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Airways Aero Associations Limited

Report and Accounts

31 March 1997



Airways Aero Associations Limited

DIRECTORS

W D Lowe	Chairman
T J Orchard	(appointed 28 June 1996)
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

Airways Aero Associations Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1997

ACCOUNTS AND DIVIDENDS

The profit for the year attributable to shareholders amounted to £76,512.

The directors have not recommended the payment of a dividend (1996: £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 1997 were those listed on page 2 and J D Lewry who resigned on 28 June 1996. T Orchard was appointed on 28 June 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:

	<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>31/3/97</i>	<i>31/3/96</i>	<i>31/3/97</i>	<i>31/3/96</i>	<i>31/3/97</i>	<i>31/3/96</i>
W D Lowe	6,773	6,773	3,562	2,111	69,900	99,541
T Orchard	5,015	6,528	2,131	1,003	nil	nil
D Hyde	17,296	22,797	3,681	1,820	61,198	61,198
D Maizey	nil	nil	623	623	15,223	15,223

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

DIRECTORS' REPORT

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.

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.

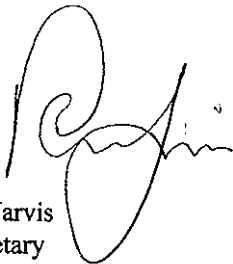
The Directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

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

P H Jarvis
Secretary



REPORT OF THE AUDITORS

to the members of Airways Aero Associations Limited

We have audited the accounts on pages 6 to 14, 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 page 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.

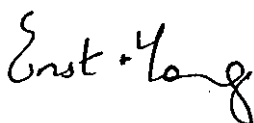
Basis of opinion

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 judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 the state of affairs of the company's affairs as at 31 March 1997 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

14 October 1997

Airways Aero Associations Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 March 1997

	<i>Note</i>	<i>1997</i> £	<i>1996</i> £
TURNOVER			
Cost of sales	2	1,165,308 847,799	1,088,451 820,338
GROSS PROFIT		317,509	268,113
Administrative expenses		266,402	240,108
OPERATING PROFIT/(LOSS)	3	51,107	28,005
Interest receivable	5	84,803	85,308
Profit on disposal of fixed assets		4,836	26,280
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		140,746	139,593
Tax on profit on ordinary activities	6	64,234	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE FINANCIAL YEAR		76,512	139,593

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £76,512 in the year ended 31 March 1997 and of £139,593 in the year ended 31 March 1996.

Airways Aero Associations Limited

BALANCE SHEET

at 31 March 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	516,895	414,986
CURRENT ASSETS			
Stocks	8	65,949	49,794
Debtors	9	266,060	242,122
Amounts owed by parent undertaking		1,381,541	1,293,534
Cash at bank and in hand		99,953	122,213
		1,813,503	1,707,663
CREDITORS -			
Amounts falling due within one year	10	330,040	208,644
NET CURRENT ASSETS		1,483,463	1,499,019
TOTAL ASSETS LESS CURRENT LIABILITIES		2,000,358	1,914,005
PROVISION FOR LIABILITIES AND CHARGES	11	50,735	40,894
		1,949,623	1,873,111
CAPITAL AND RESERVES			
Called-up share capital	13	100	100
Profit and loss account	16	1,949,523	1,873,011
EQUITY SHAREHOLDER FUNDS		1,949,623	1,873,111

Approved by the Board on 13/10/97

W.D. Lowe) Director

NOTES TO THE ACCOUNTS

for the year ended 31 March 1997

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 flow.

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.

NOTES TO THE ACCOUNTS
for the year ended 31 March 1997

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>
Total sales	426,355	826,697	1,253,052
Inter segmental sales	-	87,744	87,744
Sales to third parties	<u>426,355</u>	<u>738,953</u>	<u>1,165,308</u>
Profit Segmental (loss)/profit	<u>(14,893)</u>	<u>155,639</u>	<u>140,746</u>

3 **OPERATING PROFIT/(LOSS)**

Is stated after charging/(crediting):

	<i>1997 £</i>	<i>1996 £</i>
Depreciation of owned tangible fixed assets	75,538	71,314
Auditors' remuneration	4,000	4,000
Operating lease rentals - land and buildings	35,630	34,500
Rents receivable	<u>(238,531)</u>	<u>(180,783)</u>

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS for the year ended 31 March 1997

4 STAFF COSTS

	1997 £	1996 £
Wages and salaries	392,216	380,678
Social security costs	32,333	29,879
	<u>424,549</u>	<u>410,557</u>

Numbers

The average number of persons employed by the company during the year was 16 (1996: 16).

Director's remuneration

	1997 £	1996 £
Fees	Nil	Nil
Other emoluments (including pension contributions)	49,652	51,471
	<u>49,652</u>	<u>51,471</u>

5 INTEREST RECEIVABLE

	1997 £	1996 £
Parent undertaking	83,044	83,354
Bank deposits	1,759	1,954
	<u>84,803</u>	<u>85,308</u>

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
UK Corporation tax at 33%	6,022	-
Payment for group relief at 33%	58,212	-
	<u>64,234</u>	<u>Nil</u>

NOTES TO THE ACCOUNTS
for the year ended 31 March 1997

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

All taxable profits will be sheltered by group relief, for which payment is to be made at the rate of corporation tax prevailing for the period concerned.

If full provision for deferred taxation had been made there would have been an additional credit for the year of £5,215 (1996: £112) comprising:

	1997 £	1996 £
Accelerated capital allowances	(4,078)	329
Other timing differences	(1,137)	(441)
	<u>(5,215)</u>	<u>(112)</u>

7 TANGIBLE FIXED ASSETS

	Aircraft fleet £	Short Leasehold property & improve- ments £	Operating ground equipment £	Office & commercial equipment £	Total £
Cost:					
At 1 April 1996	243,967	548,115	85,352	42,754	920,188
Additions	17,895	108,774	14,984	35,833	177,486
Disposals	-	-	(24,648)	-	(24,648)
At 31 March 1997	<u>261,862</u>	<u>656,889</u>	<u>75,688</u>	<u>78,587</u>	<u>1,073,026</u>
Depreciation:					
At 1 April 1996	135,940	256,356	77,143	35,763	505,202
Charge for year	22,630	37,581	5,645	9,682	75,538
Relating to disposals	-	-	(24,609)	-	(24,609)
At 31 March 1997	<u>158,570</u>	<u>293,937</u>	<u>58,179</u>	<u>45,445</u>	<u>556,131</u>
Net book value:					
at 31 March 1997	<u>103,292</u>	<u>362,952</u>	<u>17,509</u>	<u>33,142</u>	<u>516,895</u>
at 31 March 1996	<u>£108,027</u>	<u>£291,759</u>	<u>£8,209</u>	<u>£6,991</u>	<u>£414,986</u>

Airways Aero Associations Limited

NOTES TO THE ACCOUNTS for the year ended 31 March 1997

8 STOCKS

	1997 £	1996 £
Aviation fuel	12,728	10,620
General stores - shop	4,144	2,373
Aircraft spares	49,077	36,801
	<u>65,949</u>	<u>49,794</u>

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

9 DEBTORS

	1997 £	1996 £
Due within one year:		
Trade debtors	251,982	236,417
Prepayments and accrued income	14,078	5,451
Other debtors	-	254
	<u>266,060</u>	<u>242,122</u>

10 CREDITORS - amounts falling due within one year

	1997 £	1996 £
Trade creditors	176,937	105,033
Accruals and deferred income	94,891	103,611
Amounts owed to group undertakings	58,212	-
	<u>330,040</u>	<u>208,644</u>

11 PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £	1996 £
Engine overhaul	44,713	40,894
Amounts owed to group undertaking	6,022	-
	<u>50,735</u>	<u>40,894</u>

NOTES TO THE ACCOUNTS

for the year ended 31 March 1997

12 DEFERRED TAXATION

Deferred taxation provided in the accounts and the amounts not provided are as follows:-

	1997 £	Provided 1996 £	1997 £	Not provided 1996 £
Accelerated capital allowances	21,498	-	-	25,576
Other timing differences	(15,476)	-	-	(14,339)
	<u>6,022</u>	<u>Nil</u>	<u>-</u>	<u>11,237</u>

13 CALLED-UP SHARE CAPITAL

	1997 £	1996 £
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 (1996: £nil); authorised but not contracted for amounted to £Nil (1996: £186,000).

15 FINANCIAL COMMITMENTS

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

	<i>Land and Buildings</i>	
	1997 £	1996 £
Leases expiring: Over five years	36,000	34,500

NOTES TO THE ACCOUNTS
for the year ended 31 March 1997

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 1995	100	1,733,418	1,733,518
Profit for the year		139,593	139,593
At 1 April 1996	100	1,873,011	1,873,111
Profit for the year	-	76,512	76,512
At 31 March 1997	100	1,949,523	1,949,623

17 ULTIMATE PARENT UNDERTAKING

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. Copies of British Airways Plc's accounts can be obtained from Speedbird House, Heathrow Airport, Hounslow, Middlesex, TW6 2JA.

The company has taken advantage of the exemption under FRS 8 not to disclose related party transactions, consolidated in the group accounts of British Airways Plc.