

BRITISH AIRWAYS Plc  
REPORT AND ACCOUNTS

For the year ended

31 MARCH 1993

1777777

# HIGHLIGHTS

## GROUP RESULTS

Group

		1991-93	1991-92*
Turnover	£m	5,566	5,224
Operating profit	£m	310	344
Profit before taxation	£m	185	434
Profit after taxation	£m	178	395
Capital and reserves	£m	1,534	1,604
Earnings per share - basic	p	24.1	54.6
- basic adjusted +	p	24.1	35.3
- fully diluted adjusted +	p	22.3	31.0
Dividends per share	p	10.60	10.18

## TRAFFIC

Available tonne kilometres	m	15,424	13,818
Revenue tonne kilometres	m	10,313	9,111
Passengers carried	000	28,100	25,422
Cargo carried (tonnes)	000	532	502
Overall load factor (scheduled services)	%	66.2	65.6

## EMPLOYEES AND PRODUCTIVITY

Average number of employees		48,960	50,409
Available tonne kilometres per employee	000	315.0	274.1
Revenue tonne kilometres per employee	000	210.6	180.7

\* Restated in accordance with Financial Reporting Standard 3.

+ Adjusted to exclude profit on sale of engine overhaul business.

## CHAIRMAN'S STATEMENT

In my first Report to you, I reflect on a year of ups and downs. I was honoured by your Board in being appointed to succeed Lord King, whose outstanding leadership for the past 12 years has done so much for your Company. Our results were achieved in the face of the toughest commercial market conditions I can remember, even those prevailing immediately post the Gulf War in 1991. When compared to our competitors in Europe, North America, and even in many parts of Asia, we did well and can hold our heads high. This required a tremendous effort by our employees throughout the world, who fully lived up to the fine reputation they have developed in recent years for a high standard of customer service.

Your Board accepts responsibility for, and regrets, the Virgin saga, which cast a shadow over our Company. However, the relatively small number of unconnected incidents involving a very small number of employees must be kept in perspective. We have been able to implement a significant part of our overall strategy for the future through the major investments in the USAir Group, Inc., the fourth largest in passenger numbers of the US airlines; in Qantas, which itself had only recently acquired the domestic Australian Airlines; in TAT European Airlines, the second airline of France, and in Deutsche BA, operating both domestic and international routes in Germany. We were also successful in establishing BA Regional to take over all of the British Airways services and representation in Birmingham, Manchester and Scotland, excluding the Shuttle services. In November we concluded the acquisition of the principal scheduled European and domestic routes of Dan-Air based at Gatwick, which has enabled us to establish a new business there with a cost structure which offers hope of a profitable operation in the near-term future. We need to recognise the many achievements recorded in the face of considerable and sustained opposition from various sources principally representing vested interests. We are now moving ahead with the establishment of coordination and steering groups for each of the partnerships to seek the synergy benefits available both on the revenue and cost sides.

While doing all of this we have not forgotten our service commitments to our customers. We have embarked on a major programme of improvements in Concorde, with a complete refurbishment of the interiors of the aircraft – the first of which will be flying in June. In First Class there are enhancements, especially with the introduction of the new Sleeper Service on some 30 routes, and in Club World, with new seats, the most comprehensive video system available in business class and improved in-flight service. We opened the new pavilion of special lounges at Heathrow's Terminal Four, providing comfortable and attractive facilities for all our premium class travellers and for eligible members of the Executive Club. A new Oasis Lounge has also been opened to cater for intercontinental passengers transferring between flights at Heathrow. We have opened an Arrivals Lounge at Gatwick and announced a similar facility for Heathrow for September 1993 – these lounges will enable premium class passengers and Executive Club members to take a shower,

to have breakfast and generally to prepare themselves before leaving the airport for their business and other appointments, following overnight arrivals.

We have continued to win awards including 'Airline of the Year' from both Business Traveller magazine and from Air Transport World in the United States – the first airline to win this award three times, and most recently we were named as 'Transatlantic Airline of the Year' by the readers of the Ashington Pickett Travel Newsletter in the United States. In January we announced a new uniform for our customer service staff and cabin crew, designed by Paul Costelloe and which will be worn by our employees starting from the beginning of next year.

We are committed to a policy of equal job opportunity. As part of the Opportunity 2000 initiative, percentage targets have been set for the employment of women and ethnic minority managers by the turn of the century and a dedicated Equal Opportunities executive has been appointed to monitor progress. Our 'Winning for Customers' motivational employee programme has continued throughout the year and nearly twenty four thousand staff have already attended. I think you can see that we have every right to be very proud of this Company, one which continues to be among the most innovative and most successful in the world airline industry.

We are well positioned to fulfil our vision of the future, in which we see increasing levels of deregulation around the world leading to globalisation of our industry. This will see the removal of restrictions and barriers in terms of both traffic and capital investment across borders. Eventually it will position our industry in a similar way to most other industries which is likely to evolve into a relatively few very large global partnerships, with a strong presence in all of the key markets, and many, much smaller airlines operating in specific geographic or market segments.

We are working hard to improve further our customer service and to restore fully the image of your Company. I offer my thanks to all of our employees for their outstanding contribution and I express my appreciation to my fellow Board members for their support and for the extraordinary amount of time and attention which they have had to give to your Company's business. I should like to express my appreciation for the contribution to the Company made by Lord White of Hull, who is retiring from the Board this year. In conclusion, I want to pay a special tribute to my predecessor, without whose wisdom, direction and leadership, we would not be where we are today. It is gratifying to know that we will continue to benefit from his counsel as our first President.

Sir Collin Marshall Chairman

# BOARD MEMBERS, PRESIDENT AND EXECUTIVE MANAGEMENT

## BOARD MEMBERS

### **Sir Colin Marshall (59) *Chairman***

Chairman since February 1993. Formerly Deputy Chairman and Chief Executive. Joined the Board of British Airways as Chief Executive in 1983. Director, Grand Metropolitan PLC, IBM United Kingdom Holdings Limited, Midland Bank plc, HSBC Holdings plc, USAir Group, Inc. and Qantas Airways Limited. (B, D)

**Sir Michael Angus (63) *Deputy Chairman and Chairman of the Board Audit, Nominations and Remuneration Committees***, President, Confederation of British Industry. Chairman, Whitbread PLC. Deputy Chairman, National Westminster Bank Plc. Director, Thorn EMI plc. (A,C,D)

### **Robert Ayling (46) *Group Managing Director***

Group Managing Director since February 1993. 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 (54) *Chief Financial Officer***

Chief Financial Officer since 1989. Formerly Finance Director, TSB Group plc. Director, USAir Group, Inc.

### **Captain Colin Barnes (59) *Chairman of the Board Air Safety Review Committee***

Joined the Board of British Airways 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 (58)**

Chairman, Calor Group PLC, Wiltshier PLC and Perkins Foods PLC. Deputy Chairman, TI Group Plc. (A, B, C, D)

### **Sir Francis Kennedy KCMG CBE (67) *Special Adviser to Chairman and Board***

Diplomatic Service, 1964-86. Director, Fluor Daniel Corp. and Smith & Nephew plc. (B)

### **The Hon Charles H. Price II (62)**

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)

### **Lord White of Hull KBE (70)**

Chairman, Hanson Industries. (A, 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 (75)**

Chairman 1981-1993

## EXECUTIVE MANAGEMENT

**Michael Batt (38) *Director of Marketing***

**Terry Butfield (52) *Head of Network Management***

**Anthony Cocklin (50) *Head of Communications***

**Alistair Cumming (58) *Director of Engineering***

**Dr Michael Davies (55) *Director of Health Services***

**Robert Falkner (45) *Group Chief Accountant***

**Tony Galbraith (54) *Treasurer***

**Valerie Gooding (43) *Director of Business Units***

**Kevin Hatton (48) *Managing Director World Cargo***

**Brian Haydon (47) *Director of Information Management***

**David Holmes (58) *Director of Government and Industry Affairs***

**David Hyde (56) *Director of Safety, Security & Environment***

**Peter Jones (44) *Head of Public Relations***

**Captain Jock Lowe (49) *Director of Flight Operations***

**Clive Mason (49) *Director of Purchasing and Supply***

**Roger Maynard (50) *Director of Corporate Strategy***

**John Patterson (45) *Head of Operations***

**Gail Redwood (44) *Company Secretary***

**Valerie Scoular (37) *Director of Human Resources***

**Mike Street (45) *Director of Service Delivery***

**Walter van West (50) *Group Financial Controller***

**Mervyn Walker (34) *Legal Director***

**John Watson (49) *Director of Regions and Sales***

*Membership as at the time of publication.*

British Airways entered the private sector in 1987 with high standards of Corporate Governance. Nevertheless following publication of Sir Adrian Cadbury's draft report on Corporate Governance, the Board set up a Committee of non-executive Directors, under my chairmanship, to examine the Company's procedures in the light of the recommended Code of Best Practice. Many of Cadbury's recommendations were already in place: for example, we had effective Audit and Remuneration Committees of non-executive Directors and to this framework we proposed the addition of a Nominations Committee.

The Committee also examined the desirable corporate structure to follow Lord King's planned retirement in 1993 and it was their recommendation that Sir Colin Marshall should become Chairman with a Group Managing Director being appointed, responsible for major Company operations. The Committee also recommended that the number of non-executive Directors resident in the UK should be increased and that my own role as Deputy Chairman should be expanded to provide a regular point of contact for the executive Directors. These, and a number of other recommendations, were accepted by the Board in December 1992.

The Corporate Governance of the Company was put to the test when Mr Richard Branson made serious allegations about the Company's business behaviour, as described in the Directors' Report.

Upon first receiving these allegations the Directors promptly required an investigation of the matters alleged and a report to the Board. This resulted in the conclusion that there was no substance in the accusation that the Company had engaged in any campaign against Virgin other than through normal marketing and promotional efforts. Further enquiry by the Company's lawyers during the proceedings led to a report that there had

been some unconnected incidents of regrettable conduct on the part of a few employees but that these had not been authorised by any Director.

Your non-executive Directors, who had independent legal advice, played a major part in the many Board discussions which followed this report. They asked for and received assurance from each Board member that he did not implement nor authorise any improper action against Mr Branson or Virgin Atlantic.

A Committee of non-executive Directors, under my chairmanship, was formed to monitor the actions being taken as a result of the report made to the Board. For some time the Company had been drafting a company-wide Code of Business Conduct and this has now been introduced and the Committee has the additional responsibility for ensuring its compliance.

I am grateful to my colleagues who gave us enormous support and much time during those difficult days.

Inevitably I have dealt mainly with the Corporate Governance issue which I know has concerned you all. However, the principal role of non-executive Directors is not to be policemen but to contribute together with the executive Directors to the growth and vitality of the business. We have every opportunity to comment on and subscribe to strategy and other matters through open Board discussion. Through this we hope we can help to maintain British Airways as a world class, profitable and efficient company. This is our primary duty to shareholders.

Sir Michael Angus Deputy Chairman

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## DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and Accounts for the year ended 31 March 1993. The accounts are set out on Pages 10 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 £178 million, against £395 million (including £140 million profit on the sale of the engine overhaul business) in the previous year. The Board recommends no final dividend. An interim dividend of 3.06p per share was paid on 15 January and a second interim dividend of 7.54p per share in lieu of a final dividend was paid on 5 April, making a total of 10.60p per share, an increase of 4.1 per cent on the previous year. After providing £79 million for dividends, the retained profit for the year amounted to £99 million.

### ACCOUNTING STANDARDS

The financial statements for the year ended 31 March 1993 have been presented in accordance with Financial Reporting Standard 3 'Reporting Financial Performance' issued by the UK Accounting Standards Board in October 1992. The standard has introduced new format requirements, particularly for the profit and loss account, designed to provide improved and more comprehensive disclosure of financial performance.

### INVESTMENTS

**USAir** On 21 January 1993, British Airways announced that it had agreed terms for a new alliance between British Airways and USAir Group, Inc. The first stage of the transaction has already been completed with the investment by the Group of US \$300 million (£198 million) in new convertible preferred stock of USAir and the signing of a flight code sharing agreement. The Group also agreed in early May to invest an additional US \$100.7 million in convertible preferred stock of USAir pursuant to the exercise of pre-emption rights following the exercise of employee options and the public offering by USAir of US \$231 million (net) of common stock in the US market. The Group has the right to nominate three of the 16 directors of USAir and, accordingly, Sir Colin Marshall (Chairman), Derek Stevens (Chief Financial Officer) and Roger Maynard (Director of Corporate Strategy) have joined the USAir Board. Further details of this investment are given in Note 15 to the Accounts.

**Qantas** On 10 March 1993, British Airways completed the agreement for the Group to acquire 25 per cent of Qantas Airways Limited for A\$666 million (£304 million). Under the Australian Government's privatisation plan, the remaining 75 per cent of shares in Qantas is expected to be offered to the public within the next 12 months. The Group has the right to nominate three of the 12 directors of Qantas and, accordingly, Sir Colin Marshall, Roger Maynard and Nick Tait (General Manager for Australia and New Zealand) have joined the Qantas Board. Further details of this investment are given in Note 13 to the Accounts.

**Dan-Air** In November 1992 British Airways acquired, for a nominal £1 and the assumption of all its liabilities, the assets of Davies & Newman Holdings PLC, being principally the scheduled services operated by Dan-Air Services Limited from Gatwick. Subsequently that company changed its name to British Airways (European Operations at Gatwick) Limited and in February 1993 moved its operations to the North Terminal. Further details of this acquisition are given in Note 12 to the Accounts.

**TAT** On 1 January 1993, British Airways acquired for £15 million, a 49.9 per cent share of the equity of TAT European Airlines S.A., the largest independent French airline which operates an extensive network of domestic and international routes. British Airways has an option to purchase the remaining 50.1 per cent of the equity on or before 1 April 1997. Further details of this investment are given in Note 14 to the Accounts.

### LITIGATION

In December 1991 Mr. Richard Branson wrote an open letter to the non-executive Directors of the Company alleging that British Airways had conducted a hostile and concerted campaign against Virgin Atlantic Airways Limited (Virgin) and himself. That allegation was rejected in terms which questioned the good faith and motivation of Virgin and Mr. Branson who then commenced libel proceedings. In the course of the libel proceedings it was discovered by the Company's lawyers that there had been a few unconnected incidents of conduct on the part of a few employees that gave Mr. Branson a basis for concern. The facts were disclosed to Virgin, apology was made and the libel litigation settled for £610,000 plus costs. In a statement read out in open court it was emphasised that the Directors of British Airways were not party to any concerted campaign against Mr. Branson and Virgin Airways. British Airways made it clear that it wished to discharge any other legitimate claims by Virgin in relation to any other damage Virgin's business might have suffered as a result of these events and to this end an offer of settlement, to include a long-standing engineering dispute, was made with the alternative of arbitration. Virgin terminated those talks and has since issued a writ alleging breach of confidentiality and copyright. A Code of Business Conduct has been introduced in the Company under the supervision of a Committee of the Board.

### AIRCRAFT ORDERS

No orders for new aircraft were placed in the year. Options on four Boeing 747-400s, six Boeing 737-400s and one Boeing 757-200 aircraft were not taken up. Delivery of two Boeing 747-400s was rescheduled from 1994 to 1996 and 1997.

Options on two Boeing 747-400s were converted into future deliveries. Future delivery of two Boeing 737-400s for entry into service will occur as a result of the acquisition of Dan-Air.

### AIRCRAFT FLEET CHANGES

Four Boeing 747-400s, three Boeing 767-300s, eleven Boeing 737-400s and one BAe ATP were delivered to the airline, of these one Boeing 747-400 and one Boeing 737-400 were delivered in March 1993 but did not enter service until April 1993. A further BAe ATP entered service on a short-term operating lease. Three Boeing 757-200s entered the fleet on operating leases.

As a result of the acquisition of Dan-Air, nine Boeing 737-400s and three Boeing 737-300s were added to the fleet, all on operating leases.

One McDonnell Douglas I/C-10-30 was stood down. One Lockheed TriStar 50, two HS 748s and one BAe ATP were returned to the lessors. Two Boeing 757-200s were returned from lease to other airlines. Two Boeing 737-200s were leased to another airline.

During the year two Lockheed TriStar 200s and one McDonnell Douglas DC-10-30 were leased to other airlines on a short-term basis. Two Lockheed TriStar 200s remain on short-term lease to another airline.

### FINANCING

Ten Boeing 737-400s (one of which did not enter service until

April 1993) and two Boeing 767-300s were purchased outright, financed out of existing facilities by 18 year US dollar loans secured on the aircraft. A further Boeing 767-300 which was delivered in March 1992 was similarly financed by way of a Sterling mortgage loan.

Two Boeing 747-400s (one of which did not enter service until April 1993) were acquired by way of 15 year Sterling finance leases and a further two Boeing 747-400s were acquired under Japanese leveraged leases. One Boeing 767-300, which was delivered in March 1992 was subsequently financed under a Japanese leveraged lease arrangement and one Boeing 767-300, which was delivered in March 1993 is expected to be similarly financed in the financial year 1993-94.

Two Boeing 757-200s were sold and leased back on operating leases with a minimum lease term of five years and a Boeing 747-200 was similarly the subject of a sale and lease-back for a minimum term of seven years.

During the year, three Boeing 747-200s and one Boeing 757-200 have changed from operating lease to finance lease arrangements following an extension of the original lease periods.

In March 1993, a three year unsecured loan of US\$110 million was arranged to assist with the funding of the Group's investment in USAir.

The Group has been able to finance the investments referred to earlier from cash resources and bank facilities. This has had the effect of increasing the Group's ratio of net debt to total capital. The Directors believe that, while this ratio remains acceptable, it is in the best interests of the Company to raise further equity from shareholders.

On 18 May 1993 the Directors will announce a Rights Issue to raise £441.8 million by the issue of 185,485,636 new ordinary shares at 245p per share. The proceeds of the Rights Issue will reduce net borrowings.

#### PROPERTY VALUATION

Richard Ellis, Chartered Surveyors, has 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 Institution of Chartered Surveyors. Having regard to this valuation, the opinion of the Directors is that the current value of the Group's properties is approximately £250 million in excess of the net book value disclosed in the Group balance sheet at 31 March 1993.

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.

#### ROUTES

During the year British Airways introduced new, or additional, services to Mexico City, San Francisco, Beijing, Seattle, Vancouver, Hong Kong and, operated through British Asia Airways, Taipei. In addition British Airways has recently introduced new transatlantic services from Birmingham and Manchester.

#### OTHER DEVELOPMENTS

Difficult trading conditions associated with economic recession continued during the year. Yields declined mainly due to reduced premium traffic and intense competitive pressures as a result of excess capacity in the industry. Despite these problems the Group has achieved market share growth during the year.

In order to enhance the Group's competitive position British

Airways has begun an extensive programme of product development for its premium brands. This is being supported by a worldwide advertising campaign and the launch of a global frequent flyer programme.

British Airways exceeded its targets for cost savings during the year and remains committed to reducing the cost base further while maintaining and improving service quality. Significant profit improvement benefits will be added during the coming year.

The Group's investments in USAir and Qantas give the Group strategic alliances in the major markets of North America and the Pacific region, and the investments in Deutsche BA and TAT European Airlines increase the airline's presence in Continental Europe. Taken together with the Group's existing extensive route network, these investments give British Airways a stronger presence in all of the six major world airline markets.

#### DIRECTORS

The Directors propose a change to the Articles of Association of the Company to include the executive Directors within the requirement for one third of the Board to be re-elected by the shareholders annually. Previously the Chairman, the Chief Executive and one other executive Director were not required to be re-elected. If this proposal is accepted by the shareholders, the Chairman, Sir Colin Marshall, the Chief Financial Officer, Mr. Derek Stevens and non-executive Director Mr. Michael Davies offer themselves for re-election. Should the proposed change to Article 88 not be passed, only Mr. Davies would stand for re-election. Lord White does not wish to stand for re-election as a Director and will retire from the Board at the annual general meeting. After the year end the Directors appointed to the Board Baroness O'Cathain and Mr. Charles Mackay, who being eligible, offer themselves for election at the annual general meeting.

Sir Colin Marshall's service contract with the Company is terminable by either party on three years' notice and expires in any event on 16 November 1998. Mr. Stevens' service contract with the Company is terminable by either party on two years' notice and expires in any event on his 63rd birthday.

The Directors further propose to introduce an upper age limit of 70 for Directors by further amendment.

The names and details of the Directors are set out on Page 3 and their share interests are disclosed on Page 47.

#### LIABILITY INSURANCE

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

#### EMPLOYEE INVOLVEMENT

In a service industry the value added by a committed workforce is undoubted and the Board acknowledges the contribution which the employees have made during the year. The major customer service development initiative for all employees entitled 'Winning for Customers' has continued throughout the year emphasising the vital role which every individual has in retaining the airline's customers. 'Managing Winners', a two day additional training course for managers, supervisors, captains and cabin service directors has continued to run in parallel.

'Brainwaves', the employee suggestion scheme to reward original workable suggestions which benefit the Company, made awards during the year from £25 to £10,000. 1,400 ideas were submitted and more than £250,000 was shared by employees. The benefit of these suggestions to the Company is estimated to be £2.8 million.

'British Airways News' is issued free to employees each week providing up-to-date information on what is happening in the Group, a daily version of the headline news is also provided on



## DIRECTORS' REPORT *(continued)*

the airline's computer networks giving instant access to news around the world.

The Company has generally enjoyed good industrial relations during the year. Changes in working practices are essential to reduce costs in the interests of future profitability and the concerns of the workforce are understood and must be allayed. These issues are discussed at regular consultation meetings between management and the trade unions recognised by the Company.

The Profit Sharing Share Scheme will not be operated for the year 1992-93 because of the lower level of profits.

The second operation of the Savings Related Share Option Scheme under which employees were able to save amounts between £10 and £100 per month with the option after five years of purchasing shares with the money saved at 135p per share, will mature on 1 September 1993.

### PENSIONS

The triennial actuarial valuations of the Airways Pension Scheme and the New Airways Pension Scheme was carried out at 31 March 1992. The valuations confirmed that the value of the assets held was in excess of the value of members' accrued benefits. As a result a reduction of the Company's contributions in respect of members of the New Airways Pension Scheme was made.

### 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 £409,000 (1992: £482,000) of which the largest were to The 50th Anniversary of the Battle of Britain Appeal

and The 1992 British Olympic Appeal. No political donations were made during the year (1992: £nil).

### INCREASE OF SHARE CAPITAL AND ALLOTMENT OF SHARES

An ordinary resolution to increase the authorised share capital of the Company to £327 million by the creation of 240 million new ordinary shares and a special resolution to grant the Directors authority to allot shares under Article 11(B) of the Company's Articles of Association are contained in the notice of annual general meeting.

### SHAREHOLDERS - NON-UK NATIONALS

At 31 March 1993, 36 per cent of ordinary shares were held by non-UK nationals, compared with 41 per cent at 31 March 1992. 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.

### CODE OF BEST PRACTICE

The report by the Deputy Chairman on Page 4 describes the action taken by the Board in order to respond fully to the recommendations of Sir Adrian Cadbury's Committee on the Financial Aspects of Corporate Governance. With the changes accepted by the Board in December 1992, the Company complies with the Code of Best Practice subject to guidance yet to be issued by the accountancy profession.

### 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  
G F Redwood Secretary  
17 May 1993

The pre-tax profit for the year ended 31 March 1993 was £185 million (1992: £285 million as published, £434 million after restatement to reflect Financial Reporting Standard 3). The pre-tax profit for the year was 35.1 per cent lower than the previous year adjusted to exclude last year's profit on the sale of the engine overhaul business.

Group results for the year ended 31 March 1993 once again reflected the difficult trading conditions associated with economic recession, particularly declining yields brought about by a number of factors including reduced premium traffic and intense competitive pressures resulting from excess capacity in the industry. Exchange rates also adversely affected the year's results, with the summer peak for overseas sales coinciding with a strong pound which reduced the Sterling value of those sales. The benefits of weaker Sterling took time to show, since many passengers booked and paid for their tickets before devaluation, but had begun to appear in the fourth quarter.

Profit after tax was £178 million, equivalent to earnings of 24.1p per share compared to 35.3p last year (on an adjusted basis). On a fully diluted basis, earnings per share were 22.3p.

Net cash flow from operating activities totalled £629 million, up £38 million on last year. Outlay on new aircraft and other fixed assets in the year amounted to £1,058 million, including £513 million of assets acquired under finance leases and hire purchase arrangements (1992: £743 million and £362 million respectively) and £574 million was invested in associated undertakings, including US Air, Qantas and TAT European Airlines, whereas last year saw a cash inflow from the sale of the engine overhaul business of £274 million. These were the chief factors in accounting for a financing requirement of £1,115 million against an inflow of £28 million last year.

Borrowings net of cash and short term deposits (net debt) at 31 March 1993, amounted to £2,453 million, up £1,282 million on the previous year. Capital and Reserves, together with Convertible Capital Bonds, declined by £70 million to £1,534 million after a £149 million goodwill set off relating to acquisitions during the year. The resultant net debt:total capital ratio at 31 March 1993 (defining total capital as Capital and Reserves, Capital Bonds and net debt) was 62 per cent compared to 42 per cent last year.

For the 12 months ended 31 March 1993 Group turnover increased by 6.5 per cent from £5,224 million to £5,566 million. Group expenditure rose by 7.7 per cent from £4,880 million to £5,256 million.

Group operating profit for the year declined by 9.9 per cent to £310 million. British Airways' share of losses of associated undertakings amounted to £17 million, principally representing initial start up losses of Deutsche BA and TAT European Airlines. Other income and charges worsened by £9 million in part due to provision against advances to Deutsche BA. Profit on sale of fixed assets was £17 million below last year. Net interest payable rose £23 million to £111 million, reflecting currency losses on revaluation of general purpose loans, and the cost of funding asset purchases and investments made during the year.

The average number of employees in the Group during the year to 31 March 1993 was 48,960, a reduction of 2.9 per cent on the previous year. Productivity, as measured in terms of Group available tonne kilometres per employee, was up by 14.9 per cent. Employee costs increased by 3.0 per cent to £1,551 million mainly as a result of charging the £41 million cost associated with staff severance and similar arrangements compared to £22 million last year and the impact of pay settlements for UK employees of 3.6 per cent, offset by the reduction in the average number of employees and the absence of a staff bonus for the year.

Fuel and oil costs increased by 7.5 per cent to £560 million, largely as a consequence of an increase in flying activity of 10.5 per cent measured in terms of revenue aircraft kilometres and exchange rate changes, offset by a 2.3 per cent reduction in the average market price of fuel to 69.3 US cents per US gallon for 1992/93. Aircraft operating lease costs and depreciation combined showed a small increase, with the effects of the larger fleet being offset by lower operating lease costs reflecting lower interest rates.

Engineering and other aircraft costs remained the same as last year. Landing fees and en route charges were up by 16.9 per cent due to increases in volume, and in overflying and airport passenger charges. Handling charges, catering and other operating costs increased by 17.4 per cent reflecting the increase in passengers carried and many product improvements both on the ground and in the air.

The launch of the new worldwide advertising campaign, the global frequent flyer programme, together with increases in travel agents' commission and CRS charges in line with turnover, largely accounted for the 12.3 per cent increase in selling costs.

Accommodation, ground equipment and currency differences rose by 7.7 per cent to £404 million in part due to rentals on new lounges and other facilities at Heathrow, and the inclusion of the cost of property maintenance which is now subcontracted.

The geographical analysis of Group turnover and operating profit demonstrates the strength of British Airways' network. European route operating profit increased from £20 million to £30 million, as increases in passenger volumes remained ahead of capacity increases; this improvement has been assisted by discontinuing the airline's loss-making German domestic services at the end of October 1992.

Turnover originating in the Americas declined by 1.5 per cent to £927 million, although total turnover on the Americas routes increased by 3.9 per cent to £1,709 million. Operating profit on the Americas routes fell by 26.9 per cent to £87 million, mainly due to traffic decline in the premium cabins and downward pressure on yields following increased competition on key routes to the United States.

Turnover on Africa, Middle East and Indian sub-continent routes increased by 13.8 per cent to £757 million. Operating profit on those routes rose by 12.6 per cent to £134 million reflecting improvement in both yields and volumes on the West Africa, Gulf and India routes.

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Increased revenue from Far East and Australasia routes has been marginal, reflecting the difficult economic conditions in Japan and Australia. Operating profit for the region was £59 million for the year, a decline of 31.4 per cent.

A total of 28,100,000 passengers were carried on scheduled and charter services, an increase of 10.5 per cent. Cargo tonne kilometres were up by 7.2 per cent, representing the carriage of 532,000 tonnes of cargo. Revenue tonne kilometres increased by 13.2 per cent with available tonne kilometres up by 11.6 per cent.

Revenue passenger kilometres on scheduled services increased by 12.3 per cent with available seat kilometres up by 11.3 per cent giving a passenger load factor of 70.8 per cent, up by 0.6 points on the previous year.

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REPORT OF THE AUDITORS TO  
THE MEMBERS OF BRITISH AIRWAYS Plc

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We have audited the accounts on Pages 11 to 38 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 1993 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Chartered Accountants  
Registered Auditor

London  
17 May 1993

**GROUP PROFIT AND LOSS ACCOUNT**  
For the year ended 31 March 1993

£ million	Note	Group	
		1993	1992*
<b>TURNOVER</b>	<b>2a</b>	<b>5,564</b>	<b>5,224</b>
Continuing operations		5,215	5,224
Acquisitions		349	
<b>Cost of sales</b>	<b>3a</b>	<b>(5,134)</b>	<b>(4,777)</b>
<b>Gross profit</b>		<b>428</b>	<b>447</b>
<b>Administrative expenses</b>	<b>3a</b>	<b>(118)</b>	<b>(103)</b>
<b>OPERATING PROFIT</b>	<b>2c &amp; 3c</b>	<b>310</b>	<b>344</b>
Continuing operations		318	344
Acquisitions		(8)	
Share of results of associated undertakings	4	(17)	
Other income and charges	5	(16)	(7)
Profit on sale of fixed assets		19	36
Profit on sale of engine overhaul business			149
Net interest payable	6	(111)	(88)
<b>PROFIT BEFORE TAXATION</b>		<b>185</b>	<b>434</b>
<b>Taxation</b>	<b>7</b>	<b>(7)</b>	<b>(39)</b>
<b>PROFIT FOR THE YEAR</b>		<b>178</b>	<b>395</b>
Dividends	8	(79)	(74)
<b>RETAINED PROFIT FOR THE YEAR</b>	<b>24</b>	<b>99</b>	<b>321</b>
<b>EARNINGS PER SHARE</b>	<b>9</b>		
Basic earnings per share		24.1p	54.6p
Adjustment to exclude profit on sale of engine overhaul business			(19.3)p
Adjusted earnings per share		24.1p	35.3p
Fully diluted earnings per share		22.3p	46.4p
Adjustment to exclude profit on sale of engine overhaul business			(15.4)p
Fully diluted adjusted earnings per share		22.3p	31.0p
<b>DIVIDENDS PER SHARE</b>	<b>8</b>	<b>10.60p</b>	<b>10.18p</b>

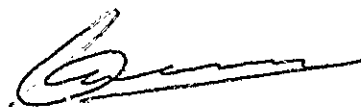
\* Restated in accordance with Financial Reporting Standard 3, see Note 1.

**BALANCE SHEETS**  
(At 31 March 1993)

£ million	Note	Group		Company	
		1993	1992	1993	1992
<b>FIXED ASSETS</b>					
Tangible assets	10				
Fleet		3,537	2,829	3,511	2,804
Property		464	420	456	415
Equipment		229	223	214	206
		4,230	3,472	4,181	3,425
Investments	11				
Subsidiary undertakings				668	136
Associated undertakings		448	7	11	5
Trade investments		98	86	22	20
		546	93	701	161
<b>CURRENT ASSETS</b>					
Stocks	16	40	34	38	31
Debtors	17	1,009	920	1,015	889
Short-term loans and deposits	18a	495	706	439	650
Cash at bank and in hand	18a	33	27	23	23
		1,577	1,687	1,515	1,593
CREDITORS : amounts falling due within one year	19	(1,851)	(1,706)	(1,846)	(1,717)
<b>NET CURRENT LIABILITIES</b>		<b>(274)</b>	<b>(19)</b>	<b>(331)</b>	<b>(124)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,502</b>	<b>3,546</b>	<b>4,551</b>	<b>3,462</b>
CREDITORS : amounts falling due after more than one year	20	(2,899)	(1,888)	(3,203)	(2,183)
PROVISIONS FOR LIABILITIES AND CHARGES	22	(69)	(54)	(69)	(54)
		1,534	1,604	1,279	1,225
<b>CAPITAL AND RESERVES</b>					
Called up share capital	23	185	182	185	182
Reserves	24				
Share premium account		30	10	30	10
Revaluation reserve		45	60	40	54
Profit and loss account		954	1,032	1,024	979
		1,214	1,284	1,279	1,225
CONVERTIBLE CAPITAL BONDS 2005	25	320	320		
		1,534	1,604	1,279	1,225

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

17 May 1993

  
Robert Ayling  
Derek Stevens

# GROUP CASH FLOW STATEMENT

For the year ended 31 March 1993

£ million	Note	Group	
		1993	1992
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>3b</b>	<b>629</b>	<b>591</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		96	49
Interest paid on bank and other loans		(116)	(98)
Interest paid on finance leases and hire purchase arrangements		(82)	(53)
USAir preferred stock dividend received		3	
Dividends received from trade investments		4	1
Dividends paid		(76)	(65)
Net cash outflow from returns on investments and servicing of finance		(169)	(166)
Taxation			
UK corporation tax paid		(38)	(11)
<b>INVESTING ACTIVITIES</b>			
Tangible fixed assets purchased for cash	10g	(577)	(539)
Refund of progress payments		32	158
Purchase of interests in associated undertakings		(532)	(6)
Loans made to associated undertakings		(42)	
Purchase of interests in trade investments			(1)
Net cash and cash equivalents of Davies & Newman Holdings PLC assumed on acquisition	12e	(10)	
Sale of tangible fixed assets		103	90
Sale of investments		2	
Sale of engine overhaul business			274
		(1,024)	(24)
<b>Net cash (outflow)/inflow before decrease/(increase) in short-term deposits and financing</b>		<b>(602)</b>	<b>390</b>
Decrease/(increase) in short-term deposits (maturity date at inception of more than three months)		334	(334)
<b>Net cash outflow from investing activities</b>		<b>(268)</b>	<b>(358)</b>
<b>Net cash (outflow)/inflow before financing</b>		<b>(268)</b>	<b>56</b>
<b>FINANCING</b>			
Changes in borrowings	21c		
Bank and other loans raised		735	390
Bank and other loans repaid		(301)	(215)
Capital elements of finance leases and hire purchase arrangements paid		(79)	(55)
		355	120
Changes in share capital	23		
Issue of ordinary share capital under Employee Share Option Schemes		3	2
Share premium received		20	9
		23	11
<b>Net cash inflow from financing</b>		<b>378</b>	<b>131</b>
<b>Increase in cash and cash equivalents</b>	<b>18b</b>	<b>110</b>	<b>187</b>
<b>GROUP FINANCING REQUIREMENT</b>			
Net cash outflow/(inflow) before (decrease)/increase in short-term deposits and financing		602	(390)
Acquisitions under finance leases and hire purchase arrangements		513	362
<b>Total financing requirement for the year</b>		<b>1,115</b>	<b>(28)</b>
<b>FUNDED BY:</b>			
Decrease/(increase) in short-term deposits (maturity date at inception of more than three months)		334	(334)
New finance leases taken out and hire purchase arrangements made		513	362
Net cash inflow from financing		378	131
Increase in cash and cash equivalents		(110)	(187)
		1,115	(28)

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 1993

<i>£ million</i>	<i>Group</i>	
	1993	1992
Profit for the year	178	395
Exchange movements	(28)	(1)
Total recognised gains and losses in the year	150	394
Adjustment to opening balance relating to post-retirement medical benefits	(15)	
Total gains and losses recognised since 31 March 1992	135	394

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 1993

<i>£ million</i>	<i>Note</i>	<i>Group</i>	
		1993	1992
Retained profit for the year		99	321
Exchange movements		(28)	(1)
Issue of ordinary share capital under Employee Share Option Schemes	23		
Share capital		3	2
Share premium		20	9
		23	11
Goodwill set off in the year	24a	(149)	(5)
Net (reductions)/additions to shareholders' funds		(55)	326
Shareholders' funds at 1 April 1992 (as restated to account for post-retirement medical benefits)		1,269	958
Shareholders' funds at 31 March 1993		1,214	1,284

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

## NOTES TO THE ACCOUNTS

For the year ended 31 March 1993

### 1 ACCOUNTING POLICIES

#### PRESENTATION OF FINANCIAL INFORMATION

The Group has adopted Financial Reporting Standard 3 'Reporting Financial Performance' in 1993 and corresponding amounts have been restated accordingly. As a consequence, the profit on sale of the engine overhaul business in 1992 of £149 million (before tax) has been reclassified as an exceptional item and is now included in profit before taxation. Profits and losses on sales of fixed assets are also now classified as exceptional items. The new standard requires a statement of recognised gains and losses, a reconciliation of movements in shareholders' funds and, if material, a note of historical cost profits and losses.

The Group has also adopted Urgent Issues Task Force Abstract 6 'Accounting for Post-retirement Benefits other than Pensions', with effect from 1 April 1992. The cumulative effect of this change in accounting policy on prior years has been dealt with as an adjustment to reserves brought forward on that date. The effect of the change on results for both 1992 and 1993 is insignificant.

#### 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. As explained in Note 25, the Convertible Capital Bonds 2005 are shown after Capital and Reserves in order to show a true and fair view.

#### 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. 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 surplus 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* Owned fleets are stated at cost except for the majority of the fleets owned at 31 March 1988 which were professionally valued on a market value basis as at that date and are included in the accounts on the basis of that valuation 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 are taken to reserves. The cost of all other aircraft is fixed in Sterling at rates ruling at the date of purchase.



1 ACCOUNTING POLICIES (continued)

b) **FLEET** (continued)

ii) **Capitalisation of Interest on Progress Payments** 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 and 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 that 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.

d) **LEASED AND HIRE PURCHASED ASSETS**

Where assets are financed through finance leases and 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 and hire purchase term. The corresponding obligation, reduced by the appropriate proportion of lease and 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 and 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 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 companies 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.

**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 mileage.

**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. 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.

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

£ million	Group	
	1993	1992
<b>a GROUP TURNOVER</b>		
Traffic revenue		
Scheduled services - passenger	4,533	4,281
- freight and mail	396	396
	4,929	4,677
Non-scheduled services	153	111
	5,082	4,788
Other revenue	484	436
	5,566	5,224

### b GEOGRAPHICAL ANALYSIS OF TURNOVER

	By area of original sale		By area of destination	
	1993	1992	1993	1992
United Kingdom	2,585	2,419	623	536
Continental Europe	1,008	911	1,615	1,528
Europe	3,593	3,330	2,238	2,064
The Americas	927	941	1,703	1,645
Africa, Middle East and Indian sub-continent	466	434	757	665
Far East and Australasia	580	519	362	850
	5,566	5,224	5,566	5,224

### c GEOGRAPHICAL ANALYSIS OF OPERATING PROFIT

	1993	1992
Europe	30	20
The Americas	87	119
Africa, Middle East and Indian sub-continent	134	119
Far East and Australasia	59	86
	310	344

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 GROUP OPERATING NET ASSETS

	Group	
	1993	1992
Net assets	1,534	1,604
Add: net non-operating liabilities	2,042	1,245
Operating net assets	3,576	2,849
Comprising:		
Tangible fixed assets	4,230	3,472
Stocks	40	34
Non-interest bearing debtors		
Trade debtors	726	674
Other debtors including amounts owed by associated undertakings	100	87
Prepayment and accrued income	110	56
	936	857
Non-interest bearing operating liabilities		
Trade creditors	(723)	(660)
Other creditors including amounts owed to associated undertakings	(41)	(65)
Other taxation and social security	(30)	(28)
Accruals and deferred income	(836)	(761)
	(1,630)	(2,514)
	3,576	2,849

# NOTES TO THE ACCOUNTS

For the year ended 31 March 1993

## 3 OPERATING PROFIT

£ million

Group

1993 1992

### a ANALYSIS OF OPERATING EXPENDITURE

Employee costs	1,551	1,506
Depreciation	312	295
Aircraft operating lease costs	224	236
Fuel and oil costs	560	521
Engineering and other aircraft costs	262	262
Landing fees and air route charges	497	425
Handling charges, catering and other operating costs	714	608
Selling costs	732	652
Accommodation, ground equipment and currency differences	404	375

Total operating expenditure	5,256	4,880
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Cost of sales	5,138	4,777
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Administrative expenses	118	103
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Total operating expenditure	5,256	4,880
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Cost of sales and administrative expenses for the year ended 31 March 1993 include £52 million and £3 million respectively relating to the acquisition of the assets and liabilities of Davies & Newman Holdings PLC.

### b RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Group operating profit	310	344
Depreciation charges	312	295
Other items not involving the movement of cash	(4)	9
Increase in stocks and debtors	(24)	(149)
Increase in creditors	35	92

Net cash inflow from operating activities	629	591
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### c OPERATING PROFIT IS ARRIVED AT AFTER CHARGING:

Depreciation of Group tangible fixed assets		
<i>Owued assets</i>	215	221
<i>Finance leased aircraft</i>	41	34
<i>Hire purchased aircraft</i>	36	20
<i>Other leasehold interests</i>	20	20
	312	295

Operating lease costs		
<i>Lease rentals - aircraft</i>	224	236
<i>- property and equipment</i>	78	69
<i>Hire of equipment and charter of aircraft and crews</i>	23	23
	325	328

Auditors' remuneration	1,000	1,000
<i>Group auditors - audit fees</i>	939	848
<i>- other professional fees - United Kingdom</i>	657	440
<i>- overseas</i>	735	20
<i>Other auditors - audit fees</i>	7	7
<i>- other professional fees</i>		100
	2,338	1,415

### 3 OPERATING PROFIT (continued)

#### c OPERATING PROFIT IS ARRIVED AT AFTER CHARGING. (continued)

	1993	1992
Directors' emoluments - fees	126,416	85,000
- salary and benefits, including Company's pension contribution	1,909,879	1,790,088
- share appreciation rights	346,224	
- performance related bonus		569,783
	2,382,519	2,444,871

#### d DIRECTORS' EMOLUMENTS (excluding Company's pension contributions)

Chairmen and highest paid Director

Lord King - to 5 February 1993

Salary and benefits

Share appreciation rights

Performance related bonus

380,795	449,350
97,995	
	220,000
478,790	669,350

Sir Colin Marshall - from 5 February 1993 (full year: £540,916)

Salary and benefits

Share appreciation rights

Performance related bonus

70,274
16,417
86,691

565,481 669,350

The Directors' remuneration was within these ranges:

	Number	Number
£10,001 - £15,000		2
£20,001 - £25,000	1	
£25,001 - £30,000		1
£30,001 - £35,000	1	1
£35,001 - £40,000	1	
£40,001 - £45,000	1	
£45,001 - £50,000	1	1
£50,001 - £55,000		1
£55,001 - £60,000		1
£60,001 - £65,000	1	1
£65,001 - £70,000	1	
£70,001 - £75,000		1
£75,001 - £80,000	1	
£80,001 - £85,000		1
£85,001 - £90,000	1	
£90,001 - £95,000		1
£95,001 - £100,000		1
£100,001 - £105,000		1
£105,001 - £110,000		1
£110,001 - £115,000		1
£115,001 - £120,000		1
£120,001 - £125,000		1
£125,001 - £130,000		1
£130,001 - £135,000		1
£135,001 - £140,000		1
£140,001 - £145,000		1
£145,001 - £150,000		1
£150,001 - £155,000		1
£155,001 - £160,000		1
£160,001 - £165,000		1
£165,001 - £170,000		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 210p per share, and 163p per share.

Lord King held 625,855 share appreciation rights at the time of his retirement as Chairman and Director, which are exercisable under the plan's rules in May 1993 and 1994.

A Director has waived fees of £17,500 for the year (1992: £15,000).

NOTES TO THE ACCOUNTS (continued)  
For the year ended 31 March 1993

3 OPERATING PROFIT (continued)

c EMPLOYEE NUMBERS AND COSTS

	Group number	
	1993	1992
The average number of persons employed in the Group during the year was as follows:		
United Kingdom	42,233	43,744
Overseas	6,727	6,665
	48,960	50,409

£ million	Group	
	1993	1992
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	1,157	1,087
Employee bonus		35
Social security costs	106	104
Contributions to pension scheme (Note 28)	52	62
	1,315	1,288

4 SHARE OF RESULTS OF ASSOCIATED UNDERTAKINGS

Attributable losses less profits (acquisitions: loss of £4 million)	(20)	
USAir preferred stock dividend (Note 15)	3	
	(17)	

5 OTHER INCOME AND CHARGES

Income from trade investments	4	2
Provision against aircraft not in current use (Note 10a)	(4)	(8)
Amounts written off investments	(12)	(8)
Other	(4)	7
	(16)	(7)

6 NET INTEREST PAYABLE

Interest payable		
On bank loans		
Repayable wholly within five years	5	1
Repayable in whole or in part after five years	36	15
On finance leases		
Repayable wholly within five years	3	26
Repayable in whole or in part after five years	30	5
On hire purchase arrangements		
Repayable in whole or in part after five years	40	30
On other loans		
Repayable wholly within five years	27	6
Repayable in whole or in part after five years - including interest of £31 million (1992: £31 million) on Convertible Capital Bonds 2005	53	78
	194	161
Interest capitalised	(8)	(17)
Interest receivable	(89)	(57)
	97	87
Currency losses on revaluation of general purpose loans at year end	14	1
	111	88

The average rate of interest on loans, excluding finance leases and hire purchase arrangements, was 6.9 per cent (1992: 7.7 per cent). In respect of all loans, including finance lease and hire purchase arrangements repayable in whole or in part after five years, the final repayment date is April 2011. The interest rates range from 3.6 per cent to 11.3 per cent (1992: 4.7 per cent to 14.5 per cent).

## 7 TAXATION (see also Note 26)

£ million	Group	
	1993	1992
British Airways Plc and subsidiary undertakings		
United Kingdom corporation tax at 33 per cent (1992: 33 per cent)	8	47
Prior year adjustments	(1)	(10)
Overseas	1	2
	8	39
Share of taxation in associated undertakings	(1)	
	7	39
The 1992 corporation tax charge of £47 million included £9 million in respect of the sale of the engine overhaul business and £9 million in respect of the sale of other fixed assets.		
If full provision for deferred taxation had been made, there would have been an additional charge for the year of £74 million (1992: £74 million), comprising:		
Accelerated capital allowances	79	45
Other timing differences	(5)	29
	74	74

## 8 DIVIDENDS

	Group and Company	
	1993	1992
Interim dividend of 3.06p per share (1992: 2.94p per share)	23	21
Second interim dividend of 7.54p per share, in lieu of final dividend (1992: nil)	56	
Final dividend of 7.24p per share for the year ended 31 March 1992		53
	79	74

Following changes to advance corporation tax announced in the Budget on 16 March 1993, the Board declared a second interim dividend on 31 March 1993 which was paid on 5 April 1993. The Board does not intend to propose a final dividend.

## 9 EARNINGS PER SHARE

EARNINGS PER SHARE	Group			
	Profit		Earnings per share	
	1993	1992	1993	1992
Profit and basic earnings per share for the year	£178m	£395m	24.1p	54.6p
Adjustment to exclude profit on sale of engine overhaul business		£(140)m		(19.3)p
Adjusted profit and earnings per share for the year	£178m	£255m	24.1p	35.3p
Fully diluted earnings per share			22.3p	46.4p
Adjustment to exclude profit on sale of engine overhaul business				(15.4)p
Fully diluted adjusted earnings per share			22.3p	31.0p

Basic and adjusted earnings per share are calculated on a weighted average of 738,431,000 ordinary shares (1992: 722,801,000). Fully diluted and fully diluted adjusted earnings per share are calculated on a weighted average of 907,681,000 ordinary shares (1992: 908,040,000) 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.

NOTES TO THE ACCOUNTS (continued)  
For the year ended 31 March 1993

10 TANGIBLE ASSETS

<i>£ million</i>	<i>Note</i>	<i>Fleet</i>	<i>Property</i>	<i>Equipment</i>	<i>Total</i>	
					<i>1993</i>	<i>1992</i>
<b>a GROUP</b>						
<b>COST OR VALUATION</b>	<i>10c</i>					
Balance 1 April		4,496	592	554	5,642	5,183
Exchange adjustments		129			129	13
Additions		942	63	70	1,075	947
Disposals		(151)		(11)	(162)	(134)
Reclassification of capitalised interest						(9)
Refund of progress payments		(32)			(32)	(158)
<b>BALANCE AT 31 MARCH</b>		<b>5,384</b>	<b>655</b>	<b>613</b>	<b>6,652</b>	<b>5,642</b>
<b>DEPRECIATION</b>						
Balance 1 April		1,667	172	331	2,170	2,049
Exchange adjustments		7			7	4
Charge for the year		231	19	62	312	295
Provision against aircraft not in current use	<i>5</i>	4			4	8
Disposals		(62)		(9)	(71)	(185)
Reclassification of capitalised interest						(1)
<b>BALANCE AT 31 MARCH</b>		<b>1,847</b>	<b>191</b>	<b>384</b>	<b>2,422</b>	<b>2,170</b>
<b>NET BOOK AMOUNTS</b>						
31 March 1993		3,537	464	229	4,230	
31 March 1992		2,829	420	223		3,472
<b>UTILISATION AT 31 MARCH</b>						
Assets in current use						
<i>Owned</i>		1,787	347	176	2,310	2,057
<i>Finance leased</i>		590		6	596	347
<i>Hire purchase arrangements</i>		875			875	695
Progress payments		224	117	47	388	313
Assets not in current use		61			61	60
		3,537	464	229	4,230	3,472
<b>THE NET BOOK AMOUNT OF PROPERTY COMPRISES:</b>						
Freehold					118	109
Long leasehold					22	22
Short leasehold					324	289
					464	420
		<i>Valuation/cost</i>	<i>Depreciation</i>		<i>Net book amount</i>	
					<i>1993</i>	<i>1992</i>
Revalued fleet and properties are included in the accounts at the following amounts:						
<i>Fleet</i>	- 1988 valuation	987	775		212	234
	- subsequent additions at cost	55	18		37	19
<i>Property</i>	- 1984 valuation	33	22		11	14
	- subsequent additions at cost	81	12		69	68
<b>Total - 31 March 1993</b>		<b>1,156</b>	<b>827</b>		<b>329</b>	
<b>Total - 31 March 1992</b>		<b>1,101</b>	<b>766</b>			<b>335</b>
If these assets had not been revalued they would have been included at the following amounts:						
31 March 1993		972	726		246	
31 March 1992		911	673			238

# 10 TANGIBLE ASSETS (continued)

<i>£ million</i>	<i>Note</i>	<i>Fleet</i>	<i>Property</i>	<i>Equipment</i>	<i>Total</i>	
					<i>1993</i>	<i>1992</i>
<b>b COMPANY</b>						
<b>COST OR VALUATION</b>	<i>10c</i>					
Balance 1 April		4,405	582	521	5,508	4,864
Exchange adjustments		126			126	7
Additions		934	60	64	1,058	929
Disposals		(149)		(8)	(157)	(333)
Transfers (to)/from subsidiary undertakings				(1)	(1)	208
Reclassification of capitalised interest						(9)
Refund of progress payments		(32)			(32)	(158)
<b>BALANCE AT 31 MARCH</b>		<b>5,284</b>	<b>642</b>	<b>576</b>	<b>6,502</b>	<b>5,508</b>
<b>DEPRECIATION</b>						
Balance 1 April		1,601	167	315	2,083	1,874
Exchange adjustments		5			5	
Charge for the year		225	19	55	299	279
Provision against aircraft not in current use		4			4	8
Disposals		(62)		(7)	(69)	(183)
Transfers (to)/from subsidiary undertakings				(1)	(1)	106
Reclassification of capitalised interest						(1)
<b>BALANCE AT 31 MARCH</b>		<b>1,773</b>	<b>186</b>	<b>362</b>	<b>2,321</b>	<b>2,033</b>
<b>NET BOOK AMOUNTS</b>						
31 March 1993		3,511	456	214	4,181	
31 March 1992		2,804	415	205		3,425
<b>UTILISATION AT 31 MARCH</b>						
Assets in current use						
<i>Owned</i>		1,761	339	165	2,265	2,018
<i>Finance leased</i>		590		2	592	339
<i>Hire purchase arrangements</i>		875			875	695
Progress payments		224	117	47	388	313
Assets not in current use		61			61	60
		<b>3,511</b>	<b>456</b>	<b>214</b>	<b>4,181</b>	<b>3,425</b>
<b>THE NET BOOK AMOUNT OF PROPERTY COMPRISES:</b>						
Freehold					114	107
Long leasehold					22	22
Short leasehold					320	286
					<b>456</b>	<b>415</b>
<b>Revalued fleet and properties are included in the accounts at the following amounts:</b>						
		<i>Valuation/cost</i>	<i>Depreciation</i>	<i>Net book amount</i>		
				<i>1993</i>	<i>1992</i>	
<i>Fleet</i>						
- 1988 valuation		897	707	190	212	
- subsequent additions at cost		50	16	34	17	
<i>Property</i>						
- 1984 valuation		32	21	11	13	
- subsequent additions at cost		77	11	66	67	
<b>Total - 31 March 1993</b>		<b>1,056</b>	<b>755</b>	<b>301</b>		
<b>Total - 31 March 1992</b>		<b>1,003</b>	<b>694</b>			<b>309</b>
<b>If these assets had not been revalued they would have been included at the following amounts:</b>						
31 March 1993		895	668	227		
31 March 1992		836	619			217



NOTES TO THE ACCOUNTS (continued)  
For the year ended 31 March 1993

10 TANGIBLE ASSETS (continued)

c COST OR VALUATION

Owned fleets of Boeing 737-200s, Boeing 747-100s and certain Boeing 747-200s are stated at 31 March 1988 valuations, having regard to a market valuation by Avmark International Ltd, with subsequent additions at cost. Aircraft surplus to requirements are stated at estimated realisable value.

All properties, other than specialised use properties, were valued at open market value for existing use or open market value at 31 March 1984 by Richard Ellis, Chartered Surveyors, and are included at this value, with subsequent additions at cost.

All other aircraft fleets, specialised use properties and equipment are stated at cost less depreciation.

d 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 three to 20 years, according to the type of equipment.

e CAPITAL EXPENDITURE COMMITMENTS

£ million	Group		Company	
	1993	1992	1993	1992
Capital expenditure authorised but not provided for in the accounts amounts to:				
Authorised and contracted	5,376	5,095	5,375	5,095
Authorised but not contracted	593	565	592	561
	5,969	5,660	5,967	5,656

Of the outstanding commitments, £649 million relates to the acquisition of the fleets of Boeing 767-300 and Boeing 737-400 aircraft. British Airways has arrangements through a facility provided by a syndicate of banks for it to acquire a proportion of these aircraft on a number of alternative bases. The balance of commitments includes £4,988 million which relates to the acquisition of Boeing 747-400 and Boeing 777 aircraft scheduled for delivery during the next ten 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 (see also Note 20).

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.

f FORWARD TRANSACTIONS IN FOREIGN CURRENCY

	Group	
	1993	1992
The Group had the following forward purchase contracts outstanding:		
Maturing within one year		
- to cover payments in US Dollars	US\$576m	US\$576m
- to cover payments in other currencies (Sterling equivalents)	£20m	£5m
Maturing after one year		
- to cover payments in US Dollars	US\$190m	US\$71m

These forward purchase contracts have been entered into substantially for future capital commitments.

g ANALYSIS OF GROUP TANGIBLE ASSET ADDITIONS

£ million	Fleet	Property	Equipment	Total	
				1993	1992
Cash paid	424	72	81	577	539
Acquisitions under finance leases and hire purchase arrangements	513			513	362
Related to assets acquired from Davies & Newman Holdings PLC	4	2	1	7	
Capitalised interest	8			8	17
Accrual movements	(7)	(11)	(12)	(30)	29
	942	63	70	1,075	947

# 10 TANGIBLE ASSETS (continued)

## h OPERATING LEASE COMMITMENTS

<i>£ million</i>	<i>Group</i>		<i>Company</i>	
	<i>1991</i>	<i>1992</i>	<i>1991</i>	<i>1992</i>
The aggregate payments, for which there are commitments under operating leases as at the end of the year, fall due as follows:				
i) FLEET				
<i>Within one year</i>	248	232	225	232
<i>Between one and five years</i>	413	497	347	497
<i>Over five years</i>	17		9	
	678	729	581	729
Amounts payable within one year relate to commitments expiring as follows:				
<i>Within one year</i>	2	27	1	27
<i>Between one and five years</i>	235	205	217	205
<i>Over five years</i>	11		7	
	248	232	225	232
ii) PROPERTY AND EQUIPMENT				
<i>Within one year</i>	67	57	64	55
<i>Between one and five years</i>	145	133	139	128
<i>Over five years, ranging up to the year 2075</i>	513	373	501	369
	725	563	704	552
Amounts payable within one year relate to commitments expiring as follows:				
<i>Within one year</i>	18	15	18	15
<i>Between one and five years</i>	17	12	14	10
<i>Over five years</i>	32	30	32	30
	67	57	64	55

The fleet leasing commitments of the Company include the balance of rental obligations under operating leases in respect of 13 Boeing 747-400s, three Boeing 747-200s, 11 Boeing 767-300s, four Boeing 757s, 20 Boeing 737-200s, four Boeing 737-400s, two DC-10-30s and 13 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. The fleet leasing commitments of the Group also include two Boeing 757s, three Boeing 737-300s and ten Boeing 737-400s.

Following an extension of the original lease period, one Boeing 757 and three Boeing 747-200s were converted from operating leases to finance leases during the year ended 31 March 1993 and the commitments for these leases are now included under finance leases and hire purchase arrangements in note 21.

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

NOTES TO THE ACCOUNTS (continued)  
For the year ended 31 March 1993

11 INVESTMENTS

a GROUP

i) ASSOCIATED UNDERTAKINGS

£ million	Equity	Loans at cost	Shares	Provisions Loans	1993	Total 1992
Balance 1 April 1992	7				7	15
Exchange movements	(15)				(15)	
Additions	535	42	(1)	(11)	565	5
Repayments					(19)	(2)
Share of attributable results	(19)				(19)	
Goodwill (Note 24a)	(104)				(104)	(5)
Disposals	(2)				(2)	(6)
Reclassification	18			(2)	16	
Balance 31 March 1993	420	42	(1)	(13)	448	7

Equity of £420 million (1992: £7 million) comprises cost of shares, less goodwill set off on acquisition, of £451 million (1992: £18 million) less the Group's share of post-acquisition losses of £31 million (1992: £11 million).

ii) TRADE INVESTMENTS

	Shares	Loans at cost	Shares	Provisions Loans	1993	Total 1992
Balance 1 April 1992	101	3	(16)	(2)	86	93
Exchange movements	10				10	
Additions		2	(1)	1	2	(7)
Balance 31 March 1993	111	5	(17)	(1)	98	86
TOTAL INVESTMENTS					Associated undertakings	Trade Investments
Listed						17
Unlisted					448	81

The listed investment is listed on the London Stock Exchange and its market value at 31 March 1993 was £16 million (1992: £17 million).

b COMPANY

i) SUBSIDIARY UNDERTAKINGS

	Shares	Loans at cost	Shares	Provisions Loans	1993	Total 1992
Balance 1 April 1992	291	56	(203)	(8)	136	231
Exchange movements	12				12	
Additions	396	266	(32)	(62)	568	14
Repayments		(48)			(48)	(109)
Balance 31 March 1993	699	274	(235)	(70)	668	136

ii) ASSOCIATED UNDERTAKINGS

Balance 1 April 1992	18		(13)		5	11
Additions	18	13	(15)	(5)	11	5
Repayments					(5)	(2)
Disposals	(5)				(5)	(9)
Balance 31 March 1993	31	13	(28)	(5)	11	5

iii) TRADE INVESTMENTS

Balance 1 April 1992	35	3	(16)	(2)	20	27
Additions		2	(1)	1	2	(7)
Balance 31 March 1993	35	5	(17)	(1)	22	20

TOTAL INVESTMENTS					Subsidiary undertakings	Associated undertakings	Trade Investments
Listed							17
Unlisted					668	11	5

The listed investment is listed on the London Stock Exchange and its market value at 31 March 1993 was £16 million (1992: £17 million).

The Group's principal investments are listed on Page 38.

## 12 ACQUISITION OF THE ASSETS AND LIABILITIES OF DAVIES & NEWMAN HOLDINGS PLC

British Airways acquired, for a nominal consideration of £1, the assets and liabilities of Davies & Newman Holdings PLC (Dan-Air), principally its subsidiary undertaking British Airways (European Operations at Gatwick) Limited (formerly Dan-Air Services Limited), with effect from 1 November 1992. The transaction was completed on 8 November 1992 and the net liabilities have been consolidated from the effective date of acquisition.

The following tables set out the cost of acquisition, the fair value of the assets and liabilities acquired, including adjustments to align them with British Airways' accounting policies, and the resultant goodwill arising which has been set off against Group reserves.

£ million

### a COST OF ACQUISITION

Cash consideration (£1)	
Legal and professional costs	3
	3

### b ASSETS AND LIABILITIES ACQUIRED

	Book value on acquisition	Accounting policy changes and fair value adjustments	Reorganisation expenses	Total
Fixed assets				
Intangible and tangible assets	10	(3)		7
Investments	2			2
	12	(3)		9
Current assets	78	(4)		74
Creditors: amounts falling due within one year	(124)	5	(2)	(121)
Net current liabilities	(46)	1	(2)	(47)
Total assets less current liabilities	(34)	(2)	(2)	(38)
Creditors: amounts falling due after more than one year	(3)			(3)
Provisions for liabilities and charges	(2)	1		(1)
Net liabilities acquired	(39)	(1)	(2)	(42)

Included in the net liabilities of £39 million acquired are creditors of £35 million, principally in respect of the previous management's decision to close down Dan-Air's charter operations.

Reorganisation expenses, after allowing for tax, include costs and provisions associated with reorganising Dan-Air's airline operations following the acquisition. These expenses include costs associated with surplus resources, contract cancellations and bringing aircraft, equipment and operations to British Airways' standards.

### c GOODWILL

Cost of acquisition	3
Net liabilities acquired	42
Goodwill set off against reserves (Note 24a)	45

### d PRE-ACQUISITION RESULTS

The business of Dan-Air Services Limited acquired by British Airways in November 1992 comprised 12 of the Dan-Air group's scheduled routes. It is not practical to determine the results of this reduced operation prior to 1 November 1992.

### e ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS

Cash at bank and in hand acquired	9
Overdrafts and short-term loans assumed	(19)
	(10)

### 13 ACQUISITION OF INTEREST IN QANTAS AIRWAYS LIMITED

British Airways acquired, through a wholly-owned Australian subsidiary undertaking, 25 per cent of the equity share capital of Qantas Airways Limited (Qantas), an international airline with a network of intercontinental and Asia-Pacific routes, from the Australian Government on 10 March 1993. The consideration was A\$666 million.

The last published audited accounts of Qantas were for the year ended 30 June 1992. In September 1992, Qantas acquired the domestic carrier Australian Airlines Limited for a cash consideration of A\$400 million. In February 1993, the Australian Government recapitalised Qantas to the extent of A\$1.35 billion which has been used principally to repay Government guaranteed loans. Under the Australian Government's privatisation plans, the remaining 75 per cent of the shares in Qantas is expected to be offered to the public during the next 12 months.

In view of the short period from the date of investment to the year end, the Group's share of profit in this period is not considered to be material and no share of income has been accounted for.

The following tables set out the cost of acquisition, the fair value of the assets and liabilities acquired, including adjustments to align them with British Airways' accounting policies, and the resultant goodwill arising which has been set off against Group reserves.

£ million

#### a COST OF INVESTMENT

Cash consideration	304
Legal and professional costs	4
	308

#### b ASSETS AND LIABILITIES AT FAIR VALUE

	Pro forma book value on acquisition	Accounting policy changes and fair value adjustments	Total
Fixed assets	3,616	928	4,544
Current assets	596	(4)	592
Creditors: amounts falling due within one year	(988)	(216)	(1,204)
Net current liabilities	(392)	(220)	(612)
Total assets less current liabilities	3,224	708	3,932
Creditors: amounts falling due after more than one year	(2,056)	(920)	(2,976)
Net assets at date of investment	1,168	(212)	956

The pro forma book value on acquisition comprises the reported net assets of Qantas at 30 June 1992 adjusted principally to reflect the acquisition of Australian Airlines and the recapitalisation.

The accounting policy changes and fair value adjustments mainly relate to the capitalisation of aircraft leases and the elimination of intangible assets. The resultant fair values of the net assets may be subject to further adjustment when the next audited financial information is available.

#### c GOODWILL

Cost of investment	308
Group share of net assets at date of investment	(239)
Goodwill set off against reserves (Note 24a)	69

#### d SUMMARISED STATEMENTS OF OPERATIONS

The last published audited statements of operations, for Qantas and Australian Airlines, prepared in accordance with Australian generally accepted accounting principles, for the year ended 30 June 1992, are summarised below:

	Qantas		Australian Airlines	
	A\$m	£m	A\$m	£m
Operating revenues	4,036	1,732	1,594	684
Interest payable	(219)	(94)	(87)	(37)
Abnormal items	45	19	30	13
Profit/(loss) before taxation	148	64	(69)	(30)
Income tax	(10)	(4)	20	9
Profit for the year	138	60	(49)	(21)

The Sterling equivalents for the statements of operations have been translated at the average rate of exchange for the year to 30 June 1992.

#### 14 ACQUISITION OF INTEREST IN TAT EUROPEAN AIRLINES S.A.

British Airways acquired, for £15 million, 49.9 per cent of the ordinary equity capital of TAT European Airlines S.A. (TAT) from TAT S.A. and CIPRA S.A. with effect from 1 January 1993. The transaction was completed on 4 January 1993 and the Group's share of results have been included from the effective date of acquisition. TAT is the largest independent French airline and operates an extensive network of domestic and international routes. British Airways has an option to purchase the remaining 50.1 per cent of the share capital on or before 1 April 1997.

The following tables set out the cost of acquisition, the fair value of the assets and liabilities acquired, including adjustments to align them with British Airways' accounting policies, and the resultant goodwill arising which has been set off against Group reserves.

£ million

##### a COST OF INVESTMENT

Cash consideration	15
Legal and professional costs	3
	18

##### b ASSETS AND LIABILITIES AT FAIR VALUE

	Book value on acquisition	Accounting policy changes and fair value adjustments	Total
Fixed assets	122	(18)	104
Current assets	100	(26)	74
Creditors: amounts falling due within one year	(110)	(2)	(112)
Net current liabilities	(10)	(28)	(38)
Total assets less current liabilities	112	(46)	66
Creditors: amounts falling due after more than one year	(100)		(100)
Net assets/(liabilities) at date of investment	12	(46)	(34)

The accounting policy changes and fair value adjustments mainly relate to the write-off of deferred expenditure and the elimination of intangible assets, and to the attribution of fair values to aircraft and related spares.

##### c GOODWILL

Cost of investment	18
Group share of net liabilities at date of investment	17
Goodwill set off against reserves (Note 24a)	35

##### d SUMMARISED STATEMENT OF OPERATIONS

The audited statement of operations of TAT for the year ended 31 December 1992, prepared in accordance with French generally accepted accounting principles, is summarised below:

	FFm	£m
Operating revenue	2,090	220
Net interest payable	(109)	(11)
Loss before taxation	(132)	(14)
Taxation	(21)	(2)
Loss for the year	(153)	(16)

The Sterling equivalents for the statement of operations have been translated at the average rate of exchange for the year to 31 December 1992.

# 15 ACQUISITION OF INTEREST IN USAir GROUP, INC.

On 21 January 1993, British Airways announced that it had agreed terms for a new alliance between itself and USAir Group, Inc. (USAir). The first stage of the transaction was completed on that date with the investment by British Airways, through its wholly-owned US subsidiary undertaking British Acquisition Corp Inc., of US\$300 million in new convertible preferred stock of USAir and the signing of a flight code sharing agreement. The Group also agreed in early May 1993 to invest an additional US\$100.7 million in convertible preferred stock of USAir pursuant to the exercise of pre-emptive rights following the exercise of employee options and the public offering by USAir of US\$231 million (net) of common stock. In addition, the Group has options, and in certain circumstances can be required, to invest a further US\$450 million over the next five years through two additional purchases of preferred stock in USAir.

On 15 March 1993 the US Department of Transportation (DOT) issued an order approving the code sharing agreement for the normal period of one year and instituting a formal review of the investment agreement and its effects on the citizenship of USAir under US restrictions on foreign ownership of US airlines. The order stated that the DOT's review indicates that the Group's initial investment does not impair USAir's citizenship, but invited further analysis and public comment, particularly with respect to the second and third stages of the transaction.

The preferred stock in USAir held 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 initial US\$300 million preferred stock is entitled to cumulative quarterly cash dividends of seven per cent per annum. On conversion to USAir common stock, it would, prior to USAir's recent issue of further common stock, have represented 24.6 per cent of USAir's equity share capital on an undiluted basis and approximately 17 per cent on a fully diluted basis.

Under the terms of the investment agreement, the Group has certain pre-emptive rights to maintain the size of its potential proportionate interest in USAir's share capital in the event of certain issues by USAir of additional shares of common stock, including the conversion of certain outstanding convertible preferred stock of USAir and the exercise of any employee stock options to acquire USAir common stock. To maintain its 24.6 per cent interest in USAir's equity share capital on an undiluted basis, the Group in early May exercised its pre-emptive rights in connection with a public offering of USAir common stock and agreed to purchase shares of a new series of convertible preferred stock for US\$99.2 million. It also exercised its options in full in connection with the issue of USAir common stock on the exercise of certain employee stock options and agreed to purchase a further new series of convertible preferred stock for US\$1.5 million. These additional series of convertible preferred stock are entitled to cumulative quarterly cash dividends of 0.5 per cent over LIBOR. If all existing USAir preferred stock is converted and all existing employee options are exercised, the maintenance of the Group's potential proportionate interest would involve the Group in substantial further investments. The Board will consider whether to make each such investment at the relevant time in the light of the then circumstances.

The investment agreement between British Airways and USAir is subject to the approval of the shareholders of USAir at its annual general meeting on 26 May 1993. After approval, the preferred stock in USAir held by the Group will carry an estimated 21 per cent of the voting interest in USAir. If the investment agreement between the Group and USAir were not to be approved by USAir shareholders, the preferred stock already purchased by the Group would be required to be redeemed at its purchase price, together with accrued dividends. The preferred stock is redeemable at the option of USAir if the Group has not elected to proceed with the second purchase of preferred stock by 21 January 1996, or, in any event, on 21 January 2000 if not previously converted.

The further US\$450 million preferred stock in USAir which the Group may acquire in the future will have financial terms similar to those of the preferred stock initially acquired by the Group. Assuming future acquisition and full conversion at the current conversion prices, the Group would hold 40.7 per cent of USAir's equity share capital on an undiluted basis and 31.2 per cent on a fully diluted basis. The Group's total voting interest in USAir is limited to the maximum voting interest permitted under restrictions on aggregate foreign ownership of US airlines (currently 25 per cent).

Under the above arrangements, the Group's current interest in the results of USAir is limited to its fixed preferred dividend of seven per cent and only such dividend has been included in these accounts (see Note 4).

## SUMMARISED FINANCIAL INFORMATION

The audited statement of operations and balance sheet of USAir for the year ended 31 December 1992, prepared in accordance with US generally accepted accounting principles, are summarised below:

i) Summarised statement of operations	US\$m	£m
Operating revenues	6,686	3,801
Operating expenses	(7,023)	(3,993)
Operating loss	(337)	(192)
Net interest payable and other expenses	(264)	(150)
Loss before taxes and accounting change	(601)	(342)
Cumulative effect of change in method of accounting for post-retirement benefits other than pensions (net of tax benefit of US\$118 million)	(628)	(357)
Net loss	(1,229)	(699)
Preferred dividend requirements	(52)	(29)
Net loss applicable to common stockholders	(1,281)	(728)
ii) Summarised consolidated balance sheet		
Total assets, less current liabilities	4,162	2,749
Long-term debt and redeemable preferred stock	(2,623)	(1,733)
Deferred credits and other liabilities	(1,495)	(987)
Total stockholders' equity	44	29

The Sterling equivalents for the statement of operations have been translated at the average exchange rate for the year ended 31 December 1992; those for the balance sheet have been translated at the closing rate on that date.

# 16 STOCKS

£ million

Raw materials, consumables and work in progress

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

# 17 DEBTORS

Trade debtors

Amounts owed by subsidiary undertakings

Amounts owed by associated undertakings

Other debtors

Deferred taxation (Note 26)

Prepayments and accrued income

Amounts due after more than one year included above are insignificant.

# 18 CASH AND CASH EQUIVALENTS

## a ANALYSIS OF BALANCES AS SHOWN IN THE BALANCE SHEET

Short-term loans and deposits

Less: bank and other deposits with a maturity date at inception of more than three months

Cash equivalents

Cash at bank and in hand

Overdrafts - unsecured (Note 19)

## b ANALYSIS OF CHANGES DURING THE YEAR

Balance at 1 April

Net cash inflow before adjustments for the effect of exchange rate changes

Effect of exchange rate changes

Balance at 31 March

Company

1992

Group

1992

1993

1993

Group

1991

1993

Change in the year

1992

Change in the year

Group

1993

1992



19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

£ million	Note	Group		Company	
		1993	1992	1993	1992
Loans, finance leases and hire purchase arrangements	21				
Bank and other loans		21	6	20	5
Finance leases		63	35	59	30
Hire purchase arrangements		41	25	41	25
		125	66	120	60
Overdrafts - unsecured	18	1	2		1
Trade creditors		723	654	657	618
Amounts owed to subsidiary undertakings				145	101
Amounts owed to associated undertakings		1		1	
Other creditors including taxation and social security					
Other creditors		91	114	85	106
Corporate taxation		18	56	11	50
Other taxation and social security		30	28	30	27
		139	198	126	183
Dividends payable		56	53	56	53
Accruals and deferred income					
Sales in advance of carriage		685	633	658	603
Accruals and deferred income		121	100	83	98
		806	733	741	701
		1,851	1,706	1,846	1,717

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Loans, finance leases and hire purchase arrangements	21				
Bank and other loans		1,447	948	1,116	654
Finance leases		541	312	540	310
Hire purchase arrangements		867	577	867	577
Loans from subsidiary undertakings				640	607
		2,855	1,837	3,163	2,148
Trade creditors			6		
Accruals and deferred income		44	45	40	35
		2,899	1,888	3,203	2,183

At 31 March 1993 British Airways had unused overdraft and revolving credit facilities of approximately £50 million and an unused multiple option facility of £400 million. The multiple option facility comprises a committed portion of £300 million and an uncommitted portion of £100 million, covering a five year period from October 1988, and allows for short-term revolving drawings in a number of ways, including by way of Sterling acceptance credits, issuance of Euro and Sterling commercial paper, uncommitted advances and (up to the £300 million committed portion) standby loans. In addition, British Airways had uncommitted money market lines of £95 million 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 1993 the unused facility was US\$367 million. Under the terms of this facility, the financing banks will 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.

## 21 LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS

### a TOTAL LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS

£ million		Group		Company	
		1993	1992	1993	1992
Loans					
Bank	- Deutsche Mark	DM175m	DM75m	DM175m	DM75m
	- French Franc	FF40m		FF40m	
	- US Dollar	US\$989m	US\$393m	US\$989m	US\$393m
	- Sterling	£141m	£103m	£76m	£38m
		834	356	769	291
Euro-sterling notes		300	300	300	300
Other	- Deutsche Mark	DM14m			
	- US Dollar	US\$400m	US\$400m		
	- Sterling	£67m	£68m	£67m	£68m
		334	298	67	68
Loans from subsidiary undertakings	- US Dollar			US\$400m	US\$400m
	- Sterling			£375m	£375m
				640	607
Finance leases	- Sterling	604	347	599	340
Hire purchase arrangements	- Japanese Yen	Y38,067m	Y29,993m	Y38,067m	Y29,993m
	- US Dollar	US\$1,035m	US\$820m	US\$1,035m	US\$820m
		908	602	908	602
		2,980	1,903	3,283	2,208
Comprising:					
Bank loans					
Repayable wholly within five years		129	1	129	
Repayable in whole or in part after five years		705	355	640	291
		834	356	769	291
Other loans, finance leases and hire purchase arrangements					
Repayable wholly within five years		462	134	357	127
Repayable in whole or in part after five years		1,684	1,413	2,157	1,790
		2,146	1,547	2,514	1,917
		2,980	1,903	3,283	2,208

Bank and other loans are repayable up to the year 2011.

The bank loans of US\$989 million include US\$879 million secured on two Boeing 747-400s, two Boeing 767-300s and 15 Boeing 737-400s (1992: US\$393 million secured on two Boeing 747-400s and five Boeing 737-400s).

The bank loans of £141 million include £120 million secured on one Boeing 737-400, one Boeing 767-300 and one Boeing 747-400 (1992: £82 million secured on one Boeing 737-400 and one Boeing 747-400). Of this amount, £56 million relates to the Company secured on one Boeing 737-400 and one Boeing 767-300 (1992: £18 million secured on one Boeing 737-400).

### b INCIDENCE OF REPAYMENTS

	Bank loans	Other loans	Finance leases	Hire purchase arrangements	Group total	Group total
					1993	1992
INSTALMENTS FALLING DUE:						
Within one year (Note 19)	21		63	41	125	66
After more than one year (Note 20)						
Between one and two years	18		58	45	121	78
Between two and five years	193	324	187	163	867	337
In five years or more	602	310	296	659	1,867	1,422
	813	634	541	867	2,855	1,837
Total 1993	834	634	604	908	2,980	
Total 1992	356	598	347	602		1,903
Analysis of total 1993						
British Airways Plc	769	367	599	908	2,643	1,601
Subsidiary undertakings	65	267	5		337	302
	834	634	604	908	2,980	1,903

21 LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS (continued)  
c ANALYSIS OF CHANGES IN BORROWINGS DURING THE YEAR

£ million	Bank and other loans	Finance leases and hire purchase arrangements	Group loans	
			1993	1992
Balance at 1 April	954	949	1,903	1,409
Assumed from Davies & Newman Holdings PLC	4	11	15	
New loans raised	735		735	390
New finance leases and hire purchase arrangements raised		513	513	362
Repayment of amounts borrowed	(301)	(79)	(380)	(270)
Effect of exchange rate changes	76	118	194	12
Balance at 31 March	1,468	1,512	2,980	1,903

22 PROVISIONS FOR LIABILITIES AND CHARGES

	Balance 1 April	Prior year adjustment	Transfers from profits and loss account	Other movements	Provisions applied	Balance 31 March
<b>GROUP AND COMPANY</b>						
Pensions and similar obligations	19		5	5	(5)	24
Post-retirement medical benefits (Note 28)		15				15
Litigation provision (Note 29)	25				(3)	22
Other	10				(2)	8
Total 1993	54	15	5	5	(10)	69
Total 1992	55		11	(9)	(3)	54

23 SHARE CAPITAL

	Group and Company	
	1993	1992
<i>Authorised</i>		
1,068,000,000 ordinary shares of 25p each	£267m	£267m
<i>Allotted, called up and fully paid</i>		
Issued share capital	£185m	£182m
Ordinary shares of 25p each	741,886,161	727,537,224
<i>Share options</i>		
Number of ordinary shares of 25p each under option	32,308,107	47,452,722
Dates exercisable	1993 - 2002	1992 - 2001
Price per share	135p - 276p	135p - 225p
Number of Employee Share Scheme options exercised :		
at 135p per share	654,897	778,155
at 150p per share	363,134	2,078,027
at 161p per share	11,670,086	561,908
at 178p per share	382,810	2,150,311
at 202p per share	441,279	982
at 204p per share	36,763	
at 206p per share	552,996	
at 207p per share		289,855
at 210p per share	115,948	306,282
at 224.5p per share	94,033	
	14,348,937	6,165,520

Full conversion of the 9.75 per cent Convertible Capital Bonds 2005 will require the issue of 131,775,864 ordinary shares.

## 23 SHARE CAPITAL (continued)

### ANALYSIS OF CHANGES IN SHARE CAPITAL DURING THE YEAR

£ million	Share capital	Share premium	Company	
			1993	1992
At 1 April	182	10	192	181
Shares issued under Employee Share Option Schemes	3	20	23	11
At 31 March	185	30	215	192

## 24 RESERVES

	Share premium account	Revaluation reserve	Profit and loss account	Total	
				1993	1992
<b>a GROUP</b>					
Balance 1 April	10	60	1,032	1,102	778
Adjustment to opening balance relating to post-retirement medical benefits			(15)	(15)	
Balance 1 April restated	10	60	1,017	1,087	778
Retained profit for the year			99	99	321
Transfers relating to revalued assets		(15)	15		
Exchange adjustments			(28)	(28)	(1)
Goodwill set off			(149)	(149)	(5)
Share premium arising from issue of ordinary share capital under Employee Share Option Schemes	20			20	9
Balance 31 March	30	45	954	1,029	1,102

Group profit and loss account includes cumulative retained losses of £31 million (1992: £11 million) in respect of associated undertakings.

### GOODWILL

Acquisition of assets and liabilities of Davies & Newman Holdings PLC (Note 12)		(45)	(45)	
Investment in Qantas (Note 13)		(69)	(69)	
Investment in TAT (Note 14)		(35)	(35)	
Investment in 49% of Deutsche BA Luftfahrtgesellschaft mbH				(5)
Goodwill set off		(149)	(149)	(5)

Cumulative goodwill set off against reserves at 31 March 1993 was £517 million (1992: £368 million).

## b COMPANY

Balance 1 April	10	54	979	1,043	714
Adjustment to opening balance relating to post-retirement medical benefits			(15)	(15)	
Balance 1 April restated	10	54	964	1,028	714
Retained profit for the year			59	59	320
Transfers relating to revalued assets		(14)	14		
Exchange adjustments			(13)	(13)	
Share premium arising from issue of ordinary share capital under Employee Share Option Schemes	20			20	9
Balance at 31 March	30	40	1,024	1,094	1,043

NOTES TO THE ACCOUNTS (continued)  
For the year ended 31 March 1993

25 CONVERTIBLE CAPITAL BONDS 2005

£ million

	Group	Company
	1993	1992
	328	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 £2.43 of Bonds held. 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 sale are less than the issue price of the Bonds the Company has to fund any deficit from its own resources.

In these circumstances the Directors consider that it is highly probable that the proceeds of the issue of the Convertible Capital Bonds will become part of the Company's called up share capital in due course and therefore will be available to the Group on a permanent basis. Accordingly, in order to give a true and fair view, the normal balance sheet format specified by the Companies Act has been modified to include the Convertible Capital Bonds with Capital and Reserves rather than as Creditors: amounts falling due after more than one year.

26 DEFERRED TAXATION (see also Note 7 and 17)

	Group		Company	
	1993	1992	1993	1992
Deferred taxation comprises:				
Accelerated capital allowances and other timing differences	12	12	12	12
Advance corporation tax	(18)	(17)	(18)	(17)
Timing differences in respect of property valuations	2	2	2	2
	(4)	(3)	(4)	(3)
If full provision for deferred taxation at 33 per cent (1992: 33 per cent) had been made, the following amounts would have been required at 31 March:				
Accelerated capital allowances, less unrelieved losses	521	443	517	441
Advance corporation tax	(18)	(17)	(18)	(17)
Other timing differences	(41)	(30)	(39)	(30)
Timing differences in respect of property valuations	2	2	2	2
	464	398	462	396

27 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. During the year the Company entered into a contract, after tender, for a value of £2,916,569 with Wiltshier Reading Limited, a subsidiary undertaking of Wiltshier PLC of which A.M. Davies is the Chairman.

28 PENSION AND OTHER POST-RETIREMENT BENEFITS

a PENSION COSTS

British Airways operates two 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 valuations showed that no further employers' contributions were required in respect of APS while for NAPS an employers' contribution equal to an average of 2.00 times the employee's contribution for the period 1 April 1992 to 31 March 1993 (2.49 times employee's contribution for 1991/92) was appropriate. The next valuations of the two schemes will be carried out as at 31 March 1995.

## 28. PENSION AND OTHER POST-RETIREMENT BENEFITS (continued)

### a PENSION COSTS (continued)

£ million	Group	
	1993	1992
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	42	52
Other pension schemes and provident funds - mainly outside the United Kingdom	10	10
	52	62

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 is 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 and 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.

### b POST-RETIREMENT MEDICAL BENEFITS

Provision has been made in the accounts for post-retirement medical benefits payable in respect of certain current and former employees in the United States. The obligation recognised at the beginning of the financial year, which had not been accounted for in previous years, amounted to £15 million and has been treated as a prior year adjustment.

The ongoing cost of providing post-retirement medical benefits, which in previous years was accounted for on a cash basis, has been assessed with the advice of qualified actuaries and is now spread on a basis similar to that used for defined benefit pension schemes.

## 29 LITIGATION

a An action was brought on 20 March 1992 in the High Court of Justice against the Company by Mr. Richard Branson and Virgin Atlantic Airways Limited (Virgin) alleging that the Company had defamed Mr. Branson and Virgin. In a statement made in open court on 11 January 1993 the Company apologised to Mr. Branson and Virgin and agreed to pay £610,000 in damages plus legal costs to Mr. Branson and Virgin. Since the settlement, Mr. Branson and Virgin have stated that Virgin may commence further proceedings against the Company in England and proceedings in the USA alleging that Virgin's business interests had been damaged by the conduct of Company employees and on 6 May 1993 Virgin issued a writ against the Company alleging breach of copyright and confidence obligations. Having regard to legal advice received and in all the circumstances, the Directors are of the opinion that the outcome of the current and any other such proceedings in respect of damage to Virgin will not in the aggregate have a significant effect on the financial position of the Group.

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 Experience with litigation and regulation in the United States and elsewhere has led the Directors to conclude that it is prudent to continue to carry forward £22 million of a provision made in prior years. The charge against the opening provision represents the costs associated with the libel litigation with Mr. Branson and Virgin, the settlement of which was announced on 11 January 1993.

## 30 CONTINGENCIES

Contingent liabilities exist, for which no provision has been made in the accounts covering obligations of the Group including guarantees given to banks. For the Group these liabilities amount to £135 million (1992: £90 million) and for the Company £862 million (1992: £732 million). The figure for the Company includes £747 million (1992: £615 million) in respect of Convertible Capital Bonds issued by a subsidiary undertaking and borrowings by subsidiary and associated undertakings.

## 31 FOREIGN CURRENCY TRANSLATION RATES

	at 31 March		Annual average	
	1993	1992	1992/93	1991/92
US Dollar	1.51	1.74	1.69	1.74
Japanese Yen	173	231	213	232
Deutsche Mark	2.43	2.86	2.64	2.92
Australian Dollar	2.14	2.26	2.37	2.27

## PRINCIPAL INVESTMENTS

At 31 March 1993

### SUBSIDIARY UNDERTAKINGS

Principal subsidiary undertakings are wholly-owned subsidiaries except where indicated.

	Principal activities	Country of incorporation and principal operations
Air Miles Travel Promotions Ltd *	Airline marketing	England
(51 per cent of ordinary shares owned)		
Bedford Associates Inc	Specialist computer reservation software	USA
Britair Acquisition Corp Inc *	Holding company	USA
British Airways Associated Companies Ltd *	Airline management services	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 Co Ltd *	Airline insurance	Bermuda
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
G B Airways (Holdings) Ltd	49.0	Airline operations	Jersey
Qantas Airways Ltd	25.0	Airline operations	Australia
TAT European Airlines S.A. *	49.9	Airline operations	France
The Galileo Company Ltd *	23.6	Computer reservations systems	England
World Aviation Systems (Australia) Pty Ltd	50.0	Airline marketing	Australia
USAir Group, Inc. (see Note 15)		Airline operations	USA

### TRADE INVESTMENTS

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Covia Partnership	11.0	Computer reservations systems	USA
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
The Plimsoll Line Ltd * **	49.9	Airline holding company	England
(Holding company of Brymon Aviation Ltd and Birmingham European Airways Ltd)			

\* Owned directly by British Airways Plc

\*\* On 11 May 1993, British Airways and Maersk Air Limited entered into a conditional contract to de-merge the Brymon and BEA business from The Plimsoll Line (TPL). Maersk Air Limited will purchase all the shares of BEA from TPL and British Airways will purchase the shares in TPL that it does not already own and thereby acquire 100 per cent control of Brymon.

## UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) INFORMATION

*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. 96 'Accounting for Income Taxes', deferred taxation is generally provided on a full liability basis.
- 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 96, 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 1992, and the related advance corporation tax, would not therefore have been included in the financial statements for 1992 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 pounds 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 has been 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 **Post-employment benefit obligations** British Airways has no significant liabilities in respect of post-employment benefit obligations as of 31 March 1993, as defined by FAS 112 'Employers' Accounting for Post-employment Benefits'.
- k **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 1993 amounted to £42 million (1992: £52 million) under UK GAAP compared with an estimated cost of £114 million (1992: £113 million) under FAS 87 'Employers' Accounting for Pensions'. The resultant increase in operating costs of £72 million (1992: £61 million), net of related deferred tax of £24 million (1992: £20 million), would reduce net income under US GAAP by £48 million (1992: £41 million), and would be reflected in the consolidated balance sheet as an addition to accrued pension costs.
- l **Gain on sale of engine overhaul business** The gain on sale of the engine overhaul business in the year ended 31 March 1992 would have been dealt with as a gain on sale of a discontinued operation under US GAAP.

*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 are summarised on Pages 40 and 41.*



# NET INCOME UNDER US GAAP

For the year ended 31 March 1993

	1993	1992	1991	Group 1992
	£m	£m	£m	£m
Profit for the year as reported in the Group profit and loss account	178	393	269	637
Estimated adjustments:				
Depreciation				
Goodwill	(10)	(9)	(15)	(15)
Fleet	31	29	47	50
Property	1	1	2	2
Pension costs	(72)	(61)	(109)	(106)
Exchange gains/(losses)				
Arising on translation of aircraft related loans	(133)	(6)	(201)	(10)
Relating to revaluation of forward exchange contracts	3	(1)	5	(2)
Surplus on disposal of tangible fixed assets and investments				
Arising on disposal of revalued aircraft	2	2	3	3
Arising on sale and leaseback transactions	2	(3)	3	(5)
Deferred taxation	(62)	(63)	(94)	(110)
	(238)	(111)	(359)	(193)
Estimated net (loss)/income before cumulative effect of change in accounting principle as adjusted to accord with US GAAP	(60)	284	(90)	494
Estimated cumulative effect on prior years of adopting FAS 106	(15)		(23)	
Estimated net (loss)/income as adjusted to accord with US GAAP	(75)	284	(113)	494
Arising from :				
Continuing operations				
(Loss)/income before cumulative effect of change in accounting principle	(60)	144	(90)	251
Cumulative effect on prior years of adopting FAS 106	(15)		(23)	
	(75)	144	(113)	251
Discontinued operations				
Gain on sale of engine overhaul business		140		243
	(75)	284	(113)	494
Net (loss)/income per Ordinary Share as so adjusted	Pence	Pence	Cents	Cents
Primary				
Continuing operations				
(Loss)/income before cumulative effect of change in accounting principle	(8.2)	20.0	(12.4)	34.8
Cumulative effect on prior years of adopting FAS 106	(2.0)		(3.0)	
	(10.2)	20.0	(15.4)	34.8
Discontinued operations				
Gain on sale of engine overhaul business		19.3		33.6
	(10.2)	39.3	(15.4)	68.4
Fully diluted				
Continuing operations				
(Loss)/income before cumulative effect of change in accounting principle	(3.9)	18.8	(5.9)	32.7
Cumulative effect on prior years of adopting FAS 106	(1.7)		(2.6)	
	(5.6)	18.8	(8.5)	32.7
Discontinued operations				
Gain on sale of engine overhaul business		15.4		26.8
	(5.6)	34.2	(8.5)	59.5
		Translation rate	£1 = \$1.51	£1 = \$1.74

NET INCOME UNDER US GAAP (continued)

	Group			
	1993	1992	1991	1990
	Pence	Pence	Cents	Cents
Net (loss)/income per American Depositary Share as so adjusted				
Primary				
Continuing operations				
(Loss)/income before cumulative effect of change in accounting principle	(82)	200	(124)	348
Cumulative effect on prior years of adopting FAS 106	(20)		(30)	
	(102)	200	(154)	348
Discontinued operations				
Gain on sale of engine overhaul business		193		336
	(102)	393	(154)	684
Fully diluted				
Continuing operations				
(Loss)/income before cumulative effect of change in accounting principle	(39)	188	(59)	327
Cumulative effect on prior years of adopting FAS 106	(17)		(26)	
	(56)	188	(85)	327
Discontinued operations				
Gain on sale of engine overhaul business		154		268
	(56)	342	(85)	595
	Translation rate		£1 = \$1.51	£1 = \$1.74

SHAREHOLDERS' EQUITY UNDER US GAAP

At 31 March 1993

	Group			
	1993	1992	1991	1990
	£m	£m	\$m	\$m
Shareholders' equity as reported in the consolidated balance sheets	1,214	1,284	1,833	2,234
Estimated adjustments:				
Intangible assets				
Goodwill	474	335	716	583
Tangible assets				
Fleet	(220)	(127)	(332)	(220)
Property	(11)	(12)	(17)	(21)
Current assets				
Pension cost prepayments		65		113
Deferred gains on forward exchange contracts	3		5	
Current liabilities				
Proposed dividend		33		92
Pension costs accruals	(7)		(11)	
Deferred income - sale and leaseback	(22)	(19)	(33)	(33)
Long-term liabilities				
Deferred income - sale and leaseback	(39)	(44)	(59)	(77)
Provisions for liabilities and charges				
Deferred taxation	(408)	(346)	(616)	(602)
	(230)	(95)	(347)	(165)
Estimated shareholders' equity as adjusted to accord with US GAAP	984	1,189	1,486	2,069
	Translation rate		£1 = \$1.51	£1 = \$1.74

**FIVE YEAR SUMMARIES**  
For the five years ended 31 March 1993

**GROUP PROFIT AND LOSS ACCOUNT**

	1989	1990	1991	1992	1993	1992	1993
	£m	£m	£m	£m	£m	£m	£m
<b>TURNOVER</b>	4,257	4,838	4,937	5,224	5,566	9,090	8,405
Operating expenditure	(3,921)	(4,454)	(4,890)	(4,880)	(5,256)	(8,491)	(7,937)
<b>OPERATING PROFIT</b>	336	384	47	344	310	599	468
Share of results of associated undertakings	(13)	(17)	6		(17)		(26)
Other income and charges	4	(10)	6	(7)	(16)	(12)	(24)
Profit on sale of fixed assets	11	45	100	36	19	62	29
Profit on sale of engine overhaul business				149		259	
Net interest payable	(70)	(57)	(29)	(88)	(111)	(153)	(168)
Profit before taxation	268	345	130	434	185	755	279
Taxation and minority interests	(93)	(99)	(35)	(39)	(7)	(68)	(10)
Profit for the financial year	175	246	95	395	178	687	269
Dividends	(56)	(64)	(64)	(74)	(79)	(129)	(119)
Retained profit for the year	119	182	31	321	99	558	150

Translation rate £1 = \$1.74 \$1 = \$1.51

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**

£ million	By area of destination				
	1989	1990	1991	1992	1993
<b>TURNOVER</b>					
Europe	1,622	1,825	1,950	2,064	2,238
The Americas	1,374	1,619	1,615	1,645	1,709
Africa	323	356			
Africa, Middle East and Indian sub-continent			590	665	757
Middle East, Far East and Australasia	938	1,038			
Far East and Australasia			782	850	862
	4,257	4,838	4,937	5,224	5,566
<b>OPERATING PROFIT/(LOSS)</b>					
Europe	16	3	(10)	20	30
The Americas	181	249	123	119	87
Africa	49	52			
Africa, Middle East and Indian sub-continent			13	119	134
Middle East, Far East and Australasia	90	80			
Far East and Australasia			41	86	59
	336	384	167 *	344	310

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

<i>£ million</i>	1989	1990	1991	1992	1993
<b>Fixed assets</b>					
<i>Tangible assets</i>	2,467	2,464	3,134	3,472	4,238
<i>Investments</i>	111	108	108	93	546
	2,578	2,572	3,242	3,565	4,776
<b>Current assets</b>	916	1,295	1,057	1,687	1,577
<i>Creditors: amounts falling due within one year</i>	(1,748)	(1,816)	(1,600)	(1,706)	(1,851)
<b>Net current liabilities</b>	(832)	(521)	(543)	(19)	(274)
<b>Total assets less current liabilities</b>	1,746	2,051	2,699	3,546	4,502
<i>Creditors: amounts falling due after more than one year</i>	(806)	(755)	(1,366)	(1,888)	(2,899)
<i>Provisions for liabilities and charges</i>	(100)	(64)	(55)	(54)	(69)
	750	1,232	1,278	1,604	1,534
<b>Capital and reserves</b>					
<i>Called up share capital</i>	180	180	180	182	185
<i>Reserves</i>	569	732	778	1,102	1,029
<b>Shareholders' equity</b>	749	912	958	1,284	1,214
<i>Minority interests</i>	1				
	750	912	958	1,284	1,214
<b>Convertible capital bonds 2005</b>		320	320	320	320
	750	1,232	1,278	1,604	1,534

**FIVE YEAR SUMMARIES** (continued)  
For the five years ended 31 March 1993

**GROUP CASH FLOW STATEMENT**

£ million	1989	1990	1991	1992	1993
Net cash inflow from operating activities	551	728	296	591	629
Returns on investments and servicing of finance					
Interest received	16	29	62	49	96
Interest paid on bank and other loans	(63)	(89)	(89)	(98)	(116)
Interest paid on finance leases and hire purchase arrangements	(21)	(22)	(33)	(53)	(88)
US Air preferred stock dividend received					3
Dividends received from trade investments	2	4	3	1	4
Dividends paid	(52)	(58)	(64)	(65)	(76)
Net cash outflow from returns on investments and servicing of finance	(118)	(136)	(121)	(166)	(169)
Taxation					
UK corporation tax paid	(78)	(94)	(109)	(11)	(38)
Investing activities					
Tangible fixed assets purchased for cash	(638)	(619)	(813)	(539)	(577)
Refund of progress payments	43	268	189	158	32
Purchase of subsidiary undertakings		(1)	(5)		
Purchase of interests in associated undertakings	(8)	(10)	(10)	(6)	(532)
Loans made to associated undertakings		(1)	(3)		(42)
Purchase of interests in trade investments	(71)	(7)	(3)	(1)	
Net cash and cash equivalents of Davies & Newman Holdings PLC assumed on acquisition					(10)
Sale of tangible fixed assets	33	157	268	90	193
Sale of investments					2
Sale of engine overhaul business				274	
Decrease/(increase) in short-term bank deposits with a maturity date at inception of more than three months				(334)	334
Net cash outflow from investing activities	(641)	(213)	(377)	(358)	(690)
Net cash (outflow)/inflow before financing	(286)	285	(311)	56	(268)
Financing					
Changes in borrowings					
Bank and other loans raised	434	714	546	390	735
Bank and other loans repaid	(188)	(966)	(395)	(215)	(301)
Capital elements of finance leases and hire purchase arrangements paid	(33)	(98)	(49)	(55)	(79)
	213	(350)	102	120	355
Changes in share capital					
Issue of ordinary share capital under Employee Share Option Schemes				2	3
Share premium received			1	9	20
			1	11	23
Convertible Capital Bonds issued		320			
Costs associated with Convertible Capital Bonds issue		(10)			
		310			
Net cash inflow/(outflow) from financing	213	(40)	103	131	778
Increase/(decrease) in cash and cash equivalents	(73)	245	(208)	187	110

# OPERATING STATISTICS

For the five years ended 31 March 1993

## SCHEDULED SERVICES

	1988	1989	1990	1991	1992
<i>Traffic and capacity</i>					
Revenue passenger km (RPK) (m)	57,795	61,915	64,734	65,896	73,996
Available seat km (ASK) (m)	82,984	86,601	92,399	93,877	104,587
Passenger load factor (%)	69.6	71.5	70.1	70.2	70.8
Cargo tonne km (CTK) (m)	2,249	2,400	2,463	2,510	2,691
Total revenue tonne km (RTK) (m)	7,636	8,290	8,611	8,778	9,730
Total available tonne km (ATK) (m)	11,404	12,035	12,929	13,379	14,693
Overall load factor (%)	67.0	68.9	66.8	65.6	66.2
Passengers carried (000)	22,578	23,671	24,243	23,788	25,905
Tonnes of cargo carried (000)	459	498	506	502	532
<i>Financial</i>					
Passenger revenue per RPK (p)	5.96	6.37	6.27	6.50	6.13
Cargo revenue per CTK (p)	15.25	16.21	15.27	15.78	14.72
Average fuel price (US cents/US gallon)	60.22	69.72	89.72	70.94	69.32
<i>Operations</i>					
Unduplicated route km (000)	677	685	665	584	579
Punctuality (% within 15 minutes)	72	72	73	79	81
Regularity (%)	99.0	98.9	98.7	99.2	99.3

## TOTAL GROUP OPERATIONS

Total revenue tonne km (RTK) (m)	8,002	8,627	8,979	9,111	10,313
Total available tonne km (ATK) (m)	11,868	12,445	13,351	13,818	15,414
Passengers carried (000)	24,603	25,238	25,587	25,422	27,109
Average number of employees	50,204	52,054	54,427	50,469	48,960
RTKs per employee (000)	159.4	165.7	165.0	182.7	210.6
ATKs per employee (000)	236.4	239.1	245.3	274.1	315.0
Aircraft in service at year end	211	224	230	230	241
Aircraft utilisation (average hours per aircraft per annum)	2,836	2,787	2,663	2,708	2,828
Revenue aircraft km (m)	364	375	389	390	431
Revenue flights (000)	269	274	271	261	268
Total traffic revenue per RTK (p)	48.73	51.36	50.54	52.55	49.28
Total traffic revenue per ATK (p)	32.85	35.60	33.99	34.65	32.95
Net operating expenditure per ATK (p)	30.02	32.52	32.74	32.16	30.94
Break-even overall load factor (%)	61.6	63.3	64.8	61.2	62.8

# AIRCRAFT FLEET

Number in service with Group companies at 31 March 1993

	Owned, finance leased and on hire purchase arrangements (Note 1)	On extendable operating leases	On other operating leases	Total	Future deliveries	Options	1992-93 revenue hours flown	Average hours per aircraft p.a.	Average age (years)
Concorde	7			7			6,583	240	16.3
Boeing 747-100	15			15			54,864	3,658	20.9
Boeing 747-200	(Note 2) 13	3		16			68,789	4,299	12.3
Boeing 747-400	(Note 3) 12	13		25	36	22	117,790	5,101	2.5
Boeing 777					15	15			
Lockheed TriStar 1 and 100	5			5			13,114	2,350	18.3
McDonnell Douglas DC-10-30	5	2		7			29,403	4,107	14.7
Boeing 767-300	(Note 4) 9	11		20	8	9	59,978	3,493	2.1
Boeing 757-200	(Note 5) 37	3	2	42	3	1	110,097	2,779	6.7
Airbus A320	10			10			24,820	2,482	4.1
Boeing 737-200	(Note 6) 23	16		39			82,554	2,129	11.0
Boeing 737-300	(Note 7) 18		3	3			2,632	2,231	6.7
Boeing 737-400	(Note 8) 18	4	10	32	6	10	47,960	2,494	1.6
BAC 1-11-500	6			6			33,870	1,864	23.1
BAe ATP		13	1	14		6	22,491	1,694	2.8
HS 748							20		
Hired aircraft							2,349		
<b>Total</b>	<b>160</b>	<b>65</b>	<b>16</b>	<b>241</b>	<b>68</b>	<b>63</b>	<b>677,314</b>	<b>2,928</b>	<b>8.0</b>

## Notes:

1. Excludes eleven Lockheed TriStars and one DC-10-30 stood down (of which two Lockheed TriStars have been sub-leased).
2. One aircraft was sold and leased back during the year.
3. One aircraft delivered at the end of the year did not enter service until April 1993.
4. One aircraft delivered in the previous financial year entered service during the year.
5. Two aircraft were sold and leased back and two aircraft sub-leased were returned.
6. Excludes four aircraft sub-leased to GB Airways.
7. Three Dan-Air aircraft on other operating lease were added to the fleet during the year.
8. Nine Dan-Air aircraft on other operating lease were added to the fleet during the year. One owned aircraft delivered at the end of the year did not enter service until April 1993.

## SHAREHOLDER INFORMATION

### SHAREHOLDERS

As at 10 May 1993 there were 252,016 shareholders. An analysis is given below.

Size of shareholding	Percentage of shareholders	Percentage of shares	Classification of shareholding	Percentage of shareholders	Percentage of shares
1 - 1,000	94.00	8.33	Individuals	97.85	12.30
1,001 - 5,000	5.01	3.48	Nominee Companies	1.52	77.10
5,001 - 10,000	0.47	1.06	Assurance & Insurance Companies	0.05	4.10
10,001 - 50,000	0.22	1.84	Banks	0.07	0.02
50,001 - 100,000	0.09	2.20	Pension Funds	0.02	0.78
100,001 - 250,000	0.09	4.85	Investment Trusts & Funds	0.18	3.71
250,001 - 500,000	0.05	6.26	Other corporate holders	0.31	1.99
500,001 - 750,000	0.02	4.42			
750,001 - 1,000,000	0.02	4.95			
Over 1,000,000	0.03	62.61			
	100.00	100.00		100.00	100.00

The following have holdings in the Company in excess of three per cent of the total shares issued:

	Percentage shareholding
The Chase Manhattan Bank N.A. (non-beneficial)	7.10
Templeton Investment Management Ltd	5.70
Schroder Investment Management	4.97
The Capital Group Inc	4.26
Robert Fleming Holdings Ltd	4.00
Baring Investment Management	3.37

Morgan Guaranty Trust Company of New York, the Company's ADR Depositary, has a non-beneficial interest in 13.32 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 three per cent or more.

### DIRECTORS' INTERESTS

At 31 March 1993

	British Airways Plc				British Airways Capital Ltd	
	Ordinary Shares subject to no restrictions		Ordinary Shares subject to restrictions		Options exercised during year	
	31 March 1993	1 April 1992	31 March 1993	1 April 1992	31 March 1993	1 April 1992
Sir Colin Marshall	30,432	25,836	-	-	576,428	485,436
Sir Michael Angus	3,000	3,000	-	-	-	-
R J Ayling	5,203	4,459	-	744	237,519	215,261
D M Stevens	5,050	5,050	6,164	3,403	381,371	337,254
Captain C A Barnes	7,983	7,983	4,723	4,723	69,976	69,976
A M Davies	5,060	5,060	-	-	-	-
Sir Francis Kennedy	5,250	5,250	1,860	1,860	166,666	166,666
Hon Charles Price II *	10,000	10,000	-	-	-	-
Lord White	1,000	-	-	-	-	-
	72,978	66,638	12,747	10,730	1,431,760	1,274,593
					4,596	
						17,032
						17,032

\* Held in American Depositary Receipts.

The Directors' interests set out above are in each case beneficial. The options under the Executive Share Option and Savings Related Share Schemes are at prices varying between 135p and 276p per share. 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 in British Airways Capital Limited. There have been no changes in the interests set out above between the end of the financial year and 17 May 1993.

As at 5 February 1993, the date of his resignation as a Director of the Company, Lord King of Wartnaby was shown in the register referred to above as being interested in 119,596 Ordinary Shares and 13,332 Convertible Capital Bonds. As at 14 May 1993 he had options over 292,213 Ordinary Shares granted under the Executive Share Option Scheme prior to 5 February 1993.



## GENERAL INFORMATION

### FINANCIAL CALENDAR

Financial year end

31 March 1993

Annual general meeting

13 July 1993

### ANNOUNCEMENT OF 1993-94 RESULTS AND DIVIDENDS

First quarter results to 30 June 1993

August 1993

Second quarter results to 30 September 1993

November 1993

Interim dividend

November 1993 (payable January 1994)

Third quarter results to 31 December 1993

February 1994

Preliminary announcement

mid May 1994

Report and Accounts

June 1994

Final dividend

June 1994 (payable July 1994)

### OUTSIDE ADVISERS

Company Registrars: Barclays Registrars.

ADR Depositary: Morgan Guaranty Trust Company of New York

Registered number - 177777

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British Airways asks organisations which obtain its register to support this service.

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### GLOSSARY

Available Seat Kilometres (ASK): The product of seats offered for sale and the distance over which they are carried.

Available Tonne Kilometres (ATK): The measure of transport production. The available tonne kilometres produced by a flight are the capacity for payload of the aircraft measured in tonnes (2,204lb), multiplied by the distance flown.

Revenue Passenger Kilometres (RPK): The product of passengers carried and the distance over which they are carried.

Revenue Tonne Kilometres (RTK): The product of revenue load in tonnes and the distance over which it is carried.

Break-even Load Factor: The load factor required to equate scheduled traffic revenue with operating costs, assuming that the operating surplus of companies licensed to operate scheduled services is attributed entirely to those services.

IATA: International Air Transport Association.

ICAO: International Civil Aviation Organisation.

Load Factor: The percentage relationship of revenue load carried to capacity provided. The overall load factor relates RTK to ATK. The passenger load factor relates RPK to ASK.

Punctuality: 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.