


447296

# **Airways Aero Associations Limited**

## **Report and Financial Statements**

31 March 2006

 **ERNST & YOUNG**

WEDNESDAY



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COMPANIES HOUSE

# Airways Aero Associations Limited

Registered No: 447296

## Directors

T J Orchard

G Want

A Dormer

J Austin

G Copeland (appointed 23 March 2006)

## Secretary

K K Dosanjh

## Auditors

Ernst & Young LLP

1 More London Place

London

SE1 1AF

## 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 2006.

### Results and dividends

The profit for the year amounted to £24,400. 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.

### 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 2006 and their interests in the share capital of the parent company were as follows:

	Ordinary shares of 25p subject to no restrictions		Options under Executive and SAYE Share scheme		Shares receivable under Performance Share Plan		Shares receivable under Long Term Incentive Plan	
	31/03/06	01/04/05	31/03/06	01/04/05	31/03/06	01/04/05	31/03/06	01/04/05
A Dormer	-	6,621	-	-	-	-	-	-
*G Copeland	260	260	218,240	218,240	22,042	22,042	42,257	42,257
J Austin	11,213	11,213	-	-	-	-	-	-
T J Orchard	10,996	10,996	-	-	-	-	-	-
G Want	687	687	314,366	340,662	37,390	-	70,919	99,221

\* as at date of appointment

Options Exercised under the Executive Share Option Schemes during the year were as follows:

	Total Amount Exercised	Year Option Granted
G Want	94,000	1992, 1994 & 2002

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 Schemes are at prices varying between 157p and 405p per share.

In addition to the above, F Whetnall, who resigned on 28 February 2006, served as a Director during the year.

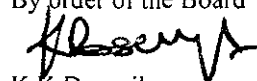
### Directors' and officers' liability insurance

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.

### Auditors

The Company has passed elective resolutions in accordance with the provisions of sections 386(1) and 379 (A) of the Companies Act 1995 and Ernst and Young LLP will automatically continue in office as the Company's auditors.

By order of the Board



K K Dosanjh  
Secretary

15 December 2006

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 Associations Limited**

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 17. These financial statements have been prepared under 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**

The directors are responsible for the preparation of the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

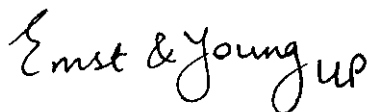
## **Independent auditors' report**

**to the members of Airways Aero Associations Limited (continued)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP  
Registered Auditor  
London

10 January 2006

## Profit and loss account

for the year ended 31 March 2006

	Notes	2006 £	2005 £
<b>Turnover</b>	2	1,752,185	1,560,737
Cost of sales		1,308,401	1,198,430
<b>Gross profit</b>		443,784	362,307
Administrative expenses		461,200	314,896
<b>Operating (loss)/profit</b>	3	(17,416)	47,411
Interest receivable and similar income	6	50,597	45,014
		50,597	45,014
<b>Profit on ordinary activities before taxation</b>		33,181	92,425
Tax on profit on ordinary activities	7	(8,781)	(37,110)
<b>Profit retained for the financial year</b>	16	24,400	55,315

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £24,400 attributable to the shareholders for the year ended 31 March 2006 (2005: profit of £55,315).

# Balance sheet

at 31 March 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	8	1,127,328	1,206,928
<b>Current assets</b>			
Stocks	9	78,676	50,497
Debtors	10	1,411,360	1,319,860
Cash at bank and in hand		300,546	343,458
		1,790,582	1,713,815
<b>Creditors:</b> amounts falling due within one year	11	397,003	424,236
<b>Net current assets</b>		1,393,579	1,289,579
<b>Total assets less current liabilities</b>		2,520,907	2,496,507
<b>Capital and Reserves</b>			
Called up share capital	15	100	100
Profit and loss account	16	2,520,807	2,496,407
<b>Equity shareholders' funds</b>	16	2,520,907	2,496,507

ERNST & YOUNG

[NAME OF DIRECTORS WHO ARE SIGNING]  
Director **Geoff WAST**

15 December 2006



## Notes to the financial statements

at 31 March 2006

### 1. Accounting policies

#### **Accounting convention**

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

#### **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 2006

### 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:

	2006 £	2005 £
United Kingdom	<u>1,752,185</u>	<u>1,560,737</u>

### 3. Operating profit/(loss)

This is stated after charging/(crediting):

	2006 £	2005 £
Auditors' remuneration - audit services	8,309	7,140
- non-audit services	-	-
Depreciation of owned fixed assets	<u>166,212</u>	<u>165,796</u>
Profit on disposal of fixed assets	35,079	(9,028)
Operating lease rentals - land and buildings	<u>42,800</u>	<u>42,800</u>

### 4. Staff costs

	2006 £	2005 £
Wages and salaries	572,882	477,565
Social security costs	50,255	50,393
Staff pension contributions (note 12)	24,002	22,836
	<u>647,139</u>	<u>550,794</u>

The monthly average number of employees during the year amounted to 20 (2005 - 20).

# Notes to the financial statements

at 31 March 2006

## 5. Directors' emoluments

	2006 £	2005 £
Emoluments	—	—

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

## 6. Interest receivable

	2006 £	2005 £
Bank interest receivable	6,276	7,470
Interest from group undertakings	44,321	37,544
	<u>50,597</u>	<u>45,014</u>

## 7. Taxation on ordinary activities

### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2006 £	2005 £
Current tax	—	—
Deferred tax:		
Accelerated capital allowances	8,431	12,498
Previous year adjustment	350	24,612
Origination and reversal of timing differences	<u>8,781</u>	<u>37,110</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:

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>33,181</u>	<u>92,425</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	(9,954)	(27,728)
Expenses not deductible for tax purposes	(4,287)	(5,000)
Depreciation in excess of capital allowances	8,431	13,000
Free group relief from group members	<u>5,810</u>	<u>19,728</u>
Total current tax (note 7(a))	<u>—</u>	<u>—</u>

## Notes to the financial statements

at 31 March 2006

## 7. Taxation on ordinary activities (continued)

(c) Deferred tax

	2006 £	2005 £
Other timing differences	83,271	92,052
	877	877
Provision for deferred taxation	<u>84,148</u>	<u>92,929</u>
	2006 £	2005 £
Provision at start of period	(92,929)	(130,039)
P&L charge/(credit) for the period – current (note 7(a))	8,431	12,498
P&L charge/(credit) for the period – prior (note 7(a))	350	24,612
Provision at end of period	<u>(84,148)</u>	<u>(92,929)</u>

## 8. Tangible fixed assets

	Short leasehold property & improvements £	Operating ground equipment £	Office & commercial equipment £	Aircraft Fleet £	Total £
<i>Cost:</i>					
At 1 April 2005	1,821,531	170,488	54,933	514,387	2,561,339
Additions	-	-	-	96,333	96,333
Disposals	-	-	-	(99,846)	(99,846)
At 31 March 2006	<u>1,821,531</u>	<u>170,488</u>	<u>54,933</u>	<u>510,874</u>	<u>2,557,826</u>
<i>Depreciation:</i>					
At 1 April 2005	897,823	82,244	37,784	336,560	1,354,411
Provided during the year	108,690	10,962	8,061	38,499	166,212
Disposals	-	-	-	(90,125)	(90,125)
At 31 March 2006	<u>1,006,513</u>	<u>93,206</u>	<u>45,845</u>	<u>284,934</u>	<u>1,430,498</u>
<i>Net book value:</i>					
At 31 March 2006	<u>815,018</u>	<u>77,282</u>	<u>9,088</u>	<u>225,940</u>	<u>1,127,328</u>
At 1 April 2005	<u>923,708</u>	<u>88,244</u>	<u>17,149</u>	<u>177,827</u>	<u>1,206,928</u>

# Notes to the financial statements

at 31 March 2006

## 9. Stocks

	2006 £	2005 £
General stores - shop	9,278	5,266
Aircraft spares	35,389	39,564
Aviation fuel	34,009	5,667
	<u>78,676</u>	<u>50,497</u>

## 10. Debtors

	2006 £	2005 £
Trade debtors	329,890	282,614
Amounts owed by group undertakings	970,470	926,147
Prepayments and accrued income	26,852	18,170
Deferred taxation (note 7)	84,148	92,929
	<u>1,411,360</u>	<u>1,319,860</u>

## 11. Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	145,046	103,502
Amounts owed to group undertakings	47,418	46,953
Other taxation	26,697	21,514
Accruals and deferred income	177,842	252,267
	<u>397,003</u>	<u>424,236</u>

## 12. Pensions

Two employees are members of the Airways Pension Scheme (APS), a defined benefit scheme operated by British Airways plc. The company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme.

Eight employees are members of a Group Personal Pension Plan (GPP) to which the company contributes.

Contributions paid by the company to the APS and GPP during the year were £14,286 and £9,816 respectively.

## 13. Commitments under operating leases

At 31 March 2006 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	2006 £	2005 £
Operating leases which expire:		
In over five years	<u>42,800</u>	<u>42,800</u>

## 14. Related party transactions

In accordance with the exemption stated in FRS 8, no details have been disclosed of related party

## Notes to the financial statements

at 31 March 2006

transactions with the parent company or fellow subsidiary entities within the British Airways Plc group.

### 15. Share capital

	2006 £	Authorised 2005 £
Ordinary shares of £1 each	100	100

	No.	Allotted, called up and fully paid 2006 £	No.	2005 £
Ordinary shares of £1 each	100	100	100	100

### 16. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 1 April 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
Profit for the year	—	24,400	24,400
At 31 March 2006	100	2,520,807	2,520,907

### 17. Ultimate parent company

The ultimate parent undertaking and controlling party of the group of undertakings for which group financial statements 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 financial statements can be obtained from Waterside, PO Box 365, Harmondsworth, UB7 OGB.

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

	<i>BAFC</i> £	<i>WAP</i> £
<b>REVENUE</b>		
Subscription and entrance fees	31,441	-
Flying fees	439,324	-
Landing fees	-	127,955
Hangarage and parking	-	220,893
Rents	-	263,996
Fuel and oil sales	-	698,047
Other revenue	87,828	36,201
	<u>558,593</u>	<u>1,347,092</u>
<b>DIRECT COSTS</b>		
Operations	(234,929)	(813,086)
Maintenance and overhaul	(155,747)	(21,195)
Standing charge	(102,284)	(134,661)
	<u>(492,960)</u>	<u>(968,942)</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Accommodation	(14,679)	(206,117)
General overheads	(100,071)	(175,412)
	<u>(114,750)</u>	<u>(381,529)</u>
<b>OPERATING (LOSS)/PROFIT</b>	<u>(49,117)</u>	<u>(3,379)</u>
Interest income	-	50,597
Profit on sale of fixed assets	-	35,079
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	<u>(49,117)</u>	<u>82,297</u>



	<i>BAFC</i> £	<i>WAP</i> £
<b>DIRECT COSTS</b>		
<i>Operations</i>		
Instructors pay, pension and insurance	124,125	-
Airpark services crew pay, pension and insurance	-	168,281
Flying control pay, pension and insurance	-	162,865
Fuel and oil	110,743	477,413
Other costs	61	4,527
	<hr/> 234,929	<hr/> 813,086
<i>Maintenance and overhaul</i>		
Operating equipment	-	5,476
Radio and avionics	3,753	4,154
Aircraft maintenance costs	151,994	-
Airfield and buildings	-	11,565
	<hr/> 155,747	<hr/> 21,195
<i>Standing charges</i>		
Insurance	18,452	4,725
Licences	2,575	2,223
Depreciation	38,499	127,713
Hangarage and landing fees	42,758	-
	<hr/> 102,284	<hr/> 134,661
<b>ADMINISTRATIVE EXPENSES</b>		
Accommodation		
Rent and rates	9,500	157,741
Electricity, water and gas	2,869	46,066
Maintenance and cleaning	2,310	2,310
	<hr/> 14,679	<hr/> 206,117
<i>General overheads</i>		
Engineering and administration salaries, pensions and insurance	53,417	46,256
Other personnel expenses	2,227	3,656
Audit, accountancy and other fees	4,154	90,155
Office costs	12,875	9,950
Legal and professional fees	-	7,225
Advertising	8,860	-
General expenses	18,538	18,170
	<hr/> 100,071	<hr/> 175,412