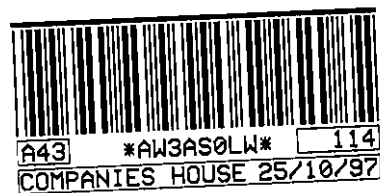


Report and Accounts

British Airways Travel Shops Limited

31 March 1997



British Airways Travel Shops Limited

Registered No. 2524175

DIRECTORS

A Marwick (Managing Director)
P White
D R Brewin
A M Deller
J Rishton
R Heape

SECRETARY

P H Jarvis

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS

Barclays Bank Plc
90/92 High Street
Crawley
West Sussex RH10 1BP

REGISTERED OFFICE

Speedbird House
Heathrow Airport (London)
Hounslow
Middlesex TW6 2JA

British Airways Travel Shops Limited

DIRECTORS' REPORT

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

RESULTS AND DIVIDEND

The profit for the year after tax amounts to £2,654,000 (1996 – £2,279,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The company acts as a travel agency primarily in selling and servicing British Airways Plc products range.

FUTURE DEVELOPMENTS

Turnover has increased by 15% to £15,923,000 during the year and the directors believe that the trend will continue.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were:

D R Brewin	
A M Deller	
S D Flanagan	(Resigned 30 November 1996)
P White	
M George	(Resigned 23 July 1997)

Three directors have been appointed since 31 March 1997 as follows:

A Marwick	(Appointed 17 September 1997)
J Rishton	(Appointed 23 July 1997)
R Heape	(Appointed 18 August 1997)

None of the directors had any beneficial interest in shares of the company either at 31 March 1996 or 31 March 1997.

The directors' interests in the share capital of British Airways Plc, the ultimate parent undertaking, were as follows:

	<i>Subject to no restrictions</i>		<i>Subject to restrictions</i>		<i>Options executive and SAYE Share Scheme</i>	
	<i>31 March 1997</i>	<i>1 April 1996</i>	<i>31 March 1997</i>	<i>1 April 1996</i>	<i>31 March 1997</i>	<i>1 April 1996</i>
D R Brewin	1,302	719	1,618	804	–	54,086
A M Deller	275	275	–	275	26,881	26,881
P White	436	436	1,451	–	6,172	53,822
M George	223	1,493	1,869	1,556	16,040	23,246

LIABILITY INSURANCE

The ultimate parent undertaking has entered into a directors' and officers' liability insurance policy covering the directors and officers of its subsidiary undertakings.

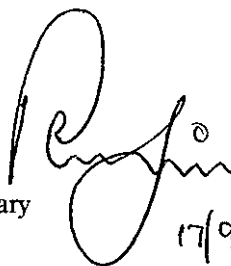
British Airways Travel Shops Limited

DIRECTORS' REPORT

AUDITORS

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 17/9/97

British Airways Travel Shops Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO 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 accounts.

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

The directors consider that in preparing the accounts on pages 6 to 12, 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 reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with 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 and to establish an effective system in internal financial control.

The directors, having prepared the accounts 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.

REPORT OF THE AUDITORS

to the members of British Airways Travel Shops Limited

We have audited the accounts on pages 6 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

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.

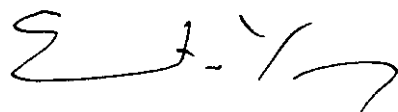
Basis of opinion

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 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 the state of affairs of the company as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

29/9/97

British Airways Travel Shops Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

	<i>Notes</i>	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
TURNOVER			
Continuing operations: Ongoing	2	15,923	13,797
Cost of sales	3	(12,323)	(10,015)
		<hr/>	<hr/>
GROSS PROFIT		3,600	3,782
Administrative expenses		(1,286)	(856)
		<hr/>	<hr/>
OPERATING PROFIT			
Continuing operations: Ongoing	4	2,314	2,926
Interest receivable	7	681	545
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,995	3,471
Tax on profit on ordinary activities	8	(341)	(1,192)
		<hr/>	<hr/>
PROFIT FOR THE YEAR		2,654	2,279
		<hr/>	<hr/>
STATEMENT OF ACCUMULATED PROFITS			
At 1 April 1996		1,882	(397)
Retained profit for the year		2,654	2,279
		<hr/>	<hr/>
At 31 March 1997		4,536	1,882
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

A statement of total recognised gains and losses has not been included as there were no recognised gains or losses for the current or previous financial year other than those already dealt with in the profit and loss account.

British Airways Travel Shops Limited

BALANCE SHEET at 31 March 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
CURRENT ASSETS	9	193	—
Stock			
Debtors	10	6	15
Cash at bank and in hand	11	11,081	7,860
		1,491	2,614
		<u>12,578</u>	<u>10,489</u>
CREDITORS: amounts falling due within one year	12	(6,235)	(6,607)
NET CURRENT ASSETS		<u>6,343</u>	<u>3,882</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,536</u>	<u>3,882</u>
CAPITAL AND RESERVES			
Called up share capital		2,000	2,000
Profit and loss account		4,536	1,882
		<u>6,536</u>	<u>3,882</u>

Chairman



17/9/97

British Airways Travel Shops Limited

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 31 March 1997

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
RETAINED PROFIT FOR THE YEAR	2,654	2,279
Net addition to shareholders' funds	2,654	2,279
Shareholders' funds at 1 April	3,882	1,603
SHAREHOLDERS' FUNDS AT 31 MARCH 1996	6,536	3,882

British Airways Travel Shops Limited

NOTES TO THE ACCOUNTS

at 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

Computer equipment is depreciated over its estimated useful life of 3 years.

Stocks

Stocks are valued at the lower of cost or net realisable value after making due allowances for any obsolete or slow moving items. Cost is arrived at by a first-in, first-out basis.

Retirement benefits

Retirement benefits are payable through separately funded UK pension schemes. Contributions to pension funds 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.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that the liabilities will crystallise.

Operating leases

Operating lease costs are charged to profit and loss account in the year they are incurred.

Cash flow statement

No cash flow statement has been provided under the provisions of FRS1 (Revised 1996) as the company is a wholly owned subsidiary of a European Community registered parent undertaking.

2. TURNOVER

Turnover represents the net amount invoiced for goods and services supplied during the year. Turnover is attributable to one continuing activity representing travel agency business and all arises in the United Kingdom. The split between turnover derived within the British Airways group and externally derived turnover is as follows:

	1997 £000	1996 £000
Internal	14,176	11,821
External	1,747	1,976
	<u>15,923</u>	<u>13,797</u>

3. COST OF SALES

Cost of sales includes all shops and selling costs.

British Airways Travel Shops Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

4. OPERATING PROFIT IS STATED AFTER CHARGING:

	1997 £000	1996 £000
Auditors' remuneration	21	13
Property costs	2,188	1,801
	<u>2,209</u>	<u>1,814</u>

5. EMPLOYEE COSTS AND NUMBERS

The average number of employees during the year, including directors, was 349 (1996 – 289).

The aggregate payroll costs for employees were as follows:

	1997 £000	1996 £000
Wages and salaries	5,646	4,571
Pension costs	214	213
Social security costs	520	403
	<u>6,380</u>	<u>5,187</u>

6. DIRECTORS' REMUNERATION

The remuneration paid to directors amounts to £73,684 (1996 – £68,901).

7. INTEREST RECEIVABLE

	1997 £000	1996 £000
Interest received - intra group	681	545
	<u>681</u>	<u>545</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £000	1996 £000
UK corporation tax at 33% (1996 – 33%)	(1,068)	(1,192)
Corporation tax overprovided in previous years	727	–
	<u>(341)</u>	<u>(1,192)</u>

If full provision for deferred taxation had been made there would have been no additional charge or credit for the year (1996 – £nil)

British Airways Travel Shops Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

9. FIXED ASSETS

	<i>Computer equipment £000</i>	<i>Total £000</i>
Cost:		
At 1 April 1996	-	-
Additions	289	289
At 31 March 1997	289	289
Accumulated depreciation:		
At 1 April 1996	-	-
Provided during the year	96	96
At 31 March 1997	96	96
Net book value:		
At 31 March 1997	193	193
At 1 April 1996	-	-

10. STOCK

	<i>1997 £000</i>	<i>1996 £000</i>
Merchandise	6	15

11. DEBTORS

	<i>1997 £000</i>	<i>1996 £000</i>
Trade debtors	3,390	2,023
Other debtors	66	131
Prepayments and accrued income	-	2
Amounts due from parent undertaking	7,344	5,440
Amounts due from fellow subsidiary undertakings	281	264
	11,081	7,860

12. CREDITORS: amounts falling due within one year

	<i>1997 £000</i>	<i>1996 £000</i>
Trade creditors	560	756
Amounts due to fellow subsidiary undertakings	-	4
Accruals and deferred income	4,464	3,937
Other creditors	-	28
Corporation tax	1,068	1,882
VAT	143	-
	6,235	6,607

British Airways Travel Shops Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

13. CONTINGENT LIABILITIES

The company has given a bond in respect of £509,055 to ABTA (1996 – £317,266) and the Civil Aviation Authority for £10,000 (1996 – £45,200).

14. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Ordinary £1	2,000,000	2,000,000	2,000,000	2,000,000

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £000</i>	<i>Profit and loss £000</i>	<i>Total £000</i>
At 1 April 1995	2,000	(397)	1,603
Profit for the year	-	2,279	2,279
At 1 April 1996	2,000	1,882	3,882
Profit for the year	-	2,654	2,654
At 31 March 1997	2,000	4,536	6,536

16. PENSION COMMITMENTS

Retirement benefits are provided for the majority of eligible employees through the New Airways Pension scheme (NAPS) and the Airways Pension scheme (APS). Both schemes are of defined type and are held in separate trustee administered funds, and are disclosed within the group accounts of British Airways Plc.

The total pension cost for the company for the period ended 31 March 1997 was £209,329.

Full details of the pension schemes are given in the accounts of British Airways Plc.

17. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (1996 – £504,000).

18. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is British Airways Plc, registered in England and Wales.

The 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 (London), Hounslow, Middlesex TW6 2JA.