

**DIRECTORS' REPORT AND ACCOUNTS**  
**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**MARCH 31, 2002**

**Company Number 590083**



**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**DIRECTORS' REPORT**

Directors: J F Rishton (appointed September 1, 2001)  
A K Buchanan  
K Williams (appointed March 31, 2002)  
S Walsh (appointed October 1, 2001; resigned March 30, 2002)  
D M Stevens (resigned August 31, 2001)

Secretary: P H Jarvis

Registered office: Waterside, PO Box 365  
Harmondsworth UB7 0GB

The Directors present their report and the audited accounts for the year ended March 31, 2002.

**DIRECTORS**

The Directors of the Company during the year were J F Rishton (appointed September 1, 2001), A K Buchanan, D M Stevens (resigned August 31, 2001), S Walsh (appointed October 1, 2001 and resigned March 30, 2002) and K Williams (appointed March 31, 2002).

**RESULTS**

The loss after tax amounted to £62,139 (2001: profit £5,272,967).

**PRINCIPAL ACTIVITIES**

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc, forms an integral part of British Airways' activity. During the year its principal activities were controlling and managing investments in other airlines and hotel companies.

**DIRECTORS' INTERESTS**

None of the Directors had any beneficial interest in the shares of the Company either at March 31, 2002 or March 31, 2001. According to the register maintained as required under the Companies Act 1985, the Directors' interests in the share capital of British Airways Plc and in the 9.75% Convertible Capital Bonds 2005 of British Airways Capital Limited which require disclosure in these accounts were as follows:

<u>Directors' Names</u>	<u>British Airways Plc</u>				<u>British Airways Capital Limited</u>	
	<u>Ordinary shares subject to no restrictions</u>		<u>Ordinary shares subject to restrictions</u>		<u>Convertible Capital Bonds</u>	
	<u>March 31, 2002</u>	<u>April 1, 2001*</u>	<u>March 31, 2002</u>	<u>April 1, 2001*</u>	<u>March 31, 2002</u>	<u>April 1, 2001*</u>
A K Buchanan	3,728	3,312	-	226	-	-
K Williams	-	-	-	-	-	-

	<u>Share options</u>	
	<u>March 31, 2002</u>	<u>April 1, 2001*</u>
A K Buchanan	119,323	70,817
K Williams	95,711	95,711

\* or at date of appointment

The interests of J F Rishton are disclosed in the accounts of British Airways Plc. The Directors' interests set out above are in each case beneficial. The options under The Executive Share Scheme and SAYE Share Schemes are at prices ranging from £2.38 to £4.05.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year, the Company made no political or charitable contributions.

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**DIRECTORS' REPORT**

*(Continued)*

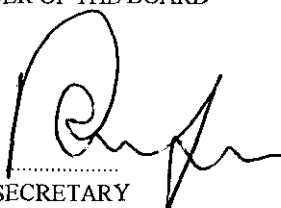
**LIABILITY INSURANCE**

The ultimate parent undertaking, British Airways Plc, holds a Directors' and Officers' liability insurance policy covering the Directors and Officers of its subsidiary undertakings.

**AUDITORS**

The Company has passed elective resolutions in accordance with the provisions of sections 386(1) and 379(A) of the Companies Act 1985 and Ernst & Young LLP will automatically continue in office as the Company's auditors.

BY ORDER OF THE BOARD

  
.....  
SECRETARY

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the report of the auditors set out on Page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT**

to the members of **BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

We have audited the company's financial statements for the year ended March 31, 2002, which comprise Profit and Loss Account, Balance Sheet, Reconciliation of Shareholders' Funds and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

### **Respective responsibilities of Directors and Auditors**

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

This report has been prepared for the members of the Company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
LONDON

23 December 2002

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED MARCH 31, 2002**

	Note	2002 £	2001 £
Provision for doubtful debt	2	(579,458)	-
Exchange gain		5,072	18,113
<b>Operating (loss)/profit</b>	3	<b>(574,386)</b>	<b>18,113</b>
Income from interests in trade investments and other income	5	276,640	440,968
Net interest receivable from parent undertaking		235,607	264,275
Profit on disposal of investment in subsidiary undertaking		-	4,549,611
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(62,139)</b>	<b>5,272,967</b>
Taxation	6	-	-
<b>Retained (loss)/profit for the financial year</b>	13	<b>(62,139)</b>	<b>5,272,967</b>

There are no recognised gains or losses other than the losses amounting to £62,139 in the year ended March 31, 2002 and profits of £5,272,967 in the year ended March 31, 2001.

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**BALANCE SHEET**

**As At March 31, 2002**

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Investments	7	1,093,351	1,093,351
<b>CURRENT ASSETS</b>			
Debtors	8	34,366,233	34,639,723
Creditors: Amounts falling due within one year	9	-	(9,089)
<b>NET CURRENT ASSETS</b>		<b>34,366,233</b>	<b>34,630,634</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>35,459,584</b>	<b>35,723,985</b>
Creditors: Amounts falling due after more than one year	10	-	(202,262)
		<b>35,459,584</b>	<b>35,521,723</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	173,425,273	173,425,273
Profit and loss account	13	(137,965,689)	(137,903,550)
	13	<b>35,459,584</b>	<b>35,521,723</b>

*23 December, 2002*

The financial statements were approved by the Board of Directors on ..... and signed on behalf of the Board:

Director *Alan Jones* —

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED MARCH 31, 2002**

**1 ACCOUNTING POLICIES**

**Accounting convention:**

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

As the Company is a wholly owned subsidiary undertaking of a Company incorporated in England, Group accounts have not been prepared.

**Investments:**

Fixed asset investments are stated at cost unless, in the opinion of the Directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

**Deferred taxation:**

During the year the Company, in line with the rest of the British Airways Group, implemented accounting standard FRS 19 - Deferred Tax, to change its accounting policy. However, implementation has not impacted previous year reserves or comparatives.

**Foreign currencies:**

Normal trading activities denominated in foreign currencies are recorded in sterling at actual rates of exchange as at the date of the transaction. Monetary assets and liabilities denominated in currencies other than sterling are translated to sterling at rates of exchange ruling at the end of the financial year. All currency gains and losses arising are included in the profit and loss account.

**2 PROVISION FOR DOUBTFUL DEBT**

During the year a provision was made against the outstanding loan balance between the Company and Participations Aeronautiques following its insolvency and default on the payment due at March 31, 2002. A claim has been lodged through the French authorities to recover the outstanding balance of the loan.

**3 OPERATING (LOSS)/ PROFIT**

The Auditors' remuneration is borne by British Airways Plc.

**4 DIRECTORS' REMUNERATION**

The Directors did not receive remuneration for their services to the Company during the year (2001: £Nil). The Directors qualify for a defined benefit pension scheme funded by the Company's parent undertaking.

J F Rishton was a Director of the Company's ultimate parent undertaking, British Airways Plc. The emoluments for his services to the British Airways Group are disclosed in the Group's accounts.

**5 INCOME FROM TRADE INVESTMENTS AND OTHER INCOME**

	<u>2002</u>	<u>2001</u>
	£	£
Dividends	267,551	432,135
Other income	9,089	8,833
	<u>276,640</u>	<u>440,968</u>

**6 TAXATION**

**(a) Analysis of debit / (credit) for the year**

	<u>2002</u>	<u>2001</u>
	£	£
Current Tax:		
Tax Charge for the year	-	-
Deferred Tax:		
Accelerated capital allowances	-	-
Other timing differences	-	-
	<u>-</u>	<u>-</u>

During the year the Company implemented FRS 19 Deferred Tax (see Note 1).



**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**  
**FOR THE YEAR ENDED MARCH 31, 2002**

**(b) Factors affecting tax debit / (credit) for the year**

The current tax charge / (credited) for the period is less than the profit / (loss) at the standard rate of corporation tax in the UK (30%).  
The differences are explained below:

	2002	2001
	£	£
(Loss) / Profit on ordinary activities before tax	(62,139)	5,272,967
(Loss) / Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 30%)	(18,642)	1,581,890
Profit on disposal of Participation Aeronautiques	-	(1,421,219)
Free Group relief to / (from) group members	18,642	(160,671)
Current tax charge for the year as above	-	-

**7 INVESTMENTS**

a)	Subsidiary Undertakings £	Associated Undertakings £	Trade Investments £	Total Investments £
<b>Cost</b>				
At April 1, 2001	290,013	160,376	941,295	1,391,684
Disposals	-	-	-	-
At March 31, 2002	290,013	160,376	941,295	1,391,684
<b>Amounts provided/written off</b>				
At April 1, 2001	(290,013)	-	(8,320)	(298,333)
Disposals	-	-	-	-
At March 31, 2002	(290,013)	-	(8,320)	(298,333)
<b>Net book value</b>				
March 31, 2002	-	160,376	932,975	1,093,351
March 31, 2001	-	160,376	932,975	1,093,351

**b) Subsidiary undertakings at March 31, 2002 comprise investments in the following unlisted companies:**

Name of Company	Activity	Country of Incorporation	Proportion of Equity
British Air Services Limited	Dormant	England	100%
Scottish Airways Limited	Dormant	Scotland	100%
Jersey Airways Limited	Dormant	Jersey	100%

**c) Associated undertakings at March 31, 2002 comprise investments in the following unlisted companies:**

Name of Company	Activity	Country of Incorporation	Proportion of Equity
Beau Vallon Properties Limited	Hotels and catering	Seychelles	35%

**d) Trade investments at March 31, 2002 comprise investments in the following companies:**

These investments in which 51, 25 and 8% respectively comprise investments in the following companies:				
Name of Company		Activity	Country of Incorporation	Proportion of Equity
Air Mauritius Ltd	Listed	Airline	Mauritius	11%
Air Mauritius Holding Ltd	Unlisted	Airline	Mauritius	13%
Tourism Promotion Services (Uganda) Ltd	Unlisted	Dormant	Uganda	8%

The Company has an investment of 13.2% in Air Mauritius Holding Limited and its investment in Air Mauritius Limited of 10.6%, consists of a 3.8% direct shareholding and a 6.8% indirect shareholding through its 13.2% shareholding in Air Mauritius Holding Limited.

No provision has been made in these accounts for the liability to taxation on capital gains, which would arise if the investment in Air Mauritius Limited were to be sold at market value, as any gain on the disposal of the investment in Air Mauritius Limited would be fully relieved by capital losses available within the British Airways group, and no tax would be payable.

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**  
**FOR THE YEAR ENDED MARCH 31, 2002**

**7 INVESTMENTS (continued)**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Listed investments at net book value	932,975	932,975
Unlisted investments at net book value	-	-
	<u>932,975</u>	<u>932,975</u>
Market value of listed investments	<u>3,086,143</u>	<u>4,013,599</u>

**8 DEBTORS**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Amounts owed by parent undertaking	34,366,005	33,826,762
Other non-trade debtors	-	812,733
Taxation	228	228
	<u>34,366,233</u>	<u>34,639,723</u>

During the year a provision was made against the outstanding loan balance between the Company and Participations Aeronautiques following its insolvency and default on the payment due at March 31, 2002. A claim has been lodged through the French authorities to recover the outstanding balance of the loan.

**9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Accruals and deferred income	-	9,089
	<u>-</u>	<u>9,089</u>

**10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Accruals and deferred income	-	202,262
	<u>-</u>	<u>202,262</u>

**11 PROVISION FOR DEFERRED TAXATION**

There is no deferred tax asset / (provision) required (2001: Nil).

**12 SHARE CAPITAL**

	<b>2002</b>	<b>2002</b>	<b>2001</b>	<b>2001</b>
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Authorised:				
Ordinary shares of £1 each	200,000,000	200,000,000	200,000,000	200,000,000
	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Allotted, called up and fully paid:				
At April 1, 2001	173,425,273	173,425,273	173,425,273	173,425,273
Balance at March 31, 2002	<u>173,425,273</u>	<u>173,425,273</u>	<u>173,425,273</u>	<u>173,425,273</u>

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**  
**FOR THE YEAR ENDED MARCH 31, 2002**

**13 RECONCILIATION OF SHAREHOLDERS' FUNDS  
AND MOVEMENTS ON RESERVES**

	Share Capital	Profit & Loss	Total
	£	£	£
At April 1, 2000	173,425,273	(143,176,517)	30,248,756
Profit for the Year	-	5,272,967	5,272,967
At March 31, 2001	173,425,273	(137,903,550)	35,521,723
Loss for the Year	-	(62,139)	(62,139)
At March 31, 2002	173,425,273	(137,965,689)	35,459,584

**14 DIRECTORS' LOANS AND TRANSACTIONS**

No loans or transactions were outstanding with Directors 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.

**15 RELATED PARTIES**

The Company has taken advantage of the exemption in FRS8 not to disclose related party transactions as 90 per cent or more of the voting rights are controlled within the Group.

**16 PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's immediate parent undertaking is British Airways Plc.

The Company is a wholly owned subsidiary undertaking of British Airways Plc, a Company incorporated in England. Copies of the Group accounts of British Airways Plc, which include the Company, can be obtained by writing to the Secretary, British Airways Plc, Waterside, PO Box 365, Harmondsworth UB7 0GB.