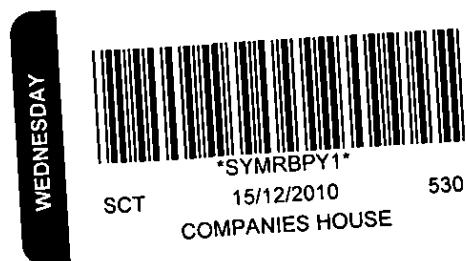


**DIRECTORS' REPORT AND ACCOUNTS
BRITISH CALEDONIAN GROUP LIMITED**

31 March 2010

Company Number SC036382



BRITISH CALEDONIAN GROUP LIMITED

Company Number SC036382

DIRECTORS' REPORT

Directors: A. K. Buchanan
K. Williams

Secretary: Kulbinder Dosanjh

Registered office: Ground Floor, Bute Court, Glasgow Airport
Glasgow PA3 2SW

The Directors present their report and the audited accounts for the year ended 31 March 2010.

DIRECTORS

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

RESULTS AND DIVIDENDS

No profit/loss was made during the year (2009: £494,000). The Directors do not recommend the payment of a final dividend (2009: £Nil).

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

During the year, the Company was re-registered as a private limited company with effect from 3 March 2010.

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc, forms an integral part of British Airways' activity, primarily as a holding company for investments of the British Airways Group.

The Directors do not expect any changes in the Company's activity in the foreseeable future.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the Company made no political or charitable contributions (2009: £nil).

EVENTS SINCE THE BALANCE SHEET DATE

There were no material post balance sheet events.

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

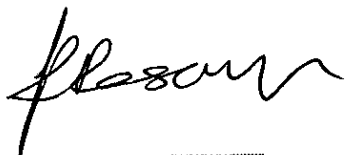
The Company's auditors Ernst and Young LLP, were appointed at the Company's Annual General Meeting on 24 September 2009 and would continue in office until the Company's next Annual General Meeting. However, the Company has since re-registered as a private company and the auditors have offered themselves up for reappointment in accordance with section 485 of the Companies Act 2006. Upon the reappointment, the auditors are deemed to continue in office by virtue of section 487 of the Companies Act 2006.

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.

BY ORDER OF THE BOARD



Kulbinder Dosanjh
Secretary

10 December 2010

BRITISH CALEDONIAN GROUP LIMITED

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 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 2006.

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 BRITISH CALEDONIAN GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH CALEDONIAN GROUP LIMITED

We have audited the financial statements of British Caledonian Group Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Kathryn Barrow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date

13 December 2010

BRITISH CALEDONIAN GROUP LIMITED
PROFIT AND LOSS ACCOUNT
For the Year ended 31 March 2010

	Note	2010 £000's	2009 £000's
Administrative expenses	4	-	494
Loss on ordinary activities before tax		<u>-</u>	<u>494</u>
Taxation	5	-	-
Loss for the financial year		<u>-</u>	<u>494</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses in the year ended 31 March 2010 (2009 : loss of £494,000).

BRITISH CALEDONIAN GROUP LIMITED

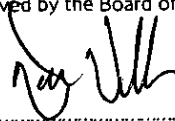
BALANCE SHEET

As at 31 March 2010

	Note	2010 £000's	2009 £000's
FIXED ASSETS			
Investments	6	-	-
CURRENT ASSETS			
Debtors	7	22,867	22,867
NET ASSETS		<u>22,867</u>	<u>22,867</u>
CAPITAL AND RESERVES			
Called up share capital	8	20,627	20,627
Share premium account	9	83	83
Profit and loss account	9	2,157	2,157
TOTAL EQUITY AND LIABILITIES		<u>22,867</u>	<u>22,867</u>

The accounts were approved by the Board of Directors and signed on behalf of the Board:

Keith Williams
Director



Date 10 December 2010

BRITISH CALEDONIAN GROUP LIMITED

NOTES TO THE ACCOUNTS

31 March 2010

1 ACCOUNTING POLICIES

Accounting convention:

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

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.

Provisions for the diminution in value of the cost of investments in subsidiary undertakings and associated undertakings are based on the net realisable value of the investments.

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. There is no retranslation of fixed asset investments.

Monetary assets and liabilities denominated in currencies other than sterling are translated to sterling 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.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

Cash flow statement:

Under the provisions of FRS 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement, as 90% or more of the voting rights are controlled within the Group.

Deferred tax:

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 taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax 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.

2 AUDITORS' REMUNERATION

The auditor's remuneration of £3,000 (2009: £3,000) 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 (2009: £nil). The emoluments for services to the British Airways Group are borne by British Airways Plc, the Company's parent undertaking.

All of the Directors qualify for a defined benefit pension scheme provided by the Company's parent undertaking. There were no employees of the Company during the year (2009: nil).

4 ADMINISTRATIVE EXPENSES

	2010 £000's	2009 £000's
Write-off of inter-group receivables	-	494
	-	494

BRITISH CALEDONIAN GROUP LIMITED

NOTES TO THE ACCOUNTS

31 March 2010

(Continued)

5 TAXATION

Profit & Loss Account

(a) Analysis of charge for the year

There is no tax charge for the year. (2009: Nil).

(b) Factors affecting tax charge/(credit) 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 of 28%
The differences are explained below:

	2010 £000's	2009 £000's
Profit on ordinary activities before tax	-	(494)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28%	-	(138)
Effects of:		
Non taxable income and expenses not deductible for tax purposes	-	138
Timing differences:	-	-
Current tax charge/(credit) for the year as above	-	-

The Chancellor announced at the 2010 Emergency Budget on 22 June 2010 that starting from 1 April 2011, the rate of Corporation Tax will be reduced by one per cent for each of the next four years reaching 24% by 2014. In addition the rate of Capital Allowances will be reduced from April 2012. For Plant & Machinery in the general pool, rates will fall to 18% (from 20%) and for long term assets to 8% (from 10%). These measure have not been substantively enacted at the balance sheet date and hence the figures within these financial statements are calculated in accordance with the existing rates.

6 INVESTMENTS

	2010 £000's	2009 £000's
Cost at 1 April 2009 and 31 March 2010	6,735	6,735
Amounts provided at 1 April 2009 and 31 March 2010	(6,735)	(6,735)
Net book value at 31 March	-	-

Equity interests at 31 March 2010 comprise investments in the following companies:

Name of Company	Activity	Country of incorporation	Proportion of equity	Type of holding
British Caledonian Airways Limited	Active	England	100%	Ordinary shares of £1
Caledonian Aviation Investment Limited	Dormant	England	100%	Ordinary shares of £1

BRITISH CALEDONIAN GROUP LIMITED

NOTES TO THE ACCOUNTS

31 March 2010

(Continued)

7 DEBTORS

	2010	<i>2009</i>
	£000's	<i>£000's</i>
Amounts owed by parent undertaking	<u>22,867</u>	<u><i>22,867</i></u>

8 SHARE CAPITAL

	2010	<i>2009</i>
	£000's	<i>£000's</i>
Allotted, called up and fully paid up Ordinary shares of £1.00 each:		
Balance at 31 March	<u>20,627</u>	<u><i>20,627</i></u>

9 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital	Share premium account	Profit & loss account	Total
	£000's	£000's	£000's	£000's
At 1 April 2008	20,627	83	2,651	23,361
Loss after tax	-	-	(494)	(494)
At 31 March 2009	20,627	83	2,157	22,867
Profit after tax	-	-	-	-
At 31 March 2010	<u>20,627</u>	<u>83</u>	<u>2,157</u>	<u>22,867</u>

10 DIRECTORS LOANS AND TRANSACTIONS

No loans or transactions were outstanding with the Directors of the Company at the end of the year, which need to be disclosed in accordance with the requirements of section 412 and 413 of the Companies Act 2006.

11 RELATED PARTIES

The Company has taken advantage of the exemption in FRS 8 not to disclose related party transactions as the Company is wholly owned by, and controlled within the Group.

12 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.