BRITISH AIRWAYS Plc
REPORT & ACCOUNTS 1990-91

TO FLY TO SERVE

BRITISH AIRWAYS

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.

HIGHLIGHTS

GROUP RESULTS

		Group 1990-91	Group 1989-90
Turnover	£m	4,937	*4,838*
Operating surplus	£m	167	*384*
Profit before taxation	£m	130	*345*
Profit after taxation	£m	95	*245*
Capital and reserves	£m	1,278	*1,232*
Earnings per share - basic	p	13.2	*34.1*
- fully diluted	p	13.4	*31.2*
Dividends per share	p	8.85	*8.85*

TRAFFIC

		Group 1990-91	Group 1989-90
Available tonne kilometres	m	13,351	*12,445*
Revenue tonne kilometres	m	8,979	*8,627*
Passengers carried	000	25,587	*25,238*
Cargo carried (tonnes)	000	506	*498*
Overall load factor (scheduled services)	%	66.8	*68.9*

STAFF AND PRODUCTIVITY

		Airline 1990-91	Airline 1989-90
Average number of staff *(see note below)*		52,809	*50,320*
Available tonne kilometres per employee	000	252.8	*247.3*
Revenue tonne kilometres per employee	000	170.0	*171.4*

Note: The actual number of airline staff employed at 1 April 1991 was 51,695.

CHAIRMAN'S STATEMENT

The past year will be remembered by airlines around the world as one of the most volatile in the history of our industry.

Yet, for our Company at least, it began well. Passenger traffic was up by 11 per cent in the first six months and our pre-tax profit had risen at that stage by almost a quarter to a new record level. Nonetheless, faced with a softening world economy and aware that our costs were rising rapidly, we initiated a series of margin improvement programmes to protect our future profitability.

As we all now know, those softening world economic conditions worsened to recession, particularly in the UK and USA, our two main markets.

Like us, other businesses were examining their costs, and travel budgets were among those cut. We began to feel the squeeze on our high-yield traffic.

But the dramatic effect of the Gulf crisis, eventually leading to war, was unforeseen and unprecedented. Not only did this depress the travel market further, but it increased the volatility of fuel prices, particularly for aviation kerosene. We managed to reduce the impact by purchasing forward, and we were helped by the strength of sterling. Even so, our average fuel costs throughout the year rose by nearly ten per cent, of which increased volume accounted for less than two per cent.

When the war started, our passenger numbers plummeted virtually overnight by 30 per cent, leading to an overall fall in the fourth quarter of 17 per cent. It is little solace that we fared better than some other airlines. Fortunately, the war was brief. But its damage to our industry, coupled with recession, was extensive.

We have acted to contain that damage. We are on target to achieve a reduction of 4,600 in the size of our workforce. In addition, depending upon how business develops, we are inviting up to 2,000 staff to stand down from their jobs on half pay for up to a year. This will reduce our costs while enabling us to call back these skilled, highly-trained people when growth returns. We have also made savings by cuts in capital expenditure, capacity and routes, and we have accelerated and expanded the cost efficiency programmes introduced earlier in the year.

With hostilities over, we set about kickstarting the global travel market, with the biggest travel promotion the world has ever seen.

For British Airways to have achieved a profit against this exceptional background, when many of our leading competitors plunged heavily into loss or filed for bankruptcy, is a reflection of the many strengths of our Company. Foremost among them is our staff and I pay particular tribute to their performance in these unpredictable and trying times.

Our pre-tax profits have been reduced to £130 million against £345 million a year ago, on turnover marginally up, at £4,937 million and the number of passengers carried a fraction higher at 25.6 million. Nevertheless, I am pleased to tell you that the Board is recommending a final dividend, maintained at last year's level, of 6.05 pence per share.

I wish I could say that all the bad times are now behind us, but I cannot. Although we are experiencing a gradual recovery since the launch of the World's Biggest Offer, it may be many months before the market returns to positive growth.

For the long-term future of British Airways, the most significant development of the past year came in the form of a series of regulatory decisions by the British Government.

The Government have modified the traffic distribution rules and allowed access, subject to available slots, to more airlines at Heathrow. They also permitted United Airlines and American Airlines - the two largest carriers in the Western world, both with huge domestic hubs - to replace services of the weaker and troubled Pan Am and TWA.

The Government also brought about the transfer of four of our slots each week at Tokyo Narita Airport to Virgin Atlantic. On 11 March, we told the stock markets that these decisions would materially reduce our future profitability.

I have impressed upon the British Government the need to achieve total airline liberalisation in Europe *before* agreeing any further deals between the UK and USA alone. Once we have open skies within Europe, then Europe can negotiate with the US from a position of strength. We must make a reality of a European market in air transport before giving open access to that market to the much larger US carriers. Furthermore, that market will not be truly deregulated until all the European airlines have been privatised.

For the British Government, at this time and in isolation from its European partners, to give away further British and European trading advantages to the Americans would inflict unnecessary damage on the whole British aviation industry. It would put British Airways at a competitive disadvantage with the highly protected continental European state airlines and leave us prey to the Americans. Moreover, a multi-airline policy can only make sense for this country in the context of a deregulated Europe.

Looking ahead, it is clear that 1991-92 will be difficult. I expect British Airways to make a loss in the first quarter, followed by a return to profitability in the second. I remain confident that airline traffic will recover and resume its long-term growth trend, and that British Airways will weather the storm better than most of our competitors.

The industry is passing through a period of rapid change and to prosper our Company must respond appropriately to that change. The present financial year will be one in which we reposition our Company to take full advantage of the opportunities which resumed growth will bring. Central to our success has been our extensive route network and the excellence of our customer service. We must also keep firm control of our costs and we are examining carefully each element in overhead costs and its relationship to our business. If we see ways in which we can structure our business more efficiently and more profitably we shall do so.

Captain Jack Jessop retired from the Board on 31 March 1991 after 14 years as a member. The contribution which he made to the development of British Airways, and indeed the airline industry, has been considerable. I would like to thank him and to welcome to the Board his successor, Captain Colin Barnes.

We are the world's leading international airline. Our commitment to providing superior customer service, at prices offering value for money, is stronger than ever. The long-term outlook for the airline industry remains sound – and our intention to become the best and most successful company in this industry is as resolute as ever.

King.

Lord King of Wartnaby,
Chairman

BOARD MEMBERS AND EXECUTIVE MANAGEMENT

BOARD MEMBERS

Lord King of Wartnaby (73) *Chairman*
Joined Board of British Airways in 1980. Chairman since 1981. Chairman, FKI Babcock Plc since 1972. (A, B)

Sir Colin Marshall (57) *Deputy Chairman and Chief Executive*
Joined Board of British Airways as Chief Executive in 1983. Formerly President and Chief Executive Officer, Avis Inc. Director, Grand Metropolitan PLC, IBM United Kingdom Holdings Limited, Midland Group plc, and British Tourist Authority. (A, B)

Sir Michael Angus (61) *Deputy Chairman*
Chairman, Unilever PLC. Director, Whitbread and Co PLC and Thorn EMI plc. (A, C)

Derek Stevens (52) *Chief Financial Officer*
Joined Board of British Airways in February 1989 as Chief Financial Officer. Formerly Finance Director, TSB Group plc. (A)

Captain Colin Barnes (57)
Joined Board of British Airways on 1 April 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. (B)

Michael Davies (56)
Chairman, Calor Group PLC, Wiltshier PLC and Perkins Foods PLC. Deputy Chairman, Manpower Plc and TI Group Plc. (A, B, C)

Sir Francis Kennedy KCMG CBE (65) *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 (60)
Former United States Ambassador to the UK. Chairman, Ameribanc Inc. Director, Hanson Plc, Texaco Inc, United Telecommunications Inc and New York Times Company Inc. (C)

Lord White of Hull KBE (68)
Chairman, Hanson Industries. (C)

Captain Jack Jessop CBE (70) *Retired from the Board on 31 March 1991 after 14 years' service.*

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

Robert Ayling (44) *Secretary & Legal Director and Director of Human Resources*
David Burnside (39) *Director of Public Affairs*
Alistair Cumming (56) *Director of Engineering*
Dr Michael Davies (53) *Director of Health Services*
Tony Galbraith (52) *Treasurer*
David Hyde (54) *Director of Safety, Security and the Environment*
Captain Jock Lowe (47) *Director of Flight Crew*
Clive Mason (47) *Director of Purchasing and Supply*
Roger Maynard (48) *Director of Corporate Strategy*
Liam Strong (46) *Director of Marketing and Operations*
John Watson (47) *Director of 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 1991. 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 £95 million, against £246 million in the previous year. The Board recommends a final dividend of 6.05p per share, giving a total dividend for the year of 8.85p per share, the same as last year. The final dividend will be paid on 26 July 1991 to shareholders registered on 14 June 1991. After providing £64 million for dividends, the retained profit for the year amounted to £31 million.

AIRCRAFT ORDERS

Orders were placed in the year to 31 March 1991 for 21 Boeing 747-400 aircraft and spares, having a capital value of £2,330 million, with options on a further 12 aircraft valued at £1,550 million.

Options for five Boeing 767-300 and three Boeing 757-200 aircraft were converted into firm orders. One further option was taken on a Boeing 767-300, and options on three Boeing 757-200s were cancelled.

Details of aircraft fleets at 31 March 1991, showing those in service, those on order and options held are shown on Page 38.

AIRCRAFT FLEET CHANGES

Eleven Boeing 747-400s, five Boeing 767-300s, one Boeing 757-200 and two Airbus A320s were delivered to the airline in 1990-91. These aircraft had a capital value of £950 million. Two Boeing 747-400s, one Boeing 757-200 and the Airbus A320 aircraft were purchased, in the case of the Boeing 747-400s using mortgage loan finance. The other aircraft were acquired under various financing arrangements (see paragraph below 'Financing').

Four Boeing 747-200 aircraft were sold during the year under arrangements which had been agreed in the previous financial year, and a further three, which had been on short-term operating leases, were returned to the lessors.

One Boeing 747-100 aircraft, which operated to Kuwait on 2 August 1990, the day of the Iraqi invasion, was destroyed on the ground during the Gulf war. The insurance claim for this aircraft has been settled in full.

INVESTMENTS

By mutual consent, British Airways and KLM withdrew from their investments in Sabena World Airlines (SWA), and the £19 million subscribed by the Company will be repaid on 31 December 1991. Meanwhile, discussions continue with Sabena regarding a possible investment in the future.

British Airways Enterprises Limited, a wholly-owned subsidiary which operated the chain of retail travel outlets under the 'Four Corners' banner, was sold to Thomas Cook Group Limited during the year. British Airways has retained its own sales shops at major on-line cities in the UK.

A joint venture to provide software services to the air transport industry worldwide was established by British Airways and the computer software company Logica plc. The new company, Speedwing Logica Limited, is owned 51 per cent by British Airways and 49 per cent by Logica plc.

Discussions are continuing between British Airways and the USSR Ministry of Civil Aviation with a view to forming a new international airline in the Soviet Union, following the signing of a protocol agreement.

FINANCING

Five Boeing 747-400 and three Boeing 767-300 aircraft were acquired under extendible operating leases and a further two Boeing 747-400s were purchased outright, financed by 18 year loans secured on the aircraft. All these aircraft acquisitions made use of financing facilities arranged in December 1986 and September 1988.

A further four Boeing 747-400s and two Boeing 767-300s were acquired under various Japanese leveraged lease arrangements. This form of cross-border financing allowed British Airways effectively to acquire these aircraft on attractive hire purchase terms.

The airline has also arranged committed funding facilities covering all but three of the firm aircraft deliveries due in the next two years.

In the early part of the year the Company completed the sale and leaseback of ten Boeing 737-200s which, together with similar arrangements for a further ten aircraft completed in March 1990, has resulted in a total of 20 Boeing 737-200s being on operating lease arrangements for a minimum period of five years. Furthermore, 16 Boeing 737-200s and three Boeing 757-200s have changed from operating lease to finance lease arrangements in accordance with agreements previously in place.

In February 1991, the Company drew down a privately arranged DM 75 million unsecured loan, which will be partially used to fund the airline's internal German service activities.

PROPERTY VALUATION

Richard Ellis, Chartered Surveyors, have 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 current value of the Group's properties is approximately £250 million in excess of the net book value disclosed in the Group balance sheet at 31 March 1991.

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

British Airways withdrew all its services between the UK and the Republic of Ireland with effect from 25 March 1991
A number of other services have also been withdrawn to improve the overall efficiency and profitability of the airline's network.

As part of the arrangements for the re-unification of Germany, the Governments of the UK and the Federal Republic of Germany agreed to transitional arrangements for the continuing operation by British Airways of air services to Berlin from points within Germany. Under these arrangements, British Airways has to reduce its services progressively from summer 1991. A number

DIRECTORS' REPORT

of arrangements are under consideration to maintain British Airways' interests in the German internal market.

OTHER DEVELOPMENTS

The decision of the Secretary of State for Transport to modify the traffic distribution rules will allow access, subject to available slots, to more airlines at Heathrow. These changes and the conclusion of new air service arrangements between the UK and the United States, will see United Airlines and American Airlines replacing services of Pan Am and TWA on major US routes to Heathrow. The restrictions of British Airways' Tokyo licences also led to the transfer of four slots per week at Tokyo Narita Airport to Virgin Atlantic. The Directors believe that these decisions will materially reduce the Company's future profitability.

DIRECTORS

Captain Jack Jessop CBE retired from the Board in March 1991. In April 1991, Captain Colin Barnes was appointed to the Board.

The Director retiring by rotation is Sir Francis Kennedy who, being eligible, offers himself for re-election at the annual general meeting. Captain Barnes, having been appointed to the Board during the year, offers himself for election at the annual general meeting.

Sir Gordon White has been created a peer, taking the title Lord White of Hull

The names and details of the Directors are set out on Page 3.

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 a staff suggestion scheme, 'Brainwaves', which acknowledges original workable suggestions with rewards ranging from £10 to £10,000 per suggestion. Awards totalling more than £224,000 were shared by 457 staff during the year. The benefit of their suggestions to the Company is estimated at £2.3 million per annum.

'British Airways News', which provides up to date information to staff 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.

The Profit Sharing Share Scheme, which was first introduced at the Company's flotation in February 1987 in relation to accumulated profit share for the years 1983-86, has been operated every summer up to 1990. No payments will be made under the Scheme for the year 1990-91 because of the lower level of profits.

The Savings Related Share Option Scheme has now been operated twice. Staff are able to save amounts of between £10 and £100 a month and after five years will have the option of purchasing shares, with the money saved, at the prescribed price of 161p for the first operation and 135p for the second operation, or have the money refunded with interest.

PENSIONS

Following the triennial actuarial valuations of the Airways Pension Schemes at 31 March 1989, the Trustees of the Scheme 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.

DISABLED PERSONS

British Airways' policy is to promote equal opportunity in employment, regardless of physical or mental disability, subject only to capability and suitability for the task in question and the requirements of law. Wherever possible, staff 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 £497,000 (1990: £443,000), of which the largest were to the Cancer Relief MacMillan Fund and the Skin Treatment and Research Trust.

A contribution of £40,000 was made to the Conservative Party (1990: £40,000).

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 International 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 1991, 38.8 per cent of ordinary shares were held by non-UK nationals, compared with 38.7 per cent at 31 March 1990. 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.

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.

FINANCIAL REVIEW OF THE YEAR

GROUP

The pre-tax profit for the year ended 31 March 1991 was £130 million, 62.3 per cent lower than last year. This is after charging an exceptional item of £120 million in respect of staff severances and the write-down to estimated realisable value of TriStars now surplus to requirements. For the first six months profits were ahead of those achieved in the previous year, but in the second half, and particularly the last quarter, results were badly affected by the Gulf conflict and the depressed economic climate in the UK and the USA.

Profit after tax was £95 million, equivalent to earnings of 13.2p per share, against 34.1p last year. On a fully diluted basis, earnings per share were 13.4p per share.

After providing £64 million for the interim dividend and the recommended final dividend disclosed in the Directors' Report (see Page 5) the retained profit for the year amounted to £31 million.

Funds generated in the year totalled £603 million, £168 million less than last year. Borrowings, net of cash balances, increased from £434 million to £1,225 million, largely due to the acquisition of new aircraft. The net debt : total capital ratio at 31 March 1991 was 49 per cent.

The total Capital and Reserves of the Group, including the Capital Bonds, was £1,278 million at 31 March 1991 compared with £1,232 million last year.

The Group profit includes the surplus on disposal of four Boeing 747-200s sold to third parties, ten Boeing 737s and one TriStar which were immediately leased back, and one Boeing 747-100 which was destroyed on the ground in Kuwait during the Gulf war and for which the insurance claim has been settled in full.

AIRLINE

Revenue tonne kilometres increased by 4.1 per cent. Passengers carried on scheduled and charter services numbered 25.6 million, up 1.4 per cent, made up of an increase of 2.4 per cent on scheduled services and a decrease of 14.2 per cent on non-scheduled services. Capacity offered in terms of available tonne kilometres increased by 7.3 per cent. The average passenger load factor on scheduled services fell from 71.5 per cent to 70.1 per cent.

Revenue from the carriage of passengers and cargo increased by 2.4 per cent from £4,431 million to £4,538 million. Yield on scheduled services, expressed in pence per revenue tonne kilometre, decreased from 52.2p to 51.3p.

Airline expenditure increased 8.2 per cent, from £4,313 million to £4,668 million. Staff costs rose by 6.1 per cent, against an average increase in staff numbers of 4.9 per cent. Fuel and oil costs increased by 9.9 per cent with volume consumed up 1.9 per cent. The price of fuel, in US cents per gallon, increased by 46 per cent in the second half, but this was partially offset by forward cover and the strengthening of the pound against the US dollar. Operating lease costs and depreciation increased by 17.3 per cent due to the additional aircraft acquired during the past two years. Landing fees and en route charges were up 13.9 per cent, mostly from price increases, particularly by the UK Civil Aviation Authority. Engineering costs together with aircraft handling and catering costs increased broadly in line with the increase in activity, while selling costs increased by 2.3 per cent, in line with the revenue increase.

Airline operating surplus amounted to £166 million compared with £402 million last year, a decrease of 58.7 per cent.

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 1991 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
London
20 May 1991

GROUP PROFIT AND LOSS ACCOUNT

[illegible]

£ million	Note	1991	Group 1990
TURNOVER	*2*	**4,937**	*4,838*
Cost of sales	*3a*	**(4,653)**	*(4,339)*
Gross profit		**284**	*499*
Administrative expenses	*3a*	**(117)**	*(115)*
OPERATING SURPLUS	*2 & 3b*	**167**	*384*
Other income and charges	*4*	**112**	*18*
Net interest payable	*5*	**(29)**	*(57)*
PROFIT BEFORE EXCEPTIONAL ITEM		**250**	*345*
Exceptional item	*6*	**(120)**	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	*2a*	**130**	*345*
Taxation	*7*	**(35)**	*(100)*
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**95**	*245*
Minority interests			*1*
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**95**	*246*
Dividends paid and proposed	*8*	**(64)**	*(64)*
RETAINED PROFIT FOR THE YEAR	*19*	**31**	*182*
Earnings per share	*9*		
- Basic		**13.2p**	*34.1p*
- Fully diluted		**13.4p**	*31.2p*
Dividends per share	*8*	**8.85p**	*8.85p*

Movements in Reserves are shown in Note 19 on Page 27.

BALANCE SHEETS

[illegible]

£ million	Note	Group 1991	Group 1990	Company 1991	Company 1990
FIXED ASSETS					
Tangible assets					
Fleet		2,513	*1,917*	2,423	*1,871*
Property		392	*339*	357	*294*
Equipment		229	*208*	210	*192*
	10	3,134	*2,464*	2,990	*2,357*
Investments	11	108	*108*	269	*206*
CURRENT ASSETS					
Stocks	12	37	*40*	28	*26*
Debtors	13	795	*923*	751	*888*
Short-term loans and deposits		203	*300*	158	*260*
Cash at bank		22	*32*	16	*28*
		1,057	*1,295*	953	*1,202*
CREDITORS: amounts falling due within one year	14	(1,600)	*(1,816)*	(1,617)	*(1,796)*
NET CURRENT LIABILITIES		(543)	*(521)*	(664)	*(594)*
TOTAL ASSETS LESS CURRENT LIABILITIES		2,699	*2,051*	2,595	*1,969*
CREDITORS: amounts falling due after more than one year	15	(1,366)	*(755)*	(1,654)	*(1,047)*
PROVISIONS FOR LIABILITIES AND CHARGES	17	(55)	*(64)*	(47)	*(59)*
		1,278	*1,232*	894	*863*
CAPITAL AND RESERVES					
Called up share capital	18	180	*180*	180	*180*
Reserves	19				
Revaluation		82	*121*	74	*113*
Other		(11)	*(18)*	1	
Profit and loss account		707	*629*	639	*570*
		958	*912*	894	*863*
Convertible Capital Bonds 2005	20	320	*320*		
		1,278	*1,232*	894	*863*

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

King
Derek Stevens

20 May 1991

GROUP SOURCE AND APPLICATION OF FUNDS

[illegible]

£ million	Note	1991	*Group* *1990*
Group profit on ordinary activities before taxation		130	*345*
Items not involving the movement of funds			
Depreciation	*3b & 10a*	296	*292*
Other		8	*22*
Disposals of fixed assets and investments	*10a & 11*	169	*112*
FUNDS GENERATED		603	*771*
Tax paid		109	*94*
Dividends paid		64	*58*
Capital expenditure			
Tangible fixed assets	*10a*	1,304	*688*
Refund of progress payments	*10a*	(189)	*(268)*
Investments	*11*	16	*18*
Purchase of shares in subsidiary undertakings		5	*1*
Movement in working capital			
Debtors and stocks		(131)	*135*
Creditors and provisions		216	*(222)*
FUNDS UTILISED		1,394	*504*
Loans, finance leases and hire purchase arrangements – net amount (raised)/repaid	*16*	(644)	*343*
(Decrease)/increase in cash and short-term deposits		(147)	*244*
Convertible Capital Bonds issued	*20*		*(320)*
NET FUNDS (PROVIDED)/REPAID		(791)	*267*

NOTES TO THE ACCOUNTS

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. The comparatives in Notes 3a, 4 and 5 have been restated to reflect reclassification of staff costs and interest.

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

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, less depreciation.

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 those aircraft which become subject to extended operating lease arrangements is carried forward and written off over the initial lease period.

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

c) *PROPERTY AND EQUIPMENT*

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

Specialised use properties are included at cost, less depreciation.

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 of payments made 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. Annual payments under all other lease arrangements, known as operating leases, are charged to the profit and loss account as they arise.

1 ACCOUNTING POLICIES *continued*

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.

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.

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.

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 used for the acquisition of aircraft and investments are reflected in the cost of those assets. 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. The sterling/US dollar exchange rate at 31 March 1991 was £1 = US$1.74 (31 March 1990: £1 = US$1.65).

2 ANALYSIS OF GROUP TURNOVER, OPERATING SURPLUS AND PROFIT BEFORE TAXATION

a Turnover, operating surplus and profit before taxation attributable to the different classes of the Group's business is:

£ million	Turnover 1991	Turnover 1990	Operating surplus/(deficit) 1991	Operating surplus/(deficit) 1990	Profit/(loss) before taxation 1991	Profit/(loss) before taxation 1990
Airline operations	4,834	*4,715*	166	*402*	128	*377*
Package holidays	79	*98*	(2)	*(8)*	2	*(12)*
Other	24	*25*	3	*(10)*		*(20)*
	4,937	*4,838*	167	*384*	130	*345*

	1991	1990
Turnover for airline operations comprises:		
Traffic revenue		
Scheduled services		
Passenger	4,042	*3,925*
Excess baggage	15	*16*
Freight and mail	376	*389*
	4,433	*4,330*
Non-scheduled services	105	*101*
	4,538	*4,431*
Aircraft maintenance and other airline services	296	*284*
	4,834	*4,715*

Airline operations comprise British Airways Plc and those subsidiary and associated undertakings listed on Page 30 as being involved in airline activities.

The analysis of turnover, operating surplus/(deficit) and profit/(loss) before taxation is stated after adjusting for intra group trading transactions. The intra-group flight element of package holidays in traffic revenue was £61 million (1990: £65 million).

£ million	Group 1991	Group 1990	Airline 1991	Airline 1990
b Turnover attributable to the Group's and Airline's geographical markets is:				
UK	571	*539*	515	*476*
Continental Europe	1,348	*1,286*	1,340	*1,275*
Europe	1,919	*1,825*	1,855	*1,751*
The Americas	1,653	*1,619*	1,635	*1,594*
Africa	387	*356*	380	*351*
Middle East, Far East and Australasia	978	*1,038*	964	*1,019*
	4,937	*4,838*	4,834	*4,715*

Turnover of the United Kingdom market comprises airline traffic revenue from domestic flights within the United Kingdom and revenue from other airline services provided to United Kingdom customers. Turnover of overseas markets comprises (i) airline traffic revenue from inbound and outbound flights between the United Kingdom and overseas points, attributed to the area in which the relevant overseas point lies; (ii) revenue from sales of package holidays, attributed to the area in which the holiday is taken; and (iii) revenue from other airline services, attributed to the area in which the customer resides.

2 ANALYSIS OF GROUP TURNOVER, OPERATING SURPLUS AND PROFIT BEFORE TAXATION (cont'd)

£ million	Group 1991	Group *1990*	Airline 1991	Airline *1990*
c Operating surplus attributable to the Group's and Airline's geographical markets is:				
Europe	(34)	*3*	(34)	*17*
The Americas	158	*249*	158	*252*
Africa	40	*52*	40	*52*
Middle East, Far East and Australasia	3	*80*	2	*81*
	167	*384*	166	*402*

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 of these services are therefore combined under the heading 'Europe'.

3 OPERATING SURPLUS

£ million	Group 1991	Group *1990*
a ANALYSIS OF OPERATING EXPENDITURE		
Cost of sales	4,653	*4,339*
Administrative expenses	117	*115*
Total operating expenditure	4,770	*4,454*
Airline		
Staff costs	1,420	*1,338*
Depreciation	264	*288*
Aircraft operating lease costs	284	*179*
Fuel and oil costs	598	*544*
Engineering and other aircraft costs	285	*266*
Landing fees and en route charges	376	*330*
Handling charges, catering and other operating costs	496	*476*
Selling costs	590	*577*
Accommodation, ground equipment and currency differences	355	*315*
Total airline	4,668	*4,313*
Non-airline	102	*141*
Total operating expenditure	4,770	*4,454*
b THE RESULTS ARE ARRIVED AT AFTER CHARGING:		
Depreciation of Group tangible fixed assets		
Owned assets	241	*245*
Finance leased aircraft	23	*30*
Hire purchased aircraft	9	
Other leasehold interests	23	*17*
	296	*292*
Operating lease costs		
Lease rentals - aircraft	284	*179*
- property and equipment	59	*54*
Hire of equipment and charter of aircraft and crews	20	*17*
	363	*250*

b OPERATING SURPLUS *(continued)*

	Group 1991	Group 1990
	£	£
Auditors' remuneration	**843,000**	*950,000*
Directors' emoluments – *fees*	**90,000**	*104,476*
– *other*	**1,624,851**	*1,884,613*
	1,714,851	*1,989,089*

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

	Group and Company 1991	Group and Company 1990
	£	£
Chairman and highest paid Director	**407,650**	*515,818*
The other Directors' remuneration was within these ranges:	Number	Number
£5,001 – £10,000		*1*
£10,001 – £15,000	**2**	*4*
£15,001 – £20,000	**1**	*1*
£25,001 – £30,000	**1**	*1*
£45,001 – £50,000	**1**	
£75,001 – £80,000		*1*
£90,001 – £95,000	**1**	
£175,001 – £180,000	**1**	
£205,001 – £210,000		*1*
£355,001 – £360,000	**1**	
£445,001 – £450,000		*1*

The emoluments shown above include no amount in respect of performance related bonuses (1990: £336,720).
A director has waived fees of £15,000 for the year (1990: £5,000).

d STAFF NUMBERS AND COSTS

	UK	Overseas	1991 Total	1990 Total
			Group number	Group number
The average number of persons employed in the Group worldwide during the year was as follows:				
Airline operations	45,673	7,136	**52,809**	*50,320*
Package holidays	436	30	**466**	*485*
Other	1,112	40	**1,152**	*1,249*
	47,221	7,206	**54,427**	*52,054*

£ million				
The aggregate payroll costs of these persons were as follows:				
Wages and salaries (1990: including staff bonus)	931	119	**1,050**	*997*
Social security costs	77	22	**99**	*88*
Contributions to pension schemes	48	8	**56**	*41*
	1,056	149	**1,205**	*1,126*

4 OTHER INCOME AND CHARGES

£ million	Group 1991	1990
Surplus less provisions for losses relating to disposal of fixed assets	105	*49*
Share of results of associated undertakings	6	*(17)*
Income from trade investments	3	*4*
Amount written off investments	(2)	*(8)*
Costs associated with the Convertible Capital Bonds rights issue		*(10)*
	112	*18*

5 NET INTEREST PAYABLE

	1991	1990
Interest payable:		
On bank loans		
Repayable wholly within five years	2	*8*
Repayable in whole or in part after five years	4	*1*
On finance leases		
Repayable wholly within five years	10	*8*
Repayable in whole or in part after five years	9	*16*
On hire purchase arrangements		
Repayable in whole or in part after five years	14	
On other loans		
Repayable wholly within five years	2	*8*
Repayable in whole or in part after five years	82	*70*
Interest capitalised	(26)	*(25)*
	97	*86*
Interest receivable	(64)	*(31)*
	33	*55*
Currency (profits)/losses on revaluation of general purpose loans at year end	(4)	*2*
	29	*57*

The average rate of interest on loans, excluding finance leases and hire purchase arrangements, was 9.0 per cent (1990: 10.4 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 June 2008. The interest rates range from 8.6 per cent to 15.8 per cent (1990: 9.2 per cent to 15.4 per cent).

Changes in the sterling value of foreign currency loans, finance leases and hire purchase arrangements used specifically for the acquisition of aircraft and investments have been included in the cost of those assets. This gives rise to an increase of £25 million (1990: no increase or decrease) in the cost of aircraft (see Note 10a) and a decrease of £4 million (1990: an increase of £2 million) in the cost of investments (see Note 11).

6 EXCEPTIONAL ITEM

		1991
Costs associated with staff reductions		93
Write-down of TriStar aircraft, now surplus to requirements, to estimated realisable value		
Supplementary depreciation (see Note 10a)	24	
Costs of disposal	3	
		27
		120

7 TAXATION (see also Note 21)

£ million		Group
	1991	1990
United Kingdom		
Corporation tax at 34 per cent (1990: 35 per cent)	31	*101*
Deferred taxation		*(5)*
Prior year adjustment		*(1)*
	31	*95*
Overseas	4	*5*
	35	*100*

If full provision for deferred taxation had been made, there would have been an additional charge for the year of £1 million after taking into consideration reductions in the corporation tax rate (1990: £53 million), comprising:

Accelerated capital allowances	15	*36*
Other timing differences	(14)	*17*
	1	*53*

8 DIVIDENDS

		Group and Company
	1991	1990
	£	£
Interim dividend of 2.80p per share (1990: 2.80p per share)	20,198,026	*20,174,254*
Final dividend of 6.05p per share (1990: 6.05p per share)	43,642,988	*43,599,137*
	63,841,014	*63,773,391*

9 EARNINGS PER SHARE

		Group
	1991	1990
Basic earnings per share is calculated as follows:		
Profit after taxation, attributable to shareholders	£95m	*£246m*
Weighted average number of ordinary shares in issue	721,203,000	*720,526,000*
Basic earnings per share	13.2p	*34.1p*
Fully diluted earnings per share	13.4p	*31.2p*

Fully diluted earnings per share is calculated on a weighted average of 910,479,000 ordinary shares (1990: 837,148,000) after allowing for the conversion rights attaching to the Convertible Capital Bonds and outstanding share options, and a corresponding adjustment to income for reduced interest payable on the Convertible Capital Bonds and interest receivable on the subscription cash for shares.

10 TANGIBLE ASSETS

£ million	Note	Fleet	Property	Equipment	Total 1991	Total 1990
a GROUP						
COST OR VALUATION	*10k*					
Balance 1 April		3,438	482	461	4,381	*4,214*
Adjustments to opening balance						
- exchange	*5*	25			25	
- other		1			1	*(2)*
Additions		1,140	83	81	1,304	*688*
Disposals		(301)	(14)	(18)	(333)	*(227)*
Reclassification of capitalised interest		(6)			(6)	*(23)*
Refund of progress payments		(189)			(189)	*(268)*
BALANCE 31 MARCH		4,108	551	524	5,183	*4,381*
DEPRECIATION						
Balance 1 April		1,521	143	253	1,917	*1,746*
Adjustments to opening balance						
- exchange	*19*	(1)			(1)	
- other		1		1	2	
Charge for the year		193	23	56	272	*292*
Supplementary depreciation	*6*	24			24	
Disposals		(143)	(7)	(15)	(165)	*(119)*
Reclassification of capitalised interest						*(2)*
BALANCE 31 MARCH		1,595	159	295	2,049	*1,917*
NET BOOK AMOUNTS						
31 March 1991		2,513	392	229	3,134	
31 March 1990		*1,917*	*339*	*208*		*2,464*
UTILISATION AT 31 MARCH						
Assets in current use						
Owned		1,436	296	166	1,898	*1,921*
Finance leased		293		11	304	*139*
Hire purchase arrangements		349			349	
Progress payments		412	96	52	560	*404*
Assets not in current use		23			23	
		2,513	392	229	3,134	*2,464*
THE NET BOOK AMOUNT OF PROPERTY COMPRISES:						
Freehold					122	*98*
Long leasehold					21	*20*
Short leasehold					249	*221*
					392	*339*

£ million	Valuation/cost	Depreciation	Net book amount 1991	Net book amount 1990
Revalued fleet and properties are included in the accounts at the following amounts:				
Valued in 1984 - property	100	27	73	*63*
Valued in 1988 - fleet	1,044	719	325	*414*
Total - 31 March 1991	1,144	746	398	
Total - 31 March 1990	*1,216*	*739*		*477*
If these assets had not been revalued they would have been included at the following amounts:				
31 March 1991	955	684	271	
31 March 1990	*1,006*	*706*		*300*

10 TANGIBLE ASSETS (continued)

£ million	Note	Fleet	Property	Equipment	Total 1991	Total *1990*
b COMPANY						
COST OR VALUATION	*10c*					
Balance 1 April		3,305	426	429	4,160	*4,083*
Adjustments to opening balance						
- exchange	*5*	25			25	
- other		1			1	*(18)*
Additions		1,119	76	72	1,267	*655*
Disposals		(303)	(4)	(16)	(323)	*(218)*
Transfers (to)/from subsidiary undertakings	*10d*	(79)	9	(1)	(71)	*(51)*
Reclassification of capitalised interest		(6)			(6)	*(23)*
Refund of progress payments		(189)			(189)	*(268)*
BALANCE 31 MARCH		3,873	507	484	4,864	*4,160*
DEPRECIATION						
Balance 1 April		1,434	132	237	1,803	*1,687*
Adjustments to opening balance	*19*					
- exchange		(1)			(1)	
- other						*(15)*
Charge for the year		178	15	51	244	*281*
Supplementary depreciation	*6*	24			24	
Disposals		(141)	(1)	(13)	(155)	*(112)*
Transfers (to)/from subsidiary undertakings	*10d*	(44)	4	(1)	(41)	*(36)*
Reclassification of capitalised interest						*(2)*
BALANCE 31 MARCH		1,450	150	274	1,874	*1,803*
NET BOOK AMOUNTS						
31 March 1991		2,423	357	210	2,990	
31 March 1990		*1,871*	*294*	*192*		*2,357*
UTILISATION AT 31 MARCH						
Assets in current use						
Owned		1,346	265	155	1,766	*1,824*
Finance leased		293		3	296	*136*
Hire purchase arrangements		349			349	
Progress payments		412	92	52	556	*397*
Assets not in current use		23			23	
		2,423	357	210	2,990	*2,357*

THE NET BOOK AMOUNT OF PROPERTY COMPRISES:	1991	*1990*
Freehold	91	*71*
Long leasehold	21	*20*
Short leasehold	245	*203*
	357	*294*

£ million	*Valuation/cost*	*Depreciation*	Net book amount 1991	Net book amount *1990*
Revalued fleet and properties are included in the accounts at the following amounts:				
Valued in 1984 - property	95	25	70	*60*
Valued in 1988 - fleet	974	669	305	*398*
Total - 31 March 1991	1,069	694	375	
Total - 31 March 1990	*1,160*	*702*		*458*
If these assets had not been revalued they would have been included at the following amounts:				
31 March 1991	898	641	257	
31 March 1990	*964*	*676*		*288*

10 TANGIBLE ASSETS *(continued)*

c COST/VALUATION

Owned fleets of British Airways Boeing 737s, BAC 1-11s, Boeing 747-100s, and certain Boeing 747-200s were restated at 31 March 1988 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 (see Note 6).

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

d TRANSFERS TO/FROM SUBSIDIARY UNDERTAKINGS

Transfers of cost and accumulated depreciation from British Airways to subsidiary undertakings relate mainly to engine spares transferred to British Airways Engine Overhaul Ltd.

e DEPRECIATION

Fleets are generally depreciated over periods ranging from 12 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	**1991**	*1990*	**1991**	*1990*
Capital expenditure authorised but not provided for in the accounts amounts to:				
Authorised and contracted	**3,181**	*1,889*	**3,169**	*1,884*
Authorised but not contracted	**380**	*408*	**370**	*406*
	3,561	*2,297*	**3,539**	*2,290*

£1,128 million of the outstanding commitments 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 £1,859 million which relates to the acquisition of Boeing 747-400 aircraft scheduled for delivery during the next eight years, and also includes £116 million relating to Boeing 757 aircraft.

13 TANGIBLE ASSETS (continued)

e LEASING COMMITMENTS

£ million	1991	1990	1991	1990
	Group		Company	
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	220	*239*	220	*239*
Between one and five years	517	*551*	517	*551*
Over five years, ranging up to the year 1996	2	*9*	2	*9*
	739	*799*	739	*799*
Amounts payable within one year relate to commitments expiring as follows:				
Within one year	35	*56*	35	*56*
Between one and five years	180	*173*	180	*173*
Over five years	5	*10*	5	*10*
	220	*239*	220	*239*
(ii) PROPERTY AND EQUIPMENT				
Within one year	46	*46*	44	*40*
Between one and five years	96	*86*	93	*71*
Over five years, ranging up to the year 2075	231	*215*	226	*182*
	373	*347*	363	*293*
Amounts payable within one year relate to commitments expiring as follows:				
Within one year	13	*12*	12	*11*
Between one and five years	26	*25*	25	*23*
Over five years	7	*9*	7	*6*
	46	*46*	44	*40*

The fleet leasing commitments include the balance of rental obligations under operating leases in respect of 13 Boeing 747-400, five Boeing 747-200, seven Boeing 767, seven Boeing 757, 20 Boeing 737 and eight BAe ATP aircraft, but exclude nine Boeing 737 and three Boeing 757 aircraft which were converted from operating leases to finance leases with effect from 3. March 1991. 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 renew the leases or convert them into finance leases are not exercised.

11 INVESTMENTS

		Note	Group 1991	Group *1990*	Company 1991	Company *1990*
a	SUBSIDIARY UNDERTAKINGS					
	Investments at cost, less amounts written off					
	Balance 1 April - net of provision of £193 million (1 April 1989: £194 million)				171	*163*
	Additions				64	*6*
	Exchange differences				(4)	*1*
	Disposals				(5)	
	Provision movements				5	*1*
	Balance at 31 March - net of provision of £188 million (1990: £193 million)				231	*171*
b	ASSOCIATED UNDERTAKINGS AND TRADE INVESTMENTS					
	Balance 1 April - net of provision of £13 million (1 April 1989: £3 million)		108	*111*	35	*37*
	Additions		16	*18*	15	*17*
	Exchange differences	5	(4)	*2*		*2*
	Share of attributable results		6	*(9)*		
	Withdrawal of investment in Sabena World Airlines		(19)		(19)	
	Disposals		(1)	*(4)*		*(1)*
	Provisions		2	*(10)*	7	*(20)*
	Balance at 31 March - net of provision of £11m (1990: £13m)		108	*108*	38	*35*
	Analysis of balance at 31 March					
	Equity at cost less amounts written off		114	*120*	35	*33*
	Advances at cost less amounts written off		8	*7*	3	*2*
	Attributable reserves		(14)	*(19)*		
			108	*108*	38	*35*
c	TOTAL INVESTMENTS					
	Unlisted					
	Subsidiary undertakings				231	*171*
	Associated undertakings		15	*13*	11	*9*
	Trade investments		78	*80*	12	*11*
	Listed - ISE					
	Trade investments		15	*15*	15	*15*
			108	*108*	269	*206*
d	VALUATION					
	Aggregate value attributed by the Directors to unlisted associated undertakings and trade investments		93	*94*		
	Market value of listed investments		11	*10*		

12 STOCKS

	Group 1991	Group *1990*	Company 1991	Company *1990*
Raw materials, consumables and work in progress	37	*40*	28	*26*

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

16 LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS

£ million	Group 1991	Group 1990	Company 1991	Company 1990
a TOTAL LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS				
Loans				
Bank – Deutsch mark	DM75m		DM75m	
– US dollar	$100m		$100m	
– Sterling	£28m	£29m	£20m	£20m
	111	29	103	20
Euro-sterling notes	300	300	300	300
Other – US dollar	$484m	$250m	$234m	
– Sterling	£86m	£130m	£86m	£130m
	365	282	220	130
Loans from subsidiary undertakings				
– US dollar			$250m	$250m
– Sterling			£310m	£310m
			454	462
Finance leases – *US dollar*	$2m	$9m	$2m	$9m
– Sterling	£295m	£149m	£288m	£146m
	296	154	289	151
Hire purchase arrangements				
– Japanese yen	Y17,075m		Y17,075m	
– US dollar	$462m		$462m	
	337		337	
	1,409	765	1,703	1,063
Comprising:				
Bank loans				
Repayable wholly within five years	59	2	58	
Repayable in whole or in part after five years	52	27	45	20
	111	29	103	20
Other loans, finance leases and hire purchase arrangements				
Repayable wholly within five years	34	48	26	45
Repayable in whole or in part after five years	1,264	688	1,574	998
	1,298	736	1,600	1,043
	1,409	765	1,703	1,063

Bank and other loans are repayable up to the year 2008.

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

b INCIDENCE OF REPAYMENTS

£ million	*Bank loans*	*Other loans*	*Finance leases*	*Hire purchase arrangements*	Group total 1991	*Group total 1990*
INSTALMENTS FALLING DUE:						
Within one year *(Note 14)*	59	5	28	13	**105**	*58*
After more than one year *(Note 15)*						
Between one and two years	1	5	32	14	**52**	*21*
Between two and five years	3	17	100	52	**172**	*70*
In five years or more	48	638	136	258	**1,080**	*616*
	52	660	268	324	**1,304**	*707*
Total 1991	111	665	296	337	**1,409**	
Total 1990	*29*	*582*	*154*			*765*
Analysis of total 1991						
British Airways Plc	103	520	289	337	**1,249**	*601*
Subsidiary undertakings	8	145	7		**160**	*164*
	111	665	296	337	**1,409**	*765*

17 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	24	3		(5)	22
Other provisions					
Litigation provision (Note 2[illegible])	25				25
Sundry	15	(9)	2		8
	40	(9)	2		33
Total 1991	64	(6)	2	(5)	55
Total 1990	*100*	*(2)*		*(34)*	*64*
Analysis of total 1991					
British Airways Plc	59	(7)		(5)	47
Subsidiary undertakings	5	1	2		8
	64	(6)	2	(5)	55

18 SHARE CAPITAL

	Company 1991	Company 1990
Authorised		
1,068,000,000 ordinary shares of 25p each	£267m	*£267m*
Allotted, called up and fully paid		
Issued share capital	£180m	*£180m*
Ordinary shares of 25p each	721,371,704	*720,646,891*
Share options		
Number of ordinary shares of 25p each under option	55,938,893	*56,369,020*
Dates exercisable	1991 - 2000	*1990 - 1999*
Price per share	135p - 225p	*135p - 225p*
Number of Employee Share Scheme options exercised:		
at 135p per share	59,029	*24,583*
at 150p per share		*46,666*
at 161p per share	103,992	*90,227*
at 178p per share	561,792	
at 202p per share		*164*
at 210p per share		*23,809*
	724,813	*185,449*

Full conversion of the 9.75 per cent Convertible Capital Bonds 2005 will require the issue of 131,775,863 ordinary shares.

19 RESERVES

£ million	Non-distributable Revaluation reserve	Other reserves	Distributable Profit and loss account	Total 1991	*1990*
a GROUP					
Balance 1 April	121	(18)	629	732	*569*
Retained profit for the year		6	25	31	*182*
Transfers relating to valued assets	(39)		39		
Exchange adjustments – Fleet assets *(Note 10a)*			1	1	
Purchased goodwill written back/(written off) *(see below)*			13	13	*(19)*
Other movements		1		1	
Balance 31 March	82	(11)	707	778	*732*
Write back (1990: write off) of goodwill in Sabena World Airlines, an associated undertaking			18	18	*(18)*
Purchase of further shares in the following subsidiary undertakings:					
Bedford Associates Inc			(4)	(4)	*(1)*
Alta Holidays Ltd			(1)	(1)	
Goodwill written back/(written off) to reserves			13	13	*(19)*

Cumulative goodwill written off against reserves in respect of existing subsidiary and associated undertakings in the years to 31 March 1991 was £363 million (1990: £376 million).

£ million	*Non-distributable* *Revaluation reserve*	*Other reserves*	*Distributable* *Profit and loss account*	*Total* 1991	*1990*
b COMPANY					
Balance 1 April	113		570	683	*536*
Retained profit for the year			30	30	*147*
Transfers relating to valued assets	(39)		39		
Exchange adjustments – Fleet assets *(Note 10b)*			1	1	
Other movements		1	(1)		
Balance 31 March	74	1	639	714	*683*

20 CONVERTIBLE CAPITAL BONDS 2005

£ million	Group 1991	*1990*
	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.

21 DEFERRED TAXATION [illegible]

£ million	Group 1991	Group *1990*	Company 1991	Company *1990*
Deferred taxation comprises				
Timing differences in respect of property valuations	**2**	*2*	**2**	*2*
Accelerated capital allowances and other timing differences	**12**	*12*	**12**	*12*
Advance Corporation Tax on proposed dividend available for offset	**(14)**	*(14)*	**(14)**	*(14)*
If full provision for deferred taxation at 35 per cent *(1990: 35 per cent)* had been made, the following amounts would have been required at 31 March:				
Accelerated capital allowances, less unrelieved losses	**401**	*386*	**396**	*383*
Advance Corporation Tax recoverable	**(14)**	*(14)*	**(14)**	*(14)*
Other timing differences	**(64)**	*(50)*	**(65)**	*(50)*
Timing differences in respect of property valuation	**2**	*2*	**2**	*2*
	325	*324*	**319**	*321*

22 FORWARD TRANSACTIONS IN FOREIGN CURRENCY

	Group 1991	Group *1990*
The Group had the following forward purchase contracts outstanding:		
Maturing within one year		
– to cover payments in US dollars	$548m	*$590m*
– to cover payments in other currencies	£3m	*£1m*
Maturing after one year		
– to cover payments in US dollars	$250m	

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

23 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 financial year, a contract for a value of £2,937,790 was awarded after competitive tender to Wiltshier Design and Management Limited, a subsidiary of Wiltshier PLC of which A M Davies is the Chairman.

24 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 staff 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 staff 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 employers' contributions were required in respect of APS while for NAPS an employers' contribution equal to an average of 2.49 times the employees' contribution for the period 1 December 1989 to 31 March 1991 (1.72 times employees' contribution for the period 1 April to 30 November 1989) was appropriate. Enhanced benefits for members of both APS and NAPS were introduced from 1 December 1989.

		Group
£ million	**1991**	*1990*
Employers' contributions (calculated as set out above for APS and NAPS) charged in the accounts were:		
Airways Pension Scheme		
New Airways Pension Scheme	48	*32*
Other pension schemes and provident funds – mainly outside the United Kingdom	8	*9*
	56	*41*
UK staff	48	*32*
Overseas staff	8	*9*
	56	*41*

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 the 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 employers' 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 contributions in respect of overseas staff have been determined in accordance with best local practice.

It is not expected that the reduction in staff numbers, provision for which has been made under 'Exceptional Item' (see Note 6), will add to British Airways pension costs assessed in accordance with SSAP 24.

25 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 £107 million (1990: £77 million) and for the Company £614 million (1990: £593 million). The figure for the Company includes £527 million (1990: £519 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 17).

PRINCIPAL INVESTMENTS

31 March 1991

SUBSIDIARY UNDERTAKINGS

Principal subsidiary undertakings are all wholly-owned direct subsidiaries whose principal country of operations is the United Kingdom except where indicated

	Principal activities	*Country of incorporation*
Airline operations		
Air Miles Travel Promotions Ltd *(51 per cent of ordinary shares owned)*	Airline marketing	*England*
BritAir Acquisition Corp Inc	Holding company	*USA*
British Airways Australia (Holdings) Pty Ltd	Holding company	*Australia*
British Airways Capital Ltd *(89 per cent of founders' shares owned)*	Airline finance	*Jersey*
British Airways Engine Overhaul Ltd	Aircraft engine overhaul	*England*
British Airways Finance BV	Airline finance	*Netherlands*
Caledonian Airways Ltd	Airline operations	*England*
Speedbird Insurance Co Ltd	Airline insurance	*Bermuda*
Package holidays		
Alta Holidays Ltd	Package holidays	*England*
British Airways Holidays Ltd	Package holidays	*England*
Overseas Air Travel Ltd	Package holidays	*England*
Other activities		
Bedford Associates Inc *(a subsidiary undertaking of BritAir Acquisition Corp Inc)*	Specialist computer software	*USA*
British Airways Associated Companies Ltd	Management services	*England*
Chartridge Centre Ltd	Conference and training services	*England*
Travel Automation Services Ltd	Computer reservations systems	*England*

ASSOCIATED UNDERTAKINGS

	Percentage of equity owned	*Principal activities*	*Country of incorporation and principal operations*
British Caledonian Flight Training Ltd	50	Airline training	*England*
Concorde International Travel Pty Ltd	50	Airline marketing	*Australia*
Euro-Hub (Birmingham) Ltd	21	Airport terminal services	*England*
G B Airways (Holdings) Ltd	49	Airline operations	*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	Retailing	*England*
Ruby Aircraft Leasing and Trading Ltd	19.3	Leasing	*England*
Sapphire Aircraft Leasing and Trading Ltd	19.3	Leasing	*England*
The Plimsoll Line Ltd	40.0 *(equivalent to 14 per cent of voting rights)*	Airline holding company	*England*

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.

(i) *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. 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.

(ii) *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 purpose of determining the differences between UK GAAP and US GAAP, the expected useful life of goodwill has been taken to be 40 years.

(iii) *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.

(iv) *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.

(v) *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.

(vi) *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.

(vii) *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 resulting 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 1991 amounted to £48 million (1990: £32 million) under UK GAAP compared with an estimated credit to net income of £8 million (1990: £38 million) under FAS 87. The resulting reduction in operating costs of £56 million (1990: £70 million), net of related deferred tax of £18 million (1990: £25 million), would increase net income under US GAAP by £38 million (1990: £45 million), and the reduction would be reflected in the consolidated balance sheet as a prepayment of pension costs.

A further adjustment of £79 million is required in respect of APS to recognise the extent to which the actuarial present value of accumulated benefit obligations at 31 December 1990 exceeds the fair value of the scheme's assets at that date. The additional liability at 31 December 1990 of £191 million is offset by the unrecognised prior service cost of £100 million, which serves as an intangible asset, and the net periodic pension cost of £12 million recognised over the three months to 31 March 1991.

(viii) *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.

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. The pounds sterling amounts on Pages 32 and 33 have been translated into US dollars at the 31 March 1991 exchange rate of £1=$1.74 (31 March 1990: £1=$1.65), for the convenience of the reader.

NET INCOME UNDER US GAAP

Year ended 31 March 1991

				Group
	1991	*1990*	**1991**	*1990*
	£m	*£m*	**$m**	*$m*
Income attributable to shareholders as reported in the consolidated statements of income	**95**	*246*	**165**	*406*
Estimated adjustments:				
Depreciation				
Goodwill	**(9)**	*(9)*	**(15)**	*(15)*
Fleet	**35**	*50*	**61**	*83*
Property	**2**		**3**	
Pension costs	**56**	*70*	**97**	*115*
Other income/(charges)				
Exchange gains/(losses)				
Arising on translation of cost of aircraft	**(25)**		**(43)**	
Relating to revaluation of forward exchange contracts	**3**	*(2)*	**5**	*(3)*
Arising on translation of investments	**2**	*(1)*	**3**	*(2)*
Surplus on disposal of tangible fixed assets and investments				
Arising on disposal of revalued aircraft	**19**	*17*	**33**	*28*
Arising on sale and leaseback transactions	**(10)**	*(50)*	**(17)**	*(82)*
Deferred taxation	**(31)**	*(70)*	**(54)**	*(116)*
	42	*5*	**73**	*8*
Estimated net income as adjusted to accord with US GAAP	**137**	*251*	**238**	*414*
	Pence	*Pence*	**Cents**	*Cents*
Per Ordinary Share as so adjusted				
Net Income – primary	**19.0**	*34.8*	**33.1**	*57.5*
– fully diluted	**18.0**	*31.8*	**31.3**	*52.4*
Per American Depositary Share as so adjusted				
Net Income – primary	**190**	*348*	**331**	*575*
– fully diluted	**180**	*318*	**313**	*524*
			Conversion rate £1 = $1.74	*£1 = $1.65*

SHAREHOLDERS' EQUITY UNDER US GAAP

[illegible]

				Group
	1991	*1990*	1991	*1990*
	£m	*£m*	$m	*$m*
Shareholders' equity as reported in the consolidated balance sheets	958	*912*	1,667	*1,505*
Estimated adjustments:				
Intangible assets				
Goodwill	340	*362*	591	*597*
Pensions	100		174	
Tangible assets				
Fleet	(152)	*(181)*	(264)	*(299)*
Property	(13)	*(15)*	(23)	*(25)*
Investments		*(2)*		*(3)*
Current assets				
Pension cost prepayments	126	*70*	219	*115*
Deferred gains on forward exchange contracts	1		2	
Current liabilities				
Proposed dividend	44	*44*	76	*72*
Deferred losses on forward exchange contracts		*(2)*		*(3)*
Deferred income - sale and leaseback	(15)	*(22)*	(26)	*(36)*
Minimum pension liability	(179)		(311)	
Long-term liabilities				
Deferred income - sale and leaseback	(45)	*(28)*	(78)	*(46)*
Provisions for liabilities and charges				
Deferred taxation	(283)	*(252)*	(492)	*(415)*
	(76)	*(26)*	(132)	*(43)*
Estimated shareholders' equity as adjusted to accord with US GAAP	882	*886*	1,535	*1,462*

Conversion rate £1 = $1.74 *£1 = $1.65*

FIVE YEAR SUMMARIES

[illegible]

GROUP PROFIT AND LOSS ACCOUNT

	1987 £m	1988 £m	1989 £m	1990 £m	1991 £m	1990 $m	1991 $m
Turnover	3,263	3,756	4,257	4,838	4,937	7,983	8,590
Operating expenditure	(3,090)	(3,520)	(3,921)	(4,454)	(4,770)	(7,349)	(8,300)
Operating surplus	173	236	336	384	167	634	290
Other income and charges	2	(11)	2	18	112	29	195
Net interest payable	(13)	3	(70)	(57)	(29)	(94)	(50)
Profit before exceptional item	162	228	268	345	250	569	435
Exceptional item					(120)		(209)
Profit on ordinary activities before taxation	162	228	268	345	130	569	226
Taxation and minority interests	(14)	(77)	(93)	(99)	(35)	(163)	(61)
Profit for the year before extraordinary items	148	151	175	246	95	406	165
Extraordinary items	4						
Profit for the year after extraordinary items	152	151	175	246	95	406	165
Dividends	(30)	(50)	(56)	(64)	(64)	(106)	(111)
Retained profit for the year	122	101	119	182	31	300	54
Conversion rate £1 =						$1.65	$1.74

GROUP BALANCE SHEET

£ million	1987	1988	1989	1990	1991
Fixed assets					
Tangible assets	*1,300*	*2,165*	*2,467*	*2,464*	**3,134**
Investments	*5*	*40*	*111*	*108*	**108**
Current assets	*777*	*901*	*916*	*1,295*	**1,057**
Creditors: amounts falling due within one year	*(1,140)*	*(1,471)*	*(1,748)*	*(1,816)*	**(1,600)**
Net current liabilities	*(363)*	*(570)*	*(832)*	*(521)*	**(543)**
Total assets less current liabilities	*942*	*1,635*	*1,746*	*2,051*	**2,699**
Creditors: amounts falling due after more than one year	*(270)*	*(851)*	*(896)*	*(755)*	**(1,366)**
Provisions for liabilities and charges	*(66)*	*(150)*	*(100)*	*(64)*	**(55)**
	606	*634*	*750*	*1,232*	**1,278**
Capital and reserves					
Called up share capital	*180*	*180*	*180*	*180*	**180**
Reserves	*425*	*453*	*569*	*732*	**778**
Shareholders' equity	*605*	*633*	*749*	*912*	**958**
Convertible Capital Bonds 2005				*320*	**320**
Minority interests	*1*	*1*	*1*		
	606	*634*	*750*	*1,232*	**1,278**

GROUP SOURCE AND APPLICATION OF FUNDS

£ million	1987	1988	1989	1990	1991
Group profit before tax	*162*	*228*	*268*	*345*	**130**
Items not involving the movement of funds					
Depreciation	*188*	*216*	*307*	*292*	**296**
Other	*(14)*	*22*	*(7)*	*22*	**8**
Disposals of fixed assets and investments	*23*	*8*	*22*	*112*	**169**
FUNDS GENERATED	*359*	*474*	*590*	*771*	**603**
Tax paid		*16*	*78*	*94*	**109**
Dividends paid		*46*	*52*	*58*	**64**
Net capital expenditure	*245*	*499*	*698*	*438*	**1,131**
Purchase of shares in subsidiary undertakings		*259*	*1*	*1*	**5**
Increase/(decrease) in working capital	*(86)*	*(99)*	*100*	*(87)*	**85**
FUNDS UTILISED	*159*	*721*	*929*	*504*	**1,394**
Loans, finance leases and hire purchase arrangements					
- net amount repaid/(raised)	*82*	*(179)*	*(260)*	*343*	**(644)**
Increase/(decrease) in bank and cash balances	*118*	*(68)*	*(79)*	*244*	**(147)**
Convertible Capital Bonds issued				*(320)*	
NET FUNDS REPAID/(PROVIDED)	*200*	*(247)*	*(339)*	*267*	**(791)**

FIVE YEAR SUMMARIES (continued)

[illegible]

ANALYSIS OF GROUP TURNOVER, OPERATING SURPLUS AND PROFIT BEFORE TAXATION BY BUSINESS SEGMENT

[illegible]	1987	1988	1989	1990	1991
TURNOVER					
Airline operations	3,054	3,523	4,132	4,715	4,834
Package holidays	178	217	102	98	79
Other	13	16	23	25	24
Discontinued activities	18				
	3,263	3,756	4,257	4,838	4,937
OPERATING SURPLUS/(DEFICIT)					
Airline operations	183	241	340	402	166
Package holidays	(9)	(6)	(3)	(8)	(2)
Other		1	(1)	(10)	3
Discontinued activities	(1)				
	173	236	336	384	167
PROFIT/(LOSS) BEFORE TAXATION					
Airline operations	170	235	282	377	128
Package holidays	(5)	(9)	(10)	(12)	2
Other	(1)	2	(4)	(20)	
Discontinued activities	(2)				
	162	228	268	345	130

ANALYSIS OF GROUP TURNOVER AND OPERATING SURPLUS BY GEOGRAPHICAL AREA

£ million	1987	1988	1989	1990	1991
TURNOVER					
Europe	1,416	1,609	1,622	1,825	1,919
The Americas	982	1,175	1,374	1,619	1,653
Africa	185	237	323	356	387
Middle East, Far East and Australasia	662	735	938	1,038	978
	3,245	3,756	4,257	4,838	4,937
Discontinued activities	18				
	3,263	3,756	4,257	4,838	4,937
OPERATING SURPLUS/(DEFICIT)					
Europe	56	36	16	3	(34)
The Americas	65	131	181	249	158
Africa	20	37	49	52	40
Middle East, Far East and Australasia	33	32	90	80	3
	174	236	336	384	167
Discontinued activities	(1)				
	173	236	336	384	167

13 DEBTORS

£ million	Note	Group 1991	Group 1990	Company 1991	Company 1990
Trade debtors		621	*754*	593	*730*
Amounts owed by subsidiary undertakings				1	*14*
Amounts owed by associated undertakings		7	*8*	7	*7*
Other debtors		26	*30*	22	*27*
Prepayments and accrued income		141	*131*	128	*110*
		795	*923*	751	*888*

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	Group 1991	Group 1990	Company 1991	Company 1990
Loans, finance leases and hire purchase arrangements	*16*				
Bank and other loans		64	*36*	63	*34*
Finance leases		28	*22*	25	*20*
Hire purchase arrangements		13		13	
		105	*58*	101	*54*
Overdrafts – unsecured		41	*1*	37	
Trade creditors		599	*686*	569	*[illegible]*
Amounts owed to subsidiary undertakings				80	*77*
Amounts owed to associated undertakings		1	*1*	1	*1*
Other creditors including taxation and social security					
Other creditors		58	*117*	56	*120*
Corporate taxation		29	*114*	25	*108*
Other taxation and social security		27	*25*	25	*24*
		114	*256*	106	*252*
Proposed dividend		44	*44*	44	*44*
Accruals and deferred income					
Sales in advance of carriage		548	*626*	533	*600*
Accruals and deferred income		148	*144*	146	*142*
		696	*770*	679	*742*
		1,600	*1,816*	1,617	*1,796*

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	Group 1991	Group 1990	Company 1991	Company 1990
Loans, finance leases and hire purchase arrangements	*16*				
Bank and other loans		712	*575*	560	*416*
Finance leases		268	*132*	264	*131*
Hire purchase arrangements		324		324	
Loans from subsidiary undertakings				454	*462*
		1,304	*707*	1,602	*1,009*
Trade creditors		10	*10*		
Accruals and deferred income		52	*38*	52	*38*
		1,366	*755*	1,654	*1,047*

OPERATING STATISTICS

For the five years ended 31 March 1991

SCHEDULED SERVICES	1987	1988	1989	1990	1991
Traffic and capacity					
Revenue passenger km (RPK) (m)	41,356	49,123	57,795	61,915	64,734
Available seat km (ASK) (m)	61,722	69,970	82,984	86,601	92,399
Passenger load factor (%)	67.0	70.2	69.6	71.5	70.1
Cargo tonne km (m)	1,444	1,793	2,249	2,400	2,463
Total revenue tonne km (RTK) (m)	5,267	6,345	7,636	8,290	8,641
Total available tonne km (ATK) (m)	8,141	9,427	11,404	12,035	12,929
Overall load factor (%)	64.7	67.3	67.0	68.9	66.8
Passengers carried (000)	17,276	20,169	22,578	23,671	24,243
Tonnes of cargo carried (000)	[illegible]	361	459	498	506
Financial					
Revenue per RPK (p)	6.00	5.82	5.96	6.37	6.27
Revenue per ASK (p)	4.02	4.08	4.15	4.55	4.39
Net operating expenditure per ASK (p)	3.73	3.74	3.75	4.11	4.21
Break-even passenger load factor (%)	62.1	64.4	62.9	64.5	67.2
Revenue per RTK (p)	52.1	49.6	49.6	52.2	51.3
Revenue per ATK (p)	33.73	33.36	33.22	35.98	34.29
Net operating expenditure per ATK (p)	31.51	30.84	30.30	32.77	33.00
Break-even overall load factor (%)	60.4	62.2	61.1	62.8	64.3
Average fuel price (US cents/US gallon)	58.36	63.78	60.22	69.72	89.72
Operations					
Punctuality (% within 15 minutes)	81	80	72	72	73
Regularity (%)	99.2	99.2	99.0	98.9	98.7
Unduplicated route km (000)	555	692	677	685	665

TOTAL AIRLINE OPERATIONS

including Caledonian Airways Ltd

	1987	1988	1989	1990	1991
Total revenue tonne km (m)	5,784	6,895	8,002	8,627	8,979
Total available tonne km (m)	8,751	10,083	11,868	12,445	13,351
Passengers carried (000)	20,041	23,230	24,603	25,238	25,587
Aircraft in service at year end	164	197	211	224	230
Aircraft utilisation (average hours per aircraft per annum)	2,801	2,891	2,886	2,787	2,663
Revenue flights (000)	217	234	269	274	271
Revenue aircraft km flown (m)	282	312	364	375	389
Net operating expenditure per ATK (p)	30.9	30.4	30.0	32.4	32.7
Average airline staff employed *(see Note below)*	39,498	42,709	48,760	50,320	52,809
ATKs per employee (000)	221.[illegible]	236.1	243.4	247.3	252.8
RTKs per employee (000)	146.4	161.4	164.1	171.4	170.0

Note: The actual number of airline staff employed at 1 April 1991 was 51,695

AIRCRAFT FLEET

Including Caledonian Airways Ltd

	Number in service at 31 March 1991								
	Owned, hire purchased and on finance leases (Note 1)	*On extendible operating leases*	*On other operating leases*	*Total*	*Future deliveries*	*Options (Note 2)*	*1990-1991 revenue hours flown*	*Average hours per aircraft p.a.*	*Average age (years)*
Concorde	7			7			7,043	1,006	14.3
Boeing 747-100	15			15			60,592	3,950	18.9
Boeing 747-200	11	5		16			82,939	4,238	10.3
Boeing 747-400	6	13		19	23	22	65,064	4,621	1.0
Lockheed TriStar 1, 50 and 100	5	1		6			20,313	2,338	16.0
Lockheed TriStar 200	7			7			26,838	3,355	10.4
McDonnell Douglas DC10-30	8			8			33,015	4,127	12.3
Boeing 767-300	2	7		9	13	15	17,386	2,491	1.2
Boeing 757-200 *(Note 3)*	30	7		37	5	2	8[illegible],424	2,478	5.3
Airbus A320	10			10			20,161	2,220	2.0
Boeing 737-200	23	20		43			99,763	2,320	9.2
Boeing 737 [illegible]0, -400 and -500 *(N[illegible] 4)*			5	5	27	16	12,358	2,796	3.3
BAC 1-11-500	31			31			51,856	1,525	21.7
BAe ATP		8		8		8	15,913	1,989	2.0
HS 748	4		5	9			12,972	1,446	10.2
Hired aircraft							9,107		
Total	159	61	10	230	[illegible]8	63	623,744	2,663	9.8

Notes:

1 *Excludes four Lockheed TriStars and three BAC 1-11-500s stood down.*

2 *Options exclude 20 reserved d[illegible]y positions for Canadair Regional Jet aircraft.*

3 *Aircraft in service includes one aircraft leased to another carrier.*

4 *The first 13 aircraft on firm order will be the Boeing 737-400 variant.*

SHAREHOLDER INFORMATION

SHAREHOLDERS

As at 10 May 1991 there were 295,970 shareholders An analysis is given below

Size of shareholding	*Percentage of shareholders*	*Percentage of shares*
1 - 1,000	96.45	9.59
1,001 - 5,000	2.97	2.50
5,001 - 10,000	0.25	0.71
10,001 - 50,000	0.16	1.50
50,001 - 100,000	0.04	1.11
100,001 - 250,000	0.05	3.43
250,001 - 500,000	0.03	4.45
500,001 - 750,000	0.01	3.03
750,001 - 1,000,000	0.01	3.06
Over 1,000,000	0.03	70.62
	100.00	100.00

Classification of shareholding	*Percentage of shareholders*	*Percentage of shares*
Individuals	98.48	12.53
Nominee companies	0.78	70.74
Insurance companies	0.03	8.54
Banks	0.20	1.95
Pension Funds	0.03	1.25
Other corporate holders	0.48	4.99
	100.00	100.00

The following have holdings in the Company in excess of three per cent of the total shares issued:	*Percentage shareholding*
Templeton Investment Management Limited	5.04
Capital International Limited (1.72 per cent is in ADR form and contained in the ADR figure below)	4.34
Delaware Management (all in ADR form and contained in the ADR figure below)	3.98
Prudential Corporation Group	3.96
Abu Dhabi Investment Authority	3.03

Morgan Guaranty Trust Company of New York, the Company's ADR Depositary, has a non-beneficial interest in 21.05 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 1991

	British Airways Plc						*British Airways Capital Ltd*	
	Ordinary Shares subject to no restrictions		*Ordinary Shares subject to restrictions*		*Options Executive and SAYE Share Schemes*		*Convertible Capital Bonds*	
	31 March 1991	*1 April 1990*	**31 March 1991**	*1 April 1990*	**31 March 1991**	*1 April 1990*	**31 March 1991**	*1 April 1990*
Lord King	**35,084**	*35,084*	**316**	*316*	**853,330**	*755,291*	**13,332**	*13,332*
Sir Colin Marshall	**25,520**	*25,520*	**316**	*316*	**710,155**	*612,116*	**11,304**	*11,304*
Sir Michael Angus	**3,000**	*3,000*	-	-	-	-	**1,333**	*1,333*
D M Stevens	**5,050**	*5,050*	**3,403**	*246*	**337,254**	*200,000*	**109**	*109*
A M Davies	**5,060**	*5,060*	-	-	-	-	**2,221**	*2,221*
Captain J W Jessop	**350**	*350*	**3,500**	*3,500*	-	-	-	-
Sir Francis Kennedy	**5,250**	*5,250*	**1,860**	-	**166,666**	-	**1,333**	*1,333*
Hon Charles Price II	**10,000***	*10,000**	-	-	-	-	-	-
Lord White	-	-	-	-	-	-	-	-
	89,314	*89,314*	**9,395**	*4,378*	**2,067,405**	*1,567,407*	**29,632**	*29,632*

** Held in American Depositary Receipts.*

The Directors' interests set out above are in each case beneficial. The options under the Executive Share Option and Savings Related Share Schemes are at prices varying between 150p and 210p per share. No Director has any beneficial interest in shares in any subsidiary undertaking of the Company other than those shown above in the 9.75 per cent Convertible Capital Bonds 2005 in British Airways Capital Limited. There have been no changes in the interests set out above between the end of the financial year and 20 May 1991.

GENERAL INFORMATION

FINANCIAL CALENDAR	
Financial year end	*31 March 1991*
Annual general meeting	*16 July 1991*
1990-91 final dividend payable	*26 July 1991*

ANNOUNCEMENT OF 1991-92 RESULTS AND DIVIDENDS	
First quarter results to 30 June 1991	*August 1991*
Second quarter results to 30 September 1991	*November 1991*
Interim dividend	*November 1991 (payable January 1992)*
Third quarter results to 31 December 1991	*February 1992*
Preliminary announcement	*May 1992*
Report and Accounts	*June 1992*
Final dividend	*June 1992 (payable July 1992)*

OUTSIDE ADVISERS
Company Registrars: Barclays Registrars
ADR Depositary: Morgan Guaranty Trust Company of New York

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.

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GLOSSARY

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

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

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

IATA: International Air Transport Association.

ICAO: International Civil Aviation Organisation.

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

Punctuality: The percentage of flights departing within 15 minutes of schedule.

Regularity: The percentage of flights completed to flights scheduled, excluding flights cancelled for commercial reasons.

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

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

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