HIGHLIGHTS

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ROUP RESULTS

		Group	
		1993-94	1992-93
Turnover	£m	6,303	*5,566*
Operating profit	£m	496	*310*
Profit before taxation	£m	301	*185*
Profit after taxation	£m	286	*178*
Capital and reserves	£m	1,827	*1,214*
Earnings per share †			
Basic	p	31.3	*23.1*
Fully diluted	p	28.7	*21.4*
Dividends per share †	p	11.10	*10.16*

RAFFIC

Revenue tonne kilometres	m	11,336	*10,313*
Available tonne kilometres	m	16,913	*15,424*
Passengers carried	000	30,595	*28,100*
Cargo carried (tonnes)	000	607	*532*
Overall load factor (scheduled services)	%	66.5	*66.2*

MPLOYEES AND PRODUCTIVITY

Average number of employees		49,628	*48,960*
Revenue tonne kilometres per employee	000	228.4	*210.6*
Available tonne kilometres per employee	000	340.8	*315.0*

† *Earnings per share and dividends per share for the year ended 31 March 1993 have been adjusted to take into account the bonus element of the rights issue announced in May 1993.*

I am pleased to report another successful year for your Company.

According to IATA, the industry association, 1993 was another year of appalling results with losses for international scheduled services totalling in excess of US$4 billion for the second consecutive year. During the course of the year two special commissions were appointed to look into the future of the industry. The first was set up by President Clinton to look at the prospects for US airlines, and the other was established by the European Union Commissioner for Transport, and known as the "Comité des Sages", to review the situation in Europe. I put forward your Company's views to both commissions emphasising the importance of removing the obstacles to traffic and investment access across borders at the earliest opportunities. I was encouraged by the reports and recommendations submitted by each of the commissions but remain disappointed at the lack of decisions and consequent action by those in authority.

In contrast, your Company achieved a significant improvement in profit over the previous year. Our success was due to maintaining a relatively high load factor, despite an increase in available capacity of 10 per cent; and to concentrating on raising productivity, this year by 8 per cent. Operating profits increased in all four of our main world regions and this success was especially noteworthy in Europe and the Americas. Cargo made its best ever contribution to our Group results, while carrying a record 607,000 tonnes. We saw a good improvement in the performance of British Airways Regional, responsible for our operations based in Birmingham, Manchester and Scotland and at Gatwick, including a small profit contribution from the domestic and European services of the company formerly trading as Dan-Air. Last summer we acquired the outstanding shares of Brymon Airways and have subsequently expanded this company's services with a successful outcome.

Our global alliance continues to strengthen despite the difficult circumstances encountered by USAir Group and by TAT European Airlines in France. USAir is threatened by severe low price competition especially in its principal geographic market area of the northeast United States. This has caused a deterioration in its results which led me to advise the board of USAir that British Airways would be unwilling to invest further money in that company until its reconstruction plan is finalised and we are assured of the company's ongoing viability. To that end the USAir management has commenced negotiations with its employees and their representatives but it is too early to predict the outcome. Meanwhile USAir is introducing new marketing initiatives which are expected to have a beneficial effect. A close working relationship has been established between the two companies and the expected synergy benefits are starting to flow through. In particular we are seeing additional revenues from the 54 routes in the United States on which codesharing is now in place. TAT had to confront the consequences of losing important contracts with Air Inter, the State-owned French airline, and the economic recession in France. Our partner was successful in negotiating an agreement which led to a substantial restructuring of the company. This has now been put into effect and is expected to improve materially the results in the present year. Following significant changes in its senior management, Qantas Airways is settling down well and starting to prepare for its planned privatisation which is expected to take place within the next twelve months. Our German investment, Deutsche BA, has expanded its route network and, with its low cost base, offers good prospects for the future.

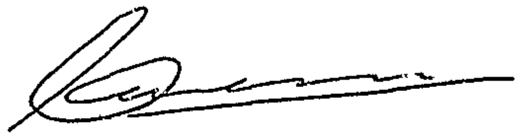
Our enthusiasm for, and recognition of, quality customer service remains undiminished and we have continued to seek further improvements in this area while endeavouring to contain costs at the same time. Our attractive arrivals lounge in Terminal 4 at Heathrow was opened last September and has proved to be very popular with our regular First and Club World passengers. Jointly with Qantas we have recently opened a new and much larger lounge in Hong Kong. More improved lounge facilities are under construction, or planned, in the international departures area of Terminal 1 at Heathrow, at Gatwick in the North Terminal and at Charles de Gaulle in Paris. To improve the connecting services between our partner airlines we continue to work with airport authorities to bring the various operations closer together. Notable progress has been made at JFK airport New York, where USAir has moved into the British Airways terminal; and at Charles de Gaulle airport. A number of new routes and increased frequency on established routes have been introduced during the year. In June, together with TAT, we expect to re-introduce services between Heathrow and Orly airport in Paris, following a favourable decision by the European Commission. We have also introduced further improvements in our successful Air Miles customer loyalty programme, administered by Air Miles Travel Promotions Ltd which recently became a wholly-owned British Airways subsidiary.

We have continued to pay close attention to your Company's employment practices and, as a strong supporter of "Opportunity 2000", we have made more progress towards our targets for the employment of women and the appointment of women managers. High emphasis is placed on equal job opportunity for all, including the disabled and ethnic minorities. Our employees strongly support four charities, all with a focus on children – Dreamflight, Operation Happychild, Cargo Kidney Fund and the Dhaka Orphanage. Earlier this year HRH the Duchess of Kent and I launched our "Change for Good" programme whereby loose change in any currency is collected on a voluntary basis from passengers on our intercontinental flights for the benefit of UNICEF. Winning for Customers, our staff motivational programme, will conclude in July, having run for more than two years and afforded every employee the opportunity to attend. I anticipate a new programme being launched early in 1995 with the objective of maintaining the strong enthusiasm and customer service commitment of staff throughout the world. Once again our employees have performed extremely well under considerable pressures in the marketplace and I am grateful for their strong support, without which the Company could not have achieved its present results and position on the world scene.

Your Company's strategy for the future is to keep at the forefront of the globalisation of the airline industry – resulting from increasing deregulation around the world, along with more privatisation, as governments recognise the high cost of retaining control and ownership. The consequences will inevitably lead to some industry-wide consolidation while at the same time enabling many new companies to enter the marketplace. In the short term we will concentrate on developing the synergy benefits from the investments we have made in the past couple of years but will also remain alert to further opportunities to improve our coverage and penetration of the major markets. It is our hope that the European Commission will put a stop to state aids thereby giving the playing field in Europe a more even and competitive balance. The World Travel and Tourism Council remains optimistic for further substantial growth in travel and tourism, and this, is of course, good news for airline prospects.

We strongly support BAA plc's application for planning permission to develop Terminal 5 at Heathrow, without which the economic growth prospects for the southeast of England, and the country as a whole, will be reduced in the early years of the next century. This new terminal, in which I would expect all of British Airways eventually to be housed, is vital to our long term success as is also the development of a new large airliner capable of carrying approximately six hundred passengers in our three class configuration. We are considering with the Manchester Airport Authority, the possibility of building a substantial addition to Terminal 1 at that airport which would accommodate all of your Company's interests there. Later this year the new Compass Centre located on the north side of Heathrow, will open to provide much improved and expanded facilities for our Operations and Cabin Services departments.

In conclusion, I wish to thank my fellow Board members for their contributions to our deliberations and to the achievements in the past year. It has been a particular pleasure to welcome Baroness O'Cathain and Charles Mackay to our midst. I believe that, together with all of our managers, our employees, and our partner companies, we can look forward with increasing confidence in our ability to deliver both value for money and a consistent high level of service to our customers, thereby enhancing prospects for our Shareholders.



Sir Colin Marshall *Chairman*

CORPORATE GOVERNANCE

British Airways continues to operate to high standards of corporate governance. The Code of Best Practice as recommended by the Cadbury Committee on the Financial Aspects of Corporate Governance has been implemented, with the exception of those provisions still under review by the accounting profession.

The Company has also introduced a Code of Business Conduct which has been circulated to all Group employees during the year.

The Board is made up of four Executive Directors and six Non-Executive Directors.

The Executive Directors are Sir Colin Marshall, Chairman, Robert Ayling, Group Managing Director, Derek Stevens, Chief Financial Officer and Sir Francis Kennedy, Special Adviser to the Board.

The Non-Executive Directors are people of varied background and experience, who contribute to the growth and vitality of the airline. They are paid according to the time they devote to the affairs of the Company.

The Board meets regularly ten times a year, but additionally when necessary, and considers all matters relating to the overall strategy, direction and future development of the airline. The Non-Executive Directors bring an independence of judgement and a wide business experience to these deliberations. They are given the information they require to enable them to make a full contribution at Board meetings.

In appropriate circumstances independent professional advice would be made available to the Directors, at the Company's expense. Board procedures are the responsibility of the Company Secretary, to whom all Directors may refer for guidance and advice.

There are four standing Board Committees each with its own terms of reference:

The Audit Committee comprises all the Non-Executive Directors and meets quarterly with the auditors to review the airline's financial statements including the Report and Accounts to ensure that these provide an accurate reflection of the airline's financial position. The Committee also ensures that the appropriate accounting policies and compliance procedures are in place.

The Air Safety Review Committee meets bi-monthly. Its members are the Chairman, the Special Adviser to the Board and four Non-Executive Directors. The Committee considers all matters relating to the operational safety of the airline and its wholly-owned subsidiary undertakings.

The Remuneration Committee is made up of four Non-Executive Directors and meets annually to consider and recommend remuneration for the Executive Directors.

The Nominations Committee is made up of the Chairman and four Non-Executive Directors and meets at least once a year. It is responsible for recommending Board appointments and re-appointments.

BOARD MEMBERS, PRESIDENT AND EXECUTIVE MANAGEMENT

BOARD MEMBERS

Sir Colin Marshall (60) *Chairman*
Formerly Deputy Chairman and Chief Executive. Joined the Board as Chief Executive in 1983. Director, Grand Metropolitan PLC, IBM United Kingdom Holdings Limited, HSBC Holdings plc, USAir Group, Inc. and Qantas Airways Limited. (B, D)

Sir Michael Angus (64) *Non-Executive Director, Deputy Chairman and Chairman of the Board Audit, Remuneration and Nominations Committees.* Joined the Board in 1988. President, Confederation of British Industry 1992-94. Chairman, Whitbread PLC and a director of National Westminster Bank Plc and The Boots Company PLC. (A, C, D)

Robert Ayling (47) *Group Managing Director*
Joined the Board in 1991. Previously Director of Marketing and Operations, Company Secretary and Legal Director and Director of Human Resources. Formerly Under Secretary at the Department of Trade. Director, Sun Alliance Group PLC.

Derek Stevens (55) *Chief Financial Officer*
Joined the Board in 1989. Formerly Finance Director, TSB Group plc. Director, USAir Group, Inc.

Captain Colin Barnes (60) *Non-Executive Director, Chairman of the Board Air Safety Review Committee*
Joined the Board in 1991 after 36 years flying with the airline as a pilot, the last ten as Chief Pilot and the final five as Director of Flight Crew. (A, B)

Michael Davies (5[illegible]) *Non-Executive Director*
Joined the Board in 1983. Chairman, Calor Group PLC, Wiltshier PLC, Perkins Foods PLC and Simon Engineering PLC. (A, B, C, D)

Sir Francis Kennedy KCMG CBE (68) *Special Adviser to Chairman and Board*
Joined the Board in 1987. Chairman, British Airways Regional Ltd. Diplomatic Service, 1964-86. Director, Fluor Daniel Corp. and Smith & Nephew plc. (B)

Charles Mackay (54) *Non-Executive Director*
Joined the Board in 1993. Chief Executive, Inchcape plc. Director, HSBC Holdings plc. (A, C, D)

Baroness O'Cathain (56) *Non-Executive Director*
Joined the Board in 1993. Managing Director, The Barbican Centre. Director Tesco Plc and Sears Plc. (A, B)

The Hon Charles H. Price II (63) *Non-Executive Director*
Joined the Board in 1989. Former United States Ambassador to the UK. Chairman, Mercantile Bank of Kansas City. Director, Mercantile Bancorporation Inc., Hanson PLC, Texaco Inc., Sprint Corporation and New York Times Company Inc. (A, B, C, D)

The letters in brackets indicate membership of the following standing committees of the Board:
(A) Audit Committee, (B) Air Safety Review Committee, (C) Remuneration Committee, (D) Nominations Committee

PRESIDENT

Lord King of Wartnaby (76)
Chairman 1981-1993

EXECUTIVE MANAGEMENT

Mike Batt (39) *Director of Marketing*
Terry Butfield (53) *Head of Network Management*
Anthony Cocklin (51) *Head of Communications*
Alistair Cumming (59) *Director of Engineering*
Dr Michael Davies (56) *Director of Health Services*
Robert Falkner (46) *Group Chief Accountant*
Tony Galbraith (55) *Treasurer*
Valerie Gooding (44) *Director of Business Units*
Kevin Hatton (49) *Managing Director World Cargo*
Brian Haydon (48) *Director of Information Management*
David Holmes (59) *Director of Government and Industry Affairs*
David Hyde (57) *Director of Safety, Security & Environment*

Peter Jones (45) *Head of Public Relations*
Captain Jock Lowe (50) *Director of Flight Operations*
Clive Mason (50) *Director of Purchasing and Supply*
Roger Maynard (51) *Director of Corporate Strategy*
John Patterson (46) *Director of Operational Performance*
Gail Redwood (45) *Company Secretary*
Valerie Scoular (38) *Director of Human Resources*
Mike Street (46) *Director of Service Delivery*
Walter van West (51) *Group Financial Controller*
Mervyn Walker (35) *Legal Director*
John Watson (50) *Director of Regions and Sales*

Membership as at 23 May 1994

ACCOUNTS AND STATISTICS
CONTENTS

The Directors have pleasure in presenting their Report and Accounts for the year ended 31 March 1994. The accounts are set out on Pages 12 to 38.

PRINCIPAL ACTIVITIES

The main activities of British Airways Plc and its subsidiary undertakings are the operation of international and domestic scheduled and charter air services for the carriage of passengers, freight and mail and the provision of ancillary services.

RESULTS FOR THE YEAR

Profit after taxation, attributable to members of British Airways Plc, amounted to £286 million, against £178 million in the previous year. The Board recommends a final dividend of 7.92p per share. An interim dividend of 3.18p per share was paid in January making a total of 11.10p per share, an increase of 9.3 per cent on the previous year. After providing £106 million for dividends, the retained profit for the year amounted to £180 million.

PROPERTY VALUATION

Richard Ellis, Chartered Surveyors, valued the Group's principal properties at 31 March 1993 in accordance with the statements of asset valuation practice and guidance notes of the Royal Institute of Chartered Surveyors. Having regard to this valuation, the opinion of the Directors is that the current value of the Group's properties remains at approximately £250 million in excess of the net book value disclosed in the Group balance sheet at 31 March 1994.

In view of the specialised nature of many of the Group's operational properties, such as hangars and aircraft maintenance buildings, a significant proportion of the total valuation is on the basis of depreciated replacement cost, the balance having been valued on an open market existing use basis.

DIRECTORS

During the year but prior to the annual general meeting in 1993, the Board appointed Baroness O'Cathain and Mr Charles Mackay as Directors. Both were elected at the annual general meeting in 1993. Lord White retired from the Board at the same annual general meeting.

Mr Robert Ayling, Captain Colin Barnes and Sir Francis Kennedy are proposed for re-election at the forthcoming annual general meeting. Mr Ayling has a service contract with the Company terminable by either party on two years' notice and expiring in any event on his 63rd birthday. Sir Francis has a service contract with the Company which expires when he ceases to be a Director of the Company or its subsidiary British Airways Regional Ltd, of which he is currently the Chairman. Under Article 86 of the Company's Articles of Association, Sir Francis will be obliged to retire as a Director of the Company at the annual general meeting in 1996.

The names and details of the Directors are set out on Page 4 and their share interests are disclosed on Page 47.

FIXED ASSETS

Details of the Group's tangible assets and investments are set out in Notes 13 and 14 to the accounts.

LIABILITY INSURANCE

British Airways holds a Directors' and Officers' liability insurance policy.

EMPLOYEE INVOLVEMENT

The motivation and commitment of all the employees continues to play a major part in the airline's success.

"Winning for Customers", the airline's staff motivational programme, will conclude in July. By then virtually all employees will have had the opportunity to attend a one day event which emphasises the vital role that every individual has in retaining the airline's customers. A new programme with the objective of maintaining the strong enthusiasm and service commitment throughout the airline is due to be launched early next year. This will reflect the results of an employee survey carried out in June 1993, in which all staff were invited to give their views on the Company and its management style.

During the year changes in working practices crucial to achieve a profitable operation at Gatwick provoked limited industrial action by cabin crew throughout the UK.

The concerns of the workforce are understood and must be dealt with openly. To achieve this the airline and trade unions representing employees have drawn up a Staff Charter which lays down a commitment to a policy of achieving future change through a relationship between the Company, its employees and unions based on openness and mutual trust.

The airline's Profit Sharing Scheme will operate this year with every eligible employee receiving 1.08 weeks' pay. Under the rules of the Scheme this can be used to acquire shares to be appropriated to participants and held in trust. The Board intends to make an equivalent cash payment to those eligible employees not wishing to or able to participate in the Scheme.

The Savings Related Share Option Scheme has now been operated for a third time. Under the latest Scheme, employees are able to save up to £55 per month, and after five years have the option of purchasing shares with the money saved at the prescribed price of 286 pence per share, or have the money refunded with interest. The Scheme matures in 1998. Some 62 per cent of employees are already shareholders in the airline.

EQUAL OPPORTUNITY

British Airways policy is to promote equal opportunity in employment regardless of gender, race, colour or disability, subject only to capability and suitability for the task and legal requirements. As part of the Opportunity 2000 initiative percentage targets have been set for the employment of women and ethnic minority managers by the year 2000 and a dedicated Equal Opportunities executive has been appointed to monitor progress. Wherever possible, employees who become disabled during employment are provided with an alternative job which makes full use of their capabilities.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the Group during the year amounted to £479,000 (1993: £409,000). No political donations were made during the year (1993: nil).

SHAREHOLDERS – NON-UK NATIONALS

At 31 March 1994, 35 per cent of ordinary shares were held by non-UK nationals, compared with 36 per cent at 31 March 1993. Having regard to all relevant factors including the fact that there are no large interests of single or associated non-UK nationals and, in the absence of unforeseen developments, the Directors do not expect (but without limiting their freedom to act) to seek to exercise their powers to restrict non-UK share ownership.

CORPORATE GOVERNANCE

The Company has complied throughout the year under review with the Code of Best Practice published in December 1992 by the Committee on the Financial Aspects of Corporate Governance except in respect of the two recommendations on going concern and internal control on which the guidance of the accounting profession is awaited. The auditors have confirmed to the Board that they have reviewed this statement insofar as it relates to the paragraphs of the Code specified for their review and that, based on their review they concur with the statement.

CLOSE COMPANY STATUS

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office and a resolution proposing their reappointment and authorising the Directors to determine their remuneration will be proposed at the annual general meeting.

On behalf of the Board
GF Redwood Secretary
23 May 1994

OPERATING AND FINANCIAL REVIEW OF THE YEAR

SUMMARY

The pre-tax profit for the year ended 31 March 1994 was £301 million, up 62.7 per cent, a significant improvement on last year despite competitive forces affecting the Company from many directions. The improved results reflect our cost reduction initiatives and the measures we have taken to increase revenues, particularly premium traffic. In addition we have enjoyed a benefit from weaker Sterling during the year, which has helped to mitigate the effects of declining yields arising from excess capacity in the market place. The Company achieved a 10.7 per cent increase in scheduled passenger traffic on capacity up 11.9 per cent, well ahead of general market growth.

IATA member airlines lost US$4.1 billion on international services in calendar 1993, a net loss equivalent to 4 per cent of their revenues. This compares with losses of US$4.8 billion in 1992. British Airways results contrast well with this general picture. They reflect the airline's continued ability to counter economic and market forces while investing heavily for the futur[illegible] particularly through product enhancement and investment in new developing European associates.

OPERATING REVIEW

TURNOVER

For the year ended 31 March 1994 Group turnover increased by 13.2 per cent from £5,566 million to £6,303 million. A total of 30,595,000 passengers were carried on scheduled and charter services during the year, an increase of 8.9 per cent. Cargo tonne kilometres were up by 11.1 per cent, representing the carriage of 607,000 tonnes of cargo. Revenue tonne kilometres (RTK) for the year increased by 10.9 per cent with available tonne kilometres (ATK) up by 10.5 per cent and the overall load factor was 66.5 per cent. Revenue passenger kilometres on scheduled services increased by 10.7 per cent while available seat kilometres rose 11.9 per cent, giving a passenger load factor of 70.0 per cent, down by 0.8 points on the previous year. Yield on scheduled services improved 3.1 per cent on passenger revenue and 4.7 per cent on cargo. However, excluding exchange rate benefits, yield declined 2.4 per cent and 3.3 per cent respectively.

Significant progress has been made in developing our product and standards of customer service. A £100 million, 18 month programme of improvements to our premium brands was co[illegible] initiated at the height of the recession when p[illegible] decline and was designed to enhance the con[illegible] Airways by offering better value and quality [illegible] The success of the strategy is proving itself in [illegible] traffic which has grown by 6 per cent over the p[illegible] sign[illegible] of recovery seen in September 1993.

The investment in products has included a major interior refurbishment of the Concorde fleet and a new First Class Sleeper Service on 40 intercontinental overnight flights. In longhaul Club World cabins, new seats and the most comprehensive video system available in business class and improved in-flight service have been introduced. Arrivals lounges – the first of their kind in the world – have opened at Heathrow and Gatwick. They offer arriving premium passengers a chance to showe[illegible], change and have breakfast before they leave the airport. A fast track process through immigration and security for Concorde, First and Club passengers has been introduced at both London airports. Additionally, British Airways achieved the best punctuality performance since privatisation, with 85 per cent of flights departing within 15 minutes, four points up on last year.

Market share on routes to and from both London airports was 46 per cent for the year, an improvement of three percentage points on last year and exceeding capacity share of 43 per cent. Our passenger numbers grew by 11 per cent, while the market grew by 5 per cent.

The acquisition of the principal European and domestic routes of Dan-Air with effect from 1 November 1992 contributed to a boost in market share at Gatwick of 12 percentage points to 41 per cent and passenger traffic growth of 39 per cent. Significant improvements have been made at British Airways Regional and at Gatwick, including a small profit contribution earned by British Airways (European Operations at Gatwick) Limited, formerly Dan-Air Services Limited.

In addition to the new routes added to the network following the acquisition of Brymon Airways Limited and the new franchise agreements with CityFlyer Express and Maersk Air, new services have been introduced during the year to Verona, Thessaloniki, Aden, Sana'a, Calcutta, Baltimore, Charlotte and Santiago, and from Birmingham to New York and Manchester to Los Angeles. Flights to Aden and Sana'a were suspended in May 1994 because of the conflict in the Yemen.

Several thousand staff were involved in the launch of the British Airways Dream Ticket, a promotional campaign specifically designed to stimulate the premium market during the autumn of 1993. In a bid to win a bigger share of the leisure travel markets British Airways Sainsburys joint promotion was operated for the second year running and the airline has recently launched World Offers, a range of bargain priced fares on services with seats that would otherwise probably go unsold. All these initiatives are considerable successes.

The terrorist attacks on Heathrow in March 1994 and the subsequent security alerts caused considerable disruption to flights: 147 flights had to be cancelled and a further 70 delays of up to 24 hours were experienced. Our staff showed outstanding dedication and courage in dealing with th[illegible] disruption caused to our operations and to our customers as runways and terminals were closed by the security forces. The overall effect on operating profit for the year was estimated at close to £10 million.

EXPENDITURE

Group expend[illegible]re rose 10.5 per cent from £5,256 million to £5,807 million. Unit costs [illegible] measured by net operating expenditure per ATK increased by 1.1 per cent but excluding exchange rate effects fell [illegible] 3.6 per cent.

The average number of employees in the [illegible] year [illegible] 31 March 1994 was 49,628 [illegible] per cent [illegible] previ[illegible] Productivity, as m[illegible] of Group [illegible] per [illegible] employee cos[illegible] £1,646 [illegible] as a re[illegible] security cost the [illegible] per cent [illegible] and [illegible] sharing for the year. [illegible] associated with employee [illegible] compared with last year.

[illegible] costs and depreciation combined rose 6.0 per cent [illegible] effects of the larger fleet being offset by lower operating lease costs reflecting lower interest rate costs, and some refinancing of operating leases on a finance lease basis.

Fuel and oil costs increased by 15.4 per cent to £646 million, largely due to additional flying (revenue aircraft kilometres up 10.4 per cent) and exchange rate changes, partially offset by 8.2 per cent reduction in the average market price of fuel to 63.6 US cents per US gallon for 1993-94. Engineering and other aircraft costs increased 24.8 per cent principally due to aircraft and crew costs associated with the new Gatwick to Pittsburgh, Baltimore and Charlotte wet lease services using USAir aircraft and crews and the hire of cargo space from other carriers as well as increased flying activity and third party maintenance. Landing fees and en route charges were up by 9.7 per cent due to more flying activity. Handling charges, catering and other operating costs increased by 10.6 per cent reflecting the increase in passengers carried and product improvements.

Selling costs were 15.2 per cent higher principally due to volume related travel agent and credit card commissions and additional advertising and promotion particularly on premium services.

Programmes to reduce our costs and improve revenues remain in place and new opportunities for substantial improvement continue to be identified. Staff are fully involved in our cost saving and revenue generating initiatives. Last summer Operation Brainstorm invited all employees to make suggestions for generating additional revenue or trimming costs. More than 5,500 suggestions were received and many have been acted upon.

In the year to 31 March 1994 we again exceeded our cost savings target of £150 million. Since the end of the year British Airways has embarked on a management reduction programme which will be achieved through early retirement and voluntary severance, and a further review of overheads and administrative processes. Savings in the cost of operating the airline are now running at over £580 million per annum through better working practices, better value for money from our suppliers, and better utilisation of aircraft and other assets, introduced over the last three years. Aircraft utilisation improved 4.2 per cent in 1993-94.

GEOGRAPHICAL ANALYSIS

The geographical analysis of Group turnover and operating profit shows significant improvement across all routes. European route operating profit more than doubled to £69 million as passenger traffic growth of 13.9 per cent kept ahead of capacity increases of 12.8 per cent but margins remain unacceptably low.

Although turnover on the Americas routes rose 18.7 per cent to £2,029 million, turnover originating in that region was up by 28.2 per cent to £1,188 million reflecting increases in passenger volumes, particularly premium business, cargo and exchange benefits. Operating profit on the Americas routes rose 48.3 per cent, reversing the decline in profitability experienced in 1992-93.

Turnover on the Africa, Middle East and Indian sub-continent routes increased 18.9 per cent to £980 million. Operating profit on those routes was £203 million, up 51.5 per cent. Far East and Australasia operating results rose 61.0 per cent to £95 million, reflecting improved economic conditions in the region.

OTHER DEVELOPMENTS

With effect from 1 August 1993 British Airways and Maersk Air Holdings agreed to restructure The Plimsoll Line Limited (TPL) in which British Airways held 49.9 per cent of the equity. Under this agreement TPL and its subsidiary undertakings, Brymon Airways Limited and Plymouth City Airport Limited, became wholly-owned subsidiary undertakings of British Airways Group. Birmingham European Airways (renamed Maersk Air) became a wholly-owned subsidiary undertaking of Maersk Air Holdings. Brymon Airways flights and Maersk Air flights (both formerly operated under the brand name of Brymon European Airways) now operate with British Airways flight codes, with aircraft repainted in British Airways livery and with cabin crew wearing British Airways uniform.

In July 1993 British Airways entered into a new franchising agreement with the Gatwick-based independent commuter airline CityFlyer Express Limited, whereby CityFlyer Express operates all its scheduled services under the brand name of British Airways Express, using British Airways livery and uniforms. Plans for a similar franchise agreement with Scottish based Loganair were announced in April 1994 to start in July 1994.

On 13 May 1994, the Group acquired the remaining 49 per cent shareholding in Air Miles Travel Promotions Limited together with a perpetual licence to use the Air Miles' trade marks and to operate the Air Miles scheme.

INCOME FROM INTERESTS IN ASSOCIATED UNDERTAKINGS AND OTHER INCOME AND CHARGES

British Airways share of losses of associated undertakings declined by £6 million to £11 million, principally representing continuing losses of TAT European Airlines and Deutsche BA offset by share of profit from Qantas and preferred dividends received from USAir. Other income and charges worsened by £20 million to £32 million due to provisions against advances to TAT and Deutsche BA.

USAir

USAir has been severely affected by increasing competition from low-cost, low-fare airlines in its principal geographic market area in the northeast United States. Pre-tax losses for their first quarter to 31 March 1994 were US$196.7 million and losses for 1994 are now expected to exceed the 1993 pre-tax losses of US$349.4 million. Although US$50 million of the first quarter losses was attributed to poor weather conditions, the main reason for the losses arises from incursion by low cost carriers into USAir's markets, and USAir's pricing response to this action. Against this background, USAir's management has drawn up a major restructuring programme. USAir made the following statement in their 1993 Annual Report:

"Unless USAir is able to reduce its operating costs, present and increasing competition from low cost, low fare airlines in USAir's markets could have a material adverse impact on USAir's cash position and therefore, its ability to sustain operations. In March 1994, USAir announced that it had initiated discussions with the leadership of its unionized employees regarding wage reductions, improved productivity and other cost savings. The outcome of these negotiations is uncertain, but if timely agreements are not reached, the Company may seek other restructuring alternatives."

The major restructuring programme includes negotiations with the unions, for which the outcome is uncertain. If these negotiations are not successfully concluded within the timescale which the financial position of USAir requires, then the Directors believe that a provision for permanent diminution in value is likely to be required against the present book value of the Group's investment of £275.3 million (US$400.7 million).

In March 1994 British Airways announced that it would not make any additional investments in USAir until the Company has been reassured of the ongoing viability of the business.

The emerging benefits of the alliance with USAir are dealt with on Page 9.

QANTAS

Qantas announced an unaudited group profit from operations of A$100.5 million for their half year ended 31 December 1993 compared with A$33.8 million for the same period a year ago. Group profit after tax for the six months to 31 December 1993 amounted to A$71.7 million compared with a loss of A$365.2 million in the previous half year, which included significant abnormal items relating to the acquisition of Australian Airlines, staff redundancy and other restructuring costs.

The improvement was largely due to increased passenger volumes in international and domestic markets, and interest savings resulting from the Australian Government's recapitalisation of Qantas in February 1993, offset by declining yields on both domestic and international routes. Of the major international routes, Japan, The Orient and New Zealand made positive contributions. Europe and The Americas continued to sustain losses owing to low fares and over capacity and since March 1994 a number of changes have been made to trans Pacific route schedules including the cessation of flights to San Francisco.

Qantas has embarked on considerable investment in brand and product enhancements including in-cabin service and facilities on the ground. The strategic partnership between British Airways and Qantas continues to provide opportunities to enhance the range of products available to both companies' customers such as the new 'Global Explorer' round-the-world fares and reciprocal frequent flyer benefits. Both companies are working to reduce costs by co-operation in some purchasing, technical and support activities and by sharing some assets and ground facilities, including new lounge facilities at Hong Kong. The most notable development, however, is Qantas' decision to install the BABS computer reservations system, developed by British Airways and sold to a number of other airlines. Qantas will invest A$15 million in the system over 18 months.

The 75 per cent of the airline owned by the Australian Government is expected to be sold in a public flotation in the next financial year to June 1995.

TAT EUROPEAN AIRLINES

The results from TAT have been disappointing, mainly as a result of the depth and duration of the French recession, the loss of the Air Inter contract and a low level of penetration of the French originating market on international routes.

A joint TAT/British Airways plan for restructuring was accepted by all the unions involved in February 1994. It involved substantial cost reductions and the loss of approximately 300 jobs out of a total of 1,500, mainly flight crew and administration staff. In addition the commercial organisation of TAT has contracted out all its sales and marketing activities to British Airways. Cost per passenger boarded this year is expected to be some 30 per cent below last year.

On the domestic network some routes have been closed and there is an overall reduction in the number of seats offered so that capacity more closely reflects market conditions.

TAT has retained most of its existing international routes, subject to a closer integration with the operations of Deutsche BA. New services have been started from Nice to Brussels, Manchester and Rome, and from Lyon to Rome. TAT has also started operating two daily services into Heathrow from Paris-Charles de Gaulle. These will transfer to Paris-Orly by the end of June 1994. TAT plans to operate from Orly to Marseille and Toulouse by the start of the winter season.

DEUTSCHE BA

Deutsche BA experienced lower than expected traffic levels as a consequence of the recession of the German economy. 62 per cent of Deutsche BA's scheduled passengers were carried on domestic services. Overall Deutsche BA's domestic scheduled traffic grew by more than 90 per cent in 1993-94 compared with last year. New international scheduled routes in 1993-94 include Stockholm from Munich and Berlin, Ankara from Munich, Oslo from Stuttgart and Berlin, and St. Petersburg and Moscow from Berlin. Nevertheless overall seat factors remain disappointing.

This summer, Deutsche BA commenced operations from Frankfurt to Paris-Charles de Gaulle and from Berlin and Munich to Madrid. The route from Paris-Charles de Gaulle to Munich, previously operated by TAT, has been taken over by Deutsche BA. Deutsche BA has entered the busy Munich to Dusseldorf market with seven flights per day.

Since April 1994, the Deutsche BA operation has been consolidated at its new head office and principal operating hub in Munich. Deutsche BA is expected to improve its performance substantially as its recent network expansion matures.

ALLIANCE BENEFITS

Group results for the year reflect early cost and revenue benefits from our global alliance amounting to some £10 million compared with the net losses originally anticipated. All partners are now accruing benefits from the British Airways global alliance.

The majority of the benefit has come from the alliance with USAir, where work on achieving benefits from the transatlantic partnership is now well advanced. Cost savings have been achieved in many areas including joint purchasing initiatives and engineering best practice.

Revenue benefits, which make up the major part of the benefits, have principally been generated by linking the British Airways and USAir route networks through codesharing, joint frequent flyer programmes and co-ordination of the airlines' sales efforts. Identified benefits from the USAir alliance are forecast to deliver around £70 million in benefits this year, largely from additional revenue.

FINANCIAL REVIEW

LOSS ON DISPOSAL OF FIXED ASSETS

Net losses on disposal of fixed assets amounted to £5 million compared with a profit of £15 million last year due to provisions made against TriStar aircraft held for resale.

NET INTEREST PAYABLE

Net interest payable rose £36 million to £147 million reflecting the full year effect of 1992-93 aircraft deliveries and aircraft borrowings offset in part by lower interest rates, the effect of the rights issue, and the absence of currency losses on revaluation of general purpose loans.

TAXATION

An analysis of the tax charge is set out in Note 10 to the accounts. The taxation charge was 5.0 per cent of profit before tax. The effective rate is lower than the standard tax charge due largely to capital allowances on fleet acquisitions exceeding the charge for depreciation and the utilisation of prior year losses. It is expected that the tax charge for 1994-95 will be in the region of 25 per cent.

EARNINGS PER SHARE

Profit after tax was £286 million, equivalent to earnings of 31.3p per share compared with 23.1p (after adjustment to take into account the bonus element of the rights issue) last year. On a fully diluted basis, earnings per share were 28.7p.

DIVIDENDS

The Board recommends a final dividend of 7.92p per share, giving a total dividend for the year of 11.10p per share, compared with 10.16p (after adjustment) per share in the previous year, an increase of 9.3 per cent. The total dividend is covered 2.7 times by earnings. The final dividend will be paid on 29 July 1994 to shareholders registered on 1 July 1994. The total cost of the dividends is £106 million, leaving £180 million to be transferred to reserves.

SHARE CAPITAL

On 11 June 1993, British Airways raised £442 million, net of expenses, by way of a 1 for 4 rights issue of 185,485,636 new ordinary shares of 25p each. On 15 June 1993, 1,615,949 ordinary shares were issued on the first opportunity for conversion and exchange of the Convertible Capital Bonds. In addition, £34 million was raised during the year by the exercise of options under Employee Share Option Schemes.

REVIEW OF CASH FLOW

Net cash inflow from operating activities totalled £736 million, up £107 million on last year. Net outlay on aircraft and other fixed assets in the year amounted to £849 million, including £643 million of assets acquired under finance leases and hire purchase arrangements (1993: £1,058 million and £513 million respectively) and £126 million (1993: £574 million) was invested in associated undertakings, principally USAir, TAT and Deutsche BA. These were the chief factors in accounting for a lower financing requirement of £454 million compared with £1,115 million last year.

WORKING CAPITAL

At 31 March 1994 net current assets were £429 million compared with net current liabilities of £274 million a year ago. This significant change is due to a £699 million increase in short-term loans and deposits contributing to total liquid assets of £1,226 million at the end of the year. The high level of cash held is a result of taking advantage of the current market climate to borrow on attractive terms in advance of planned capital expenditure in the future and the need to provide a normal prudent working balance.

Sales in advance of carriage declined by £67 million to £618 million largely due to reclassification of certain interline sales and discounts from trade creditors this year offset by an increase in volume of sales.

CAPITAL EXPENDITURE

Group capital expenditure on tangible assets and investments is set out in Notes 13f and 14a to the accounts.

A major element of the capital expenditure on tangible assets has been the acquisition of new aircraft either by outright purchase, finance lease or through hire purchase arrangements. British Airways has also entered into arrangements to lease aircraft under extendible and other operating leases

AIRCRAFT FLEET CHANGES

One Boeing 747-400 and one Boeing 737-400, both of which had been delivered in the financial year to 31 March 1993, entered service in April 1993. Two Boeing 747-400s, three Boeing 767-300s, one Boeing 757-200 and six Boeing 737-400s were delivered to the airline, of these three Boeing 737-400s have yet to enter service. Three Boeing 767-200s have been wet leased from USAir in order to operate the Gatwick to Pittsburgh, Baltimore and Charlotte routes.

Three Boeing 737-300s have been returned to the operating lessor and one Boeing 737-400 has been sub-leased to a third party. Two Boeing 737-200s were sold during the year.

The acquisition of Brymon Airways Limited with effect from 1 August 1993, brought with it six de Havilland Canada DHC-7s and five de Havilland Canada DHC-8s. Since acquisition one DHC-7 was stood down and one DHC-8 was returned to the lessor.

Six BAC 1-11-500s in service at the beginning of the year were stood down. During the year 20 BAC 1-11-500s which had previously been stood down, were sold.

AIRCRAFT ORDERS

No orders for new aircraft were placed in the year. Reflecting our intention to focus on more profitable growth and higher aircraft utilisation, options on seven Boeing 747-400s, seven Boeing 767-300s, one Boeing 757-200 and ten Boeing 737-400s were cancelled during the year. British Airways still holds orders and options for 94 aircraft including 49 Boeing 747-400s and 30 Boeing 777s. During the current year to March 1995, the Group expects to take delivery of four new aircraft.

INDEBTEDNESS

An analysis of the movements in loans and capital obligations under finance leases and hire purchase arrangements for the year ended 31 March 1994 is set out in Note 24c to the accounts.

Two Boeing 747-400s, three Boeing 767-300s, one Boeing 757-200 and two Boeing 737-400s were acquired on hire purchase arrangements by way of Japanese leveraged leases. A further Boeing 767-300, which was delivered in March 1993, was similarly financed during the financial year 1993-94.

One Boeing 737-400 was purchased outright by way of an 18 year US Dollar loan secured on the aircraft, and a further Boeing 737-400, which has been sub-leased to a third party, was acquired on an 18 year US Dollar finance lease. Both of these financings made use of an existing syndicated bank facility.

In order to reduce financing costs, 13 finance leased Boeing 737-200s were progressively bought in during the course of the year. In a separate transaction, four Boeing 767-300s held on extendible operating leases were re-financed on mortgage loans and brought on balance sheet.

In December 1993 a Boeing 747-100 was sold and leased back on an operating lease basis for a term of four years. In February 1994 British Airways gave notice of its intention to terminate extendible operating leases of two Boeing 747-400s in December 1994, reflecting the airline's success in improving aircraft utilisation and thus prospectively requiring fewer aircraft than had previously been planned.

NET DEBT: TOTAL CAPITAL RATIO

The Group has adopted Financial Reporting Standard 4 'Capital Instruments' and consequently the Convertible Capital Bonds have been included under creditors. On this basis, borrowings (including Convertible Capital Bonds of £316 million) net of cash, short-term loans and deposits during the year fell £78 million to £2,095 million. Capital and reserves rose to £1,827 million helped by the £442 million Rights Issue. The net debt: total capital ratio was 59.6 per cent on the restated basis, a 10 point improvement since last year.

FUTURE FINANCING ARRANGEMENTS

The Group's holdings of cash and short-term loans and deposits, together with committed funding facilities, are sufficient to cover the full cost of all firm aircraft deliveries due in the next two financial years. The acquisition of Boeing 747-400 and Boeing 777 aircraft scheduled for delivery during the next eight years is expected to be financed partially by internal cash flow and partially through external financing, including committed facilities arranged prior to delivery. British Airways has arrangements through a facility provided by a syndicate of banks for it to acquire certain of these aircraft on an alternative basis. Because of the necessity to place aircraft orders well in advance of delivery, it is not economic for British Airways to have committed funding in place now for all outstanding orders, many of which relate to aircraft which will not be delivered for several years. British Airways policies in this regard are in line with the funding policies of other airlines. In addition to aircraft related financing facilities, the airline has a number of unsecured borrowings of both a short and long-term nature which may be used for general purposes of the Group.

FOREIGN CURRENCY EXPOSURE

The Group does business in approximately 120 foreign currencies which account for approximately 60 per cent of Group revenue and approximately 50 per cent of operating expenses. The Group generates a surplus in most of these currencies. The principal exceptions are the US Dollar and the pound Sterling, in which the Group has a deficit arising from capital expenditure and the payment of some leasing costs, together with expenditure on fuel, which is payable in US Dollars, and the majority of staff costs, central overheads and other leasing costs, which are payable in pounds Sterling. However, the broad spread of currencies in the business - many of which are linked to the US Dollar and the pound Sterling - gives the Group a measure of protection against exchange rate movements and reduces the overall sensitivity of the Group's results to exchange rate fluctuations. Nonetheless, the Group can experience adverse or beneficial effects. For example, if pounds Sterling weakened against the US Dollar and strengthened against other major currencies, the overall effect would be likely to be adverse while the reverse would be likely to produce a beneficial effect.

The Group seeks to reduce its foreign exchange exposure arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, either spot or forward, for US Dollars and pounds Sterling.

The Group had forward contracts outstanding at 31 March 1994 in foreign currency amounting to US$272 million for US Dollar purchases, £79 million to hedge future revenue flows and £4 million for payments in other currencies.

In addition to the primary effects outlined above, exchange rate movements can affect demand for services, especially from leisure travellers whose decision whether and where to travel may alter as a result of exchange rate movements. While it is not possible to quantify this effect, British Airways does monitor exchange rate movements in an attempt to anticipate likely changes in the pattern of demand.

OUTLOOK

We plan to relaunch Club Europe later this year, providing a more comfortable and attractive cabin for this large and important group of passengers. Our overall capacity growth will average around 4 per cent in 1994-95. In terms of our network, product and service, and our focus on costs and asset utilisation we believe we are ahead of much of the competition and have the momentum to maintain that advantage. Competition will not slacken, but we are very well placed to take full advantage of the world-wide economic recovery and the gradual liberalisation of air travel towards a fully competitive market.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the report of the auditors set out below, 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 and the Group as at the end of the financial year and of the profit or loss of the Group for the financial year.

The Directors consider that in preparing the financial statements on Pages 12 to 38, 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 Group 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF BRITISH AIRWAYS Plc

We have audited the accounts on Pages 12 to 38, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on Pages 16 and 17.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described above 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.

Investment in USAir Group, Inc.

In forming our opinion we have considered the information disclosed in the accounts concerning the Group's investment of £275.3 million in USAir. The value of the Group's investment is dependent upon the successful outcome of the restructuring initiatives proposed by USAir. The circumstances relating to this fundamental uncertainty are fully described in Note 17 to the accounts. Our opinion is not qualified in this respect.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
London
23 May 1994

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1994

£ million	Note	1994	Group 1993
TURNOVER	2	6,303	5,566
Cost of sales	3	(5,702)	(5,160)
Gross profit		601	406
Administrative expenses	3	(105)	(96)
OPERATING PROFIT	4	496	310
Income from interests in associated undertakings	6	(11)	(17)
Other income and charges	7	(32)	(12)
(Loss)/profit on disposal of fixed assets	8	(5)	15
Net interest payable	9	(147)	(111)
PROFIT BEFORE TAXATION		301	185
Taxation	10	(15)	(7)
PROFIT FOR THE YEAR		286	178
Dividends	11	(106)	(79)
RETAINED PROFIT FOR THE YEAR	27	180	99
EARNINGS PER SHARE †	12		
Basic earnings per share		31.3p	23.1p
Fully diluted earnings per share		28.7p	21.4p
DIVIDENDS PER SHARE †	11	11.10p	10.16p

† *Earnings per share and dividends per share for the year ended 31 March 1993 have been adjusted to take into account the bonus element of the rights issue announced in May 1993.*

BALANCE SHEETS

At 31 March 1994

£ million	Note	Group 1994	Group 1993	Company 1994	Company 1993
FIXED ASSETS					
Tangible assets	13				
Fleet		3,976	*3,537*	3,942	*3,511*
Property		478	*464*	415	*456*
Equipment		194	*229*	178	*214*
		4,648	*4,230*	4,535	*4,181*
Investments	14				
Subsidiary undertakings				766	*668*
Associated undertakings		547	*448*		*11*
Trade investments		28	*98*	26	*22*
		575	*546*	792	*701*
		5,223	*4,776*	5,327	*4,882*
CURRENT ASSETS					
Stocks	18	48	*40*	43	*38*
Debtors	19	1,083	*1,009*	1,095	*1,015*
Short-term loans and deposits		1,194	*495*	1,116	*439*
Cash at bank and in hand		32	*33*	25	*23*
		2,357	*1,577*	2,279	*1,515*
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	21	(1,928)	*(1,851)*	(1,946)	*(1,846)*
NET CURRENT ASSETS/(LIABILITIES)		429	*(274)*	333	*(331)*
TOTAL ASSETS LESS CURRENT LIABILITIES		5,652	*4,502*	5,660	*4,551*
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Borrowings and other creditors	22	(3,443)	*(2,899)*	(3,724)	*(3,203)*
Convertible Capital Bonds 2005	23	(316)	*(320)*		
		(3,759)	*(3,219)*	(3,724)	*(3,203)*
PROVISIONS FOR LIABILITIES AND CHARGES	25	(66)	*(69)*	(66)	*(69)*
		1,827	*1,214*	1,870	*1,279*
CAPITAL AND RESERVES					
Called up share capital	26	239	*185*	239	*185*
Reserves	27				
Share premium account		457	*30*	457	*30*
Revaluation reserve		27	*45*	23	*40*
Profit and loss account		1,104	*954*	1,151	*1,024*
		1,588	*1,029*	1,631	*1,094*
		1,827	*1,214*	1,870	*1,279*

Sir Colin Marshall *Chairman*
Robert Ayling *Group Managing Director*
Derek Stevens *Chief Financial Officer*

23 May 1994

GROUP CASH FLOW STATEMENT

For the year ended 31 March 1994

£ million	*Note*	*Group* 1994	*Group* 1993
NET CASH INFLOW FROM OPERATING ACTIVITIES	*4b*	736	*629*
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		62	*96*
Interest paid on bank and other loans		(133)	*(116)*
Interest paid on finance leases and hire purchase arrangements		(88)	*(80)*
USAir preferred stock dividend received		15	*3*
Dividends received from trade investments		2	*4*
Dividends paid		(86)	*(76)*
Net cash outflow from returns on investments and servicing of finance		(228)	*(169)*
TAXATION			
UK corporation tax paid		(21)	*(38)*
INVESTING ACTIVITIES			
Tangible fixed assets purchased for cash	*13f*	(320)	*(577)*
Refund of progress payments		114	*32*
Purchase of interests in associated undertakings		(69)	*(532)*
Loans made to associated undertakings		(57)	*(42)*
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertaking		(11)	*(10)*
Sale of tangible fixed assets		44	*103*
Sale of investments		1	*2*
		(298)	*(1,024)*
Net cash inflow/(outflow) before (increase)/decrease in short-term deposits and financing		189	*(602)*
(Increase)/decrease in short-term deposits (maturity date at inception of more than three months)		(324)	*334*
Net cash outflow from investing activities		(622)	*(690)*
Net cash outflow before financing		(135)	*(268)*
FINANCING			
Changes in borrowings	*24c*		
Bank and other loans raised		210	*735*
Bank and other loans repaid		(123)	*(301)*
Capital elements of finance leases and hire purchase arrangements paid		(110)	*(79)*
		(29)	*355*
Changes in share capital			
Issue of ordinary share capital		54	*3*
Share premium received		423	*20*
		477	*23*
Net cash inflow from financing		448	*378*
Increase in cash and cash equivalents	*30b*	313	*110*

GROUP FINANCING REQUIREMENT			
Net cash (inflow)/outflow before increase/(decrease) in short-term deposits and financing		(189)	*602*
Acquisitions under loans, finance leases and hire purchase arrangements	*13f & 24c*	643	*513*
Total financing requirement for the year		454	*1,115*
FUNDED BY:			
Net cash inflow from financing		448	*378*
New loans and finance leases taken out and hire purchase arrangements made		643	*513*
(Increase)/decrease in short-term deposits (maturity date at inception of more than three months)		(324)	*334*
Increase in cash and cash equivalents		(313)	*(110)*
		454	*1,115*

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 1994

		Group
£ million	1994	*1993*
Profit for the year	286	*178*
Exchange movements	(12)	*(28)*
Total gains and losses recognised since last annual report	274	*150*

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 1994

			Group
£ million	*Note*	1994	*1993*
Retained profit for the year		180	*99*
Exchange movements		(12)	*(28)*
Issue of ordinary share capital under the rights issue announced in May 1993, on the conversion of Convertible Capital Bonds and on the exercise of certain Employee Share Options			
Share capital		54	*3*
Share premium (after charging the cost of the rights issue)		427	*20*
		481	*23*
Goodwill set off in the year	*27a*	(36)	*(149)*
Net additions/(reductions) to shareholders' funds		613	*(55)*
Shareholders' funds at 1 April		1,214	*1,269*
Shareholders' funds at 31 March		1,827	*1,214*

The difference between reported and historical cost profits and losses is not material.

1 ACCOUNTING POLICIES

PRESENTATION OF FINANCIAL INFORMATION

The Group has adopted the provisions of Financial Reporting Standard 4 'Capital Instruments' and consequently the Convertible Capital Bonds have been reclassified within creditors falling due after more than one year and corresponding amounts have been restated.

No adjustment has been made in respect of the costs associated with the issue of the Group's capital instruments outstanding at 1 April 1993, which were written off as incurred, as the amounts involved were not material.

ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention modified by the inclusion of certain assets at valuation, as stated below, and in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985.

BASIS OF CONSOLIDATION

The Group accounts include the accounts of the Company and its subsidiary undertakings, each made up to 31 March, together with the attributable share of results and reserves of associated undertakings. Certain associated undertakings make up their annual audited accounts to dates other than 31 March; in such cases the results disclosed by subsequent unaudited management accounts have been included. The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership.

On the acquisition of a business, including an equity interest in an associated undertaking, fair values are attributed to the Group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the resulting goodwill is set off against reserves in the year of acquisition.

In accordance with section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company only has not been presented.

SEGMENTAL REPORTING

a *BUSINESS SEGMENTS*

The Directors regard all Group activities as relating to the airline business.

b *GEOGRAPHICAL SEGMENTS*

i) *Turnover by destination* The analysis of turnover by destination is based on the following criteria.

Scheduled and non-scheduled services Turnover from domestic services within the United Kingdom is attributed to the United Kingdom. Turnover from inbound and outbound services between the United Kingdom and overseas points is attributed to the geographical area in which the relevant overseas point lies.

Other revenue Revenue from the sale of package holidays is attributed to the geographical area in which the holiday is taken while revenue from aircraft maintenance and other miscellaneous services is attributed on the basis of where the customer resides.

ii) *Turnover by origin* The analysis of turnover by origin is derived by allocating revenue to the area in which the sale was made. Operating profit resulting from turnover generated in each geographical area according to origin of sale is not disclosed as it is neither practical nor meaningful to allocate the Group's operating expenditure on this basis.

iii) *Geographical analysis of net assets* The major revenue-earning assets of the Group are comprised of the aircraft fleet, all of which are registered in the United Kingdom. Since the Group's aircraft fleet is employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

TANGIBLE FIXED ASSETS

a Tangible fixed assets are stated at cost except for certain aircraft fleets and properties which are included at valuation. Depreciation is calculated to write off the cost or valuation, less residual value, on the straight line basis.

b *FLEET*

i) *Cost or valuation* All aircraft are stated at cost with the exception of a small number that are stated at 31 March 1988 valuations, with subsequent expenditure stated at cost. The Concorde fleet remains at nil book value. Aircraft not in current use are included at estimated net realisable value.

Aircraft which are financed in whole or in part in foreign currency, either by loans, finance leases or hire purchase arrangements, are regarded together with the related liabilities as a separate group of assets and liabilities and accounted for in foreign currency. The amounts in foreign currency are translated into Sterling at rates ruling at the balance sheet date and the net differences arising from the translation of aircraft costs and related foreign currency loans, except for those loans which are hedged, are taken to reserves. The cost of all other aircraft is fixed in Sterling at rates ruling at the date of purchase.

ii) *Capitalisation of interest on progress payments* Interest (calculated based on US Dollar LIBOR - related rates of interest) attributed to progress payments made on account of aircraft under construction is capitalised and added to the cost of the aircraft concerned. Interest capitalised in respect of progress payments on those aircraft which subsequently become subject to extendible operating lease arrangements is carried forward and written off over the initial lease period.

iii) *Depreciation* Fleet assets owned, or held on finance leases or hire purchase arrangements, are depreciated at rates calculated to write down the cost or valuation to the estimated residual value at the end of the planned operational lives. Residual values and operational lives are reviewed annually.

c *PROPERTY AND EQUIPMENT*

All properties, other than those of a specialised use nature such as hangars and aircraft maintenance buildings, were professionally valued at open market value for existing use or open market value at 31 March 1984 and are included in these accounts on the basis of their valuation, with subsequent expenditure stated at cost. Specialised use properties are included at cost.

Provision is made for the depreciation of all property and equipment, apart from freehold land, based upon expected useful lives and, in the case of leasehold properties, over the duration of the leases if shorter.

1 ACCOUNTING POLICIES (continued)

d *LEASED AND HIRE PURCHASED ASSETS*

Where assets are financed through finance leases or hire purchase arrangements under which substantially all the risks and rewards of ownership are transferred to the Group, the assets are treated as if they had been purchased outright. The amount included in tangible fixed assets represents the aggregate of the capital elements payable during the lease or hire purchase term. The corresponding obligation, reduced by the appropriate proportion of lease or hire purchase payments made, is included in creditors. The amount included in tangible fixed assets is depreciated on the basis described in the preceding paragraphs and the interest element of lease or hire purchase payments made is included in interest payable in the profit and loss account.

Payments under all other lease arrangements, known as operating leases, are charged to the profit and loss account in equal annual amounts over the period of the lease. In respect of aircraft, operating lease arrangements allow the Group to terminate the leases after a limited period, normally every five to seven years, without further material financial obligations.

AIRCRAFT AND ENGINE OVERHAUL EXPENDITURE

Aircraft and engine spares acquired on the introduction or expansion of a fleet are carried as tangible fixed assets and generally depreciated in line with the fleets to which they relate. Replacement spares and all other costs relating to the maintenance and overhaul of aircraft and engines are charged to the profit and loss account on consumption and as incurred respectively.

ASSOCIATED UNDERTAKINGS

Where the Group participates in the results of partnerships or companies in which it has an equity interest of 20 per cent or more, but not exceeding 50 per cent, and is in a position to exercise significant influence, those interests are classified as associated undertakings. The Group's share of the profits less losses of associated undertakings is included in the Group profit and loss account and its share of the post-acquisition results of these companies is included in interests in associated undertakings in the Group balance sheet. The Group's interest in the results of USAir Group, Inc. is currently limited to its fixed preferred dividends and only such dividends are included in the accounts.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value.

CASH AND CASH EQUIVALENTS

Cash includes cash in hand and deposits held with banks and other financial institutions which are repayable on demand. Cash equivalents are short-term investments with maturities at inception of less than three months.

PENSION AND OTHER POST-RETIREMENT BENEFITS

Retirement benefits are payable through separately funded United Kingdom pension schemes with equivalent arrangements for overseas territories. 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. Provision is made based on actuarial advice for post-retirement medical benefits of employees in the United States.

FREQUENT FLYER PROGRAMMES

The estimated additional direct cost of providing free travel in exchange for redemption of miles earned by members of the Group's Executive Club and Frequent Traveller programmes is accrued as members of these schemes accumulate miles.

DEFERRED TAXATION

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 probable that the liabilities will crystallise in the foreseeable future.

FOREIGN CURRENCY TRANSLATION

Foreign currency balances are translated into Sterling at the rates ruling at the balance sheet date, except for certain loan repayment instalments which are translated at the forward contract rates where instalments have been covered forward at the balance sheet date. Except for those loans which are hedged, changes in the Sterling value of outstanding foreign currency loans, finance leases and hire purchase arrangements which finance fixed assets and of the related aircraft are taken to reserves. Exchange differences arising on the translation of net assets of overseas subsidiary and associated undertakings are taken to reserves. Profits and losses of such undertakings are translated into Sterling at average rates of exchange during the year. All other profits or losses arising on translation are dealt with through the profit and loss account.

FOREIGN CURRENCY TRANSLATION RATES

	At 31 March		Annual average	
	1994	*1993*	1993-94	*1992-93*
US Dollar	1.48	*1.51*	1.50	*1.69*
Japanese Yen	152.00	*173.00*	164.99	*215.00*
Deutsche Mark	2.48	*2.43*	2.53	*2.64*
Australian Dollar	2.11	*2.14*	2.21	*2.37*
French Franc	8.47	*8.27*	8.71	*9.09*

2 ANALYSIS OF GROUP TURNOVER, OPERATING PROFIT AND OPERATING NET ASSETS

£ million		*Group* 1994	1993
a TURNOVER			
Traffic revenue			
Scheduled services – passenger		5,175	4,533
– freight and mail		461	396
		5,636	4,929
Non-scheduled services		149	153
		5,785	5,082
Other revenue (including aircraft maintenance, package holidays and other airline services)		518	484
		6,303	5,566

Turnover relating to acquisitions is not material.

b GEOGRAPHICAL ANALYSIS OF TURNOVER

	By area of original sale 1994	1993	*By area of destination* 1994	1993
United Kingdom	2,848	2,585	658	623
Continental Europe	1,112	1,008	1,777	1,615
Europe	3,960	3,593	2,435	2,238
The Americas	1,188	927	2,029	1,709
Africa, Middle East and Indian sub-continent	535	466	900	757
Far East and Australasia	620	580	939	862
	6,303	5,566	6,303	5,566

c GEOGRAPHICAL ANALYSIS OF OPERATING PROFIT

	Group 1994	1993
Europe	69	30
The Americas	129	87
Africa, Middle East and Indian sub-continent	203	134
Far East and Australasia	95	59
	496	310

It is impractical to separate United Kingdom and Continental Europe operating profit on a meaningful basis since the day to day operations are fully integrated. The operating profits for these services are therefore combined under the heading 'Europe'.

d OPERATING NET ASSETS

	1994	1993
Net assets	1,827	1,214
Add back net non-operating liabilities	2,260	2,362
Operating net assets	4,087	3,576
Comprising:		
Tangible fixed assets	4,648	4,330
Stocks	48	40
Non-interest bearing debtors		
Trade debtors	805	726
Other debtors including amounts owed by associated undertakings	63	100
Prepayments and accrued income	142	110
	1,010	936
Non-interest bearing operating liabilities		
Trade creditors	(783)	(723)
Other creditors including amounts owed to associated undertakings	(48)	(41)
Other taxation and social security	(32)	(30)
Accruals and deferred income	(764)	[illegible]
	(1,619)	(1,730)
	4,087	3,576

3 ANALYSIS OF OPERATING EXPENDITURE

£ million	1994	1993
Employee costs	1,646	1,351
Depreciation	374	312
Aircraft operating lease costs	194	224
Fuel and oil costs	646	560
Engineering and other aircraft costs	327	262
Landing fees and en route charges	545	497
Handling charges, catering and other operating costs	790	714
Selling costs	843	712
Accommodation, ground equipment and currency differences	442	404
Total operating expenditure	5,807	5,256
Comprising		
Cost of sales	5,702	5,160
Administrative expenses	105	96
Total operating expenditure	5,807	5,256

Operating expenditure relating to acquisitions is not material.

4 OPERATING PROFIT

a OPERATING PROFIT IS ARRIVED AT AFTER CHARGING:

	1994	1993
Depreciation of Group tangible fixed assets		
Owned assets	251	215
Finance leased aircraft	51	41
Hire purchased aircraft	48	36
Other leasehold interests	24	20
	374	312
Operating lease costs		
Lease rentals - aircraft	194	224
- property and equipment	84	78
Hire of equipment and charter of aircraft and crews	47	23
	325	325
Auditors' remuneration	£000	£000
Group auditors - audit fees	973	939
- other professional fees - United Kingdom	881	657
- overseas	329	735
Other auditors - audit fees	14	7
	2,197	2,338
Directors' emoluments	£	£
Fees	167,916	126,416
Salary and benefits	1,108,135	1,404,552
Performance related bonus	120,100	-
Share appreciation rights	211,829	346,224
Pension contributions	219,791	505,327
	1,883,771	2,382,519

4 OPERATING PROFIT *continued*

£ million	1994	Group 1993
b RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Group operating profit	496	*310*
Depreciation charges	374	*312*
Other items not involving the movement of cash	2	*(4)*
Increase in stocks and debtors	(115)	*(24)*
(Decrease)/increase in creditors	(21)	*35*
Net cash inflow from operating activities	736	*629*

c DIRECTORS' EMOLUMENTS

Chairman and highest paid Director Sir Colin Marshall	£	£
Salary and benefits	492,662	*429,949*
Performance related bonus	61,750	*–*
Share appreciation rights	110,967	*110,967*
Pension contribution	122,640	*122,914*
	788,019	*663,830*

Sir Colin Marshall became Chairman on 5 February 1993, Lord King was Chairman up to 5 February 1993. The emoluments (excluding Company's pension contributions) of the Chairmen as disclosed in the accounts for the year ended 31 March 1993 were: Sir Colin Marshall £86,691; Lord King £478,790.

The Directors' remuneration (excluding Company's pension contributions) was within these ranges:

	Number	*Number*
£10,001 - £15,000	1	
£15,001 - £20,000	2	
£20,001 - £25,000	2	*1*
£30,001 - £35,000		*1*
£35,001 - £40,000	1	*1*
£40,001 - £45,000		*1*
£45,001 - £50,000		*1*
£50,001 - £55,000	1	
£75,001 - £80,000	1	
£135,001 - £140,000		*1*
£250,001 - £255,000		*1*
£275,001 - £280,000		*1*
£295,001 - £300,000	1	
£380,001 - £385,000	1	
£475,001 - £480,000		*1*
£540,001 - £545,000		*1*
£665,001 - £670,000	1	

Executive Directors' emoluments (excluding pension contributions) consist of a basic salary and a performance related bonus. Salaries are reviewed annually by the Remuneration Committee which consists of Non-Executive Directors and is chaired by the Non-Executive Deputy Chairman. Performance related bonuses are driven by corporate performance targets which are set annually by the Remuneration Committee.

Share appreciation rights are sums paid following exercise of rights under the British Airways Share Appreciation Rights Plan 1991, under the rules of which up to 25 per cent of rights granted may be exercised after one year, up to 50 per cent of the grant after two years and the balance after three years, terminating in May 1994. The value of the right, which is payable in cash, is the difference between the market share price when the right is exercised, with an upper limit of 290p per share, and 163p per share.

Lord King held 625,855 share appreciation rights at the time of his retirement as Chairman and Director on 5 February 1993, 208,500 of which he exercised in May 1993.

Two Directors have waived fees totalling £21,350 for the year (1993: one Director £17,500).

Directors' share options are shown in the table of Directors' interests on Page 47.

5 EMPLOYEE COSTS AND NUMBERS

Number	Group 1994	1993
The average number of persons employed in the Group during the year was as follows		
United Kingdom	42,799	*42,233*
Overseas	6,829	*6,727*
	49,628	*48,960*

£ million	Group 1994	1993
Wages and salaries	1,193	*1,157*
Employee profit share	21	
Social security costs	121	*106*
Contributions to pension schemes	54	*52*
	1,389	*1,315*

6 INCOME FROM INTERESTS IN ASSOCIATED UNDERTAKINGS

Attributable losses less profits	(27)	*(20)*
USAir preferred stock dividend	16	*3*
	(11)	*(17)*

7 OTHER INCOME AND CHARGES

Income from trade investments	2	*4*
Provisions against loans made to associated undertakings and other investments	(36)	*(12)*
Other	2	*(4)*
	(32)	*(12)*

8 (LOSS)/PROFIT ON DISPOSAL OF FIXED ASSETS

Profits less losses on disposal of fixed assets	24	*19*
Provision against aircraft held for resale *(Note 13a)*	(29)	*(4)*
	(5)	*15*

9 NET INTEREST PAYABLE

Interest payable		
On bank loans		
Repayable wholly within five years	12	*5*
Repayable in whole or in part after five years	47	*36*
On finance leases		
Repayable wholly within five years	7	*3*
Repayable in whole or in part after five years	24	*30*
On hire purchase arrangements		
Repayable in whole or in part after five years	53	*40*
On other loans		
Repayable wholly within five years	35	*27*
Repayable in whole or in part after five years – including interest of £31 million (1993: £31 million) on Convertible Capital Bonds 2005	48	*53*
	226	*194*
Interest capitalised	(10)	*(8)*
Interest receivable	(69)	*(89)*
	147	*97*
Currency losses on revaluation of general purpose loans at year end		*14*
	147	*111*

In respect of all loans, including finance leases and hire purchase arrangements repayable in whole or in part after five years, the final repayment date is December 2011. The interest rates range from 3.4 per cent to 10.9 per cent (1993: 3.6 per cent to 11.3 per cent).

10 TAXATION *(see also Note 28)*

£ million	Group 1994	1993
British Airways Plc and subsidiary undertakings		
United Kingdom corporation tax at 33 per cent (1993: 33 per cent)	11	*8*
Prior year adjustments	(2)	*(1)*
Overseas	3	*1*
	12	*8*
Share of taxation in associated undertakings	3	*(1)*
	15	*7*

The charges for taxation have been reduced by the excess of tax allowances over depreciation arising from the acquisition of aircraft.

If full provision for deferred taxation had been made, there would have been an additional charge for the year of £104 million (1993: £74 million), comprising:

Accelerated capital allowances and losses	96	*79*
Other timing differences	8	*(5)*
	104	*74*

11 DIVIDENDS

Interim dividend of 3.18p per share (1993: 2.93p per share)	30	*23*
Second interim dividend of 7.23p per share declared on 31 March 1993, in lieu of final dividend		*56*
Final dividend of 7.92p per share (1993: nil)	76	
	106	*79*

Interim and second interim dividends for the year ended 31 March 1993 have been adjusted to take into account the bonus element of the rights issue announced in May 1993.

12 EARNINGS PER SHARE

Earnings per share is calculated as follows:

Profit for the year after taxation, attributable to shareholders	£286m	*£178m*
Weighted average number of ordinary shares in issue	912,522,000	*738,431,000*
Basic earnings per share	31.3p	*23.1p*
Fully diluted earnings per share	28.7p	*21.4p*

Fully diluted earnings per share are calculated on a weighted average of 1,080,708,000 ordinary shares (1993: 907,681,000) after allowing for the conversion rights attaching to the Convertible Capital Bonds and for outstanding share options and for corresponding adjustments to income to eliminate interest payable on the Convertible Capital Bonds and to include notional interest receivable on the subscription cash for shares.

Earnings per share for the year ended 31 March 1993 have been adjusted to take into account the bonus element of the rights issue announced in May 1993.

13 TANGIBLE ASSETS

£ million	Note	Fleet	Property	Equipment	Group total 1994	Group total 1993
a GROUP						
COST OR VALUATION						
Balance at 1 April		5,384	655	613	6,652	*5,642*
Exchange adjustments		42			42	*129*
Additions	*13f*	919	40	33	992	*1,075*
Disposals		(253)	(5)	(12)	(270)	*(162)*
Refund of progress payments		(114)			(114)	*(32)*
Balance at 31 March		5,9[illegible]	690	634	7,302	*6,652*
DEPRECIATION						
Balance at 1 April		1,847	191	384	2,422	*2,170*
Exchange adjustments		10			10	*7*
Charge for the year		283	23	68	374	*312*
Provision against aircraft held for resale		29			29	*4*
Disposals		(167)	(2)	(12)	(181)	*(71)*
Balance at 31 March		2,002	212	440	2,654	*2,422*
NET BOOK AMOUNTS						
31 March 1994		3,976	478	194	4,648	
31 March 1993		*3,537*	*464*	*229*		*4,230*
UTILISATION AT 31 MARCH						
Assets in current use						
Owned		1,998	412	167	2,577	*2,310*
Finance leased		511		3	514	*604*
Hire purchase arrangements		1,274			1,274	*875*
Progress payments		169	64	24	257	*388*
Assets held for resale		24	2		26	*53*
		3,976	478	194	4,648	*4,230*

THE NET BOOK AMOUNT OF PROPERTY COMPRISES:	1994	1993
Freehold	126	*118*
Long leasehold	79	*22*
Short leasehold	273	*324*
	478	*464*

	Valuation/cost	Depreciation	Net book amount 1994	Net book amount 1993
Revalued fleet and properties are included in the accounts at the following amounts:				
Fleet - 1988 valuation	836	690	146	*212*
- subsequent additions at cost	151	81	70	*37*
Property - 1984 valuation	32	23	9	*11*
- subsequent additions at cost	78	14	64	*69*
Total - 31 March 1994	1,097	808	289	
Total - 31 March 1993	*1,156*	*827*		*329*
If these assets had not been revalued they would have been included at the following amounts:				
31 March 1994	943	694	249	
31 March 1993	*972*	*726*		*246*

13 TANGIBLE ASSETS *(continued)*

£ million	Fleet	Property	Equipment	Company total 1994	Company total 1993
b COMPANY					
COST OR VALUATION					
Balance at 1 April	5,284	642	576	6,502	*5,508*
Exchange adjustments	38			38	*126*
Additions	899	40	30	969	*1,058*
Disposals	(253)	(5)	(11)	(269)	*(157)*
Transfers from/(to) subsidiary undertakings	9	(56)	(5)	(52)	*(1)*
Refund of progress payments	(114)			(114)	*(32)*
Balance at 31 March	5,863	621	590	7,074	*6,502*
DEPRECIATION					
Balance at 1 April	1,773	186	362	2,321	*2,083*
Exchange adjustments	7			7	*5*
Charge for the year	275	21	61	357	*299*
Provision against aircraft held for resale	29			29	*4*
Disposals	(167)	(1)	(11)	(179)	*(69)*
Transfers from/(to) subsidiary undertakings	4			4	*(1)*
Balance at 31 March	1,921	206	412	2,539	*2,321*
NET BOOK AMOUNTS					
31 March 1994	3,942	415	178	4,535	
31 March 1993	*3,511*	*456*	*214*		*4,181*
UTILISATION AT 31 MARCH					
Assets in current use					
Owned	1,978	351	153	2,482	*2,265*
Finance leased	497		1	498	*600*
Hire purchase arrangements	1,274			1,274	*875*
Progress payments	169	64	24	257	*388*
Assets held for resale	24			24	*53*
	3,942	415	178	4,535	*4,181*
THE NET BOOK AMOUNT OF PROPERTY COMPRISES:					
Freehold				122	*114*
Long leasehold				24	*22*
Short leasehold				269	*320*
				415	*456*

	Valuation/cost	Depreciation	Net book amount 1994	Net book amount 1993
Revalued fleet and properties are included in the accounts at the following amounts:				
Fleet - 1988 valuation	761	626	135	*190*
- subsequent additions at cost	132	67	65	*34*
Property - 1984 valuation	28	21	7	*11*
- subsequent additions at cost	77	13	64	*66*
Total - 31 March 1994	998	727	271	
Total - 31 March 1993	*1,056*	*755*		*301*
If these assets had not been revalued they would have been included at the following amounts:				
31 March 1994	867	632	235	
31 March 1993	*895*	*668*		*227*

13 TANGIBLE ASSETS (continued)

c DEPRECIATION

Fleets are generally depreciated over periods ranging from 14 to 20 years after making allowance for residual values. Property, apart from freehold land, is depreciated over expected useful life subject to a maximum of 50 years. Equipment is depreciated over periods ranging from 3 to 20 years, according to the type of equipment.

d CAPITAL EXPENDITURE COMMITMENTS

£ million	Group 1994	Group 1993	Company 1994	Company 1993
Capital expenditure authorised but not provided for in the accounts amounts to:				
Authorised and contracted	5,015	*5,376*	5,012	*5,375*
Authorised but not contracted	816	*593*	815	*592*
	5,831	*5,969*	5,827	*5,967*

The outstanding commitments include £4,635 million which relates to the acquisition of Boeing 747-400 and Boeing 777 aircraft scheduled for delivery during the next eight years and £351 million which relates to the acquisition of Boeing 767-300 and Boeing 757-200 aircraft scheduled for delivery during the next three years. It is intended that these aircraft will be financed partially by internal cash flow and partially through external financing, including committed facilities arranged prior to delivery.

At 31 March 1994 British Airways had unused overdraft and revolving credit facilities of approximately £55 million. In addition, British Airways had uncommitted money market lines of £150 million (of which £87 million remained undrawn) and US$45 million with a number of banks.

British Airways has also arranged a separate 18 year secured aircraft financing facility for US$2 billion which allows for British Airways to acquire certain new aircraft on a number of alternative bases, including under extendible operating leases. At 31 March 1994 the unused facility was US$296 million. Under the terms of this facility, the financing banks have the right to call for security from British Airways in the event that there is a material adverse change in the financial condition of British Airways or in other limited circumstances if the financing banks are not adequately protected by the value of the equipment financed.

The Group's holdings of cash and short-term loans and deposits, together with committed funding facilities, are sufficient to cover the full cost of all firm aircraft deliveries due in the next two years.

e FORWARD TRANSACTIONS IN FOREIGN CURRENCY

	Group 1994	Group 1993
The Group had the following forward contracts outstanding:		
Maturing within one year		
– to cover payments in US Dollar	US$272m	*US$576m*
– to hedge future revenue flows (Sterling equivalents)	£79m	*£26m*
– to cover payments in other currencies (Sterling equivalents)	£4m	*£6m*
Maturing after one year		
– to cover payments in US Dollar	US$32m	*US$190m*

These forward contracts have been entered into to hedge future capital commitments and future revenues.

f ANALYSIS OF GROUP TANGIBLE ASSET ADDITIONS

£ million	Fleet	Property	Equipment	Group total 1994	Group total 1993
Cash paid	247	40	33	320	*577*
Acquisitions under loans, finance leases and hire purchase arrangements	643			643	*513*
Acquisition of subsidiary undertakings	19			19	*7*
Capitalised interest	10			10	*7*
Accrual movements					*(30)*
	919	40	33	992	*1,075*

13 TANGIBLE ASSETS *continued*	Group		Company	
£ million	1994	*1993*	1994	*1993*
g OPERATING LEASE COMMITMENTS				
The aggregate payments, for which there are commitments under operating leases as at the end of the year, fall due as follows:				
i) FLEET				
Within one year	190	*248*	167	*225*
Between one and five years	255	*413*	209	*347*
Over five years	2	*17*	2	*9*
	447	*678*	378	*581*
Amounts payable within one year relate to commitments expiring as follows:				
Within one year	28	*2*	25	*1*
Between one and five years	155	*235*	135	*217*
Over five years	7	*11*	7	*7*
	190	*248*	167	*225*
ii) PROPERTY AND EQUIPMENT				
Within one year	80	*67*	77	*64*
Between one and five years	193	*145*	186	*139*
Over five years, ranging up to the year 2075	475	*513*	464	*501*
	748	*725*	727	*704*
Amounts payable within one year relate to commitments expiring as follows:				
Within one year	22	*18*	21	*18*
Between one and five years	32	*17*	31	*14*
Over five years	26	*32*	25	*32*
	80	*67*	77	*64*

The fleet leasing commitments of the Company include the balance of rental obligations under operating leases in respect of 13 Boeing 747-400s, 3 Boeing 747-200s, 1 Boeing 747-100, 7 Boeing 767-300s, 4 Boeing 757-200s, 20 Boeing 737-200s, 4 Boeing 737-400s, 2 DC-10-30s and 14 BAe ATP aircraft. In the case of most of these obligations, the Company may be required to meet a small share of any loss on resale if options to extend the lease are not exercised and has entered into related foreign exchange commitments. The fleet leasing commitments of the Group also include 1 Boeing 757-200, 12 Boeing 737-400s, 1 DHC-7 and 2 DHC-8s.

Four Boeing 767-300s originally on operating leases were purchased during the year ended 31 March 1994, funded by mortgage loans.

The principal amount of the total property and equipment commitments above relates to property leases.

14 INVESTMENTS

£ million	Equity	Loans at cost	Provisions: Shares	Provisions: Loans	Group total 1994	Group total 1993
a GROUP						
i) ASSOCIATED UNDERTAKINGS						
Balance at 1 April	420	42	(1)	(13)	448	*7*
Exchange movements	11	(1)	(1)	(3)	6	*(15)*
Additions	69	70		(51)	88	*565*
Repayments		(13)			(13)	
Share of attributable results	(32)				(32)	*(19)*
Goodwill	(25)				(25)	*(104)*
Disposals						*(2)*
Reclassification *(see below)*	75				75	*16*
Balance at 31 March	518	98	(2)	(67)	547	*448*
Equity comprises:						
Cost of shares net of goodwill set off					566	*451*
Share of post-acquisition losses					(48)	*(31)*
					518	*420*

During the year the Group has financed the losses of TAT European Airlines and Deutsche BA and has therefore had to make provisions against advances made to these companies. One hundred per cent of the losses of these two associated undertakings has been included in these accounts.

ii) TRADE INVESTMENTS

	Cost: Shares	Cost: Loans	Provisions: Shares	Provisions: Loans	Group total 1994	Group total 1993
Balance at 1 April	111	5	(17)	(1)	98	*86*
Exchange movements	1				1	*10*
Additions			6		6	*2*
Disposal		(1)		1		
Reclassification *(see below)*	(86)	(2)	11		(77)	
Balance at 31 March	26	2			28	*98*

TOTAL INVESTMENTS	Associated undertakings	Trade investments
Listed		23
Unlisted	547	5

The listed investment is listed on the London Stock Exchange and its market value at 31 March 1994 was £22 million *(1993: £16 million)*.

iii) ANALYSIS OF RECLASSIFICATIONS

	Group total
ASSOCIATED UNDERTAKINGS	
Cost of shares in Covia exchanged for interest in the Galileo International Partnership	75
TRADE INVESTMENTS	
Cost of shares in Covia exchanged for interest in the Galileo International Partnership	(75)
Cost of shares in The Plimsoll Line Limited reclassified under subsidiary undertakings	(11)
	(86)
Loans made to Brymon Airways Limited reclassified under subsidiary undertakings	(2)
Provision against shares in The Plimsoll Line Limited reclassified under subsidiary undertakings	11
	(77)

14 INVESTMENTS *continued*

£ million	Cost Shares	Cost Loans	Provisions Shares	Provisions Loans	Company total 1994	Company total 1993
b COMPANY						
***i)* SUBSIDIARY UNDERTAKINGS**						
Balance at 1 April	699	274	(235)	(70)	668	*136*
Exchange movements	7				7	*12*
Additions/reductions	164	(9)	(71)	5	89	*568*
Repayments						*(48)*
Reclassification *(see below)*	210	(197)	(11)		2	
Balance at 31 March	1,080	68	(317)	(65)	766	*668*
***ii)* ASSOCIATED UNDERTAKINGS**						
Balance at 1 April	31	13	(28)	(5)	11	*5*
Additions/reductions	(2)		(1)	5	2	*11*
Repayments		(13)			(13)	
Disposals	(2)		2			*(5)*
Reclassification *(see below)*	(9)		9			
Balance at 31 March	18		(18)			*11*
***iii)* TRADE INVESTMENTS**						
Balance at 1 April	35	5	(17)	(1)	22	*20*
Additions			6		6	*2*
Disposal		(1)		1		
Reclassification *(see below)*	(11)	(2)	11		(2)	
Balance at 31 March	24	2			26	*22*

TOTAL INVESTMENTS	Subsidiary undertakings	Associated undertakings	Trade investments
Listed			23
Unlisted	766		3

The listed investment is listed on the London Stock Exchange and its market value at 31 March 1994 was £22 million (1993: £16 million)

iv) ANALYSIS OF RECLASSIFICATIONS

	Company total
SUBSIDIARY UNDERTAKINGS	
Capitalisation of loans made to subsidiary undertakings as cost of investments	199
Cost of shares in The Plimsoll Line Limited previously shown under trade investments	11
	210
Capitalisation of loans made to subsidiary undertakings as cost of investments	(199)
Loans made to Brymon Airways Limited previously shown under trade investments	2
	(197)
Provision against shares in The Plimsoll Line Limited previously shown under trade investments	(11)
	2
ASSOCIATED UNDERTAKINGS	
Cost of shares in The Galileo Company Limited combined with those of Covia exchanged for interest in the Galileo International Partnership	(9)
Provision against shares in The Galileo Company Limited released thereof	9
TRADE INVESTMENTS	
Cost of shares in The Plimsoll Line Limited reclassified under subsidiary undertakings	(11)
Loans made to Brymon Airways Limited reclassified under subsidiary undertakings	(2)
Provision against shares in The Plimsoll Line Limited reclassified under subsidiary undertakings	11
	(2)

The Group's principal investments of subsidiary undertakings, associated undertakings and trade investments are listed on Page 38.

15 INVESTMENTS IN THE PLIMSOLL LINE LIMITED AND THE GALILEO INTERNATIONAL PARTNERSHIP

With effect from 1 August 1993 The Plimsoll Line Limited, whose principal subsidiary undertaking is Brymon Airways Limited, became a wholly-owned subsidiary undertaking of British Airways.

The combination of the Covia Partnership and The Galileo Company Limited was completed on 16 September 1993. British Airways investments in these two companies were exchanged for a 14.65 per cent interest in the new entity, the Galileo International Partnership.

The following table sets out the combined cost of the acquisitions, the fair value of the assets and liabilities acquired and the resultant goodwill arising which has been set off against Group reserves.

a NET ASSETS AND LIABILITIES ACQUIRED

£ million	*Book value on acquisition*	*Fair value adjustments*	*Reorganisation expenses*	*Total*
Acquisition of The Plimsoll Line Limited	3	(5)	(1)	(3)
Group share of the net worth of the Galileo International Partnership	60			60
	63	(5)	(1)	57

b GOODWILL

Cash consideration for The Plimsoll Line Limited	8
Cost of investment in the Galileo International Partnership	73
Legal and professional costs	1
Total cost of investments	82
Net assets acquired	57
Goodwill set off against reserves *(Note 27)*	25

Goodwill relating to The Plimsoll Line Limited is £11 million and the Galileo International Partnership is £14 million.

c ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF THE PLIMSOLL LINE LIMITED

Cash consideration	8
Bank overdrafts assumed	3
Net outflow of cash and cash equivalents	11

16 INVESTMENT IN QANTAS AIRWAYS LIMITED

British Airways acquired the 25 per cent interest in Qantas Airways Limited through a wholly-owned Australian subsidiary undertaking on 10 March 1993. The goodwill arising from this acquisition and set off against reserves in the British Airways Group in the year ended 31 March 1993 was calculated based on the audited accounts of Qantas and Australian Airlines Limited for the year ended 30 June 1992 which were the latest available. The final goodwill set off has been derived from the audited accounts of the Qantas group for the year ended 30 June 1993.

The following tables set out the revised fair value of the assets and liabilities acquired and the resultant goodwill adjustment required.

a ASSETS AND LIABILITIES ACQUIRED

	Book value on acquisition	*Accounting policy changes & fair value adjustments*	*Total*
Net assets at date of acquisition as previously computed	1,168	(212)	956
Adjustments	(167)	121	(46)
Revised net assets acquired	1,001	(91)	910

b GOODWILL

Goodwill as reported at 31 March 1993	69
Group share of adjustments	11
Revised goodwill set off	80

16 INVESTMENT IN QANTAS AIRWAYS LIMITED continued

c SUMMARISED STATEMENTS OF OPERATIONS

The published audited statements of operations for the Qantas group for the year ended 30 June 1993 and its balance sheet at that date, prepared in accordance with Australian generally accepted accounting principles, are summarised below:

	Qantas	
	A$m	£m
Operating revenues	5,805	2,470
Operating profit	289	123
Abnormal charges	(446)	(190)
Interest payable	(256)	(109)
Loss before taxation	(413)	(176)
Loss for the year	(377)	(160)
Non current assets	6,933	3,095
Net current liabilities	(463)	(207)
Long term liabilities	(4,440)	(1,982)
Share capital	(1,000)	(446)
Reserves	(1,030)	(460)

For the six months ended 31 December 1993 Qantas Airways Limited announced an unaudited group operating profit of A$101 million (£45 million) on operating revenues of A$3,463 million (£1,535 million). Group operating profit after tax attributable to members amounted to A$72 million (£32 million).

The Sterling equivalents for the statements of operations have been translated at the average exchange rates for the year ended 30 June 1993 and six months ended 31 December 1993; those for the balance sheet have been translated at the closing rate on that date.

17 INVESTMENT IN USAir Group, Inc.

Under an agreement made between British Airways and USAir in January 1993, British Airways undertook to invest US$750 million in USAir convertible preferred stock over a five year period. The investment was to occur in three stages and was subject to a number of conditions, including regulatory approval by the US Government. Approval of the first stage, involving the investment of US$300 million to give British Airways a holding equivalent to 24.6 per cent of USAir's equity share capital on an undiluted basis and an initial code sharing agreement, was given by the US Secretary for Transportation in March 1993. The preferred stock so acquired by the Group is convertible at the Group's option at any time on or after 21 January 1997 into USAir common stock. Until converted, the preferred stock is entitled to cumulative quarterly cash dividends of seven per cent per annum.

In order to maintain its holding equivalent to 24.6 per cent of USAir's equity capital, the Group invested a further US$100.7 million in convertible preferred stock in May 1993 pursuant to the exercise of pre-emptive rights relating to the issue of new common stock by USAir. This new series of convertible preferred stock is entitled to cumulative quarterly cash dividends of 0.5 per cent over LIBOR.

The present holdings of convertible preferred stock entitle the Group to 22 per cent of the current voting rights in USAir. If not converted, the preferred stock is finally redeemable in 2008. In certain extremely unlikely circumstances, the Group can be required to invest a further US$450 million over the next four years through two additional purchases of preferred stock in USAir.

Under the above arrangements, the Group's current interest in the results of USAir is limited to its fixed preferred dividends, all of which have been received to date, and only such dividends have been included in these accounts (see Note 5).

The US Government has renewed British Airways current code sharing authority for 65 destinations for a further period of 12 months, but has deferred action on British Airways application to extend these arrangements further.

SUMMARISED FINANCIAL INFORMATION

The audited statement of operations of USAir for the year ended 31 December 1993 and its balance sheet at that date, prepared in accordance with United States generally accepted accounting principles, are summarised below:

	USAir	
	US$m	£m
Operating revenues	7,083	4,722
Operating loss	(75)	(50)
Net interest payable and other expenses	(274)	(183)
Loss before taxes and cumulative effect of accounting changes	(350)	(239)
Net loss	(393)	(262)
Preferred dividend requirements	(74)	(49)
Net loss applicable to common stockholders	(467)	(311)
Total assets, less current liabilities	4,041	3,136
Long-term debts and redeemable preferred stock	(3,209)	(2,164)
Deferred credits and other liabilities	(1,681)	(1,119)
Total stockholders' equity	(213)	(144)

17 INVESTMENT IN USAir Group, Inc. *continued*

For the three months ended 31 March 1994 USAir announced an unaudited operating loss of US$136 million (£91 million) on operating revenues of US$1,686 million (£1,134 million) and a net loss of US$216 million (£145 million) applicable to common stockholders, and that it expected a pre-tax loss for the full year to 31 December 1994 in excess of the US$350 million loss reported for 1993.

The Sterling equivalents for the statements of operations have been translated at the average exchange rates for the year ended 31 December 1993 and the three months ended 31 March 1994; those for the balance sheet have been translated at the closing rate on that date.

In its Annual Report on Form 10-K for the year ended 31 December 1993 filed with the US Securities and Exchange Commission, USAir made the following statement:

"Unless USAir is able to reduce its operating costs, present and increasing competition from low cost, low fare airlines in USAir's markets could have a material adverse impact on USAir's cash position and, therefore, its ability to sustain operations. In March 1994, USAir announced that it had initiated discussions with the leadership of its unionized employees regarding wage reductions, improved productivity and other cost savings. The outcome of these negotiations is uncertain, but if timely agreements are not reached, the company may seek other restructuring alternatives."

If these negotiations are not successfully concluded, within the timescale which the financial position of USAir requires, then the Directors believe that a provision for permanent diminution in value is likely to be required against the present book value of the Group's investment of £275.3 million (US$400.7 million).

In March 1994 British Airways announced that it would not make any additional investments in USAir until it has been reassured of the ongoing viability of the business.

18 STOCKS

		Group		*Company*
£ million	1994	*1993*	1994	*1993*
Raw materials, consumables and work in progress	48	*40*	43	*38*

The replacement cost of stocks is considered to be not materially different from their balance sheet values.

19 DEBTORS

Trade debtors	805	*726*	771	*706*
Amounts owed by subsidiary undertakings			87	*79*
Amounts owed by associated undertakings	10	*14*	8	*13*
Other debtors	53	*86*	41	*50*
Deferred taxation *(Note 28)*	4	*4*	4	*4*
Prepayments and accrued income	211	*179*	184	*163*
	1,083	*1,009*	1,093	*1,015*

Amounts due after more than one year included above are not significant.

20 CASH AND CASH EQUIVALENTS

					Group
	1994	*Change in the year*	*1993*	*Change in the year*	*1992*
a ANALYSIS OF BALANCES AS SHOWN IN THE BALANCE SHEET					
Short-term loans and deposits	1,194	699	*495*	*(211)*	*706*
Less: bank and other deposits with a maturity date at inception of more than three months	(484)	(386)	*(98)*	*314*	*(412)*
Cash equivalents	710	313	*397*	*103*	*294*
Cash at bank and in hand	32	(1)	*33*	*6*	*27*
Overdrafts - unsecured		1	*(1)*	*1*	*(2)*
	742	313	*429*	*110*	*319*

b ANALYSIS OF CHANGES DURING THE YEAR

		Group
	1994	*1993*
Balance at 1 April	429	*319*
Net cash inflow	313	*110*
Balance at 31 March	742	*429*

21 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

£ million	Group 1994	Group *1993*	Company 1994	Company *1993*
Loans, finance leases and hire purchase arrangements				
Bank and other loans	86	*21*	86	*20*
Finance leases	48	*63*	47	*59*
Hire purchase arrangements	66	*41*	66	*41*
	200	*125*	199	*120*
Overdrafts - unsecured		*1*		
Trade creditors	783	*723*	745	*657*
Amounts owed to subsidiary undertakings			147	*145*
Amounts owed to associated undertakings		*1*		*1*
Other creditors				
Other creditors	89	[illegible]	82	*85*
Corporate taxation	9	*18*	8	*11*
Other taxation and social security	32	*30*	31	*30*
	130	*139*	121	*126*
Dividends payable	76	*56*	76	*56*
Accruals and deferred income				
Sales in advance of carriage	618	*685*	572	*658*
Accruals and deferred income	121	*121*	86	*83*
	739	*806*	658	*741*
	1,928	*1,851*	1,946	*1,846*

22 BORROWINGS AND OTHER CREDITORS

£ million	Group 1994	Group *1993*	Company 1994	Company *1993*
Loans, finance leases and hire purchase arrangements				
Bank and other loans	1,638	*1,447*	1,303	*1,116*
Finance leases	451	*541*	437	*540*
Hire purchase arrangements	1,316	*867*	1,316	*867*
Loans from subsidiary undertakings			641	*640*
	3,405	*2,855*	3,697	*3,163*
Accruals and deferred income	38	*44*	27	*40*
	3,443	*2,899*	3,724	*3,203*

23 CONVERTIBLE CAPITAL BONDS 2005

	Group 1994	Group *1993*
	316	*320*

The terms of the 9.75 per cent Convertible Capital Bonds allow the holders to convert into British Airways Plc ordinary shares during the period June 1993 to 2005 on the basis of one ordinary share for each £2.34 (adjusted for the effect of the 1993 rights issue) of Bonds held. On 15 June 1993, the date of the first opportunity for conversion 1,615,949 ordinary shares were issued in exchange for 3,825,837 Bonds. The terms also provide that on maturity in 2005 the Company may require remaining bondholders to convert their Bonds into ordinary shares of the Company which would be sold on their behalf. If the proceeds of such a sale are less than the issue price of the Bonds the Company has to fund any deficit from its own resources. Full conversion of the remaining Bonds would require the issue of [illegible]5,209,193 ordinary shares.

The m[illegible] market closing prices of the Bonds and the ordinary shares at 31 March 1994 as quoted in the London Stock Exchange Daily Official List were 190.5p and 404p each respectively.

24 LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS

£ million		Group 1994	Group 1993	Company 1994	Company 1993
a TOTAL LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS					
Loans					
Bank	*- Deutsche Mark*	DM75m	*DM75m*	DM75m	*DM75m*
	- French Franc		*FF40m*		*FF40m*
	- US Dollar	US$1,360m	*US$989m*	US$1,360m	*US$989m*
	- Sterling	£139m	*£141m*	£75m	*£76m*
		1,088	*834*	1,023	*769*
Euro-sterling notes		300	*300*	300	*300*
Other	*- Deutsche Mark*		*DM4m*		
	- US Dollar	US$400m	*US$400m*		
	- Sterling	£66m	*£67m*	£66m	*£67m*
		336	*334*	66	*67*
Loans from subsidiary undertakings	*- US Dollar*			US$400m	*US$400m*
	- Sterling			£371m	*£375m*
				641	*640*
Finance leases	*- US Dollar*	US$35m		US$35m	
	- Sterling	£475m	*£604m*	£460m	*£599m*
		499	*604*	484	*599*
Hire purchase arrangements	*- Japanese Yen*	¥53,649m	*¥38,067m*	¥53,649m	*¥38,067m*
	- US Dollar	US$1,525m	*US$1,035m*	US$1,525m	*US$1,035m*
		1,382	*908*	1,382	*908*
		3,605	*2,980*	3,896	*3,283*
Comprising:					
Bank loans					
Repayable wholly within five years		188	*129*	188	*129*
Repayable in whole or in part after five years		900	*705*	835	*640*
		1,088	*834*	1,023	*769*
Other loans, finance leases and hire purchase arrangements					
Repayable wholly within five years		417	*462*	314	*357*
Repayable in whole or in part after five years		2,100	*1,684*	2,559	*2,157*
		2,517	*2,146*	2,873	*2,514*
		3,605	*2,980*	3,896	*3,283*

Bank and other loans are repayable up to the year 2012. The bank loans of US$1,360 million include US$1,157 million secured on 2 Boeing 747-400s, 6 Boeing 767-300s and 16 Boeing 737-400s (1993: US$879 million secured on 2 Boeing 747-400s, 2 Boeing 767-300s and 15 Boeing 737-400s). The bank loans of £139 million include £120 million secured on 1 Boeing 737-400, 1 Boeing 767-300 and 1 Boeing 747-400 (1993: £120 million secured on 1 Boeing 737-400, 1 Boeing 767-300 and 1 Boeing 747-400). Of this amount, £56 million relates to the Company secured on 1 Boeing 737-400 and 1 Boeing 767-300 (1993: £56 million secured on 1 Boeing 737-400 and 1 Boeing 767-300).

b INCIDENCE OF REPAYMENTS

	Bank loans	*Other loans*	*Finance leases*	*Hire purchase arrangements*	Group total 1994	Group total *1993*
INSTALMENTS FALLING DUE:						
Within one year	86		48	66	200	*125*
After more than one year						
Between one and two years	104		45	73	222	*121*
Between two and five years	150	367	164	262	943	*867*
In five years or more	748	269	242	981	2,240	*1,867*
	1,002	636	451	1,316	3,405	*2,855*
Total 1994	1,088	636	499	1,382	3,605	
Total 1993	*834*	*634*	*604*	*908*		*2,980*
Analysis of total 1994						
British Airways Plc	1,023	366	484	1,382	3,255	*2,640*
Subsidiary undertakings	65	270	15		350	*339*
	1,088	636	499	1,382	3,605	*2,980*

24 LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS *(continued)*

£ million	*Bank and other loans*	*Finance leases and hire purchase arrangements*	*Group total* 1994	*1993*
c ANALYSIS OF CHANGES IN BORROWINGS DURING THE YEAR				
Balance at 1 April	1,468	1,512	2,980	*1,903*
Assumed from subsidiary undertakings acquired during the year		17	17	*15*
New loans raised	161	49	210	*735*
Loans, finance leases and hire purchase arrangements undertaken to finance the acquisition of aircraft	200	443	643	*513*
Repayment of amounts borrowed	(123)	(116)	(239)	*(380)*
Early termination of finance leases		(78)	(78)	
Effect of exchange rate changes	18	54	72	*194*
Balance at 31 March	1,724	1,881	3,605	*2,980*

d INTEREST RATE AGREEMENTS

To reduce interest rate risk, British Airways has entered into single currency interest rate swap arrangements effectively to change the interest payable elements of parts of its underlying loan and lease obligations from variable to fixed rates. Accordingly, while the Group is exposed to market risk to the extent that receipts and payments under interest rate agreements are affected by market interest rates from time to time, any such fluctuations will be offset by changes to interest and interest-related payments made on variable rate loan and lease obligations. British Airways accounts for interest rate agreements as hedges.

Outstanding single currency interest rate swap agreements are summarised as follows:

	Notional principal balance	*Termination dates*	*Interest rates* *Fixed payable*
At 31 March 1994			
US Dollar	US\$630m	2000 - 2003	8.4% - 9.9%
Sterling	£100m	1994 - 1997	9.5% - 10.0%
At 31 March 1993			
US Dollar	*US\$659m*	*2000 - 2003*	*8.4% - 9.9%*
Sterling	*£100m*	*1994 - 1997*	*9.5% - 10.0%*

In addition British Airways has entered into cross currency interest rate swaps in relation to specific borrowings, involving the exchange of interest payments in one specified currency for interest receipts in another specified currency.

Outstanding cross currency interest rate swap agreements, resulting in the following interest rates payable (comprising both fixed and variable rates), are:

	Notional principal balance	*Termination dates*	*Interest rates* *Payable*
At 31 March 1994			
Sterling	£83m	1997 - 1998	5.2% - 10.2%
At 31 March 1993			
Sterling	*£83m*	*1997 - 1998*	*6.0% - 10.2%*

25 PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company

£ million	*Balance at 1 April*	*Transfers from profit and loss account*	*Other movements*	*Provisions applied*	*Balance at 31 March*
Pensions and similar obligations	24	4	(4)	(3)	21
Post-retirement medical benefits	15		2		17
Litigation provision *(Note 31)*	22				22
Other	8			(2)	6
Total 31 March 1994	69	4	(2)	(5)	66
Total 31 March 1993	*69*	*5*	*5*	*(10)*	*69*

26 SHARE CAPITAL

Group and Company

	1994		*1993*	
ORDINARY SHARES OF 25p EACH	Number of shares 000	£ million	*Number of shares 000*	*£ million*
AUTHORISED				
At 1 April	1,068,000	267	*1,068,000*	*267*
Increase	240,000	60		
At 31 March	1,308,000	327	*1,068,000*	*267*
ALLOTTED, CALLED UP AND FULLY PAID				
At 1 April	741,886	185	*727,537*	*182*
Rights issue	185,486	46		
Conversion of Convertible Capital Bonds	1,616	1		
Exercise of options under Employee Share Option Schemes	25,031	7	*14,349*	*3*
At 31 March	954,019	239	*741,886*	*185*

At the last annual general meeting the authorised share capital of the Company was increased by £60 million with the creation of 240 million new ordinary shares of 25p each.

On 11 June 1993, by way of a rights issue announced in May 1993, 185,485,636 ordinary shares were issued at a price of 245p per share on the basis of one ordinary share for every four held.

On 15 June 1993, the date of the first opportunity for conversion, 1,615,949 ordinary shares were issued in exchange for 3,825,837 Convertible Capital Bonds on the basis of one ordinary share for every 2.34 Bonds held. Full conversion of all remaining Bonds would require the issue of 1[illegible]5,209,[illegible]93 ordinary shares.

SHARE OPTIONS

Group and Company

Number of shares 000	1994	*1993*
Outstanding at 1 April	32,308	*47,453*
Granted in the year – mainly SAYE share option scheme 1993	27,670	*1,599*
Restated to take account of the bonus element of the rights issue	1,367	
Exercised during the year	(25,031)	*(14,349)*
Expired/cancelled	(909)	*(2,395)*
At 31 March	35,405	*32,308*
Date exercisable	1994 – 2003	*1993 - 2002*
Price per share †	129p – 397p	*135p - 290p*
Price range of options exercised during the year †	129p – 272p	*135p - 224.5p*

† *Exercise prices of options granted prior to 11 June 1993 have been adjusted to take into account the bonus element of the rights issue announced in May 1993.*

27 RESERVES

£ million	Share premium account	Revaluation reserve	Profit and loss account	Total 1994	*1993*
a GROUP					
Balance at 1 April	30	45	954	1,029	*1,087*
Retained profit for the year			180	180	*99*
Transfers relating to revalued assets		(18)	18		
Exchange adjustments			(12)	(12)	*(28)*
Goodwill set off *(see below)*			(36)	(36)	*(149)*
Share premium arising from issue of ordinary share capital (after charging the cost of the rights issue)	427			427	*20*
Balance at 31 March	457	27	1,104	1,588	*1,029*

Group profit and loss account includes cumulative retained losses of £48 million (1993: £31 million) in respect of associated undertakings.

GOODWILL					
Investment in The Plimsoll Line Limited *(Note 15)*			(11)	(11)	
Investment in the Galileo International Partnership *(Note 15)*			(14)	(14)	
Investment in Qantas Airways Limited (1994 – additional goodwill set off) *(Note 16)*			(11)	(11)	*(69)*
Acquisition of assets and liabilities of Davies & Newman Holdings PLC					*(45)*
Investment in TAT European Airlines S.A.					*(35)*
Goodwill set off			(36)	(36)	*(149)*

Cumulative goodwill set off against reserves at 31 March 1994 was £553 million (1993: £517 million).

£ million	Share premium account	Revaluation reserve	Profit and loss account	Total 1994	*1993*
b COMPANY					
Balance at 1 April	30	40	1,024	1,094	*1,028*
Retained profit for the year			131	131	*59*
Transfers relating to revalued assets		(17)	17		
Exchange adjustments			(21)	(21)	*(13)*
Share premium arising from issue of ordinary share capital (after charging the cost of the rights issue)	427			427	*20*
Balance at 31 March	457	23	1,151	1,631	*1,094*

28 DEFERRED TAXATION *(see also Notes 10 and 19)*

	Group 1994	Group *1993*	Company 1994	Company *1993*
Deferred taxation comprises:				
Accelerated capital allowances and other timing differences	12	*12*	12	*12*
Advance corporation tax	(18)	*(18)*	(18)	*(18)*
Timing differences in respect of property valuations	2	*2*	2	*2*
	(4)	*(4)*	(4)	*(4)*
If full provision for deferred taxation at 33 per cent (1993: 33 per cent) had been made, the following amounts would have been required at 31 March:				
Accelerated capital allowances, less unrelieved losses	617	*521*	609	*517*
Advance corporation tax	(18)	*(18)*	(18)	*(18)*
Other timing differences	(33)	*(41)*	(34)	*(39)*
Timing differences in respect of property valuations	2	*2*	2	*2*
	568	*464*	559	*462*

29 DIRECTORS' AND OFFICERS' LOANS AND TRANSACTIONS

No loans or credit transactions were outstanding with Directors or Officers 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

30 PENSION COSTS

British Airways operates two principal defined benefit pension schemes in the UK, the Airways Pension Scheme (APS), which is closed to new members, and the New Airways Pension Scheme (NAPS) of which all new permanent employees over the age of 18 employed by the Company and certain subsidiary undertakings in the UK may become members. The assets of these schemes are held in separate trustee-administered funds.

Benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to increases in line with the Retail Price Index. Those provided under NAPS are based on final average pensionable pay reduced by an amount equivalent to one and a half times the Government's lower earnings limit and are subject to Retail Price Index increases up to a maximum of five per cent in any one year.

Most employees engaged outside the UK are covered by appropriate local arrangements.

Employees' contributions range from 5.75 per cent to 8.5 per cent of full pensionable pay in APS and from 3.75 per cent to 6.5 per cent of full pensionable pay less one and a half times the lower earnings limit in NAPS.

The latest actuarial valuations of APS and NAPS were made as at 31 March 1992 by an independent firm of qualified actuaries, R.Watson & Sons, using the attained age method for APS and the projected unit method for NAPS. These showed that no further employers' contributions were required in respect of APS while for NAPS an employers' contribution equal to an average of two times the employee's contribution for the year 1 April 1993 to 31 March 1994 (two times the employee's contribution for 1992-93) was appropriate. The next valuations of the two schemes will be carried out as at 31 March 1995.

£ million		*Group*
	1994	*1993*
All amounts recognised as costs were either funded or paid directly.		
Employers' contributions (calculated as set out above for APS and NAPS) charged in the accounts were:		
Airways Pension Scheme		
New Airways Pension Scheme	44	*42*
Other pension schemes and provident funds – mainly outside the United Kingdom	10	*10*
	54	*52*

At the date of the actuarial valuation the market values of the assets of APS and NAPS amounted to £2,825 million and £927 million respectively. The value of the assets represented 112 per cent (APS) and 105 per cent (NAPS) of the value of the benefits that had accrued to members after allowing for assumed increases in earnings. In the case of APS, the actuarial value of the assets together with future contributions from employees was sufficient to cover both past and future service liabilities. In the case of NAPS, the actuarial value of the assets together with future contributions from employees was sufficient to cover past service liabilities and some future service liabilities. The employer's contribution is intended to make up the balance of future service liabilities. The principal assumptions used in the actuarial valuation were that, over the long term, the annual return on investments would be 2.5 per cent higher than the annual increase in earnings and 4.5 per cent higher than annual increases in dividends. Annual pension increases, over the long term, were assumed for APS to be at the same level as dividend increases and for NAPS at a level one per cent lower.

Employers' contributions in respect of overseas employees have been determined in accordance with best local practice.

31 LITIGATION

a A number of legal claims have been made against the Company by Virgin Atlantic Airways Limited. Having regard to legal advice received, and in all the circumstances, the Directors are of the opinion that these claims will not give rise to liabilities which will in the aggregate have a material effect on these accounts.

b There are a number of further identified legal and other claims which emanate from international airline operations and other activities of the Group for which the Directors have made what they believe is appropriate provision.

c In addition, experience with litigation and regulation has led the Directors to conclude that it is prudent to continue to carry forward £22 million of a provision made in prior years.

32 CONTINGENCIES

	Group		Company	
	1994	*1993*	1994	*1993*
Contingent liabilities, including guarantees given to banks	166	*135*	38	*115*
Guarantees given in respect of the Convertible Capital Bonds issued by a subsidiary undertaking and borrowings by subsidiary and associated undertakings			854	*747*
	166	*135*	892	*862*

33 EVENTS AFTER BALANCE SHEET DATE

On 13 May 1994, British Airways acquired the remaining 49 per cent shareholding in Air Miles Travel Promotions Limited together with a perpetual licence to use the Air Miles trade marks and to operate the Air Miles scheme.

PRINCIPAL INVESTMENTS

At 31 March 1994

SUBSIDIARY UNDERTAKINGS

Principal subsidiary undertakings are wholly-owned except where indicated.

	Principal activities	*Country of incorporation and registration and principal operations*
Air Miles Travel Promotions Ltd*	Airline marketing	England
(51 per cent of ordinary shares owned) (see Note 33 to the accounts)		
Bedford Associates Inc	Specialist computer reservation software	USA
Britair Acquisition Corp Inc*	Holding company	USA
British Airways Associated Companies Ltd*	Holding company	England
British Airways Australia (Holdings) Pty Ltd*	Holding company	Australia
British Airways Capital Ltd*	Airline finance	Jersey
(89 per cent of founders' shares owned)		
British Airways (European Operations at Gatwick) Ltd*	Airline operations	England
British Airways Finance BV*	Airline finance	Netherlands
British Airways Holidays Ltd*	Package holidays	England
British Airways Investments (Australia) Pty Ltd*	Holding company	Australia
British Airways Maintenance Cardiff Ltd*	Aircraft maintenance	England
British Airways Regional Ltd*	Air travel services	England
British Asia Airways Ltd*	Air travel services	England
Caledonian Airways Ltd	Airline operations	England
Chartridge Centre Ltd*	Airline travel training services	England
Deutsche BA Holding GmbH*	Holding company	Germany
Speedbird Insurance Company Ltd*	Airline insurance	Bermuda
The Plimsoll Line Ltd* *(holding company of Brymon Airways Ltd)*	Holding company	England
Travel Automation Services Ltd* *(trading as Galileo UK)*	Computer reservations systems	England

ASSOCIATED UNDERTAKINGS

	Percentage of equity owned	*Principal activities*	*Country of incorporation and principal operations*
Air Russia*	31.0	Airline operations	Russia
Concorde International Travel Pty Ltd	50.0	Travel services	Australia
Deutsche BA Luftfahrtgesellschaft mbH	49.0	Airline operations	Germany
Euro-Hub (Birmingham) Ltd*	21.4	Airport terminal services	England
GB Airways (Holdings) Ltd	49.0	Airline operations	Jersey
Galileo International Partnership	14.6	Computer reservations systems	USA
Qantas Airways Ltd	25.0	Airline operations	Australia
TAT European Airlines S.A.*	49.9	Airline operations	France
World Aviation Systems (Australia) Pty Ltd	50.0	Airline marketing	Australia
USAir Group, Inc. *(see Note 17 to the accounts)*		Airline operations	USA

TRADE INVESTMENTS

	Percentage of equity owned	*Principal activities*	*Country of incorporation and principal operations*
Hogg Robinson plc*	12.4	Travel services	England
Ruby Aircraft Leasing and Trading Ltd*	19.3	Aircraft leasing	England
Sapphire Aircraft Leasing and Trading Ltd*	19.3	Aircraft leasing	England

*Owned directly by British Airways Plc

UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) INFORMATION

US GAAP ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with accounting principles generally accepted in the United Kingdom which differ in certain respects from those generally accepted in the United States. The significant differences are described below.

a *Deferred taxation* British Airways provides for deferred taxation using the liability method on all material timing differences to the extent that it is probable that the liabilities will crystallise in the foreseeable future. Under US GAAP, as set out in Statement of Financial Accounting Standards (FAS) No. 109 'Accounting for Income Taxes', which the Group adopted on 1 April 1993, deferred taxation is generally provided on a full liability basis. The cumulative effect of the change at that date, from FAS 96 to FAS 109, was not significant.

b *Goodwill* British Airways sets off goodwill arising on consolidation directly against retained earnings. Under US GAAP, goodwill arising on consolidation is amortised over its useful life. For the purposes of determining the differences between UK GAAP and US GAAP, the expected useful life of goodwill has been taken to be 40 years.

c *Property and fleet valuation* Under US GAAP, tangible assets must be stated at cost less accumulated depreciation in the financial statements. The valuation of properties at 31 March 1984 and fleet at 31 March 1988 incorporated by British Airways in its financial statements would not therefore have been included in financial statements prepared in accordance with US GAAP and the subsequent charges for depreciation would have been correspondingly lower. When such assets are sold, however, any revaluation surplus thus realised would be reflected in income.

d *Purchase accounting* Under US GAAP, as set out in FAS 109, a deferred tax liability is recognised for the tax effects of differences between the assigned fair values and tax bases of assets acquired, whereas, under UK GAAP, no such liability is recognised. As a result of recognising such a deferred tax liability the amount of goodwill arising on consolidation increases correspondingly. Under US GAAP, the deferred tax liability would be amortised over the same period as the assets to which it relates.

e *Forward exchange contracts* Under US GAAP, the notional gain or loss arising on the translation of certain outstanding foreign currency forward exchange contracts at each balance sheet date, at the forward rates of exchange ruling at that date, would have been included in the determination of net income. British Airways does not take account of such notional gains and losses.

f *Dividends* Under UK GAAP, dividends are recorded in the financial statements for the period to which the dividend relates. Under US GAAP, the liability for dividends is recorded in the financial statements when declared. The proposed final dividend at 31 March 1994, and the related advance corporation tax, would not therefore be included in the financial statements for 1994 prepared in accordance with US GAAP.

g *Foreign currency translation* Aircraft which are financed in whole or in part in foreign currency, either by loans, finance lease obligations or hire purchase arrangements, are regarded together with the related liabilities as a separate group of assets and liabilities and accounted for in foreign currency. The amounts in foreign currency are translated into Sterling at rates ruling at the balance sheet date and the net differences arising from the translation of aircraft costs and related foreign currency loans are taken to retained earnings. Under US GAAP, the cost of these aircraft would be fixed in Sterling at the rate of exchange ruling at the date of the original acquisition, lease or hire purchase and the exchange gain or loss on the related foreign currency loans would be reflected in income.

h *Gains on sale and leaseback transactions* Under UK GAAP, gains arising on sale and leaseback transactions are recognised as part of income to the extent that the sale proceeds do not exceed the fair value of the assets concerned. Gains arising on the portion of the sale proceeds which exceed the fair value are deferred and amortised over the minimum lease term. Under US GAAP, the total gains, including any realised revaluation gains, would be deferred in full and amortised over the minimum lease term.

i *Post-retirement medical benefit obligations* With effect from 1 April 1992 British Airways has accounted for its obligations in respect of post-retirement medical benefits in accordance with UK Urgent Issues Task Force Abstract 6, which accords with FAS 106 'Employers' Accounting for Postretirement Benefits Other Than Pensions'. Under UK GAAP, the cumulative effect of this change at that date was dealt with as an adjustment to opening retained earnings at 1 April 1992. Under US GAAP, this adjustment would have been dealt with as a cumulative effect of change in method of accounting in the determination of net income for the year ended 31 March 1993.

j *Pension costs* Under US GAAP, the cost of providing pensions is attributed to periods of service in accordance with the benefit formulae underlying the pension plans. The resultant projected benefit obligation is matched against the current value of the underlying plan assets and unrecognised actuarial gains and losses in determining the pension cost or credit for the year. The net periodic pension costs for these plans for the year ended 31 March 1994 amounted to £44 million (1993: £42 million) under UK GAAP compared with an estimated cost of £111 million (1993: £114 million) under FAS 87 'Employers' Accounting for Pensions'. The resultant increase in operating costs of £67 million (1993: £72 million), net of related deferred tax of £22 million (1993: £24 million), would reduce net income under US GAAP by £45 million (1993: £48 million), and would be reflected in the consolidated balance sheet as an addition to accrued pension costs.

The estimated effect of the significant adjustments to net income and to shareholders' equity which would be required if US GAAP were to be applied instead of UK GAAP is summarised on Pages 40 and 41.

UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) INFORMATION

NET INCOME UNDER US GAAP

For the year ended 31 March 1994

				Group
	1994	1993	1994	1993
	£ million		$ million	
Profit for the year as reported in the Group profit and loss account	286	*178*	423	*269*
Estimated adjustments:				
Depreciation				
Goodwill	(14)	*(10)*	(21)	*(15)*
Fleet	45	*31*	67	*47*
Property	1	*1*	2	*2*
Pension costs	(67)	*(72)*	(99)	*(109)*
Exchange gains/(losses)				
Arising on translation of aircraft related loans	(29)	*(133)*	(43)	*(201)*
Relating to revaluation of forward exchange contracts	(2)	*3*	(3)	*5*
Profit on disposal of tangible fixed assets				
Arising on disposal of revalued aircraft	1	*2*	2	*3*
Arising on disposal of revalued property	4		6	
Arising on sale and leaseback transactions	17	*2*	25	*3*
Deferred taxation	(97)	*(62)*	(144)	*(94)*
	(141)	*(238)*	(208)	*(359)*
Estimated net income/(loss) before cumulative effect of change in accounting principle as adjusted to accord with US GAAP	145	*(60)*	215	*(90)*
Estimated cumulative effect on prior years of adopting FAS 106		*(15)*		*(23)*
Estimated net income/(loss) as adjusted to accord with US GAAP	145	*(75)*	215	*(113)*
		Pence		Cents
Net income/(loss) per Ordinary Share as so adjusted*				
Primary				
Income/(loss) before cumulative effect of change in accounting principle	15.9	*(7.9)*	23.5	*(11.9)*
Cumulative effect on prior years of adopting FAS 106		*(1.9)*		*(2.9)*
	15.9	*(9.8)*	23.5	*(14.8)*
Fully diluted				
Income/(loss) before cumulative effect of change in accounting principle	15.6	*(3.7)*	23.1	*(5.6)*
Cumulative effect on prior years of adopting FAS 106		*(1.6)*		*(2.4)*
	15.6	*(5.3)*	23.1	*(8.0)*
Net income/(loss) per American Depositary Share as so adjusted*				
Primary				
Income/(loss) before cumulative effect of change in accounting principle	159	*(79)*	235	*(119)*
Cumulative effect on prior years of adopting FAS 106		*(19)*		*(29)*
	159	*(98)*	235	*(148)*
Fully diluted				
Income/(loss) before cumulative effect of change in accounting principle	156	*(37)*	231	*(56)*
Cumulative effect on prior years of adopting FAS 106		*(16)*		*(24)*
	156	*(53)*	231	*(80)*
		Translation rate	£1 = $1.48	*£1 = $1.51*

*Net loss per share for the year ended 31 March 1993 has been adjusted to take account of the bonus element of the rights issue announced in May 1993.

SHAREHOLDERS' EQUITY UNDER US GAAP

At 31 March 1994

Group	1994 £ million	1993 £ million	1994 $ million	1993 $ million
Shareholders' equity as reported in the consolidated balance sheet	1,827	*1,214*	2,704	*1,833*
Estimated adjustments:				
Intangible assets				
Goodwill	496	*474*	734	*716*
Tangible assets				
Fleet	(203)	*(220)*	(300)	*(332)*
Property	(6)	*(11)*	(9)	*(17)*
Current assets				
Deferred gains on forward exchange contracts	1	*3*	2	*5*
Current liabilities				
Proposed dividend	76		112	
Pension costs accruals	(74)	*(7)*	(109)	*(11)*
Deferred income - sale and leaseback	(24)	*(22)*	(36)	*(33)*
Long-term liabilities				
Deferred income - sale and leaseback	(20)	*(39)*	(30)	*(59)*
Provisions for liabilities and charges				
Deferred taxation	(505)	*(408)*	(747)	*(616)*
	(259)	*(230)*	(383)	*(347)*
Estimated shareholders' equity as adjusted to accord with US GAAP	1,568	*984*	2,321	*1,486*
Translation rate			£1 = $1.48	*£1 = $1.51*

For the five years ended 31 March 1994

GROUP PROFIT AND LOSS ACCOUNT

	1990	1991	1992	1993	1994	1993	1994
			£ million			US$ million	
TURNOVER	*4,838*	*4,937*	*5,224*	*5,566*	**6,303**	*8,405*	**9,328**
Operating expenditure	*(4,454)*	*(4,890)*	*(4,880)*	*(5,256)*	**(5,807)**	*(7,937)*	**(8,594)**
OPERATING PROFIT	*384*	*47*	*344*	*310*	**496**	*468*	**734**
Income from interest in associated undertakings	*(17)*	*6*		*(17)*	**(11)**	*(26)*	**(16)**
Other income and charges	*(10)*	*6*	*(7)*	*(12)*	**(32)**	*(18)*	**(48)**
(Loss)/profit on disposal of fixed assets	*45*	*100*	*36*	*15*	**(5)**	*23*	**(7)**
Profit on sale of engine overhaul business			*149*				
Net interest payable	*(57)*	*(29)*	*(88)*	*(111)*	**(147)**	*(168)*	**(218)**
Profit before taxation	*345*	*130*	*434*	*185*	**301**	*279*	**445**
Taxation and minority interests	*(99)*	*(35)*	*(39)*	*(7)*	**(15)**	*(10)*	**(22)**
Profit for the year	*246*	*95*	*395*	*178*	**286**	*269*	**423**
Dividends	*(64)*	*(64)*	*(74)*	*(79)*	**(106)**	*(119)*	**(157)**
Retained profit for the year	*182*	*31*	*321*	*99*	**180**	*150*	**266**

Translation rate £1=$1.51 £1=$1.48

Following the adoption of Financial Reporting Standard 3 in 1993, amounts for prior years have been adjusted accordingly

GEOGRAPHICAL ANALYSIS OF GROUP TURNOVER AND OPERATING PROFIT

By area of destination

£ million	1990	1991	1992	1993	1994
TURNOVER					
Europe	*1,825*	*1,950*	*2,064*	*2,238*	**2,435**
The Americas	*1,619*	*1,615*	*1,645*	*1,709*	**2,029**
Africa	*356*				
Africa, Middle East and Indian sub-continent		*590*	*665*	*757*	**900**
Middle East, Far East and Australasia	*1,038*				
Far East and Australasia		*782*	*850*	*862*	**939**
	4,838	*4,937*	*5,224*	*5,566*	**6,303**
OPERATING PROFIT/(LOSS)					
Europe	*3*	*(10)*	*20*	*30*	**69**
The Americas	*249*	*123*	*119*	*87*	**129**
Africa	*52*				
Africa, Middle East and Indian sub-continent		*13*	*119*	*134*	**203**
Middle East, Far East and Australasia	*80*				
Far East and Australasia		*41*	*86*	*59*	**95**
	384	*167**	*344*	*310*	**496**

In 1992, the Directors changed the analysis of geographical segments to bring them into line with British Airways operational management structure and the figures for 1991 were adjusted accordingly.

*In 1991, exceptional charges of £120 million (comprising costs associated with employee reductions of £93 million and the write down to estimated realisable value of TriStar aircraft surplus to requirements of £27 million) are not allocable by geographical region.

GROUP BALANCE SHEET

£ million	1990	1991	1992	1993	1994
Fixed assets					
Tangible assets	*2,464*	*3,134*	*3,472*	*4,230*	**4,648**
Investments	*108*	*108*	*93*	*546*	**575**
	2,572	*3,242*	*3,565*	*4,776*	**5,223**
Current assets	*1,295*	*1,057*	*1,687*	*1,577*	**2,357**
Creditors: amounts falling due within one year	*(1,816)*	*(1,600)*	*(1,706)*	*(1,851)*	**(1,928)**
Net current assets/(liabilities)	*(521)*	*(543)*	*(19)*	*(274)*	**429**
Total assets less current liabilities	*2,051*	*2,699*	*3,546*	*4,502*	**5,652**
Creditors: amounts falling due after more than one year	*(1,075)*	*(1,686)*	*(2,208)*	*(3,219)*	**(3,759)**
Provisions for liabilities and charges	*(64)*	*(55)*	*(54)*	*(69)*	**(66)**
	912	*958*	*1,284*	*1,214*	**1,827**

Capital and reserves					
Called up share capital	*180*	*180*	*182*	*185*	**239**
Reserves	*732*	*778*	*1,102*	*1,029*	**1,588**
	912	*958*	*1,284*	*1,214*	**1,827**

Following the adoption of Financial Reporting Standard 4 in 1994 the Convertible Capital Bonds have been reclassified within creditors falling due after more than one year and corresponding amounts have been restated.

GROUP CASH FLOW STATEMENT

£ million	1990	1991	1992	1993	1994
NET CASH INFLOW FROM OPERATING ACTIVITIES	*728*	*296*	*591*	*629*	**736**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received	*29*	*62*	*49*	*96*	**62**
Interest paid on bank and other loans	*(89)*	*(89)*	*(98)*	*(116)*	**(133)**
Interest paid on finance leases and hire purchase arrangements	*(22)*	*(33)*	*(53)*	*(80)*	**(88)**
USAir preferred stock dividend received				*3*	**15**
Dividends received from trade investments	*4*	*3*	*1*	*4*	**2**
Dividends paid	*(58)*	*(64)*	*(65)*	*(76)*	**(86)**
Net cash outflow from returns on investments and servicing of finance	*(136)*	*(121)*	*(166)*	*(169)*	**(228)**
TAXATION					
UK corporation tax paid	*(94)*	*(109)*	*(11)*	*(38)*	**(21)**
INVESTING ACTIVITIES					
Tangible fixed assets purchased for cash	*(619)*	*(813)*	*(539)*	*(577)*	**(320)**
Refund of progress payments	*268*	*189*	*158*	*32*	**114**
Purchase of interests in associated undertakings	*(10)*	*(10)*	*(6)*	*(532)*	**(69)**
Loans made to associated undertakings	*(1)*	*(3)*		*(42)*	**(57)**
Purchase of interests in trade investments	*(7)*	*(3)*	*(1)*		
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings	*(1)*	*(5)*		*(10)*	**(11)**
Sale of tangible fixed assets	*157*	*268*	*90*	*103*	**44**
Sale of investments				*2*	**1**
Sale of engine overhaul business			*274*		
(Increase)/decrease in short-term bank deposits with a maturity date at inception of more than three months			*(334)*	*334*	**(324)**
Net cash outflow from investing activities	*(213)*	*(377)*	*(358)*	*(690)*	**(622)**
Net cash (outflow)/inflow before financing	*285*	*(311)*	*56*	*(268)*	**(135)**
FINANCING					
Changes in borrowings					
Bank and other loans raised	*714*	*546*	*390*	*735*	**210**
Bank and other loans repaid	*(966)*	*(395)*	*(215)*	*(301)*	**(123)**
Capital elements of finance leases and hire purchase arrangements paid	*(98)*	*(49)*	*(55)*	*(79)*	**(116)**
	(350)	*102*	*120*	*355*	**(29)**
Changes in share capital					
Issue of ordinary share capital			*2*	*3*	**54**
Share premium received		*1*	*9*	*20*	**423**
		1	*11*	*23*	**477**
Convertible Capital Bonds issued	*320*				
Costs associated with Convertible Capital Bonds issue	*(10)*				
	310				
Net cash inflow/(outflow) from financing	*(40)*	*103*	*131*	*378*	**448**
Increase/(decrease) in cash and cash equivalents	*245*	*(208)*	*187*	*110*	**313**

OPERATING STATISTICS

For the five years ended 31 March 1994

SCHEDULED SERVICES

		1990	1991	1992	1993	1994
Traffic and capacity						
Revenue passenger km (RPK)	*m*	61,915	64,734	65,896	73,996	81,907
Available seat km (ASK)	*m*	86,601	92,399	93,877	104,507	116,974
Passenger load factor	*%*	71.5	70.1	70.2	70.8	70.0
Cargo tonne km (CTK)	*m*	2,400	2,463	2,510	2,691	2,991
Total revenue tonne km (RTK)	*m*	8,290	8,641	8,778	9,730	10,792
Total available tonne km (ATK)	*m*	12,035	12,929	13,379	14,695	16,240
Overall load factor	*%*	68.9	66.8	65.6	66.2	66.5
Passengers carried	*000*	23,671	24,243	23,788	25,905	28,656
Tonnes of cargo carried	*000*	498	506	502	532	607
Financial						
Passenger revenue per RPK	*p*	6.37	6.27	6.50	6.13	6.32
Cargo revenue per CTK	*p*	16.21	15.27	15.78	14.72	18.41
Average fuel price (US cents/US gallon)		69.72	89.72	70.94	69.32	63.64
Operations						
Unduplicated route km	*000*	685	665	584	594	643
Punctuality – within 15 minutes	*%*	72	73	79	81	85
Regularity	*%*	98.9	98.7	99.2	99.3	99.3

TOTAL GROUP OPERATIONS

		1990	1991	1992	1993	1994
Total revenue tonne km (RTK)	*m*	8,627	8,979	9,111	10,713	11,336
Total available tonne km (ATK)	*m*	12,445	13,351	13,818	15,424	16,913
Passengers carried	*000*	25,238	25,587	25,422	28,100	30,595
Average number of employees		52,054	54,427	50,409	48,960	49,628
RTK per employee	*000*	165.7	165.0	180.7	210.6	228.4
ATK per employee	*000*	239.1	245.3	274.1	315.0	340.8
Aircraft in service at year end		224	230	230	241	253
Aircraft utilisation (average hours per aircraft per annum)		2,787	2,663	2,708	2,928	3,051
Revenue aircraft km	*m*	375	389	390	431	476
Revenue flights	*000*	274	271	261	268	291
Total traffic revenue per RTK	*p*	51.36	50.54	52.55	49.28	51.03
Total traffic revenue per ATK	*p*	35.60	33.99	34.65	32.95	34.20
Net operating expenditure per ATK	*p*	32.52	32.74	32.16	30.94	31.27
Break-even overall load factor	*%*	63.3	64.8	61.2	62.8	61.3

Operating statistics do not include those of associated undertakings and franchisees (CityFlyer Express and Maersk Air)

		Number in service with Group companies at 31 March 1994								
		Owned, finance leased and on hire purchase arrangement (Note 1)	On extendible operating leases	On other operating leases	Total	Future deliveries	Options	1993-94 revenue hours flown	Average hours per aircraft p.a.	Average age years
Concorde		7			7			6,6[illegible]5	948	17.3
Boeing 747-100	(Note 2)	14		1	15			59,955	3,[illegible]	21.9
Boeing 747-200		13	3		16			69,103	4,319	13.3
Boeing 747-400	(Note 3)	15	11	2	28	34	15	132,320	5,057	[illegible]2
Boeing 777						15	15			
Lockheed TriStar 1 and 100		5			5			9,747	1,837	19.3
McDonnell Douglas DC-10-30		5	2		7			27,186	4,358	15.7
Boeing 767-200	(Note 4)			3	3			8,711	5,034	3.1
Boeing 767-300	(Note 5)	16	7		23	5	2	83,686	3,991	2.8
Boeing 757-200	(Note 6)	38	3	2	43	2		1[illegible],102	2,548	7.6
Airbus A320		10			10			23,928	2,393	5.1
Boeing 737-200	(Note 7)	21	16		37			86,712	2,228	11.9
Boeing 737-[illegible]00								790	1,629	
Boeing 737-400		20	4	12	36			92,509	2,675	2.4
BAC 1-11-500								1,285	1,133	
BAe ATP			13	1	14		6	24,674	1,781	3.8
de Havilland Canada DHC-7-100	(Note 8)	4		1	5			6,298	1,886	9.9
de Havilland Canada DHC-8-100	(Note 8)			2	2			2,[illegible]	2,154	5.3
de Havilland Canada DHC-8-300	(Note 8)	2			2			3,219	2,402	2.6
Hired aircraft								2,059		
Total		170		24	253	56	38	748,805	3,051	8.1

Notes.

1. Excludes ten TriStars, one DC-10-30 and one DHC-7 stood down (of which two TriStars have been sub-leased). Three Boeing 737-400s delivered during the year have yet to enter service (of which one has been sub-leased).
2. One aircraft was sold and leased back during the year.
3. One aircraft delivered at the end of last year entered service, two aircraft acquired on hire purchase were delivered during the year and notice to terminate two extendible operating leases were given in February 1994.
4. These three aircraft entered service on wet lease from USAir.
5. Three aircraft acquired on hire purchase were delivered during the year and four aircraft previously on extendible operating lease are now owned.
6. *One aircraft acquired on hire purchase was delivered during the year.*
7. Excludes four aircraft sub-leased to GB Airways.
8. Brymon Airways aircraft added to the fleet during the year when The Plimsoll Line Limited became a wholly-owned subsidiary undertaking.

SHAREHOLDER INFORMATION

SHAREHOLDERS

As at 13 May 1994 there were 242,805 shareholders. An analysis is given below

Size of shareholding	*Percentage of shareholders*	*Percentage of shares*
1 - 1,000	91.52	6.78
1,001 - 5,000	6.75	3.65
5,001 - 10,000	0.93	1.58
10,001 - 50,000	0.38	2.27
50,001 - 100,000	0.13	2.49
100,001 - 250,000	0.12	5.24
250,001 - 500,000	0.08	7.21
500,001 - 750,000	0.03	4.52
750,001 - 1,000,000	0.01	2.98
Over 1,000,000	0.05	63.28
	100.00	100.00

Classification of shareholding	*Percentage of shareholders*	*Percentage of shares*
Individuals	97.06	11.55
Nominee companies	2.19	76.74
Assurance & Insurance companies	0.06	4.99
Banks	0.08	0.02
Pension funds	0.02	0.56
Investment Trusts & Funds	0.24	3.70
Other corporate holders	0.35	2.44
	100.00	100.00

The Companies Act 1985 now only requires a general declaration of holdings of ten per cent or more, or a material interest of three per cent or more.

Morgan Guaranty Trust Company of New York, the Company's ADR Depositary, has a non-beneficial interest in 10.38 per cent of the shares in the name of Guaranty Nominees Limited. British Airways is not aware of any other interest in its shares of ten per cent or more nor of any material interest of three per cent or more.

DIRECTORS' INTERESTS

At 31 March 1994

	British Airways Plc							*British Airways Capital Ltd*	
	Ordinary Shares subject to no restrictions		*Ordinary Shares subject to restrictions*		*Options Executive and SAYE Share Schemes*		*Options exercised during year*	*Convertible Capital Bonds*	
	31 March 1994	*1 April 1993*	31 March 1994	*1 April 1993*	31 March 1994	*1 April 1993*		31 March 1994	*1 April 1993*
Sir Colin Marshall	38,040	*30,432*	-	-	683,239**	*576,428*	-	11,304	*11,304*
Sir Michael Angus	3,750	*3,000*	-	-	-	-	-	1,333	*1,333*
R J Ayling	6,503	*5,203*	-	-	349,958**	*237,319*	-	-	-
D M Stevens	6,311	*5,050*	7,705	*6,164*	412,822**	*381,371*	-	109	*109*
Captain C A Barnes	12,403	*7,983*	3,699	*4,723*	72,998**	*69,976*	-	644	*644*
A M Davies	5,224	*5,060*	-	-	-	-	-	2,221	*2,221*
Sir Francis Kennedy	11,562	*5,250*	2,325	*1,860*	-	*166,666*	173,865**	1,421	*1,421*
C D Mackay	-	-	-	-	-	-	-	-	-
Baroness O'Cathain	2,500	-	-	-	-	-	-	-	-
Hon Charles Price II*	12,500	*10,000*	-	-	-	-	-	-	-
Lord White	-	*1,000*	-	-	-	-	-	-	-
	98,793	*72,978*	13,729	*12,747*	1,519,017	*1,431,760*	173,865	17,032	*17,032*

** Held in American Depositary Receipts.*

*** Adjusted to take into account the bonus element of the rights issue announced in May 1993*

The Directors' interests set out above are in each case beneficial. During the year, Sir Colin Marshall, R J Ayling and D M Stevens were granted 81,911, 102,389 and 13,651 executive share options respectively. The options under the Executive Share Option Scheme are at prices varying from 192p to 293p per share and are exercisable up to 9 June 2003. No Director has any beneficial interest in shares in any subsidiary undertaking of the Company other than those shown above in the 9.75 per cent Convertible Capital Bonds 2005 of British Airways Capital Limited. There have been no changes in the interests set out above between the end of the financial year and 23 May 1994.

Lord White, a Director of the Company until 13 July 1993, held 1,000 ordinary shares in the Company at 1 April 1993 and 1,250 ordinary shares at the date of his retirement from the Board.

GENERAL INFORMATION

FINANCIAL CALENDAR	
Financial year end	*31 March 1994*
Annual general meeting	*12 July 1994*
ANNOUNCEMENT OF 1994-95 RESULTS AND DIVIDENDS	
First quarter results to 30 June 1994	*August 1994*
Second quarter results to 30 September 1994	*November 1994*
Interim dividend	*November 1994 (payable January 1995)*
Third quarter results to 31 December 1994	*February 1995*
Preliminary announcement	*mid May 1995*
Report and Accounts	*June 1995*
Final dividend	*May 1995 (payable July 1995)*

REGISTERED OFFICE

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

Registered number – 1777777

OUTSIDE ADVISERS

Company Registrars: Barclays Registrars, PO Box 34, Northwich, Cheshire CW9 7RD

ADR Depositary: Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, NY 10260

UNSOLICITED MAIL

British Airways is obliged by law to make its share register available on request to other organisations who may then use it as a mailing list. This may result in your receiving unsolicited mail. If you wish to limit the receipt of unsolicited mail you may do so by writing to the Mailing Preference Service, an independent organisation whose services are free to you. Once your name and address have been added to its records, it will advise the companies and other bodies which support the service that you no longer wish to receive unsolicited mail.

If you would like more details please write to: The Mailing Preference Service, FREEPOST 22, London W1E 7EZ. British Airways asks organisations which obtain its register to support this service.

GLOSSARY

Available seat kilometres (ASK)	*The number of seats available for sale multiplied by the distance flown.*
Available tonne kilometres (ATK)	*The number of tonnes (2,204 lb) of capacity available for the carriage of revenue load (passenger and cargo) multiplied by the distance flown.*
Revenue passenger kilometres (RPK)	*The number of revenue passengers carried multiplied by the distance flown.*
Cargo tonne kilometres (CTK)	*The number of revenue tonnes of cargo (freight and mail) carried multiplied by the distance flown*
Revenue tonne kilometres (RTK)	*The revenue load in tonnes multiplied by the distance flown.*
Load factor	*The percentage relationship of revenue load carried to capacity available.*
Passenger load factor	*RPK expressed as a percentage of ASK.*
Overall load factor	*RTK expressed as a percentage of ATK.*
Break-even load factor	*The load factor required to equate total traffic revenue with operating costs*
Revenue per RPK	*Passenger revenue from scheduled operations divided by scheduled RPK.*
Total traffic revenue per RTK	*Revenue from total traffic (scheduled and non-scheduled) divided by RTK.*
Total traffic revenue per ATK	*Revenue from total traffic (scheduled and non-scheduled) divided by ATK*
Punctuality	*The industry's standard measured as the percentage of flights departing within 15 minutes of schedule.*
Regularity	*The percentage of flights completed to flights scheduled, excluding flights cancelled for commercial reasons.*
Unduplicated route kilometres	*All scheduled flight stages counted once, regardless of frequency or direction*