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HIGHLIGHTS

GROUP RESULTS

		1991-92	[illegible] 1990-91
Turnover	£m	5,224	*4,937*
Operating surplus	£m	344	*167*
Profit before taxation	£m	285	*130*
Profit after taxation	£m	255	*95*
Capital and reserves	£m	1,604	*1,278*
Earnings per share – basic	p	35.3	*13.2*
– fully diluted	p	31.0	*13.4*
Dividends per share	p	10.18	*8.85*

TRAFFIC

Available tonne kilometres	m	13,818	*13,351*
Revenue tonne kilometres	m	9,111	*8,979*
Passengers carried	000	25,422	*25,587*
Cargo carried (tonnes)	000	502	*506*
Overall load factor (scheduled services)	%	65.6	*66.8*

EMPLOYEES AND PRODUCTIVITY

Average number of employees *(see Note below)*		50,409	*54,427*
Available tonne kilometres per employee	000	274.1	*245.3*
Revenue tonne kilometres per employee	000	180.7	*165.0*

Note The actual number of employees in the Group at 1 April 1992 was 48,453 (1 April 1991 53,013)

CHAIRMAN'S STATEMENT

I BEGAN my annual report to you a year ago by describing the preceding 12 months as among the most volatile in the history of our industry. Times since then have been little, if any, easier. The effects of the Gulf war persisted well into the financial year ended 31 March 1992.

In fact, 1991 has been described as the most difficult year since records began. ICAO, the International Civil Aviation Organisation, has reported the first ever annual fall in international scheduled passenger traffic, down overall by six per cent, with IATA, the industry association, estimating combined losses on international scheduled services alone of some $4 billion.

Against this background, I think we may fairly describe British Airways' performance as highly creditable.

Profits are up 119 per cent to £285 million at the pre-tax level and turnover up six per cent, leading the Board to recommend a final dividend of 7.24 pence a share, against the 6.05 pence in each of the past two years. This would give dividends for the full year of 10.18 pence a share, a rise of 15 per cent.

To accomplish this, your company had to call upon its considerable store of talent, skill, ingenuity and sheer determination as never before. The World's Biggest Offer, our imaginative and bold promotion, which took off on 23 April last year, jumpstarted the world travel market after the slump caused by the Gulf war. Besides creating immense goodwill towards British Airways, this daring promotion attracted publicity worth tens of millions of pounds. More importantly, it ensured that we recovered from the downturn faster than our rivals. Meanwhile we have had to contend with economic recession in our main markets, which has meant that a return to more normal trading conditions has not happened as speedily as we would have wished.

As expected, we have also faced increasingly tough competition, particularly at our Heathrow home base. Following changes in the Government's traffic distribution rules controlling access to the airport, the number of carriers competing with us there last summer increased by 17, to 87. They include some of the largest and most competitive airlines in the world. We have responded strongly, with a whole host of marketing initiatives and product enhancements. The result has been an increase in our market share at London.

Within the company, we have acted energetically in the past 12 months to reduce our costs, with the support of our employees and trade unions. The contraction in the size of our workforce has been achieved through early retirement, voluntary severance and the disposal of certain activities, with a consequent increase in productivity of almost 12 per cent.

We have made some important changes in the structure of our business. In order to liberate resources for the development of the airline, we sold the business formerly carried on by British Airways Engine Overhaul Limited to a subsidiary company of General Electric Company of the USA. We believe that the new owners, as engine manufacturers, will be able to invest further resources in the development of this excellent business, while allowing us to get on with what we do best. We also contracted out our property maintenance and parts of our security functions.

We have carried out in-depth reviews of our operations at Gatwick and in the UK regions, to ensure that these activities have the best opportunities to reach adequate levels of profitability.

We exceeded our initial targeted savings of £200 million in the initial phase of our three-year Gap Closure programme by £65 million. We are aiming to trim a further £150 million from our costs in the 1992-93 financial year.

What we shall not trim, however, is the quality of our customer service. In our determination to build on this principal underlying strength of British Airways, we recently launched "Winning for Customers", the latest and most extensive in our series of customer service development initiatives. Every employee will take part in its corporate event, called "Winners". Our intention is that this programme should gain us as much of a competitive edge in the 1990s as did our original "Putting People First" initiative in the 1980s.

There has been a great deal of media speculation in the past year regarding British Airways' globalisation plans. Although we remain committed to the concept of a global airline, and while we believe our long-term future may be bound up with worldwide alliances, we are still in a position of strength which many would envy. We will not act in haste and repent at leisure. Finding the right partner remains high on our agenda, but there is much else besides. Until the right deal presents itself, we will continue to operate a highly successful, profitable business achieving exceptional levels of customer satisfaction.

Growth prospects for this industry remain sound. British Airways is in a good position to take advantage of the opportunities afforded by the liberalisation of the industry, provided the playing field is level and "competition" is not misinterpreted to mean "substitution". We are encouraged by the support of the UK's newly-elected Government for opening the skies of Europe and for examining the role of state subsidies enjoyed by some continental carriers – particularly as the United Kingdom holds the presidency of the European Community in the six months leading up to 1993 and the dawning of the single European market.

We now have our own first platform on the continent, with the establishment of the new German airline Deutsche BA, in which we hold a 49 per cent stake. We are also progressing the development of Air Russia, working with our partners in Russia.

The Company's Directors have for many years benefited from the counsel of Robert Ayling, in his capacity as Company

Secretary, Legal Director and Director of Human Resources. Following his appointment as Director of Marketing and Operations, we were pleased to welcome him in December as a full member of the Board.

British Airways is now firmly on its flightpath to recovery after the turbulence caused by the Gulf conflict and recession in many countries. We have demonstrated our ability to manage this business effectively during the most severe downturn it has experienced. In doing so, we have earned the admiration of the industry.

For this, the employees of your Company deserve a substantial vote of thanks, reflected by my Board's decision to increase the level of their profit sharing bonus from the formula driven 1.4 weeks to a full two weeks' basic pay. Their contribution in a trying, often unsettling and constantly challenging 12 months cannot be overstated.

Nonetheless, they and I are only too well aware that there is still much to achieve if we are to accomplish our mission of becoming the undisputed best and most successful company in the industry – to which we remain committed.

King

Lord King of Wartnaby *Chairman*

BOARD MEMBERS AND EXECUTIVE MANAGEMENT

BOARD MEMBERS

Lord King of Wartnaby (74) *Chairman*
Chairman since 1981. Chairman, Babcock International PLC since 1972. Director, Daily Telegraph plc. (B)

Sir Colin Marshall (58) *Deputy Chairman and Chief Executive*
Chief Executive since 1983. Director, Grand Metropolitan PLC, IBM United Kingdom Holdings Limited, Midland Group plc and British Tourist Authority. (B)

Sir Michael Angus (62) *Deputy Chairman and Chairman of the Audit and Remuneration Committees*
Deputy Chairman, Whitbread PLC and National Westminster Bank PLC. Director, Thorn EMI plc. President, Confederation of British Industry. (A, C)

Robert Ayling (45) *Director of Marketing and Operations*
Joined the Board of British Airways in December 1991 after his appointment as Director of Marketing and Operations in September. Joined the airline as Legal Director in 1985 and subsequently took on the duties of Company Secretary and, later, Director of Human Resources. Formerly Under Secretary at the Department of Trade

Derek Stevens (53) *Chief Financial Officer*
Chief Financial Officer since 1989. Formerly Finance Director, TSB Group plc.

Captain Colin Barnes (58) *Chairman of the 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 (57)
Chairman, Calor Group PLC, Wiltshier PLC and Perkins Foods PLC. Deputy Chairman, TI Group Plc. (A, B, C)

Sir Francis Kennedy KCMG CBE (66) *Special Advisor to Chairman and Board*
Diplomatic Service, 1964-86. Director, Fluor Daniel Corp. and Smith and Nephew plc. (B)

The Hon Charles H. Price II (61)
Former United States Ambassador to the UK. Chairman, Mercantile Bank of Kansas City. Director, Hanson Plc, Texaco Inc, Sprint Corporation and New York Times Company Inc. (A, B, C)

Lord White of Hull KBE (69)
Chairman, Hanson Industries. (A, C)

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

EXECUTIVE MANAGEMENT

David Burnside (40) *Director of Public Affairs*
Alistair Cumming (57) *Director of Engineering*
Dr Michael Davies (54) *Director of Health Services*
Tony Galbraith (53) *Treasurer*
David Holmes (57) *Director of Government and Industry Affairs*
David Hyde (55) *Director of Safety, Security and the Environment*
Captain Jock Lowe (48) *Director of Flight Crew*
Clive Mason (48) *Director of Purchasing and Supply*
Roger Maynard (49) *Director of Corporate Strategy*
Gail Redwood (43) *Company Secretary*
Mervyn Walker (33) *Legal Director*
John Watson (48) *Director of Human Resources and Information Management*

Membership as at the time of publication.

ACCOUNTS AND STATISTICS
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DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and Accounts for the year ended 31 March 1992. The accounts are set out on Pages 8 to 30.

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 £395 million, against £95 million in the previous year. The Board recommends a final dividend of 7.24p per share, giving a total dividend for the year of 10.18p per share compared to 8.85p in the previous year, an increase of 15 per cent. The final dividend will be paid on 24 July 1992 to shareholders registered on 12 June 1992. After providing £74 million for dividends, the retained profit for the year amounted to £321 million.

AIRCRAFT ORDERS

Orders were placed in the year to 31 March 1992 for 15 Boeing 777s and spares, with options on a further 15 aircraft.

Options on 24 Boeing 747-400s were taken out during the year. Of the total options, 18 were converted into future deliveries.

No further options were taken out during the year on Boeing 767-300s but six were converted into future deliveries.

Of the existing eight options for British Aerospace ATPs, five were converted during the year into firm orders and an additional three options were placed for the aircraft.

The capital value of new orders and orders converted from options is £3,040 million.

AIRCRAFT FLEET CHANGES

Three Boeing 747-400s, eight Boeing 767-300s, two Boeing 757-200s, 13 Boeing 737-400s and four BAe ATPs were delivered to the airline. These aircraft had a capital value of £825 million. A further BAe ATP and two HS 748s are in service on short-term operating leases.

Four HS 748s and three BAC 1-11s (the BAC 1-11s having been stood down at 31 March 1991) were sold during the year; a further five HS 748s and five Boeing 737-200s have been returned to the lessors.

Two Boeing 757-200s, two Boeing 737-200s and two Lockheed TriStar 200s were leased to other airlines. A further seven BAC 1-11s and five Lockheed TriStar 200s were stood down in the year and the entry into service of one Boeing 767-300 was deferred until April 1992.

FINANCING

Four Boeing 767-300s, four Boeing 737-400s, and four BAe ATPs were acquired under various extendible operating leases and two McDonnell Douglas DC10-30s were sold and leased back on operating leases, in all cases with a minimum lease term of approximately five years. A further BAe ATP aircraft has been obtained on a short-term operating lease.

Two Boeing 767-300s, two Boeing 747-400s and three Boeing 737-400s were acquired under various Japanese leveraged leases, thus providing the airline with attractive cross-border hire purchase finance. One Boeing 767-300 aircraft delivered in March 1992 was similarly financed in April 1992.

Six Boeing 737-400s were purchased outright, financed out of existing facilities by 18-year loans secured on the aircraft. One Boeing 767-300 aircraft acquired in March 1992 is expected to be similarly financed. One Boeing 747-400 aircraft, financed on a 15-year mortgage loan, and two Boeing 757-200s were also purchased outright. In addition, a Boeing 747-200 aircraft previously on finance lease was purchased outright.

Six Boeing 757-200s have changed from operating lease to finance lease arrangements following an extension of the original lease periods.

In June 1991 British Airways Finance BV, as issuer, drew down the proceeds of an unsecured US$150 million private placement of Guaranteed Floating Rate Notes due 1996 which were guaranteed by British Airways Plc. The proceeds were loaned to British Airways Plc.

INVESTMENTS

On 13 March 1992, British Airways, together with a consortium of subsidiaries of German banks, acquired the German regional airline Delta Air Regionalflugverkehr GmbH. British Airways' share of the equity is 49 per cent. Since the end of the year, the company has been renamed Deutsche BA Luftfahrtgesellschaft mbH and, in addition to its existing 19 German domestic and international routes, it will expand to operate a number of other routes.

On 2 December 1991, British Airways sold the engine overhaul business previously carried on by British Airways Engine Overhaul Limited to a subsidiary company of General Electric Company of the United States, which gave rise to an extraordinary profit of £140 million after tax.

On 30 March 1992, British Airways disposed of its 50 per cent holding in British Caledonian Flight Training Limited.

British Airways and its partners in Russia are continuing their joint efforts to establish Air Russia, a newly formed international airline based at Moscow's Domodedovo airport.

PROPERTY VALUATION

Richard Ellis, Chartered Surveyors, valued the Group's properties at 31 March 1991 in accordance with the statements of asset valuation practice and guidance notes of the Royal Institution of Chartered Surveyors. The value of the Group's properties was approximately £250 million in excess of the net book value disclosed in the Group balance sheet at 31 March 1991. In the opinion of the Directors, and as confirmed by Richard Ellis, the current value of the Group's properties included in that valuation has not materially changed during the year.

In view of the specialised nature of many of the Group's operational properties, a significant proportion of the total valuation is on the basis of depreciated replacement cost, the balance being on an open market existing-use basis.

ROUTES

During the year, British Airways introduced services to Fukuoka, Japan, in July 1991 and Jakarta, Indonesia, in March 1992. Services to Kuwait were resumed in June 1991 following the cessation of hostilities in the Gulf, with Tehran being re-introduced in July 1991. A new shorthaul destination Bergamo, Italy, was introduced in April 1991. Scheduled services to Nagoya, Japan, and Leipzig, Germany, were introduced in April 1992.

As a result of requirements imposed by the government of the Federal Republic of Germany, flights linking Berlin with Bremen, Hanover, Nuremburg, Munster and Sylt were withdrawn in Autumn 1991. Services to Tampa in the USA were discontinued in May 1992.

OTHER DEVELOPMENTS

As expected, competitive pressures have increased significantly following changes in the traffic distribution rules allowing access to more airlines at Heathrow and the advent of American Airlines and United Airlines, replacing TWA and Pan Am, on many of their routes from Heathrow. With 17 other airlines also launching services at our home base last summer, this took the number of airlines operating at the airport to 87. Despite these developments, our market share at London has increased.

We have met these new challenges by launching an unprecedented number of marketing campaigns to stimulate and retain traffic, led, in the early part of the year, by The World's Biggest Offer.

Air Miles Latitudes, a frequent flyer programme announced at the beginning of the year for residents of the UK was combined with the relaunched Executive Club. This was closely followed by a similar programme for our US customers.

We introduced a £10 million package of improvements to the airline's ground services on North Atlantic routes and major improvements to our First Class and Club Europe brands.

At Birmingham, British Airways passenger operations have moved into the newly opened Eurohub, in which the Company is a 21 per cent partner.

A completely new joint British Airways/Diners Club Corporate Card has been introduced to help our business customers manage their travel spend.

Further liberalisation in Europe will come with the single European market in 1993. British Airways is well placed to take advantage of the opportunities this affords.

British Airways has welcomed the announcement by BAA plc that it is beginning the consultative phase prior to applying for planning permission to build a fifth passenger terminal at Heathrow, to be opened early in the next decade, and large enough to accommodate the airline's entire operations at the airport. British Airways has long urged such a development.

DIRECTORS

Robert Ayling, Director of Marketing and Operations, was appointed to the Board on 16 December 1991.

The Directors retiring by rotation are Sir Michael Angus and the Hon. Charles H. Price II, who being eligible, offer themselves for re-election at the annual general meeting. Neither of these directors has a service contract with the Company. Robert Ayling, having been appointed to the Board during the year, offers himself for election at the annual general meeting. Mr Ayling has a service contract terminable on two years notice from the Company.

The names and details of the Directors are set out on Page 3 and their share interests are disclosed on Page 39.

LIABILITY INSURANCE

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

EMPLOYEE INVOLVEMENT

The Company continued to encourage teamwork and communication between all of its employees in the management of the business during the year. Consultation continues to take place through management and trade union committees at varying levels within the Company, where a wide range of business and employment issues are discussed.

The Company operates an employee suggestion scheme, called Brainwaves, which acknowledges original workable suggestions with rewards ranging from £10 to £10,000. Awards totalling more than £200,000 were shared by employees for some 1,800 ideas submitted last year. The benefit of these suggestions to the Company is estimated at £2 million per annum.

"British Airways News", which provides up-to-date information to employees on what is happening in the Group, is issued free each week. Furthermore, a daily "headlines" version of the newspaper is provided on the airline's computer networks, giving employees around the world instant access to information.

In April 1992, the Company embarked on a major corporate customer service development initiative, under the banner "Winning for Customers". Its main platform is a training event, "Winners", which will run each weekday for nearly two years until every employee has had an opportunity to take part. Its main theme is the vital role that every individual has in ensuring optimum customer retention. Alongside this event, all 7,500 managers, supervisors, captains and cabin service directors will attend a two-day "Managing Winners" programme.

The latter in particular is built heavily on the results of an employee input survey carried out in November, in which all employees were invited to give their views on the Company and management style.

Under the rules of the Profit Sharing Share Scheme, every eligible employee will be entitled to participate in the Scheme in respect of profit share of two weeks basic pay, which can be used by the Trustees of the Scheme to acquire shares to be appropriated to the participants and held in trust in accordance with the Scheme. The Board intends to make an equivalent cash payment to those eligible employees not wishing or able to participate in the Scheme.

The Savings Related Share Option Scheme has now been operated twice. Employees are able to save amounts of between £10 and £100 a month, and after five years have the option of purchasing shares with the monies saved at the prescribed price of 116p for the first operation and 135p for the second operation, or have the money refunded with interest. The first maturity of the Scheme will occur on 1 June 1992.

PENSIONS

Following the actuarial valuations of the Airways Pension Schemes at 31 March 1989, the Trustees of the Schemes agreed to improved benefits for members still in employment, including bringing the normal retirement age for men and women into line and to a reduction of contributions made by the Company. These changes took effect during 1989-90.

A triennial actuarial valuation of the Schemes will be undertaken as of 31 March 1992.

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 in question and the requirements of law. As part of the "Opportunity 2000" initiative, benchmarks are being set against which to measure the number of women employed at all levels in the Company. Wherever possible, employees who become disabled during employment are provided with an alternative job that makes full use of their capabilities.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Charitable donations made by the Group during the year amounted to £461,000 (1991: £497,000), of which the largest were to Age Concern England and the Cancer Relief MacMillan Fund.

No political contributions were made during the year (1991: £40,000 paid to the Conservative Party).

ALLOTMENT OF SHARES

A special resolution to renew the existing authority of the Directors to allot shares under Article 11(B) of the Company's Articles of Association is contained in the Notice of annual general meeting.

The London Stock Exchange no longer requires the consent of shareholders of the Company to each specific issue of shares for cash made other than to existing shareholders in proportion to their existing shareholding, provided such shareholders have given the necessary general authority.

SHAREHOLDERS – NON-UK NATIONALS

At 31 March 1992, 41 per cent of ordinary shares were held by non-UK nationals, compared with 39 per cent at 31 March 1991. 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 at present expect (but without limiting their freedom to act) to seek to exercise their powers to restrict non-UK share ownership.

A special resolution to amend the Company's Articles of Association, to enable the Directors rather than the Secretary of State for Transport to implement provisions to restrict share ownership in the Company by non-UK nationals, is contained in the Notice of annual general meeting.

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 P Redwood *Secretary*
18 May 1992

FINANCIAL REVIEW OF THE YEAR

The pre-tax profit for the year ended 31 March 1992 was £285 million, up 119.2 per cent, a significant recovery from the combined effects of economic recession and the Gulf conflict last year.

Profit after tax was £255 million, equivalent to earnings of 35.3p per share compared to 13.2p last year. On a fully diluted basis, earnings per share were 31.0p.

In December 1991, the sale of the business previously carried on by British Airways Engine Overhaul Limited gave rise to an extraordinary profit of £140 million after tax.

Net cash flow from operating activities totalled £591 million, up £295 million on the previous year. This fully covered financing charges and spending on fixed assets and investments, net of disposals, leaving an overall net cash inflow including increases in short-term bank deposits of £390 million, compared with an outflow of £311 million last year.

This result reflects sustained efforts during a difficult trading year to keep down costs and defer non-essential capital expenditure.

Borrowings net of cash balances at 31 March amounted to £1,172 million, down £53 million on the previous year whereas capital and reserves, including Convertible Capital Bonds grew by £326 million. This included £11 million subscribed for new share capital by employees upon the exercise of stock options. The resultant net debt : total capital ratio was 42 per cent, a seven point improvement over the year.

For the 12 months ended 31 March 1992 Group turnover increased by 5.8 per cent from £4,937 million to £5,224 million. Group expenditure increased by 2.3 per cent from £4,770 million to £4,880 million.

Employee costs rose by 3.8 per cent reflecting the impact of the United Kingdom pay settlements of 11.2 per cent from 1 January 1991 and four per cent for 1992, backdated to 1 November 1991, offset by an average reduction in employees of 7.4 per cent. In addition provision has been made this year for payment of an employee profit sharing bonus.

Fuel and oil costs fell by 12.9 per cent. Average US$ fuel prices paid during the year came down by 21.0 per cent to 70.9 US cents per US gallon and with improved fuel efficiency, partly offset by exchange rate differences, costs were £77 million lower than last year. Aircraft operating lease costs and depreciation decreased by 4.5 per cent, mainly through lower interest rates on lease costs. Landing fees and en route charges were up by 13.0 per cent principally due to large increases in prices from Eurocontrol and higher airport passenger fees.

Engineerin[illegible] aircraft costs fell by £23 million, 8.1 per cent down on last year, largely as a consequence of improvements in subcontr[illegible]ding charges, catering and other operating costs increased by 8.4 per cent, due to improved customer services, security and increases in [illegible] traffic handling costs.

The higher selling costs reflect increased commission paid to travel agents and more advertising. Expenditure on accommodation, ground equipment and currency differences remained in line with last year.

The geographical analysis of Group turnover and operating surplus, which has been re-stated and brought in line with our operational management structure, shows significant improvement on most routes.

European routes have returned to profitability, despite difficult trading conditions in the UK and a significant reversal in the Internal German Services. The Americas' turnover and operating surplus remained close to last year's levels reflecting the increased competition on North Atlantic routes and the recession.

Africa, Middle East and Indian sub-continent routes earned an operating surplus of £119 million, up from £13 million last year, largely reflecting recovery from the dramatic effects of the Gulf war. Similarly, the Far East and Australasia operating results have more than doubled.

Full year revenue tonne kilometres increased by 1.5 per cent. A total of 25,428,000 passengers were carried on scheduled and charter services, a decrease of 0.6 per cent. Cargo tonne kilometres were up by 1.9 per cent, representing the carriage of 502,000 tonnes of cargo.

Revenue passenger kilometres on scheduled services increased by 1.8 per cent with available seat kilometres up by 1.6 per cent, giving a passenger load factor of 70.2 per cent, up marginally on last year.

REPORT OF THE AUDITORS TO THE MEMBERS OF BRITISH AIRWAYS Plc

We have audited the accounts on Pages 8 to 30 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 1992 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.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
London
18 May 1992

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1992

£ million	*Note*	1992	*Group* *1991*
TURNOVER	2	5,224	*4,937*
Cost of sales	*3a*	(4,777)	*(4,653)*
Gross profit		447	*284*
Administrative expenses	*3a*	(103)	*(117)*
OPERATING SURPLUS	*2b&3b*	344	*167*
Other income and charges	*4*	29	*112*
Net interest payable	*5*	(88)	*(29)*
PROFIT BEFORE EXCEPTIONAL ITEM		285	*250*
Exceptional item	*6*		*(120)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		285	*130*
Taxation	*7*	(30)	*(35)*
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		255	*95*
Extraordinary item	*8a*	140	
PROFIT FOR THE YEAR		395	*95*
Dividends paid and proposed	*9*	(74)	*(64)*
RETAINED PROFIT FOR THE YEAR	*21*	321	*31*
Earnings per share	*10*		
– Basic		35.3p	*13.2p*
– Fully diluted		31.0p	*13.4p*
Dividends per share	*9*	10.18p	*8.85p*

Movements in Reserves are shown in Note 21 on Page 27.

BALANCE SHEETS

At 31 March 1992

£ million	Note	Group 1992	Group 1991	Company 1992	Company 1991
FIXED ASSETS					
Tangible assets					
Fleet		2,829	*2,513*	2,804	*2,423*
Property		420	*392*	415	*357*
Equipment		223	*229*	206	*210*
	11	3,472	*3,134*	3,425	*2,990*
Investments	12	93	*108*	161	*209*
CURRENT ASSETS					
Stocks	13	34	*37*	31	*28*
Debtors	14	920	*795*	889	*751*
Short-term loans and deposits		706	*203*	650	*158*
Cash at bank		27	*22*	23	*16*
		1,687	*1,057*	1,593	*953*
CREDITORS: amounts falling due within one year	16	(1,706)	*(1,600)*	(1,717)	*(1,617)*
NET CURRENT LIABILITIES		(19)	*(543)*	(124)	*(664)*
TOTAL ASSETS LESS CURRENT LIABILITIES		3,546	*2,699*	3,462	*2,595*
CREDITORS: amounts falling due after more than one year	17	(1,888)	*(1,366)*	(2,183)	*(1,654)*
PROVISIONS FOR LIABILITIES AND CHARGES	19	(54)	*(55)*	(54)	*(47)*
		1,604	*1,278*	1,225	*894*
CAPITAL AND RESERVES					
Called up share capital	20	182	*180*	182	*180*
Reserves	21				
Share premium account		10	*1*	10	*1*
Revaluation		60	*82*	54	*74*
Other		(11)	*(12)*		
Profit and loss account		1,043	*707*	979	*639*
		1,284	*958*	1,225	*894*
Convertible Capital Bonds 2005	22	320	*320*		
		1,604	*1,278*	1,225	*894*

Lord King of Wartnaby *Chairman*
Sir Colin Marshall *Deputy Chairman and Chief Executive*
Derek Stevens *Chief Financial Officer*

King
Derek Stevens

18 May 1992

GROUP CASH FLOW STATEMENT

For the year ended 31 March 1992

£ million	Note	1992	Group 1991
Net cash inflow from operating activities	3c	591	*296*
Returns on investments and servicing of finance			
Interest received		49	*62*
Interest paid on bank and other loans		(98)	*(89)*
Interest paid on finance leases and hire purchase arrangements		(53)	*(33)*
Dividends received from investments		1	*3*
Dividends paid		(65)	*(64)*
Net cash outflow from returns on investments and servicing of finance		(166)	*(121)*
Taxation			
UK corporation tax paid		(11)	*(109)*
Investing activities			
Purchase of tangible fixed assets	11h	(539)	*(813)*
Refund of progress payments		158	*189*
Purchase of investments	12b	(7)	*(16)*
Purchase of subsidiary undertakings			*(5)*
Sale of tangible fixed assets and investments		90	*268*
Sale of business	3b	274	
Net cash outflow from investing activities		(24)	*(377)*
Net cash inflow/(outflow) including increases in short-term bank deposits, before financing		390	*(311)*
Increase in short-term bank deposits		(334)	
Net cash inflow/(outflow) before financing		56	*(311)*
Financing			
Changes in borrowings	18c		
Bank and other loans raised		390	*545*
Bank and other loans repaid		(215)	*(395)*
Finance leases and hire purchase arrangements repaid		(55)	*(49)*
		120	*102*
Changes in share capital	20		
Issue of ordinary share capital under Employee Share Option Schemes		2	
Share premium received		9	*1*
		11	*1*
Net cash inflow from financing		131	*103*
Increase/(decrease) in cash and cash equivalents	15b	187	*(208)*

The above Cash Flow Statement is prepared in accordance with Financial Reporting Standard No.1. Under this standard, tangible fixed assets acquired under finance leases and hire purchase arrangements together with the associated financing are excluded from the statement. Tangible fixed assets acquired in this way during the year amounted to £362 million (1991: £513 million).

1 ACCOUNTING POLICIES (continued)

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 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 Company 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

Companies in which the Group has an equity interest of 20 per cent or more, but not exceeding 50 per cent, are classified as associated undertakings. The Group's share of the profits less losses of associated undertakings is included in the consolidated 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, including foreign denominated currencies, held with banks and other financial institutions which are repayable on demand. Cash equivalents are short-term investments with maturities of less than three months, including those denominated in foreign currencies.

RETIREMENT BENEFITS

Retirement benefits are payable through separately funded UK 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.

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 BALANCES

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 and the related aircraft and investments are taken to reserves. Exchange differences arising from the re-translation of other investments in overseas companies are recorded as movements on reserves. All other profits or losses arising on translation are dealt with through the profit and loss account. Translation rates to the pound sterling at 31 March were as follows:

	1992	1991
US Dollar	1.74	1.74
Japanese Yen	231	243

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

£ million	1992	Group 1991
a GROUP TURNOVER COMPRISES:		
Traffic revenue		
Scheduled services		
Passenger	4,281	*4,057*
Freight and mail	396	*376*
	4,677	*4,433*
Non-scheduled services	111	*105*
	4,788	*4,538*
Other revenue	436	*399*
	5,224	*4,937*

b GEOGRAPHICAL ANALYSIS OF GROUP TURNOVER AND OPERATING SURPLUS

	Turnover by area of original sale		Turnover by area of destination	
£ million	1992	1991	1992	1991
United Kingdom	2,419	*2,304*	536	*576*
Continental Europe	911	*863*	1,528	*1,374*
Europe	3,330	*3,167*	2,064	*1,950*
The Americas	941	*887*	1,645	*1,615*
Africa, Middle East and Indian sub-continent	434	*373*	665	*590*
Far East and Australasia	519	*510*	850	*782*
	5,224	*4,937*	5,224	*4,937*

	Operating surplus	
£ million	1992	1991
Europe	20	*(10)*
The Americas	119	*123*
Africa, Middle East and Indian sub-continent	119	*13*
Far East and Australasia	86	*41*
	344	[illegible]

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

The prior year comparatives have been re-stated to reflect the revised basis of allocating multiple segment traffic revenue and specific selling costs to the appropriate geographical areas. The Directors have decided to change the previous analysis of geographical segments to bring them into line with British Airways operational management structure.

c GROUP OPERATING NET ASSETS

£ million	1992	Group 1991
Group operating net assets comprise:		
Group net assets	2,776	*[illegible],503*
Net borrowings	(1,172)	*(1,225)*
	1,604	*1,278*

3 OPERATING SURPLUS

£ million		Group
	1992	1991
a ANALYSIS OF OPERATING EXPENDITURE		
Employee costs	1,506	*1,451*
Depreciation	295	*272*
Aircraft operating lease costs	236	*284*
Fuel and oil costs	521	*598*
Engineering and other aircraft costs	262	*285*
Landing fees and en route charges	425	*376*
Handling charges, catering and other operating costs	608	*561*
Selling costs	652	*566*
Accommodation, ground equipment and currency differences	375	*373*
Total operating expenditure	4,880	*4,770*
Cost of sales	4,777	*4,653*
Administrative expenses	103	*117*
Total operating expenditure	4,880	*4,770*

All Group activities are considered to be centred around the airline business. Consequently, operating income and expenditure have been presented on a Group basis and comparative figures have been adjusted accordingly.

b THE OPERATING SURPLUS IS ARRIVED AT AFTER CHARGING:	1992	1991
Depreciation of Group tangible fixed assets		
Owned assets	221	*217*
Finance leased aircraft	34	*23*
Hire purchased aircraft	20	*9*
Other leasehold interests	20	*23*
	295	*272*
Operating lease costs		
Lease rentals - aircraft	236	*284*
- property and equipment	69	*59*
Hire of equipment and charter of aircraft and crews	23	*20*
	328	*363*

		Group
	1992	1991
	£	£
Auditors' remuneration	855,000	*843,000*
Directors' emoluments *- fees*	85,000	*90,000*
- salary and benefits	1,790,088	*1,624,851*
- performance related bonus	569,783	
	2,444,871	*1,714,851*

c RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

£ million		Group
	1992	1991
Group operating surplus	344	*167*
Depreciation charges	295	*272*
Other items not involving the movement of cash	9	*38*
(Increase)/decrease in stocks and debtors	(149)	*76*
Increase/(decrease) in creditors	92	*(257)*
Net cash inflow from operating activities	591	*296*

3 OPERATING SURPLUS (continued)

		Group
	1992	1991

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

Chairman and highest paid Director	£	£
Salary and benefits	449,350	407,650
Performance related bonus	220,000	
	669,350	407,650

The Directors' remuneration was within these ranges:	Number	Number
£10,001 - £15,000	2	2
£15,001 - £20,000		1
£25,001 - £30,000	1	1
£30,001 - £35,000	1	
£45,001 - £50,000	1	1
£85,001 - £90,000	1	
£90,001 - £95,000		1
£135,001 - £140,000	1	
£175,001 - £180,000		1
£280,001 - £285,000	1	
£355,001 - £360,000		1
£405,001 - £410,000		1
£585,001 - £590,000	1	
£665,001 - £670,000	1	

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

This is the first year that the maximum bonus has been paid and reflects the extent to which the recovery in the Group's performance exceeded expectations. Last year no bonus was paid.

A Director has waived fees of £15,000 for the year (1991: £15,000).

		Group number
	1992	1991

e EMPLOYEE NUMBERS AND COSTS

The average number of employees in the Group during the year was as follows.		
United Kingdom	43,744	47,221
Overseas	6,665	7,206
	50,409	54,427

		Group
£ million	1992	1991
The aggregate payroll costs of these employees were as follows:		
Wages and salaries, including employee bonus of £35 million (1991: nil)	1,122	1,050
Social security costs	104	99
Contributions to pension schemes (Note 25)	62	56
	1,288	1,205

4 OTHER INCOME AND CHARGES

£ million		1992	Restated 1991
Surplus on disposal of fixed assets		36	*100*
Provision against aircraft not in current use	*(Note 11a)*	(8)	
Share of results of associated undertakings			*6*
Income from trade investments		2	*3*
Amounts written off investments		(8)	*(2)*
Other		7	*5*
		29	*112*

5 NET INTEREST PAYABLE

	1992	1991
Interest payable:		
On bank loans		
Repayable wholly within five years	1	*2*
Repayable in whole or in part after five years	15	*4*
On finance leases		
Repayable wholly within five years	26	*10*
Repayable in whole or in part after five years	5	*9*
On hire purchase arrangements		
Repayable in whole or in part after five years	30	*14*
On other loans		
Repayable wholly within five years	6	*2*
Repayable in whole or in part after five years	78	*82*
	161	*123*
Interest capitalised	(17)	*(26)*
Interest receivable	(57)	*(64)*
	87	*33*
Currency losses/(profits) on revaluation of general purpose loans at year end	1	*(4)*
	88	*29*

The average rate of interest on loans, excluding finance leases and hire purchase arrangements, was 7.7 per cent (1991: 9.0 per cent). In respect of all loans, including finance leases and hire purchase arrangements repayable in whole or in part after five years, the final repayment date is March 2010. The interest rates range from 4.7 per cent to 14.5 per cent (1991: 8.6 per cent to 15.8 per cent)

6 EXCEPTIONAL ITEM

	1992	1991
Costs associated with employee reductions		*93*
Write-down to estimated realisable value of TriStar aircraft surplus to requirements		*27*
		120

7 TAXATION *(see also Note 23)*

	1992	1991
United Kingdom		
Corporation tax at 33 per cent (1991: 34 per cent)	38	*31*
Prior year tax adjustment	(10)	
Overseas	2	*4*
	30	*35*

If full provision for deferred taxation had been made, there would have been an additional charge for the year of £74 million (1991: £1 million after taking into consideration reductions in the corporation tax rate), comprising:

	1992	1991
Accelerated capital allowances	45	*15*
Other timing differences	29	*(14)*
	74	*1*

8 EXTRAORDINARY ITEM

£ million		Group
	1992	1991
a NET PROFIT ON SALE OF ENGINE OVERHAUL BUSINESS		
Profit arising on sale	149	
Corporation tax thereon	(9)	
Net profit	140	

The corporation tax charge of £9 million is after taking account of various reliefs.

b SALE OF BUSINESS		
Fixed assets	106	
Stocks	12	
Other net assets	3	
	121	
Cost of disposal	4	
Profit on sale of business	149	
Satisfied by cash	274	

9 DIVIDENDS

	Group and Company	
	1992	*1991*
	£	*£*
Interim dividend of 2.94p per share (1991: 2.80p per share)	21,226,308	*20,198,026*
Final dividend of 7.24p per share (1991: 6.05p per share)	52,673,695	*43,642,988*
	73,900,003	*63,841,014*

10 EARNINGS PER SHARE

		Group
	1992	*1991*
Earnings per share is calculated as follows:		
Profit on ordinary activities after taxation, attributable to shareholders	£255m	*£95m*
Weighted average number of ordinary shares in issue	722,801,000	*721,203,000*
Basic earnings per share	35.3p	*13.2p*
Fully diluted earnings per share	*31.0p*	*13.4p*

Fully diluted earnings per share is calculated on a weighted average of 908,040,000 ordinary shares (1991: 910,479,000) after allowing for the conversion rights attaching to the Convertible Capital Bonds and outstanding share options and a corresponding adjustment to income to eliminate interest payable on the Convertible Capital Bonds and to include notional interest receivable on the subscription cash for shares.

11 TANGIBLE ASSETS

£ million	Note	Fleet	Property	Equipment	Total 1992	Total 1991
a GROUP						
COST OR VALUATION	11c					
Balance 1 April		4,108	551	524	5,183	*4,181*
Adjustments to opening balance		5	1		6	*1*
Exchange adjustments		7			7	*25*
Additions	11h	804	80	63	947	*1,304*
Disposals		(261)	(40)	(33)	(334)	*(333)*
Reclassification of capitalised interest		(9)			(9)	*(6)*
Refund of progress payments		(158)			(158)	*(189)*
BALANCE AT 31 MARCH		4,496	592	554	5,642	*5,183*
DEPRECIATION						
Balance 1 April		1,595	159	295	2,049	*1,917*
Adjustments to opening balance		5		(1)	4	*2*
Exchange adjustments	21a					*(1)*
Charge for the year		217	19	59	295	*272*
Supplementary depreciation						*24*
Provision against aircraft not in current use	4	8			8	
Disposals		(157)	(6)	(22)	(185)	*(165)*
Reclassification of capitalised interest		(1)			(1)	
BALANCE AT 31 MARCH		1,667	172	331	2,170	*2,049*
NET BOOK AMOUNTS						
31 March 1992		2,829	420	223	3,472	
31 March 1991		*2,513*	*392*	*229*		*3,134*
UTILISATION AT 31 MARCH						
Assets in current use						
Owned		1,536	352	169	2,057	*1,898*
Finance leased		338		9	347	*304*
Hire purchase arrangements		695			695	*349*
Progress payments		200	68	45	313	*560*
Assets not in current use		60			60	*23*
		2,829	420	223	3,472	*3,134*
THE NET BOOK AMOUNT OF PROPERTY COMPRISES:						
Freehold					109	*122*
Long leasehold					22	*21*
Short leasehold					289	*249*
					420	*392*

£ million	Valuation/cost	Depreciation	Net book amount 1992	Net book amount 1991
Revalued fleet and properties are included in the accounts at the following amounts:				
Valued in 1984 – property	113	31	82	*73*
Valued in 1988 – fleet	988	735	253	*325*
Total 31 March 1992	1,101	766	335	
Total 31 March 1991	*1,144*	*746*		*398*
If these assets had not been revalued they would have been included at the following amounts:				
31 March 1992	911	673	238	
31 March 1991	*955*	*684*		*271*

11 TANGIBLE ASSETS *(continued)*

£ million	Note	Fleet	Property	Equipment	1992	*1991*
b COMPANY						
COST OR VALUATION	*11c*					
Balance 1 April		3,873	507	484	4,864	*4,160*
Adjustments to opening balance						*1*
Exchange adjustments		7			7	*25*
Additions		797	77	55	929	*1,267*
Disposals		(261)	(40)	(32)	(333)	*(323)*
Transfers from/(to) subsidiary undertakings	*11d*	156	38	14	208	*(71)*
Reclassification of capitalised interest		(9)			(9)	*(6)*
Refund of progress payments		(158)			(158)	*(189)*
BALANCE AT 31 MARCH		4,405	582	521	5,508	*4,864*
DEPRECIATION						
Balance 1 April		1,450	150	274	1,874	*1,803*
Adjustments to opening balance			(1)		(1)	
Exchange adjustments	*21b*					*(1)*
Charge for the year		209	18	53	280	*244*
Supplementary depreciation						*24*
Provision against aircraft not in current use		8			8	
Disposals		(156)	(6)	(21)	(183)	*(155)*
Transfers from/(to) subsidiary undertakings	*11d*	91	6	9	106	*(41)*
Reclassification of capitalised interest		(1)			(1)	
BALANCE AT 31 MARCH		1,601	167	315	2,083	*1,874*
NET BOOK AMOUNTS						
31 March 1992		2,804	415	206	3,425	
31 March 1991		*2,423*	*357*	*210*		*2,990*
UTILISATION AT 31 MARCH						
Assets in current use						
Owned		1,512	347	159	2,018	*1,766*
Finance leased		337		2	339	*296*
Hire purchase arrangements		695			695	*349*
Progress payments		200	68	45	313	*556*
Assets not in current use		60			60	*23*
		2,804	415	206	3,425	*2,990*
THE NET BOOK AMOUNT OF PROPERTY COMPRISES:						
Freehold					107	*91*
Long leasehold					22	*21*
Short leasehold					286	*245*
					415	*357*

£ million	Valuation/cost	Depreciation	Net book amount 1992	*1991*
Revalued fleet and properties are included in the accounts at the following amounts:				
Valued in 1984 – property	108	28	80	*70*
Valued in 1988 – fleet	895	666	229	*305*
Total 31 March 1992	1,003	694	309	
Total 31 March 1991	*1,069*	*694*		*375*
If these assets had not been revalued they would have been included at the following amounts:				
31 March 1992	836	619	217	
31 March 1991	*898*	*641*		*257*

11 TANGIBLE ASSETS (continued)

c COST/VALUATION

Owned fleets of BAC 1-11s, Boeing 737s, Boeing 747-100s and certain Boeing 747-200s were restated at 31 March 1985 having regard to a market valuation by Avmark International Ltd. The resultant increase in value was credited to reserves. TriStar aircraft surplus to requirements have been written down to 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 this value was included in the accounts for the year then ended. All other aircraft fleets, specialised use properties, and equipment are stated at cost less depreciation.

d TRANSFERS FROM/TO SUBSIDIARY UNDERTAKINGS

Transfers of cost and accumulated depreciation relate mainly to engine spares and properties transferred between British Airways Plc and British Airways Engine Overhaul Ltd prior to sale.

e 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.

f CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
£ million	1992	*1991*	1992	*1991*
Capital expenditure authorised but not provided for in the accounts amounts to:				
Authorised and contracted	5,095	*3,181*	5,095	*3,169*
Authorised but not contracted	565	*380*	561	*370*
	5,660	*3,561*	5,656	*3,539*

Of the outstanding commitments, £811 million relates to the acquisition of the fleets of Boeing 767-300 and Boeing 737 aircraft. British Airways has arrangements through a facility provided by a syndicate of banks for it to acquire a large proportion of these aircraft on a number of alternative bases. The balance of commitments includes £4,472 million which relates to the acquisition of Boeing 747-400 and Boeing 777 aircraft scheduled for delivery during the next ten years, which it is intended will be financed partially by internal cash flow and partially through external financing.

The Group's holdings of cash, 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.

g FORWARD TRANSACTIONS IN FOREIGN CURRENCY

	Group	
	1992	*1991*
The Group had the following forward purchase contracts outstanding:		
Maturing within one year		
– to cover payments in US Dollars	$576m	*$548m*
– to cover payments in other currencies	£5m	*£3m*
Maturing after one year		
– to cover payments in US Dollars	$71m	*$250m*

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

h ANALYSIS OF TANGIBLE ASSET ADDITIONS

				Group	
£ million	*Fleet*	*Property*	*Equipment*	1992	*1991*
Additions acquired for cash	394	78	67	539	*813*
Additions acquired under finance leases and hire purchase arrangements	362			362	*513*
Other movements	48	2	(4)	46	*(22)*
	804	80	63	947	*1,304*

11 TANGIBLE ASSETS (continued)

£ million	Group 1992	Group 1991	Company 1992	Company 1991
i LEASING COMMITMENTS				
The aggregate payments, for which there are commitments under operating leases as at the end of the year, fall due as follows:				
i) FLEET				
Within one year	232	*220*	232	*220*
Between one and five years	497	*517*	497	*517*
Over five years		*2*		*2*
	729	*739*	729	*739*
Amounts payable within one year relate to commitments expiring as follows:				
Within one year	27	*35*	27	*35*
Between one and five years	205	*180*	205	*180*
Over five years		*5*		*5*
	232	*220*	232	*220*
ii) PROPERTY AND EQUIPMENT				
Within one year	57	*46*	55	*44*
Between one and five years	133	*96*	128	*93*
Over five years, ranging up to the year 2075	373	*231*	369	*226*
	563	*373*	552	*363*
Amounts payable within one year relate to commitments expiring as follows:				
Within one year	15	*13*	15	*12*
Between one and five years	33	*26*	31	*25*
Over five years	9	*7*	9	*7*
	57	*46*	55	*44*

The fleet leasing commitments include the balance of rental obligations under operating leases in respect of 13 Boeing 747-400s, eleven Boeing 767-300s, five Boeing 747-200s, one Boeing 757-200, 20 Boeing 737-200s, four Boeing 737-400s, two DC10-30s and 13 BAe ATP aircraft, but exclude six Boeing 757-200s which were converted from operating leases to finance leases during the year ended 31 March 1992 following an extension of the original lease periods. 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 principal amount of the total property and equipment commitments in *(ii)* above relates to property leases.

12 INVESTMENTS

£ million	Group 1992	Group 1991	Company 1992	Company 1991
a SUBSIDIARY UNDERTAKINGS				
Investments at cost, less amounts written off				
Balance 1 April – net of provision of £188 million (1 April 1990: £193 million)			231	171
Additions			37	68
Loan repayments			(109)	(4)
Exchange differences				(4)
Disposals				(5)
Provision movements			(23)	5
Balance at 31 March – net of provision of £211 million (31 March 1991: £188 million)			136	231
b ASSOCIATED UNDERTAKINGS AND TRADE INVESTMENTS				
Balance 1 April – net of provision of £11 million (1 April 1990: £13 million)	108	108	38	35
Additions	7	16	7	15
Loan repayments	(2)		(2)	
Exchange differences		(4)		
Share of attributable results	(1)	6		
Goodwill written off	(5)			
Withdrawal of investment in Sabena World Airlines		(19)		(19)
Disposals	(6)	(1)	(9)	
Provision movements	(8)	2	(9)	7
Balance at 31 March – net of provision of £19 million (31 March 1991: £11 million)	93	108	25	38
Analysis of balance at 31 March				
Equity at cost less amounts written off	103	114	24	35
Advances at cost less amounts written off	1	8	1	3
Attributable reserves	(11)	(14)		
	93	108	25	38
c TOTAL INVESTMENTS				
Unlisted				
Subsidiary undertakings			136	231
Associated undertakings	7	15	5	11
Trade investments	69	78	3	12
Listed				
Trade investments	17	15	17	15
	93	108	161	269
d VALUATION				
Aggregate value attributed by the Directors to unlisted associated undertakings and trade investments	85	93		
Market value of listed investments	17	11		

13 STOCKS

	1992	1991	1992	1991
Raw materials, consumables and work in progress	34	37	31	28

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

14 DEBTORS

£ million	Note	Group 1992	Group 1991	Company 1992	Company 1991
Trade debtors		674	*621*	636	*593*
Amounts owed by subsidiary undertakings				2	*1*
Amounts owed by associated undertakings		5	*7*	4	*7*
Other debtors		82	*26*	84	*22*
Deferred taxation	23	3		3	
Prepayments and accrued income		156	*141*	140	*128*
		920	*795*	889	*751*

15 CASH AND CASH EQUIVALENTS

£ million	Note	Change in the year	Group 1992	Group 1991
a ANALYSIS OF BALANCES AS SHOWN IN THE BALANCE SHEET				
Short-term loans and deposits		503	706	*203*
Less: bank and other deposits with a maturity date of more than three months		(357)	(412)	*(55)*
Cash equivalents		146	294	*148*
Cash at bank		5	27	*22*
Overdrafts – unsecured	*16*	39	(2)	*(41)*
		190	319	*129*

b ANALYSIS OF CHANGES DURING THE YEAR

£ million	Group 1992	Group 1991
Balance at 1 April	129	*331*
Net cash inflow/(outflow) before adjustments for the effect of exchange rate changes	187	*(208)*
Effect of exchange rate changes	3	*6*
Balance at 31 March	319	*129*

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

£ million	Note	Group 1992	Group 1991	Company 1992	Company 1991
Loans, finance leases and hire purchase arrangements	*18*				
Bank and other loans		6	*64*	5	*63*
Finance leases		35	*28*	30	*25*
Hire purchase arrangements		25	*13*	25	*13*
		66	*105*	60	*101*
Overdrafts – unsecured	*15*	2	*41*	1	*37*
Trade creditors		654	*599*	618	*569*
Amounts owed to subsidiary undertakings				101	*80*
Amounts owed to associated undertakings			*1*		*1*
Other creditors including taxation and social security					
Other creditors		114	*58*	106	*56*
Corporate taxation		56	*29*	50	*25*
Other taxation and social security		28	*27*	27	*25*
		198	*114*	183	*106*
Proposed dividend		53	*44*	53	*44*
Accruals and deferred income					
Sales in advance of carriage		633	*548*	603	*533*
Accruals and deferred income		100	*148*	98	*146*
		733	*696*	701	*679*
		1,706	*1,600*	1,717	*1,617*

17 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

£ million	Note	Group 1992	Group 1991	Company 1992	Company 1991
Loans, finance leases and hire purchase arrangements	18				
Bank and other loans		948	*712*	654	*560*
Finance leases		312	*268*	310	*264*
Hire purchase arrangements		577	*324*	577	*324*
Loans from subsidiary undertakings				607	*454*
		1,837	*1,304*	2,148	*1,602*
Trade creditors		6	*10*		
Accruals and deferred income		45	*52*	35	*52*
		1,888	*1,366*	2,183	*1,654*

18 LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS

a TOTAL LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS

	Group 1992	Group 1991	Company 1992	Company 1991
Loans				
Bank - *Deutsche Mark*	DM75m	*DM75m*	DM75m	*DM75m*
- *US Dollar* } *see below*	$393m	*$334m*	$393m	*$334m*
- *Sterling* }	£103m	*£28m*	£38m	*£20m*
	356	*245*	291	*237*
Euro-sterling notes	300	*300*	300	*300*
Other - *US Dollar*	$400m	*$250m*		
- *Sterling*	£68m	*£86m*	£68m	*£86m*
	298	*231*	68	*86*
Loans from subsidiary undertakings				
- *US Dollar*			$400m	*$250m*
- *Sterling*			£375m	*£310m*
			607	*454*
Finance leases - *US Dollar*		*$2m*		*$2m*
- *Sterling*	£347m	*£295m*	£340m	*£288m*
	347	*296*	340	*289*
Hire purchase arrangements				
- *Japanese Yen*	¥29,993m	*¥17,075m*	¥29,993m	*¥17,075m*
- *US Dollar*	$820m	*$462m*	$820m	*$462m*
	602	*337*	602	*337*
	1,903	*1,409*	2,208	*1,703*
Comprising:				
Bank loans				
Repayable wholly within five years	1	*61*		*60*
Repayable in whole or in part after five years	355	*184*	291	*177*
	356	*245*	291	*237*
Other loans, finance leases and hire purchase arrangements				
Repayable wholly within five years	134	*32*	127	*24*
Repayable in whole or in part after five years	1,413	*1,132*	1,790	*1,442*
	1,547	*1,164*	1,917	*1,466*
	1,903	*1,409*	2,208	*1,703*

Bank and other loans are repayable up to the year 2010.

The bank loans of $393 million are secured on two Boeing 747-400s and five Boeing 737-400s (1991: $234 million of the total bank loans of $334 million secured on two Boeing 747-400s).

Included in the Group bank loans of £103 million are amounts of £18 million and £64 million respectively secured on one Boeing 737-400 and one Boeing 747-400 (1991: nil).

1 ACCOUNTING POLICIES

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.

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 results of those companies acquired or disposed of during the year are included for the periods of ownership.

Goodwill arising on consolidation of subsidiary undertakings and in respect of associated undertakings is written off to reserves on 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 as other activities are not material.

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/valuation* Apart from the Concorde fleet, which remains at nil book value, the majority of the owned aircraft fleets were professionally valued on a market value basis at 31 March 1988 and are included in the accounts on the basis of that valuation, with subsequent expenditure at cost.
The cost of aircraft which have been financed in part by loans, finance leases and hire purchase arrangements in foreign currency is adjusted at each year end to take account of the sterling cost of related repayments during the year and the translation of outstanding liabilities on such foreign currency borrowings at the year end rate of exchange, or the appropriate forward rate where liabilities have been covered forward.

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.

18 LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS continued

b INCIDENCE OF REPAYMENTS

£ million		Bank loans	Other loans	Finance leases	Hire purchase arrangements	1992	Group total 1991
INSTALMENTS FALLING DUE -							
Within one year	(Note 16)	6		35	25	66	*105*
After more than one year	(Note 17)						
Between one and two years		6		44	28	78	*52*
Between two and five years		28	86	121	102	337	*172*
In five years or more		316	512	147	447	1,422	*1,080*
		350	598	312	577	1,837	*1,304*
Total 31 March 1992		356	598	347	602	1,903	
Total 31 March 1991		*245*	*531*	*296*	*337*		*1,409*
Analysis of total at 31 March							
British Airways Plc		291	368	340	602	1,601	*1,249*
Subsidiary undertakings		65	230	7		302	*160*
		356	598	347	602	1,903	*1,409*

c ANALYSIS OF CHANGES IN BORROWINGS DURING THE YEAR

£ million	Bank and other loans	Finance leases and hire purchase arrangements	1992	Group total 1991
Balance at 1 April	776	633	1,409	*765*
New loans raised	390		390	*546*
Repayment of amounts borrowed	(215)	(55)	(270)	*(444)*
Effect of exchange rate changes	3	9	12	*29*
	954	587	1,541	*896*
New loans raised to finance the acquisition of tangible assets		362	362	*513*
Balance at 31 March	954	949	1,903	*1,409*

19 PROVISIONS FOR LIABILITIES AND CHARGES

£ million		Balance 1 April	Transfers from/(to) profit and loss account	Other movements	Provisions applied	Balance 31 March
GROUP						
Pensions and similar obligations		22	1	(1)	(3)	19
Other provisions						
Litigation provision	(Note 26)	25				25
Sundry		8	10	(8)		10
		33	10	(8)		35
Total 31 March 1992		55	11	(9)	(3)	54
Total 31 March 1991		*64*	*(6)*	*2*	*(5)*	*55*
Analysis of total at 31 March						
British Airways Plc		47	11	(1)	(3)	54
Subsidiary undertakings		8		(8)		
		55	11	(9)	(3)	54

20 SHARE CAPITAL

	Group and Company 1992	1991
Authorised		
1,068,000,000 ordinary shares of 25p each	£267m	£267m
Allotted, called up and fully paid		
Issued share capital	£182m	£180m
Ordinary shares of 25p each	727,537,224	721,371,704
Share options		
Number of ordinary shares of 25p each under option	47,452,722	55,938,893
Dates exercisable	1992 - 2001	1991 - 2000
Price per share	135p - 225p	135p - 225p
Number of Employee Share Schemes options exercised:		
at 135p per share	778,155	59,029
at 150p per share	2,078,027	
at 161p per share	561,908	103,992
at 178p per share	2,150,311	561,792
at 202p per share	982	
at 207p per share	289,855	
at 210p per share	306,282	
	6,165,520	724,813

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

£ million	Share capital	Share premium	Group and Company 1992	1991
ANALYSIS OF CHANGES IN SHARE CAPITAL DURING THE YEAR:				
Balance at 1 April	180	1	181	180
Shares issued under Employee Share Option Schemes	2	9	11	1
Balance at 31 March	182	10	192	181

21 RESERVES

£ million	Non-distributable Share premium account	Revaluation reserve	Other reserves	Distributable Profit and loss account	Total 1992	1991
a GROUP						
Balance 1 April	1	82	(12)	707	778	*712*
Retained profit for the year				321	321	*31*
Transfers relating to revalued assets		(22)		22		
Exchange adjustments						
– Fleet assets *(Note 11a)*						*1*
Purchased goodwill written (off)/back *(see below)*				(5)	(5)	*13*
Share premium arising from issue of ordinary share capital under Employee Share Option Schemes *(Note 20)*	9				9	*1*
Other movements			1	(2)	(1)	
Balance at 31 March	10	60	(11)	1,043	1,102	*778*

	Profit and loss account	1992	1991
Acquisition of 49 per cent of Deutsche BA Luftfahrtgesellschaft mbH.			
Share of net assets acquired	2	2	
Less: fair value adjustments	(1)	(1)	
Share of net assets acquired at fair value	1	1	
Cost of acquisition	(6)	(6)	
Goodwill acquired and written off	(5)	(5)	
Write back of goodwill in a former associated undertaking			*18*
Purchase of further shares in subsidiary undertakings			*(5)*
Goodwill written (off)/back to reserves	(5)	(5)	*13*

Cumulative goodwill written off against reserves in respect of existing subsidiary and associated undertakings at 31 March 1992 was £368 million (1991: £363 million).

£ million	*Non-distributable* *Share premium account*	*Revaluation reserve*	*Other reserves*	*Distributable* *Profit and loss account*	*Total* 1992	*1991*
b COMPANY						
Balance 1 April	1	74		639	714	*683*
Retained profit for the year				320	320	*30*
Transfers relating to revalued assets		(20)		20		
Exchange adjustments						
– Fleet assets *(Note 11b)*						*1*
Share premium arising from issue of ordinary share capital under Employee Share Option Schemes *(Note 20)*	9				9	*1*
Other movements						*(1)*
Balance at 31 March	10	54		979	1,043	*714*

22 CONVERTIBLE CAPITAL BONDS 2005

£ million		Group
	1992	*1991*
	320	*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 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 under Capital and Reserves.

23 DEFERRED TAXATION *(see also Notes 7 and 14)*

£ million	Group 1992	*Group 1991*	Company 1992	*Company 1991*
Deferred taxation comprises:				
Accelerated capital allowances and other timing differences	12	*12*	12	*12*
Advance Corporation Tax on proposed dividend	(17)	*(14)*	(17)	*(14)*
Timing differences in respect of property valuations	2	*2*	2	*2*
	(3)		(3)	
If full provision for deferred taxation at 33 per cent (1991: 33 per cent) had been made, the following amounts would have been required at 31 March:				
Accelerated capital allowances, less unrelieved losses	443	*401*	441	*396*
Advance Corporation Tax	(17)	*(14)*	(17)	*(14)*
Other timing differences	(30)	*(64)*	(30)	*(65)*
Timing differences in respect of property valuations	2	*2*	2	*2*
	398	*325*	396	*319*

24 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 contract for a value of £2,937,790 with Wiltshier Design and Management Limited, a subsidiary undertaking of Wiltshier PLC of which A M Davies is the Chairman, as disclosed in the Report and Accounts 1990-91, was completed.

25 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 1989 by an independent firm of qualified actuaries, R Watson & Sons, using the attained age method and showed that no further employer's contributions were required in respect of APS while for NAPS an employer's contribution equal to an average of 2.49 times the employees' contribution was appropriate. Enhanced benefits for members of both APS and NAPS were introduced from 1 December 1989. The next valuations of the two schemes will be carried out as at 31 March 1992 and the results will be reflected in the accounts for the year ending 31 March 1993.

		Group
£ million	1992	*1991*
All amounts recognised as costs were either funded or paid directly.		
Employer's contributions (calculated as set out above for APS and NAPS)		
charged in the accounts were:		
Airways Pension Scheme		
New Airways Pension Scheme	52	*48*
Other pension schemes and provident funds – mainly outside the United Kingdom	10	*8*
	62	*56*

At the date of the actuarial valuation the market values of the assets of APS and NAPS amounted to £2,671 million and £674 million respectively. The value of the assets represented 122 per cent (APS) and 115 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 is 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 increases 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.

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

26 CONTINGENCIES

Contingent liabilities exist for which no provision has been made in the accounts covering obligations of the Company and guarantees given by or on behalf of subsidiary and associated undertakings. For the Group they amount to £90 million (1991: £107 million) and for the Company £732 million (1991: £614 million). The figure for the Company includes £615 million (1991: £527 million) in respect of Convertible Capital Bonds and borrowings by subsidiary and associated undertakings.

There are a number of identified legal and other claims which emanate from international airline operations. Where the Board considers that a material liability may arise from such claims, relevant sums have been provided. In addition, experience with litigation and regulation in the USA and elsewhere has led the Board to conclude that it is prudent to carry forward the provision of £25 million made in prior years (see Note 19).

PRINCIPAL INVESTMENTS

As at 31 March 1992

SUBSIDIARY UNDERTAKINGS

Principal subsidiary undertakings are all wholly-owned direct 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 reservations software	*USA*
(a subsidiary undertaking of BritAir Acquisition Corp Inc)		
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 Finance BV	Airline finance	*Netherlands*
British Airways Holidays Ltd	Package holidays	*England*
Caledonian Airways Ltd	Airline operations	*England*
Chartridge Centre Ltd	Airline training services	*England*
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	Airline operations	*Russia*
Concorde International Travel Pty Ltd	50	Airline marketing	*Australia*
Deutsche BA Luftfahrtgesellschaft mbH	49	Airline operations	*Germany*
Euro-Hub (Birmingham) Ltd	21	Airport terminal services	*England*
G B Airways (Holdings) Ltd	49	Airline holding company	*Jersey*
The Galileo Company Ltd	24	Computer reservations systems	*England*
World Aviation Systems (Australia) Pty Ltd	50	Airline marketing	*Australia*

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, transport and financial 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 Limited	49.9	Airline holding company	*England*

(Holding company of Brymon Aviation Ltd and Birmingham European Airways Ltd. The investment is equivalent to 14 per cent of the voting rights).

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 No. 96 (FAS 96), deferred taxation is generally provided on a full liability basis.

b *Goodwill* British Airways writes 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 rates of exchange ruling at that date, would have been included in the determination of net income. British Airways and its associated undertakings do not take account of such notional gains and losses.

f *Foreign currency translation* The cost of certain aircraft and fixed asset investments which have been financed wholly or in part by loans, finance leases and hire purchase arrangements in foreign currency, are adjusted to take account of the sterling cost of related repayments during the year and the translation of outstanding liabilities on such foreign currency borrowings at the year end rate of exchange, or the appropriate forward rate where liabilities have been covered forward. In the case of aircraft, a depreciation charge is computed on such translated amounts and the adjustments to accumulated depreciation at the beginning of the year are taken to retained earnings. This accounting treatment is adopted in order to reflect the sterling cost to British Airways of its investment in such assets and as a result to match the aircraft depreciation charge more accurately with revenue. Under US GAAP, the exchange adjustments made to the cost of aircraft and fixed asset investments are required to be treated as exchange gains or losses and included in the determination of net income. The cost of these assets would be fixed in pounds sterling at the rate of exchange ruling at the date of the original acquisition, lease or hire purchase.

g *Pension costs* For the purposes of the reconciliation overleaf, British Airways adopted the provisions of FAS 87 "Employers' Accounting for Pensions" as from 1 April 1989 in respect of the Group's principal pension plans, the Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS). Under FAS 87, 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 1992 amounted to £52 million (1991: £48 million) under UK GAAP compared with an estimated cost of £113 million (1991: credit of £8 million) under FAS 87. The resultant increase in operating costs of £61 million (1991: reduction of £56 million), net of related deferred tax of £20 million (1991: £18 million), would reduce net income under US GAAP by £41 million (1991: increase of £38 million), and the decrease would be reflected in the consolidated balance sheet as a deduction from accrued pension costs.

At 31 March 1991, an adjustment of £79 million was made to recognise the extent to which the actuarial present value of accumulated benefit obligations at 31 December 1990 exceeded the fair value of the Scheme's assets at that date. The additional liability of £191 million was recognised at 31 March 1991 and offset by the unrecognised prior service cost of £100 million, which served as an intangible asset, and the net periodic pension cost of £12 million recognised over the three months. As the fair value of the Scheme's asset exceeded the accumulated benefit obligation at 31 December 1991, the intangible asset of £100 million and the additional liability of £179 million as recognised at 31 March 1991 has been written back to shareholders' funds at 31 March 1992.

h *Gains on sale and leaseback transactions* 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 aircraft 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 *Extraordinary item* The profit on sale of the engine overhaul business reported as an 'Extraordinary Item' 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 accounting principles generally accepted in the UK are summarised on Pages 32 and 33.

NET INCOME UNDER US GAAP

For the year ended 31 March 1992

	1992 £m	1991 £m	1992 $m	1991 $m
				Group
Profit on ordinary activities after taxation	255	*95*	444	*165*
Extraordinary item	140		243	
Profit for the year as reported in the Group profit and loss account	395	*95*	687	*165*
Estimated adjustments:				
Depreciation				
Goodwill	(9)	*(9)*	(15)	*(15)*
Fleet	29	*35*	50	*61*
Property	1	*2*	2	*3*
Pension costs	(61)	*56*	(106)	*97*
Exchange gains/(losses)				
Arising on translation of cost of aircraft	(7)	*(25)*	(12)	*(43)*
Relating to revaluation of forward exchange contracts	(1)	*3*	(2)	*5*
Arising on translation of investments	1	*2*	2	*3*
Surplus on disposal of tangible fixed assets and investments				
Arising on disposal of revalued aircraft	2	*19*	3	*33*
Arising on sale and leaseback transactions	(3)	*(10)*	(5)	*(17)*
Deferred taxation	(63)	*(31)*	(110)	*(54)*
	(111)	*42*	(193)	*73*
Estimated net income as adjusted to accord with US GAAP	284	*137*	494	*238*
Arising from:				
Continuing operations	144	*137*	251	*238*
Gain on sale of discontinued operations	140		243	
	284	*137*	494	*238*
	Pence	*Pence*	Cents	*Cents*
Net income per Ordinary Share as so adjusted				
Primary - income from continuing operations	19.9	*19.0*	34.6	*33.1*
- gain on sale of discontinued operations	19.4		33.8	
	39.3	*19.0*	68.4	*33.1*
Fully diluted - income from continuing operations	18.8	*18.0*	32.7	*31.3*
- gain on sale of discontinued operations	15.4		26.8	
	34.2	*18.0*	59.5	*31.3*
Net income per American Depositary Share as so adjusted				
Primary - income from continuing operations	199	*190*	346	*331*
- gain on sale of discontinued operations	194		338	
	393	*190*	684	*331*
Fully diluted - income from continuing operations	188	*180*	327	*313*
- gain on sale of discontinued operations	154		268	
	342	*180*	595	*313*
		Translation rate	£1 = $1.74	*£1 = $1.74*

SHAREHOLDERS' EQUITY UNDER US GAAP

	1992 £m	1991 £m	1992 $m	1991 $m
Shareholders' equity as reported in the consolidated balance sheet	1,284	*958*	2,234	*1,667*
Estimated adjustments:				
Intangible assets				
Goodwill	335	*340*	583	*591*
Pensions		*100*		*174*
Tangible assets				
Fleet	(128)	*(152)*	(222)	*(264)*
Property	(12)	*(13)*	(21)	*(23)*
Investments	1		2	
Current assets				
Pension cost prepayments	65	*126*	113	*219*
Deferred gains on forward exchange contacts		*1*		*2*
Current liabilities				
Proposed dividend	53	*44*	92	*76*
Deferred income - sale and leaseback	(19)	*(15)*	(33)	*(26)*
Minimum pension liability		*(179)*		*(311)*
Long-term liabilities				
Deferred income - sale and leaseback	(44)	*(45)*	(77)	*(78)*
Provisions for liabilities and charges				
Deferred taxation	(346)	*(283)*	(602)	*(492)*
	(95)	*(76)*	(165)	*(132)*
Estimated shareholders' equity as adjusted to accord with US GAAP	1,189	*882*	2,069	*1,535*
Translation rate			£1 = $1.74	*£1 = $1.74*

For the year ended 31 March 1992

GROUP PROFIT AND LOSS ACCOUNT

	1988 £m	1989 £m	1990 £m	1991 £m	1992 £m	1991 $m	1992 $m
Turnover	3,756	4,257	4,838	4,937	5,224	8,590	9,090
Operating expenditure	(3,520)	(3,921)	(4,454)	(4,770)	(4,880)	(8,300)	(8,491)
Operating surplus	236	336	384	167	344	290	599
Other income and charges	(11)	2	18	112	29	195	50
Net interest payable	3	(70)	(57)	(29)	(88)	(50)	(153)
Profit before exceptional item and taxation	228	268	345	250	285	435	496
Exceptional item				(120)		(209)	
Profit on ordinary activities before taxation	228	268	345	130	285	226	496
Taxation and minority interests	(77)	(93)	(99)	(35)	(30)	(61)	(52)
Profit before extraordinary item	151	175	246	95	255	165	444
Extraordinary item					140		243
Profit after extraordinary item	151	175	246	95	395	165	687
Dividends	(50)	(56)	(64)	(64)	(74)	(111)	(129)
Retained profit for the year	101	119	182	31	321	54	558
						Translation rate £1=$1.74	$1.74

GEOGRAPHICAL ANALYSIS OF GROUP TURNOVER AND OPERATING SURPLUS

By area of destination

£ million	1988	1989	1990	1991	1992
TURNOVER					
Europe	1,609	1,622	1,825	1,950	2,064
The Americas	1,175	1,374	1,619	1,615	1,645
Africa	237	323	356		
Africa, Middle East and Indian sub-continent				590	665
Middle East, Far East and Australasia	735	938	1,038		
Far East and Australasia				782	850
	3,756	4,257	4,838	4,937	5,224
OPERATING SURPLUS/(DEFICIT)					
Europe	36	16	3	(10)	20
The Americas	131	181	249	123	119
Africa	37	49	52		
Africa, Middle East and Indian sub-continent				13	119
Middle East, Far East and Australasia	32	90	80		
Far East and Australasia				41	86
	236	336	384	167	344

The Directors have decided to change the previous analysis of geographical segments to bring them into line with British Airways operational management structure and this is reflected in the two years ended 31 March 1992 in the above table.

GROUP BALANCE SHEET

£ million	1988	1989	1990	1991	1992
Fixed assets					
Tangible assets	2,165	2,467	2,464	3,134	3,472
Investments	40	111	108	108	93
	2,205	2,578	2,572	3,242	3,565
Current assets	901	916	1,295	1,057	1,687
Creditors: amounts falling due within one year	(1,471)	(1,748)	(1,816)	(1,600)	(1,706)
Net current liabilities	(570)	(832)	(521)	(543)	(19)
Total assets less current liabilities	1,635	1,746	2,051	2,699	3,546
Creditors: amounts falling due after more than one year	(851)	(896)	(755)	(1,366)	(1,888)
Provisions for liabilities and charges	(150)	(100)	(64)	(55)	(54)
	634	750	1,232	1,278	1,604
Capital and reserves					
Called up share capital	180	180	180	180	182
Reserves	453	569	732	778	1,102
Shareholders' equity	633	749	912	958	1,284
Convertible Capital Bonds 2005			320	320	320
Minority interests	1	1			
	634	750	1,232	1,278	1,604

[illegible]

GROUP CASH FLOW STATEMENT

£ million	1988	1989	1990	1991	1992
Net cash inflow from operating activities	532	551	728	296	591
Returns on investments and servicing of finance					
Interest received	21	16	29	62	49
Interest paid on bank and other loans	(32)	(63)	(89)	(89)	(98)
Interest paid on finance leases and hire purchase arrangements	(5)	(21)	(22)	(33)	(53)
Dividends received from investments		2	4	3	1
Dividends paid	(46)	(52)	(58)	(64)	(65)
Net cash outflow from returns on investments and servicing of finance	(60)	(118)	(136)	(121)	(166)
Taxation					
UK corporation tax paid	(16)	(78)	(94)	(109)	(11)
Investing activities					
Purchase of tangible fixed assets	(476)	(638)	(619)	(813)	(539)
Refund of progress payments	11	43	268	189	158
Purchase of investments		(79)	(18)	(16)	(7)
Purchase of subsidiary undertakings	(208)		(1)	(5)	
Sale of tangible fixed assets and investments	4	33	157	268	90
Sale of business					274
Net cash outflow from investing activities	(669)	(641)	(213)	(377)	(24)
Net cash inflow/(outflow) including increases in short-term bank deposits, before financing	(213)	(286)	285	(311)	390
Increase in short-term bank deposits					(334)
Net cash inflow/(outflow) before financing	(213)	(286)	285	(311)	56
Financing					
Changes in borrowings					
Bank and other loans raised	724	434	714	546	390
Bank and other loans repaid	(425)	(188)	(966)	(395)	(215)
Finance leases and hire purchase arrangements repaid	(9[illegible])	(33)	(98)	(49)	(55)
	203	213	(350)	102	120
Changes in share capital					
Issue of ordinary share capital under Employee Share Option Schemes					2
Share premium received				1	9
				1	11
Convertible Capital Bonds issued			320		
Costs associated with Convertible Capital Bonds issue			(10)		
			310		
Net cash inflow/(outflow) from financing	203	213	(40)	103	131
Increase/(decrease) in cash and cash equivalents	(10)	(73)	245	(208)	187

OPERATING STATISTICS

For the five years ended 31 March 1992

SCHEDULED SERVICES	1988	1989	1990	1991	1992
Traffic and capacity					
Revenue passenger km (RPK) (m)	*49,123*	*57,795*	*61,915*	*64,734*	**65,896**
Available seat km (ASK) (m)	*69,970*	*82,984*	*86,601*	*92,399*	**93,877**
Passenger load factor (%)	*70.2*	*69.6*	*71.5*	*70.1*	**70.2**
Cargo tonne km (CTK) (m)	*1,793*	*2,249*	*2,400*	*2,463*	**2,510**
Total revenue tonne km (RTK) (m)	*6,345*	*7,636*	*8,290*	*8,641*	**8,778**
Total available tonne km (ATK) (m)	*9,427*	*11,404*	*12,035*	*12,929*	**13,379**
Overall load factor (%)	*67.3*	*67.0*	*68.9*	*66.8*	**65.6**
Passengers carried (000)	*20,169*	*22,578*	*23,671*	*24,243*	**23,788**
Tonnes of cargo carried (000)	*361*	*459*	*498*	*506*	**532**
Financial					
Passenger revenue per RPK (p)	*5.8*	*6.0*	*6.4*	*6.3*	**6.5**
Cargo revenue per CTK (p)	*16.0*	*15.3*	*16.2*	*15.3*	**15.8**
Average fuel price (US cents/US gallon)	*63.8*	*60.2*	*69.7*	*89.7*	**70.9**
Operations					
Unduplicated route km (000)	*692*	*677*	*685*	*665*	**584**
Punctuality (% within 15 minutes)	*80*	*72*	*72*	*73*	**79**
Regularity (%)	*99.2*	*99.0*	*98.9*	*98.7*	**99.2**

GROUP OPERATIONS

including Caledonian Airways Ltd

	1988	1989	1990	1991	1992
Total revenue tonne km (RTK) (m)	*6,895*	*8,002*	*8,627*	*8,979*	**9,111**
Total available tonne km (ATK) (m)	*10,083*	*11,868*	*12,445*	*13,351*	**13,818**
Passengers carried (000)	*23,230*	*24,603*	*25,238*	*25,587*	**25,422**
Average number of employees	*43,969*	*50,204*	*52,054*	*54,427*	**50,409**
RTKs per employee (000)	*156.8*	*159.4*	*165.7*	*165.0*	**180.7**
ATKs per employee (000)	*229.3*	*236.4*	*239.1*	*245.3*	**274.1**
Aircraft in service at year end	*197*	*211*	*224*	*230*	**230**
Aircraft utilisation (average hours per aircraft per annum)	*2,891*	*2,886*	*2,[illegible]87*	*2,663*	**2,708**
Revenue aircraft km (m)	*312*	*364*	*375*	*389*	**390**
Revenue flights (000)	*234*	*269*	*274*	*271*	**261**
Total traffic revenue per RTK (p)	*48.0*	*48.7*	*51.4*	*50.5*	**52.6**
Total traffic revenue per ATK (p)	*32.8*	*12.9*	*35.6*	*34.0*	**34.7**
Net operating expenditure per ATK (p)	*30.5*	*30.0*	*32.5*	*32.7*	**32.2**
Break-even overall load factor (%)	*63.5*	*61.6*	*63.3*	*64.8*	**61.2**

Notes

1 *The actual number of employees in the Group at 1 April 1992 was 48,451 (1 April 1991 – 53,011).*

2 *As discussed in Note 1 (segmental reporting) of the accounts, all Group activities are considered to be centred around the airline business. Average number of employees, ATKs per employee and net operating expenditure per ATK are now expressed on a Group basis and comparable prior period figures have been adjusted accordingly.*

AIRCRAFT FLEET

[illegible]

	Number in service at 31 March 1992								
	Owned (or purchased and on finance lease) (Note 1)	On extendible operating leases	On other operating leases	Total	Future deliveries	Options (Note 7)	1991-92 revenue hours flown	Average hours per aircraft	Average age (years)
Concorde	7			7			6,724	961	15.3
Boeing 747-100	15			15			51,096	3,467	19.9
Boeing 747-200	11	5		16			68,596	4,287	11.3
Boeing 747-400	9	13		22	38	28	96,771	5,011	1.8
Boeing 777					15	15			
Lockheed TriStar 1, 50 and 100	5	1		6			8,971	1,495	17.0
Lockheed TriStar 200							6,441	2,403	
McDonnell Douglas DC10-30	6	2		8			38,158	4,770	13.3
Boeing 767-300 (Note 2)	6	10		16	11	9	34,786	3,007	1.5
Boeing 757-200 (Note 3)	36	1		37	3	2	95,561	2,511	6.2
Airbus A320	10			10			23,045	2,304	3.1
Boeing 737-200 (Note 4)	23	18		41			96,522	2,252	10.1
Boeing 737-300 (Note 5)							8,969	2,838	
Boeing 737-400 (Note 6)	9	4		13	14	16	8,169	2,368	0.3
BAC 1-11-500	24			24			48,575	1,657	23.6
BAe ATP		12	1	13	1	6	16,701	1,713	2.0
HS 748			2	2			10,011	1,400	16.4
Hired aircraft							1,776		
Total	161	66	3	230	82	76	620,872	2,708	10.1

Notes

1 *Excludes eleven Lockheed TriStars (two of which have been sub leased) and seven BAC 1-11s stood down*

2 *Excludes one Boeing 767-300 whose introduction into service was deferred until April 1992*

3 *Excludes two Boeing 757-200s which have been sub leased. Six aircraft have been converted to finance leases from extendible operating leases during the third quarter*

4 *Excludes two Boeing 737-200s sub leased to GB Airways*

5 *Excludes two Boeing 737-300s on short-term lease stood down at 31 March 1992 and subsequently returned to owners*

6 *The first eleven aircraft for future delivery will be the Boeing 737-400 variant; subsequent future deliveries may be the -300, -400 or -500 variant*

7 *Options exclude [illegible] reserved delivery positions for Canadair Regional Jet aircraft*

GENERAL INFORMATION

FINANCIAL CALENDAR

Financial year end	*31 March 1992*
Annual general meeting	*14 July 1992*
1991-92 final dividend payable	*27 July 1992*

ANNOUNCEMENT OF 1992-93 RESULTS AND DIVIDENDS

First quarter results to 30 June 1992	*August 1992*
Second quarter results to 30 September 1992	*November 1992*
Interim dividend	*November 1992 (payable January 1993)*
Third quarter results to 31 December 1992	*February 1993*
Preliminary announcement	*mid May 1993*
Report and Accounts	*June 1993*
Final dividend	*June 1993 (payable July 1993)*

OUTSIDE ADVISERS

Company Registrars: Barclays Registrars, P.O. Box 34, Northwich, Cheshire, CW9 7RD
ADR Depositary: Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, NY 10260-0060

UNSOLICITED MAIL

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

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

GLOSSARY

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

Available Seat Kilometres (ASK): The product of seats offered for sale 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.

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.

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.

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.

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

IATA: International Air Transport Association.

ICAO: International Civil Aviation Organisation.

BRITISH AIRWAYS TODAY

The world's largest international passenger airline, and the eighth largest in the world overall.

A scheduled route network covering some 150 destinations in 70 countries, serving more leading international markets than any other airline.

A home base at London, operating out of Gatwick and Heathrow, the largest international airport in the world.

Leading air travel brands, including Concorde, First Class, Club World, Club Europe, World Traveller, Euro Traveller and Super Shuttle.

One of the largest and most efficient fleets in the world, with 230 aircraft in service and orders and options for 150 more.

Taking off every two minutes, with 261,000 flights last year carrying a total of 25 million passengers and 500,000 tonnes of cargo.

An unparalleled pedigree, dating back to the birth of the air travel industry, with its predecessor airline Aircraft Transport and Travel launching the world's first daily international scheduled air service in 1919.

Committed to quality, with every one of its 50,000 staff participating in its new customer service programme, Winning for Customers.

OUR MISSION

To be the best and most successful company in the airline industry.

OUR GOALS

Safe and Secure:
To be a safe and secure airline.

Financially Strong:
To deliver a strong and consistent financial performance.

Global Leader:
To secure a leading share of air travel business worldwide with a significant presence in all major geographical markets.

Service and Value:
To provide overall superior service and good value for money in every market segment in which we compete.

Customer Driven:
To excel in anticipating and quickly responding to customer needs and competitor activity.

Good Employer:
To sustain a working environment that attracts, retains and develops committed employees who share in the success of the company.

Good Neighbour:
To be a good neighbour, concerned for the community and the environment.

SHAREHOLDERS

At 18 May 1992 there were [illegible] shareholders [illegible]

No. of shares held	Percentage of shareholders	Percentage of shares
1 - 1,000	95.59	9.11
1,001 - 5,000	3.77	2.70
5,001 - 10,000	0.24	0.61
10,001 - 50,000	0.18	1.57
50,001 - 100,000	0.05	1.43
100,001 - 250,000	0.07	4.47
250,001 - 500,000	0.05	6.36
500,001 - 750,000	0.01	2.99
750,001 - 1,000,000	0.01	3.06
Over 1,000,000	0.03	67.70
	100.00	100.00

Classification of shareholding	Percentage of shareholders	Percentage of shares
Individuals	98.33	12.21
Nominee companies	1.02	77.15
Insurance companies	0.03	3.72
Banks	0.14	1.52
Pension funds	0.02	0.90
Other corporate holders	0.46	4.50
	100.00	100.00

The following have holdings in the Company in excess of 3 per cent of the total shares issued:

	Percentage of shareholding
Templeton Investment Management Limited	5.53
Fidelity Investments	4.52
Schroder Investment Management	3.96

Morgan Guaranty Trust Company of New York, the Company's ADR Depositary, has a non-beneficial interest in 17.68 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 1992

	British Airways Plc							*British Airways Capital Ltd*	
	Ordinary Shares subject to no restrictions		*Ordinary Shares subject to restrictions*		*Options Executive and SAYE Share Schemes*		*Options exercised during year*	*Convertible Capital Bonds*	
	31 March 1992	*1 April 1991*	31 March 1992	*1 April 1991*	31 March 1992	*1 April 1991*		31 March 1992	*1 April 1991*
Lord King	105,000	*35,084*	-	*316*	296,809	*853,330*	556,521	13,332	*13,332*
Sir Colin Marshall	25,836	*25,520*	-	*316*	485,436	*710,155*	224,719	11,304	*11,304*
Sir Michael Angus	3,000	*3,000*	-	-	-	-	-	1,333	*1,333*
R J Ayling**	4,459	*3,485*	744	*1,718*	215,261	*334,224*	187,938	-	-
D M Stevens	5,050	*5,050*	3,403	*3,403*	337,254	*337,254*	-	109	*109*
A M Davies	5,060	*5,060*	-	-	-	-	-	2,221	*2,221*
Captain C A Barnes	7,983	*831*	4,723	*6,875*	69,976	*208,334*	135,692	644	*644*
Sir Francis Kennedy	5,250	*5,250*	1,860	*1,860*	166,666	*166,666*	-	1,421	*1,333*
Hon Charles Price II	10,000*	*10,000**	-	-	-	-	-	-	-
Lord White	-	-	-	-	-	-	-	-	-
	171,638	*93,280*	10,730	*14,488*	1,571,402	*2,609,963*	1,104,870	30,364	*30,276*

** Held in American Depositary Receipts*

*** R J Ayling was appointed to the Board on 16 December 1991*

The Directors' interests set out above are in each case beneficial. The options under the Executive Share Option and Savings Related Share Option Schemes are at prices varying between 135p and 210p per share. No Director has any beneficial interest in shares in any subsidiaries 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 18 May 1992.