

DIRECTORS' REPORT AND ACCOUNTS
BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
MARCH 31, 2007
Company Number 590083



BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
DIRECTORS' REPORT

Directors A K Buchanan
 K Williams

Secretary K Dosanjh (appointed 8 March 2007)

Registered office Waterside, PO Box 365
 Harmondsworth UB7 0GB

The Directors present their report and the audited accounts for the year ended March 31, 2007

DIRECTORS

The Directors of the Company during the year were A K Buchanan and K Williams

RESULTS

The profit after tax amounted to £2,229,837 (2006 £2,207,363)

The Directors do not recommend payment of a dividend

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc, forms an integral part of British Airways' activity. During the year its principal activities were controlling and managing investments in other airlines and related services. The Company intends to continue to act as an investment controlling and management Company.

EVENTS SINCE THE BALANCE SHEET DATE

There are no material post balance sheet events

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made no political or charitable contributions

LIABILITY INSURANCE

The ultimate parent undertaking, British Airways Plc, holds a Directors' and Officers' liability insurance policy covering the Directors and Officers of its subsidiary undertakings

AUDITORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the board at the time of approving the Directors' report are listed above. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all steps a Director might reasonably be expected to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of the information

ON BEHALF OF THE BOARD


DIRECTOR

DATE 29 August 2007

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES continued

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 AUDITOR'S REPORT TO THE MEMBERS OF BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

We have audited the Company's financial statements for the year ended 31 March 2007 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 10. 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' responsibilities 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) are 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. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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.

We read the directors' report and consider the implications of our report if we become aware of any apparent misstatements within it.

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.

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 2007 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

Ernst & Young LLP
Registered auditor
London

29 AUGUST 2007

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2007

	Note	2007 £	2006 £
Operating profit	2	0	0
Dividend income		87,712	296,895
Interest receivable from parent undertaking		2,142,125	1,910,468
Profit on ordinary activities before taxation		2,229,837	2,207,363
Taxation	4	0	0
Retained profit for the financial year	7	2,229,837	2,207,363

There are no recognised gains or losses other than the profits amounting to £2,229,837 in the year ended March 31, 2007 and £2,207,363 in the year ended March 31, 2006

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
BALANCE SHEET
AS AT MARCH 31, 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	5	932,975	932,975
CURRENT ASSETS			
Amounts owed by parent undertaking		42,114,412	39,884,575
TOTAL ASSETS LESS CURRENT LIABILITIES		43,047,387	40,817,550
CAPITAL AND RESERVES			
Called up share capital	6	173,425,273	173,425,273
Profit and loss account	7	(130,377,886)	(132,607,723)
		43,047,387	40,817,550

The financial statements were approved by the Board of Directors on 29 August 2007 and signed on behalf of the Board

Director



BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2007

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with all applicable United Kingdom accounting standards

As the company is a wholly owned subsidiary undertaking of a company incorporated in England, Group accounts have not been prepared

Investments

Fixed asset investments are stated at cost unless, in the opinion of the Directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

Deferred taxation

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised where the directors consider it more likely than not that there will be suitable profits from which the future reversal of underlying timing differences can be deducted. Deferred taxation is measured on a non-discounted 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

Foreign currencies.

Normal trading activities denominated in foreign currencies are recorded in sterling at actual rates of exchange as at the date of the transaction. Monetary assets and liabilities denominated in currencies other than sterling are translated to sterling at rates of exchange ruling at the end of the financial year. All currency gains and losses arising are included in the profit and loss account

Cashflow statement

Under the requirements of Financial Reporting Standard 1 (revised) the Company is exempt from the requirement to prepare a cashflow statement, as 90 per cent or more of the voting rights are controlled within the Group

2 OPERATING PROFIT

The auditor's remuneration of £7,000, for the audit of the Company accounts, has been borne by British Airways Plc.

3 DIRECTORS' REMUNERATION

The Directors did not receive remuneration for their services to the Company during the year (2006 £Nil). The Directors qualify for a defined benefit pension scheme funded by the Company's parent undertaking. The emoluments of the directors are borne by the group company (British Airways Plc). The average number of employees during the year was nil (2006 nil)

4 TAXATION

Factors affecting tax charge for the year

The current tax charge for the period is less than the profit at the standard rate of corporation tax in the UK (30%)

The differences are explained below

	<u>2007</u>	<u>2006</u>
	£	£
Profit on ordinary activities before tax	<u>2,229,837</u>	<u>2,207,363</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	668,951	662,209
Free Group relief from Group members	<u>(668,951)</u>	<u>(662,209)</u>
Current tax charge for the year as above	<u>0</u>	<u>0</u>

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2007

5 INVESTMENTS

a) No material acquisitions, disposals or impairments occurred during the year

b) The main trade investments at March 31, 2007 comprise of the following companies

Name of Company	Activity	Country of Incorporation	Proportion of Equity
Air Mauritius Limited	Airline	Mauritius	11%
Air Mauritius Holding Limited	Airline Holding	Mauritius	13%

The Company has an investment of 13.2% in Air Mauritius Holding Limited and its investment in Air Mauritius Limited of 10.5%, consists of a 3.8% direct shareholding and a 6.7% indirect shareholding through its 13.2% shareholding in Air Mauritius Holding Limited

	2007 £	2006 £
Listed investment at net book value	932,975	932,975
Market value of listed investment	3,283,737	4,370,894

6 SHARE CAPITAL

	2007 No	2007 £
Authorised		
Ordinary shares of £1 each	200,000,000	200,000,000
	200,000,000	200,000,000
Allotted, called up and fully paid		
At April 1, 2006	173,425,273	173,425,273
Balance at March 31, 2007	173,425,273	173,425,273
	2006 No	2006 £
Authorised		
Ordinary shares of £1 each	200,000,000	200,000,000
	200,000,000	200,000,000
Allotted, called up and fully paid		
At April 1, 2006	173,425,273	173,425,273
Balance at March 31, 2007	173,425,273	173,425,273

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2007

**7 RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES**

	Share Capital	Profit & Loss	Total
	£	£	£
At March 31, 2005	173,425,273	(134,815,086)	38,610,187
Profit for the Year	0	2,207,363	2,207,363
At March 31, 2006	173,425,273	(132,607,723)	40,817,550
Profit for the Year	0	2,229,837	2,229,837
At March 31, 2007	173,425,273	(130,377,886)	43,047,387

8 DIRECTORS' LOANS AND TRANSACTIONS

No loans or transactions were outstanding with Directors of the Company at the end of the year which need to be disclosed in accordance with the requirements of Schedule 6 to the Companies Act 1985

9 RELATED PARTIES

The Company has taken advantage of the exemption in FRS8 not to disclose related party transactions as 90 per cent or more of the voting rights are controlled within the Group.

10 PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is British Airways Plc.

The Company is a wholly owned subsidiary undertaking of British Airways Plc, a Company incorporated in England. Copies of the Group accounts of British Airways Plc, which include the Company, can be obtained by writing to the Secretary, British Airways Plc, Waterside, PO Box 365, Harmondsworth UB7 0GB