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447296

# **Airways Aero Associations Limited**

## **Report and Financial Statements**

31 March 2004



# Airways Aero Associations Limited

Registered No: 447296

## **Directors**

T J Orchard  
G Want  
A Dormer  
F Whetnall  
J Austin

## **Secretary**

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 2004.

### Results and dividends

The profit for the year amounted to £25,394. 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 2004 and their interests in the share capital of the parent company were as follows:

	<i>Ordinary shares of 25p</i>		<i>Options under</i>		<i>Executive and SAYE</i>		<i>Shares receivable</i>	
	<i>Subject to no</i>	<i>Subject to</i>	<i>restrictions</i>		<i>Share scheme</i>		<i>under Long Term</i>	
	<i>restrictions</i>	<i>restrictions</i>					<i>Incentive Plan</i>	
	<i>31/03/04</i>	<i>01/04/03</i>	<i>31/03/04</i>	<i>01/04/03</i>	<i>31/03/04</i>	<i>01/04/03</i>	<i>31/03/04</i>	<i>01/04/03</i>
D Hyde	10,000	16,961	-	-	-	-	-	-
W D Lowe	11,568	11,568	-	-	-	-	-	-
D Maizey	5,550	5,550	-	-	282,271	186,730	70,215	30,568
T Orchard	10,996	10,996	-	-	-	-	-	-
G Want	687	-	-	-	275,777	175,955	73,445	31,214

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 and Save as You Earn Schemes are at prices varying between 181p and 405p per share.

## Directors' report

Subsequent to the year end, the following individuals were appointed as directors of the company:

A Dormer (appointed 18 May 2004)

F Whetnall (appointed 30 June 2004)

J Austin (appointed 30 June 2004)

Subsequent to the year end, the following individuals resigned as directors of the company:

D Hyde (resigned 31<sup>st</sup> March 2004)

D Maizey (resigned 18<sup>th</sup> May 2004)

W D Lowe (resigned 30<sup>th</sup> September 2004)

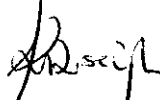
### Directors' and Officers' Liability Insurance

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

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



K Dosanjh  
Secretary

3 / 11 / 2004

## **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 year. 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 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. 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.

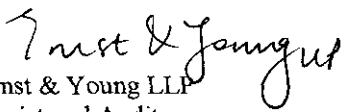
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 Associations 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 2004 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

3 / 11 / 2004

## Profit and loss account

for the year ended 31 March 2004

	Notes	2004 £	2003 £
<b>Turnover</b>	2	1,591,779	1,548,548
Cost of sales		1,257,078	1,196,873
<b>Gross profit</b>		334,701	351,675
Administrative expenses		339,696	289,958
<b>Operating (loss)/profit</b>	3	(4,995)	61,717
Interest receivable and similar income	6	30,389	30,547
		30,389	30,547
<b>Profit on ordinary activities before taxation</b>		25,394	92,264
Tax on profit on ordinary activities	7	(63,705)	9
<b>Profit retained for the financial year</b>		89,099	92,255

## Statement of total recognised gains and losses

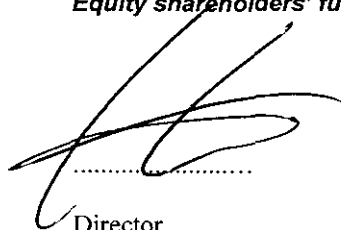
There are no recognised gains or losses other than the profit of £89,099 attributable to the shareholders for the year ended 31 March 2004 (2003 - profit of £92,255).



# Balance sheet

at 31 March 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	8	1,301,836	1,241,059
<b>Current assets</b>			
Stocks	9	66,732	51,609
Debtors	10	1,163,512	1,063,207
Cash at bank and in hand		360,188	463,381
		1,590,432	1,578,197
<b>Creditors: amounts falling due within one year</b>	11	451,076	467,163
<b>Net current assets</b>		1,139,356	1,111,034
<b>Total assets less current liabilities</b>		2,441,192	2,352,093
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Profit and loss account	16	2,441,092	2,351,993
<b>Equity shareholders' funds</b>	16	2,441,192	2,352,093



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Director

3 | 11 | 2004

## Notes to the financial statements

at 31 March 2004

### 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 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 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.

#### *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.

## Notes to the financial statements

at 31 March 2004

### 1. Accounting policies (continued)

#### *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:

	<i>Recreational flying £</i>	<i>Airfield operations £</i>	<i>Total £</i>
Total sales	522,679	1,192,690	1,715,369
Inter segmental sales	-	(123,590)	(123,590)
Sales to third parties	522,679	1,069,100	1,591,779
Segmental (loss)/profit	(22,146)	17,151	(4,995)

### 3. Operating (loss)/profit

This is stated after charging:

	<i>2004 £</i>	<i>2003 £</i>
Auditors' remuneration - audit services	8,662	8,172
- non-audit services	-	-
	8,662	8,172
Directors' emoluments	90,000	38,000
Depreciation of owned fixed assets	164,908	145,000
Operating lease rentals - land and buildings	42,800	42,800

## Notes to the financial statements

at 31 March 2004

### 4. Staff costs

	2004 £	2003 £
Wages and salaries	537,023	510,538
Social security costs	47,250	39,415
Staff pension contributions (note 12)	13,559	7,045
	<u>597,832</u>	<u>556,998</u>

The monthly average number of employees during the year amounted to 19 (2003 - 18).

### 5. Directors' emoluments

	2004 £	2003 £
Emoluments	<u>90,000</u>	<u>38,000</u>

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

### 6. Interest receivable

	2004 £	2003 £
Bank interest receivable	3,134	2,972
Interest from group companies	27,255	27,575
	<u>30,389</u>	<u>30,547</u>

## Notes to the financial statements

at 31 March 2004

### 7. Tax

#### (a) Analysis of debit/(credit) for the year

The tax (credit)/charge is made up as follows:

	2004 £	2003 £
<i>Current tax:</i>		
United Kingdom corporation tax @ 30%	-	-
<i>Deferred tax:</i>		
Accelerated Capital Allowances	(39,300)	(14,662)
Other Timing Differences	-	87
Overprovision in respect of prior years	(24,405)	14,584
	<u>(63,705)</u>	<u>9</u>

#### (b) Factors affecting current tax charge

The differences are reconciled below:

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>25,394</u>	<u>92,264</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(7,618)	(27,679)
Expenses not deductible for tax purposes	(5,400)	(7,934)
Depreciation in excess of capital allowances	(39,300)	(14,662)
Free group relief from group members	52,318	50,275
Total current tax (note 7(a))	<u>-</u>	<u>-</u>

#### (c) Deferred tax

	2004 £	2003 £
Accelerated Capital Allowances	(129,162)	(65,457)
Other timing differences	(877)	(877)
Provision for deferred taxation	<u>(130,039)</u>	<u>(66,334)</u>
	2004 £	2003 £
Provision at start of period	(66,334)	(66,343)
P&L charge/(credit) for the period – current	(39,300)	(14,575)
P&L charged/(credit) for the period - prior	(24,405)	14,584
Provision for deferred taxation	<u>(130,039)</u>	<u>(66,334)</u>

## Notes to the financial statements

at 31 March 2004

### 8. Tangible fixed assets

	<i>Short leasehold property &amp; improvements</i>	<i>Assets in the course of construction</i>	<i>Operating ground equipment</i>	<i>Office &amp; commercial equipment</i>	<i>Other Assets</i>	<i>Total</i>
	£	£	£	£	£	£
Cost:						
At 1 Apr 2003	1,672,794	107,554	83,835	52,766	445,094	2,362,043
Additions	112,403	38,750	63,607	925	10,000	225,685
Disposals	(37,678)	—	(17,659)	(1,758)	—	(57,095)
Transfers	66,213	(107,554)	41,341	—	—	—
At 31 Mar 2004	<u>1,813,732</u>	<u>38,750</u>	<u>171,124</u>	<u>51,933</u>	<u>455,094</u>	<u>2,530,633</u>
Depreciation:						
At 1 Apr 2003	707,513	—	79,796	25,438	308,237	1,120,984
Provided during the year	114,893	—	9,291	7,664	33,060	164,908
Disposals	(37,678)	—	(17,659)	(1,758)	—	(57,095)
At 31 Mar 2004	<u>784,728</u>	<u>—</u>	<u>71,428</u>	<u>31,344</u>	<u>341,297</u>	<u>1,228,797</u>
Net book value:						
At 31 Mar 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>
At 1 Apr 2003	<u>965,281</u>	<u>107,554</u>	<u>4,039</u>	<u>27,328</u>	<u>136,857</u>	<u>1,241,059</u>

### 9. Stocks

	<i>2004</i>	<i>2003</i>
	£	£
General stores – shop	4,885	7,479
Aircraft spares	40,550	37,476
Aviation fuel	21,297	6,654
	<u>66,732</u>	<u>51,609</u>

### 10. Debtors

	<i>2004</i>	<i>2003</i>
	£	£
Trade debtors	256,731	279,766
Amounts owed by group undertakings	728,604	701,349
Prepayments and accrued income	48,138	15,758
Deferred taxation (note 7)	130,039	66,334
	<u>1,163,512</u>	<u>1,063,207</u>

## Notes to the financial statements

at 31 March 2004

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

	2004	2003
	£	£
Trade creditors	60,284	119,509
Amounts owed to group undertakings	46,033	43,630
Other taxation	22,523	21,308
Accruals and deferred income	322,236	282,716
	<u>451,076</u>	<u>467,163</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 "abatement") 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.

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. The value of the assets represented 101 per cent (APS) and 78 per cent (NAPS) of the value of the benefits that had been accrued to members after being allowing for assumed increases in earnings. These valuations showed that an employers' 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 employers' 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 for 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 inflation. Limited Price Indexation increases awarded to pensions in payment are assumed on average to follow the rate of inflation.

## Notes to the financial statements

at 31 March 2004

On this basis the regular cost is 24.71 per cent of pensionable pay for APS and 13.31 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 members of the scheme and this leads to variation in cost of (19.65) per cent of pensionable pay for APS and 9.46 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:

		<i>Group</i>
£ Million	2004	2003
<i>Airways Pension Scheme</i>	9	5
<i>New Airways Pension Scheme</i>	183	127
<i>Other Pension Schemes and provident funds- mainly outside the UK</i>	36	29
	228	161

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

The main reason for the increase in the pension cost in respect of NAPS over the year is the significant fall in equity values since the last formal actuarial valuation.

There was no provision or prepayment as at March 31, 2003. As at March 31, 2004 there was a provision of £20 million.

### FRS 17 disclosures for the year ended March 31, 2004.

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':

	<i>Group</i>		<i>Group</i>	
Per cent p.a.	APS and NAPS	At March 31, 2004 Other schemes	APS and NAPS	At March 31, 2003 Other schemes
Inflation	2.5	3.0- 4.0	2.25	2.5- 4.0
Rate of increase in salaries	2.5*	1.5- 6.0	3.75	1.5- 6.0
Rate of increase of pensions in payment	2.5	2.0- 7.5	2.25	2.0- 8.0
Rate of increase in deferred pension	2.5	3.0- 5.5	2.25	2.5- 5.5
Discount rate	5.6	2.0- 9.0	5.70	2.0- 8.0

\*Rate of increase in salaries is 2.5 per cent per annum for 4 years and 4.0 per cent per annum thereafter.

Market values of the schemes assets at March 31, 2004 were:

	<i>Group</i>			<i>Group</i>		
£ million	APS and NAPS	Other schemes	At March 31 2004 Total	APS and NAPS	Other schemes	At March 31 2003 Total
Equities	4,669	170	4,839	3,571	123	3,694
Bonds	4,456	64	4,520	4,472	67	4,539
Others	642	59	701	567	58	625
	9,767	293	10,060	8,610	248	8,858

Expected rate of return per cent per annum:



## Notes to the financial statements

at 31 March 2004

	Group			Group		
	At March 31 2004			At March 31 2003		
£ million	APS	NAPS	Total	APS	NAPS	Total
Equities	8.4	8.4	6.0- 9.5	8.5	8.5	6.0- 9.5
Bonds	4.4	4.7	3.0- 9.0	4.5	4.5	3.0- 9.0
Others	5.9	5.6	3.0	6.4	6.1	2.6- 5.0
	5.8	7.3	3.0- 9.0	5.8	7.2	5.0- 9.0

## Notes to the financial statements

at 31 March 2004

If the requirements of FRS 17 had been recognised in the financial statements, the defined benefit costs for the year ended March 31, 2004 would be as follows:

£ million	Group			Group		
	At March 31 2004			At March 31 2003		
	APS and NAPS	Other schemes	Total	APS and NAPS	Other schemes	Total
Current service cost	162	11	172	148	5	153
Past service cost	15	-	15	12	1	13
Total charged to operating profit	177	11	188	160	6	166
<i>Amounts charged to finance income:</i>						
Interest on pension scheme liabilities	545	24	569	525	25	550
Expected return on assets in the pension scheme	(522)	(13)	(535)	(581)	(16)	(597)
Net charge/ (income) to other finance income	23	11	34	(56)	9	(47)
Total profit and loss charge before deduction for tax	200	22	222	104	15	119

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, 2004 would have been:

£ million	Group			Group		
	At March 31 2004			At March 31 2003		
	APS and NAPS	Other Schemes	Total	APS and NAPS	Other Schemes	Total
Difference between actual and expected returns on assets	(885)	(28)	(913)	1,421	43	1,464
Experience loss on liabilities	625	4	629	370	24	394
Loss on change of assumptions (financial and demographic)	310	7	317	114	46	160
Total loss/(gain) recognised in statement of total recognised gains and losses before adjustment for tax	50	(17)	33	1,905	113	2,018

The following amounts for the year ended March 31, 2004 were measured in accordance with the requirements of the FRS 17:

	Group			Group		
	At March 31 2004			At March 31 2003		
	APS and NAPS	Other Schemes	Total	APS and NAPS	Other Schemes	Total
<i>(Gain)/loss on scheme assets:</i>						
Amount (£ million)	(885)	(28)	(913)	1,421	43	1,464
Percentage of scheme assets at year end	(9.1)%	(9.6)%	(9.1)%	16.5%	17.3%	16.5%
<i>Experience loss on scheme liabilities:</i>						
Amount (£ million)	625	4	629	370	24	394
Percentage of scheme liabilities at	5.7%	0.9%	5.5%	3.8%	5.4%	3.9%

## Notes to the financial statements

at 31 March 2004

year end

*Total actuarial loss/(gain)*

*recognised in statement of total*

*recognised gains and losses:*

Amount (£ million)	50	(17)	33	1,905	113	2,018
Percentage of scheme liabilities at year end	0.5%	(3.7%)	0.3%	19.7%	25.4%	19.9%

## Notes to the financial statements

at 31 March 2004

The following amounts at March 31 2004 were measured in accordance with the requirements of FRS 17:

£ million	APS and NAPS	Group At March 31 2004		APS and NAPS	Group At March 31 2003	
		Other Schemes	Total		Other Schemes	Total
Total market value of assets	9,767	293	10,060	8,610	248	8,858
Present value of liabilities	10,907	459	11,366	9,674	445	10,119
Deficit	(1,140)	(166)	(1,306)	(1,064)	(197)	(1,261)
APS irrecoverable surplus	(385)	-	(385)	(418)	-	(418)
Pension liability (before related deferred tax)	(1,525)	(166)	(1,691)	(1,482)	(197)	(1,679)
Related deferred tax	458	50	508	445	59	504
Net pension liability	(1,067)	(116)	(1,183)	(1,037)	(138)	(1,175)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at March 31 2004 would be as follows:

£ million	Group At March 31 2004	Group At March 31 2003
Net assets excluding pension liability	2,428	2,274
Pension liability, net of related deferred tax, and SSAP 24 provisions	(1,163)	(1,175)
Net assets including pension liability	1,265	1,099
Profit and loss reserve excluding pension liability	897	729
Pension liability	(1,163)	(1,175)
Profit and loss reserve	(266)	(446)

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	APS and NAPS	Group At March 31 2004		APS and NAPS	Group At March 31 2003	
		Other Schemes	Total		Other Schemes	Total
(Deficit)/surplus before irrecoverable surplus and impact of deferred tax at April 1	(1,064)	(197)	(1,261)	813	(94)	719
Contributions paid	174	36	210	132	25	157
Current service cost	(162)	(11)	(173)	(148)	(5)	(153)
Past service cost	(15)	-	(15)	(12)	(1)	(13)
Other finance (charge)/income	(23)	(11)	(34)	56	(9)	47
Actuarial (loss)/gain	(50)	17	(33)	(1,905)	(113)	(2,018)
Deficit before irrecoverable surplus and impact of deferred tax at March 31	(1,140)	(166)	(1,306)	(1,064)	(197)	(1,261)

## Notes to the financial statements

at 31 March 2004

### 13. Commitments under operating leases

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>Land and buildings</i>	
	<i>2004</i>	<i>2003</i>
	£	£
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 transactions with the parent company or fellow subsidiary entities within the British Airways Plc group.

## Notes to the financial statements

at 31 March 2004

### 15. Share capital

	2004 £	Authorised 2003 £
Ordinary shares of £1 each	100	100

	Allotted, called up and fully paid	
	2004	2003
	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 2002	100	2,259,738	2,259,838
Profit for the year	-	92,255	92,255
At 31 March 2003	100	2,351,993	2,352,093
Profit for the year	-	89,099	89,099
At 31 March 2004	100	2,441,092	2,461,192

### 17. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2003 - £140,236).

### 18. 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.

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

	<i>BAFC</i> £	<i>WAP</i> £
<b>REVENUE</b>		
Subscription and entrance fees	38,392	-
Flying fees	419,530	-
Landing fees	-	117,225
Hangarage & parking	-	186,812
Rents	-	269,415
Fuel and oil sales	-	575,510
Other revenue	64,757	43,728
	<u>522,679</u>	<u>1,192,690</u>
<b>DIRECT COSTS</b>		
Operations	206,222	679,880
Maintenance and overhaul	61,252	37,877
Standing charges	89,062	141,467
	<u>356,536</u>	<u>859,224</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Accommodation	15,566	142,909
General overheads	172,723	173,406
	<u>188,289</u>	<u>316,315</u>
<b>OPERATING (LOSS)/PROFIT</b>	<u>(22,146)</u>	<u>17,151</u>
Interest income	-	30,389
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	<u><u>(22,146)</u></u>	<u><u>47,540</u></u>



	BAFC £	WAP £
<b>DIRECT COSTS</b>		
Operations		
Instructors pay, pension and insurance	113,006	-
Airpark services crew pay, pension and insurance	-	161,045
Flying control pay, pension and insurance	-	147,063
Fuel and oil	93,092	363,543
Hire of aircraft	-	-
Other costs	124	8,229
	<u>206,222</u>	<u>679,880</u>
Maintenance and overhaul		
Operating equipment	-	7,178
Radio and avionics	3,780	3,484
Aircraft maintenance costs	57,472	-
Airfield and buildings	-	27,215
	<u>61,252</u>	<u>37,877</u>
Standing charges		
Insurance	21,402	8,159
Licences	3,679	1,460
Depreciation	33,481	131,848
Hangarage and landing fees	30,500	-
	<u>89,062</u>	<u>141,467</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Accommodation		
Rent and rates	9,036	88,401
Electricity, water and gas	2,812	49,807
Maintenance and cleaning	3,718	4,701
	<u>15,566</u>	<u>142,909</u>
General overheads		
Engineering and administration salaries, pensions and insurance	136,647	41,899
Other personnel expenses	669	467
Audit, accountancy and other fees	4,086	94,086
Office costs	8,024	8,641
Legal and professional fees	-	11,045
Advertising	7,863	-
General expenses	15,434	17,268
	<u>172,723</u>	<u>173,406</u>