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British Airways Interior Engineering Limited

(formerly Topexpert Limited)

Report and Accounts

31 MARCH 1997

ERNST & YOUNG



British Airways Interior Engineering Limited (formerly Topexpert Limited)

Registered No. 03109109

DIRECTORS

C J Baker
J Holmes
D J Kilonback
B J Philpott
D G Richardson

SECRETARY

P H Jarvis

AUDITORS

Ernst & Young
Southgate House
Wood Street
Cardiff
CF1 1EW

BANKERS

Barclays Bank plc
Cardiff Business Centre
PO Box 674
121 Queen Street
Cardiff
CF1 4XU

REGISTERED OFFICE

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

British Airways Interior Engineering Limited (formerly Topexpert Limited)

DIRECTORS' REPORT

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

INCORPORATION AND COMMENCEMENT OF TRADE

The company was incorporated on 2 October 1995 and commenced trading on 1 April 1996.

CHANGE OF NAME

The company was incorporated as Topexpert Limited and changed its name to British Airways Interior Engineering Limited on 1 November 1995.

RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £110,000.

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY

The company's principal activity is the refurbishment of interior aircraft products; mainly passenger seats.

BUSINESS REVIEW

The company's principal business activity is the refurbishment of passenger seats, crew chairs, interior aircraft products such as galleys, as well as cutting floorboards and carpets to fit all aircraft sizes and specifications. The first year's profit is broadly in line with expectations for future growth and profitability.

DIRECTORS AND THEIR INTERESTS

The following have served as directors during the period:

Instant Companies Limited (appointed 2 October 1995, resigned 16 October 1995)

N G C Hird (appointed 16 October 1995, resigned 1 November 1996)

C J Baker (appointed 16 October 1995)

D J Kilonback (appointed 18 December 1995)

J Holmes (appointed 18 December 1995)

B J Philpott (appointed 1 February 1996)

D G Richardson (appointed 1 November 1996)

According to the register maintained as required under the Companies Act 1985, the directors' interest in the share capital of British Airways Plc which require disclosure in these accounts was as follows:-

	<i>Subject to no restrictions</i>		<i>Subject to restrictions</i>		<i>Executive and SAYE share</i>	
	<i>31 March 1997</i>	<i>Date of appointment</i>	<i>31 March 1997</i>	<i>Date of appointment</i>	<i>31 March 1997</i>	<i>Date of appointment</i>
C J Baker	7,828	7,939	2,220	1,125	18,215	65,102
J Holmes	3,791	3,647	1,087	552	-	-
D J Kilonback	2,065	5,000	2,038	1,596	13,081	-
B J Philpott	37,463	36,456	2,683	2,306	-	55,696
D G Richardson	-	-	-	-	-	-

British Airways Interior Engineering Limited (formerly Topexpert Limited)

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

The directors interest set out on page 3 are in each case beneficial. The options under the Executive Share Scheme and the SAYE Share Scheme are at prices ranging from £2.61 to £4.05.

In addition Mr J Holmes has beneficial ownership of 160 convertible capital bonds in British Airways Plc.

LIABILITY POLICY

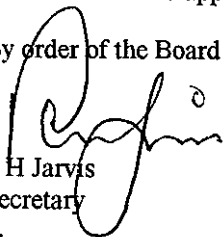
The holding company, British Airways Plc, holds a directors and officers liability policy which covers the directors and officers of its subsidiary undertakings.

AUDITORS

Ernst & Young were appointed the first auditors of the company.

A resolution to re-appoint Ernst & Young will be put to the members at the Annual General meeting.

By order of the Board


P H Jarvis
Secretary

31 July 1997

British Airways Interior Engineering Limited (formerly Topexpert Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in relation to the financial statements

The following statement, which should be read in conjunction with the report of the auditors set out on page 6 is made with a view 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 as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on page 7 to 13 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 frauds and other irregularities and to establish an effective system of internal financial control.

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.

REPORT OF THE AUDITORS

to the members of British Airways Interior Engineering Limited

We have audited the accounts on pages 7 to 13, 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 5 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.

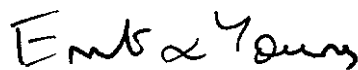
Basis of opinion

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 period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', with a horizontal line drawn underneath it.

Ernst & Young
Chartered Accountants
Registered Auditor
Cardiff

31 July 1997

British Airways Interior Engineering Limited (formerly Topexpert Limited)

PROFIT AND LOSS ACCOUNT

for the period ended 31 March 1997

	<i>Notes</i>	<i>Period ended 31 March 1997 £'000</i>
TURNOVER	2	5,856
Cost of sales		5,140
GROSS PROFIT		716
Administration costs		552
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	164
Taxation	6	54
PROFIT FOR THE PERIOD	13	110

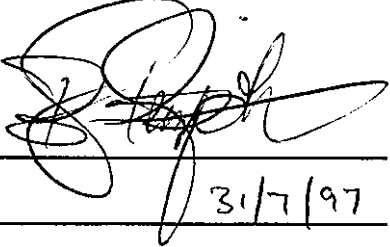
There have been no recognised gains or losses in the period other than the profit of £110,000.

British Airways Interior Engineering Limited (formerly Topexpert Limited)

BALANCE SHEET

at 31 March 1997

	Notes	Period to 31 March 1997 £'000
FIXED ASSETS		
Tangible assets	7	198
CURRENT ASSETS		
Stocks	8	467
Debtors	9	48
Cash at bank and in hand		63
		578
CREDITORS: amounts falling due within one year	10	650
NET CURRENT LIABILITIES		(72)
TOTAL ASSETS LESS CURRENT LIABILITIES		126
PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred taxation	11	16
NET ASSETS		110
CAPITAL AND RESERVES		
Called up share capital	12	-
Profit and loss account	13	110
EQUITY SHAREHOLDERS' FUNDS		110


 _____ Director
 31/7/97
 _____ Date

British Airways Interior Engineering Limited (formerly Topexpert 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.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful life of the relevant assets by equal annual instalments. Revenue grants are released to the profit and loss account over the life of the project to which they relate.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimate residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected life, as follows:-

Plant and machinery and computer equipment - Over 4 - 10 years

Stocks

Stocks are stated at the lower of cost and net realisable value; cost being direct materials and labour plus attributable overheads based on a normal level of activity.

Deferred tax

Provisions are made for deferred taxation, using the liability method, on short term timing differences and all other material timing differences to the extent that it is possible that the liabilities will crystallise in the foreseeable future.

Foreign currencies

Foreign currency balances are translated into sterling using the rates at the balance sheet date. All profits or losses arising on translation are dealt with through the profit and loss account.

Pension benefits

Retirement benefits are payable through New Airways Pension Scheme, a separately funded pension scheme operated by British Airways Plc. Contributions to the pension scheme are made on the basis of independent actuarial activities and charged to the profit and loss account so as to spread the cost over the remaining service lives of the employees.

Further details of the pension scheme are given in the accounts of British Airways Plc.

2 TURNOVER AND SEGMENTAL ANALYSIS

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover for the year has arisen wholly in the United Kingdom, and all relates to one continuing activity, the repair and overhaul of aeroplane interiors.

British Airways Interior Engineering Limited (formerly Topexpert Limited)

NOTES TO THE ACCOUNTS

at 31 March 1997

3 DIRECTORS' REMUNERATION

*Period ended
31 March
1997
£*

Directors' emoluments, including pension contributions £41,522

The emoluments, excluding pension contributions, of the chairman were £nil. The emoluments excluding pension contributions, of the highest paid director were £38,444.

4 STAFF COSTS

*Period ended
31 March
1997
£'000*

Wages and salaries	868
Social security costs	52
Other pension costs	57
	<u>977</u>

During the period the average number of staff employed under contracts of service was:

*Period ended
31 March
1997
No of staff*

Production	60
Administration	14
	<u>74</u>

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

*Period ended
31 March
1997
£'000*

Auditors' remuneration - audit services	<u>10</u>
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British Airways Interior Engineering Limited (formerly Topexpert Limited)

NOTES TO THE ACCOUNTS

at 31 March 1997

6 TAXATION

*Period ended
31 March
1997
£'000*

Based on the profit for the period:
Group relief payable at 33%
Deferred tax

38
16

54

7 TANGIBLE FIXED ASSETS

	<i>Plant and machinery £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost:			
Additions	130	68	198
At 31 March 1997	<u>130</u>	<u>68</u>	<u>198</u>
Net book value:			
At 31 March 1997	<u>130</u>	<u>68</u>	<u>198</u>

No depreciation has been charged in the period as these assets were only transferred to the company from its parent undertaking in the last month of the period.

8 STOCKS

*1997
£'000*

Work in progress

467

The difference between the purchase price or product cost of stocks and their replacement cost is not material.

9 DEBTORS

*1997
£'000*

Other debtors

48

10 CREDITORS: amounts falling due within one year

*1997
£'000*

Amount due to parent undertaking
Amount due to fellow subsidiary
Deferred Income
Accruals and trade creditors

442
38
63
107

650

British Airways Interior Engineering Limited (formerly Topexpert Limited)

NOTES TO THE ACCOUNTS

at 31 March 1997

11 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

Deferred taxation at 33% has been fully provided in the accounts as at 31 March 1997 as follows:

	<i>1997</i> <i>£'000</i>
Accelerated capital allowances	16

12 SHARE CAPITAL

	<i>1997</i> <i>No</i>
<i>Authorised</i>	
Ordinary shares of £1 each	1,000
<i>Allotted and called up</i>	
Ordinary shares of £1 each	2

Two ordinary shares were issued upon incorporation of the company. These shares were unpaid as at 31 March 1997.

13 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
Issue of shares	-	-	-
Profit for the period ended 31 March 1997	-	110	110
At 31 March 1997	-	110	110

14 OTHER FINANCIAL COMMITMENTS

At 31 March 1997 the company had annual commitments under non-cancellable operating leases expiring as follows:

	<i>Land and buildings 1997 £'000</i>
Between two and five years	173

15 ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary undertaking of British Airways Plc, a company registered in England and Wales, whose accounts are available from the Investor Relations Department, British Airways Plc, Speedbird House, Heathrow Airport (London) Hounslow, Middlesex TW6 2JA.

British Airways Interior Engineering Limited (formerly Topexpert Limited)

NOTES TO THE ACCOUNTS

at 31 March 1997

16 CAPITAL COMMITMENTS

At 31 March 1997, the company had the following capital commitments:

	1997 £'000
Contracted	-
Authorised but not contracted	1,300

17 RELATED PARTY DISCLOSURES

As the company is a subsidiary undertaking, it has taken advantage of the exemption permitted by Financial Reporting Standard Number 8 ("Related Party Disclosures") and not disclosed details of transactions with other group undertakings.