

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

**MARCH 31, 2000**

**Company Number 590083**



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

Directors: D M Stevens  
A K Buchanan (appointed March 30, 2000)

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, 2000.

**DIRECTORS**

The Directors of the Company at March 31, 2000 were D M Stevens and A K Buchanan. R J Ayling and G F Redwood resigned as Directors of the Company on March 10, 2000 and March 30, 2000 respectively.

**RESULTS**

The loss after tax amounted to £11,871,585 (1999: loss £47,262,900).

**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.

**EVENTS SINCE THE BALANCE SHEET DATE**

On May 4, 2000 the Company disposed of its 85.83 per cent stake in Participations Aeronautiques to Taitbout Antibes BV.

**DIRECTORS' INTERESTS**

None of the Directors had any beneficial interest in the shares of the Company either at March 31, 2000 or March 31, 1999. 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:

Directors' Names	British Airways Plc				British Airways Capital Limited	
	Ordinary shares subject to no restrictions		Ordinary shares subject to restrictions		Convertible Capital Bonds	
	March 31, 2000	April 1, 1999*	March 31, 2000	April 1, 1999*	March 31, 2000	April 1, 1999*
A K Buchanan	1,992	1,992	1,399	1,399	-	-
Share options						
			March 31, 2000	April 1, 1999*		
A K Buchanan			30,610	30,610		

\* At date of appointment if later

The interests of D M Stevens 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 £1.96 to £4.18.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

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

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**DIRECTORS' REPORT**

*(Continued)*

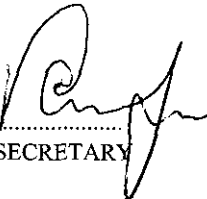
**LIABILITY INSURANCE**

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 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.

## REPORT OF THE AUDITORS

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

We have audited the accounts on pages 5 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

### Respective responsibilities of Directors and Auditors

As described on page 3, the Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

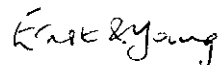
### Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at March 31, 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
LONDON

16 January 2001

**BRITISH AIRWAYS' ASSOCIATED COMPANIES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED MARCH 31, 2000**

	Note	2000 £	1999 £
Administrative expenses		-	844
Exchange loss		(51,579)	(23,456)
<b>Operating loss</b>	2	<b>(51,579)</b>	<b>(22,612)</b>
Provision against shares in subsidiary undertaking	6a	(11,230,488)	(47,561,652)
Income from interests in trade investments and other income	4	218,888	78,910
Net interest receivable from parent undertaking		210,779	242,102
Exchange loss on loan to Participations Aeronautiques		(1,019,185)	-
<b>Loss on ordinary activities before taxation</b>		<b>(11,871,585)</b>	<b>(47,263,252)</b>
Taxation	5	-	352
<b>Retained loss for the financial year</b>	11	<b>(11,871,585)</b>	<b>(47,262,900)</b>

There are no recognised gains or losses other than the losses amounting to £11,871,585 in the year ended March 31, 2000 and losses of £47,262,900 in the year ended March 31, 1999.

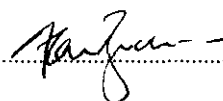
**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**BALANCE SHEET**

**As At March 31, 2000**

	Note	2000 £	1999 £
<b>FIXED ASSETS</b>			
Investments	6	14,467,163	1,093,351
<b>CURRENT ASSETS</b>			
Debtors	7	15,995,794	4,219,908
Creditors: Amounts falling due within one year	8	(8,568)	(7,795)
<b>NET CURRENT ASSETS</b>		<u>15,987,226</u>	<u>4,212,113</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>30,454,389</u>	<u>5,305,464</u>
Creditors: Amounts falling due after more than one year	9	(205,633)	(252,035)
		<u>30,248,756</u>	<u>5,053,429</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	173,425,273	136,358,361
Profit and loss account	11	(143,176,517)	(131,304,932)
	11	<u>30,248,756</u>	<u>5,053,429</u>

The financial statements were approved by the Board of Directors on 26 January 2001 and signed on behalf of the Board:

Director  .....

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED MARCH 31, 2000**

**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:**

Provisions are made for deferred taxation, using the liability method, on short-term timing differences and all other material timing differences to the extent that it is probable that the liabilities will crystallise in the foreseeable future.

**Foreign 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 OPERATING LOSS**

The Auditors' remuneration is borne by British Airways Plc.

**3 DIRECTORS' REMUNERATION**

The Directors did not receive remuneration for their services to the Company during the year (1999: £Nil). The Directors qualify for a defined benefit pension scheme funded by the Company's parent undertaking.

**4 INCOME FROM TRADE INVESTMENTS AND OTHER INCOME**

	<u>2000</u>	<u>1999</u>
	£	£
Dividends	211,797	78,910
Other income	7,091	-
	<u>218,888</u>	<u>78,910</u>

**5 TAXATION**

	<u>2000</u>	<u>1999</u>
	£	£
Overseas Tax	-	(100)
Prior year adjustments	-	452
	<u>-</u>	<u>352</u>

There is no tax charge for the current year. Taxable profits will be sheltered in full by Group relief from other group companies, for which no payment is to be made.

If full provision for deferred taxation had been made, there would have been no additional charge/(credit).



**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**  
**FOR THE YEAR ENDED MARCH 31, 2000**

**6 INVESTMENTS**

a)	Subsidiary Undertakings £	Associated Undertakings £	Trade Investments £	Total Investments £
<b>Cost</b>				
At April 1, 1999	135,973,372	160,376	941,295	137,075,043
Additions	24,604,300	-	-	24,604,300
At March 31, 2000	<u>160,577,672</u>	<u>160,376</u>	<u>941,295</u>	<u>161,679,343</u>
<b>Amounts provided/written off</b>				
At April 1, 1999	(135,973,372)	-	(8,320)	(135,981,692)
Additions	(11,230,488)	-	-	(11,230,488)
At March 31, 2000	<u>(147,203,860)</u>	<u>-</u>	<u>(8,320)</u>	<u>(147,212,180)</u>
<b>Net book value</b>				
March 31, 2000	<u>13,373,812</u>	<u>160,376</u>	<u>932,975</u>	<u>14,467,163</u>
March 31, 1999	<u>-</u>	<u>160,376</u>	<u>932,975</u>	<u>1,093,351</u>

b) Subsidiary undertakings at March 31, 2000 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%
Participations Aeronautiques S.A.	Holding Co.	France	86%

c) Associated undertakings at March 31, 2000 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, 2000 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.

	2000 £	1999 £
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>4,091,769</u>	<u>3,534,648</u>

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**  
**FOR THE YEAR ENDED MARCH 31, 2000**

**7 DEBTORS**

	<u>2000</u>	<u>1999</u>
	£	£
Amounts owed by parent undertaking	3,728,394	3,277,735
Amounts owed by subsidiary undertaking	12,267,172	941,821
Taxation	228	352
	<u>15,995,794</u>	<u>4,219,908</u>

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

	<u>2000</u>	<u>1999</u>
	£	£
Accruals and deferred income	8,568	7,795
	<u>8,568</u>	<u>7,795</u>

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

	<u>2000</u>	<u>1999</u>
	£	£
Accruals and deferred income	205,633	252,035
	<u>205,633</u>	<u>252,035</u>

**10 SHARE CAPITAL**

	<u>2000</u>	<u>2000</u>	<u>1999</u>	<u>1999</u>
	No.	£	No.	£
Authorised:				
Ordinary shares of £1 each	140,000,000	140,000,000	90,000,000	90,000,000
Increase approved by shareholders	60,000,000	60,000,000	50,000,000	50,000,000
	<u>200,000,000</u>	<u>200,000,000</u>	<u>140,000,000</u>	<u>140,000,000</u>
Allotted, called up and fully paid:				
At April 1, 1999	136,358,361	136,358,361	88,796,707	88,796,707
Issued during the year	37,066,912	37,066,912	47,561,654	47,561,654
Balance at March 31, 2000	<u>173,425,273</u>	<u>173,425,273</u>	<u>136,358,361</u>	<u>136,358,361</u>

During the year 37,066,912 ordinary shares were allotted and fully paid up at par to provide capital for investment in subsidiary undertakings.

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**FOR THE YEAR ENDED MARCH 31, 2000**

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

	Share Capital	Profit & Loss	Total
	£	£	£
At April 1, 1998	88,796,707	(84,042,032)	4,754,675
Additions	47,561,654	-	47,561,654
Loss for the Year	-	(47,262,900)	(47,262,900)
At March 31, 1999	136,358,361	(131,304,932)	5,053,429
Additions	37,066,912	-	37,066,912
Loss for the Year	-	(11,871,585)	(11,871,585)
At March 31, 2000	173,425,273	(143,176,517)	30,248,756

**12 POST BALANCE SHEET EVENT**

Subsequent to March 31, 2000 a contract for the sale of the Company's 85.83% stake in Participations Aeronautiques was entered into with Taitbout Antibes BV and on May 4, 2000 the Company completed the disposal.

**13 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.

**14 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.

**15 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.