

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS for the year ended 31 March 1996

7 TANGIBLE FIXED ASSETS

	<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 1995	217,216	546,872	85,352	45,870	894,810
Additions	58,904	1,243	-	828	60,975
Disposals	(32,153)	-	-	(3,444)	35,597
At 31 March 1996	243,967	548,115	85,352	42,754	920,188
Depreciation					
At 1 April 1995	143,127	220,774	67,759	33,804	465,464
Charge for year	20,945	35,582	9,384	51,403	71,314
Relating to disposals	(28,132)	-	-	(3,444)	31,576
At 31 March 1996	135,940	256,356	77,143	35,763	505,202
Net book amounts at					
31 March 1996	£108,027	291,759	8,209	6,991	414,986
31 March 1995	£74,089	£326,098	£17,593	£11,566	£429,346

The net book value of operating ground equipment includes £nil (1995: £4,212) in respect of leased assets.

8 STOCKS

	<i>1996</i>	<i>1995</i>
	£	£
Aviation fuel	10,620	16,889
General stores - shop	2,373	3,618
Aircraft spares	36,801	45,011
	£49,794	£65,518

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

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS for the year ended 31 March 1996

9 DEBTORS

	1996	1995
	£	£
Due within one year:		
Trade debtors	236,417	200,102
Prepayments and accrued income	5,451	17,473
Other debtors	254	55,973
	<u>£242,122</u>	<u>£273,548</u>

10 CREDITORS - amounts falling due within one year

	1996	1995
	£	£
Trade creditors	105,033	104,716
Accruals and deferred income	103,612	104,052
	<u>£208,645</u>	<u>£208,768</u>

11 PROVISIONS FOR LIABILITIES AND CHARGES

	1996	1995
	£	£
Engine overhaul	£40,894	£40,055

12 DEFERRED TAXATION

The full potential liability to deferred taxation at the year end, not provided for in the account amounts to:-

	1996	1995
	£	£
Accelerated capital allowances	25,576	25,247
Other timing differences	(14,339)	(13,898)
	<u>11,237</u>	<u>£11,349</u>

NOTES TO THE ACCOUNTS
for the year ended 31 March 1996

13 CALLED-UP SHARE CAPITAL

	1996	1995
	£	£
Authorised, allotted and fully paid:		
Ordinary shares of £1	£100	£100

14 FUTURE CAPITAL COMMITMENTS

Capital commitments authorised and contracted, but not provided for in the accounts amounted to £nil (1995: £nil); authorised but not contracted for amounted to £186,000 (1995: £Nil).

15 FINANCIAL COMMITMENTS

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

	<i>Land and Buildings</i>	
	1996	1995
	£	£
Leases expiring:		
Over five years	£34,500	£34,500

16 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

	<i>Share Capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£
At 1 April 1994	100	1,543,440	1,543,540
Profit for the year		189,977	189,977
At 1 April 1995	100	1,733,417	1,733,517
Profit for the year		139,593	139,593
At 31 March 1996	100	1,873,010	1,873,110

NOTES TO THE ACCOUNTS
at 31 March 1996

17 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking 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 Speedbird House, Heathrow Airport, Hounslow, Middlesex, TW6 2JA.

THE FOLLOWING STATEMENTS DO NOT FORM PART OF
THE AUDITED STATUTORY ACCOUNTS OF THE COMPANY

Airways Aero Associations Limited

OPERATING STATEMENT for the year ended 31 March 1996

	<i>BAFC</i> £	<i>WAP</i> £
REVENUE		
Subscription and entrance fees	33,609	-
Flying fees	311,281	-
Landing fees	-	66,254
Hangarage & parking	-	117,704
Rents	-	180,783
Fuel and oil sales	-	389,946
Other revenue	56,831	18,900
	<u>401,721</u>	<u>773,587</u>
DIRECT COSTS		
Operations	137,710	463,884
Maintenance and overhaul	78,315	23,918
Standing charges	80,915	122,453
	<u>296,940</u>	<u>610,255</u>
ADMINISTRATIVE EXPENSES		
Accommodation	3,746	38,198
General overheads	132,691	65,473
	<u>136,437</u>	<u>103,671</u>
OPERATING (LOSS)/PROFIT	<u>(31,656)</u>	<u>59,661</u>
Interest income	-	85,308
Profit on disposal of fixed asset	-	26,280
(LOSS)/PROFIT BEFORE TAXATION	<u>(31,656)</u>	<u>171,249</u>

Airways Aero Associations Limited

EXPENDITURE ACCOUNT for the year ended 31 March 1996

	<i>BAFC</i> £	<i>WAP</i> £
DIRECT COSTS		
Operations		
Instructors pay, pension and insurance	55,138	-
Voluntary Instructors' expenses	15,752	-
Airpark services crew pay, pension and insurance	-	111,561
Flying control pay, pension and insurance	-	105,232
Fuel and oil	62,377	240,784
Hire of aircraft	4,444	-
Other costs	-	6,307
	<u>137,710</u>	<u>463,884</u>
Maintenance and overhaul		
Operating equipment	-	2,782
Radio and avionics	1,353	-
Aircraft maintenance costs	56,000	-
Airfield and buildings	-	21,136
Provision for engine overhaul	20,962	-
	<u>78,315</u>	<u>23,918</u>
Standing charges		
Insurance	25,639	3,177
Licences	1,451	1,814
Depreciation	20,945	50,369
Rent and rates	8,400	67,093
Hangarage and landing fees	24,480	-
	<u>80,915</u>	<u>122,453</u>
ADMINISTRATIVE EXPENSES		
Accommodation		
Electricity, water and gas	2,652	37,104
Maintenance and cleaning	1,094	1,094
	<u>3,746</u>	<u>38,198</u>

Airways Aero Associations Limited

EXPENDITURE ACCOUNT

for the year ended 31 March 1996

	<i>BAFC</i> £	<i>WAP</i> £
General overheads		
Administration salaries, pensions and insurance	24,720	29,114
Engineering pay, pension and insurance	66,337	-
Part-time staff	3,152	-
Audit, accountancy and other fees	2,000	2,000
Office costs	27,109	25,197
Legal and professional fees	-	10,183
Advertising	7,911	-
Bad debt recovery	1,461	1,021
	<u>132,691</u>	<u>65,473</u>