

**PRELIMINARY FINANCIAL RESULTS 2000-2001**

		Three months ended			Twelve months ended		
		March 31		Increase/ (Decrease)	March 31		Increase/ (Decrease)
		2001	2000		2001	2000	
Turnover	£m	<b>2,121</b>	2,107	0.7%	<b>9,278</b>	8,940	3.8%
Operating profit / (loss)	£m	<b>(61)</b>	(125)	51.2%	<b>380</b>	84	nm
Operating margin	%	<b>(2.9)</b>	(5.9)	3.0pts	<b>4.1</b>	0.9	3.2pts
Profit/(loss) before tax	£m	<b>(65)</b>	(175)	62.9%	<b>150</b>	5	nm
Retained loss for the period	£m	<b>(215)</b>	(306)	29.7%	<b>(79)</b>	(216)	63.4%
Capital and reserves at period end	£m	<b>3,419</b>	3,340	2.4%	<b>3,419</b>	3,340	2.4%
Earnings per share							
<i>Basic</i>	p	<b>(7.2)</b>	(15.7)	54.1%	<b>10.6</b>	(2.0)	nm
<i>Diluted</i>	p	<b>n/a</b>	n/a	n/a	<b>10.5</b>	n/a	n/a
Dividends per share	p	<b>12.8</b>	12.8		<b>17.9</b>	17.9	

n/a: Not applicable  
nm : Not meaningful

**Shareholder Value**  
Waterside (HBA1)  
PO Box 365, Harmondsworth  
West Drayton, Middlesex UB7 OGB

Tel: +44 (0) 208 738 6947  
Fax: +44 (0) 208 738 9602

**GROUP PROFIT AND LOSS ACCOUNT**

	Three months ended			Twelve months ended		
	2001 £m	March 31 2000 £m	Increase/ (Decrease)	2001 £m	March 31 2000 £m	Increase/ (Decrease)
Traffic Revenue						
<i>Scheduled Passenger</i>	<b>1,787</b>	1,760	1.5%	<b>7,803</b>	7,465	4.5%
<i>Scheduled Cargo</i>	<b>133</b>	134	(0.7)%	<b>579</b>	556	4.1%
<i>Non-scheduled services</i>	<b>7</b>	8	(12.5)%	<b>50</b>	71	(29.6)%
	<b>1,927</b>	1,902	1.3%	<b>8,432</b>	8,092	4.2%
<i>Other revenue</i>	<b>194</b>	205	(5.4)%	<b>846</b>	848	(0.2)%
<b>TOTAL TURNOVER</b>	<b>2,121</b>	2,107	0.7%	<b>9,278</b>	8,940	3.8%
<i>Employee costs</i>	<b>611</b>	607	0.7%	<b>2,376</b>	2,481	(4.2)%
<i>Depreciation</i>	<b>183</b>	172	6.4%	<b>715</b>	648	10.3%
<i>Aircraft operating lease costs</i>	<b>58</b>	52	11.5%	<b>221</b>	190	16.3%
<i>Fuel and oil costs</i>	<b>280</b>	219	27.9%	<b>1,102</b>	804	37.1%
<i>Engineering and other aircraft costs</i>	<b>163</b>	141	15.6%	<b>662</b>	661	0.2%
<i>Landing fees and en route charges</i>	<b>157</b>	157	0%	<b>645</b>	682	(5.4)%
<i>Handling charges, catering and other operating costs</i>	<b>289</b>	333	(13.2)%	<b>1,303</b>	1,328	(1.9)%
<i>Selling costs</i>	<b>285</b>	319	(10.7)%	<b>1,135</b>	1,188	(4.5)%
<i>Accommodation, ground equipment costs and currency differences</i>	<b>156</b>	232	(32.8)%	<b>739</b>	874	(15.4)%
<b>TOTAL OPERATING EXPENDITURE</b>	<b>2,182</b>	2,232	(2.2)%	<b>8,898</b>	8,856	0.5%
<b>OPERATING PROFIT/(LOSS)</b>	<b>(61)</b>	(125)	51.2%	<b>380</b>	84	352.4%
Share of operating profits in associates	<b>36</b>	44	(18.2)%	<b>64</b>	75	(14.7)%
<b>TOTAL OPERATING PROFIT/(LOSS) INCLUDING ASSOCIATES</b>	<b>(25)</b>	(81)	69.1%	<b>444</b>	159	179.2%
Other income and charges	<b>(1)</b>	4	nm	<b>1</b>	5	(80.0)%
(Loss)/profit on sale of fixed assets and investments	<b>4</b>	(2)	nm	<b>(69)</b>	249	nm
Interest						
<i>Net payable</i>	<b>(76)</b>	(78)	2.6%	<b>(297)</b>	(272)	(9.2)%
<i>Retranslation credits/(charges) on currency borrowings</i>	<b>33</b>	(18)	nm	<b>71</b>	(136)	nm
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(65)</b>	(175)	62.9%	<b>150</b>	5	nm
Taxation	<b>(7)</b>	10	nm	<b>(22)</b>	(15)	(46.7)%
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>(72)</b>	(165)	56.4%	<b>128</b>	(10)	nm
Equity minority interest	<b>(2)</b>		nm	<b>(2)</b>		nm
Non equity minority interest*	<b>(3)</b>	(3)	0%	<b>(12)</b>	(11)	(9.1)%
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(77)</b>	(168)	54.2%	<b>114</b>	(21)	nm
Dividends paid and proposed	<b>(138)</b>	(138)	0%	<b>(193)</b>	(195)	1.0%
<b>RETAINED LOSS FOR THE PERIOD</b>	<b>(215)</b>	(306)	29.7%	<b>(79)</b>	(216)	63.4%

nm: Not meaningful

\* Cumulative Preferred Securities

**OPERATING AND FINANCIAL STATISTICS**

<b>MAINLINE SCHEDULED SERVICES</b>	Three months ended			Twelve months ended		
	March 31		Increase/ (Decrease)	March 31		Increase/ (Decrease)
	2001	2000		2001	2000	
<i>TRAFFIC AND CAPACITY</i>						
RPK (m)	25,466	26,797	(5.0)%	116,674	117,463	(0.7)%
ASK (m)	37,842	40,717	(7.1)%	162,824	168,361	(3.3)%
Passenger load factor(%)	67.3	65.8	1.5pts	71.7	69.8	1.9pts
CTK (m)	1,056	1,118	(5.5)%	4,731	4,536	4.3%
RTK (m)	3,602	3,802	(5.3)%	16,409	16,256	0.9%
ATK (m)	5,675	5,882	(3.5)%	24,228	24,400	(0.7)%
Overall load factor (%)	63.5	64.6	(1.1)pts	67.7	66.6	1.1pts
Passengers carried (000)	7,874	8,081	(2.6)%	36,221	36,346	(0.3)%
Tonnes of cargo carried (000)	202	224	(9.8)%	907	897	1.1%
<i>FINANCIAL</i>						
Passenger revenue per RPK (p)	6.59	5.91	11.5%	6.29	5.84	7.7%
Passenger revenue per ASK (p)	4.43	3.89	13.9%	4.51	4.07	10.8%
Cargo revenue per CTK(p)	12.50	11.81	5.8%	12.13	11.99	1.2%
Average fuel price before hedging (US cents/US gallon)	103.82	93.20	11.4%	103.94	71.46	45.5%
<b>TOTAL GROUP OPERATIONS</b> (including Deutsche BA, 'go', CityFlyer and, in prior year only, Air Liberte)						
<i>TRAFFIC AND CAPACITY</i>						
RPK (m)	26,800	29,328	(8.6)%	123,197	127,425	(3.3)%
ASK (m)	40,018	44,533	(10.1)%	172,524	183,158	(5.8)%
RTK (m)	3,711	4,041	(8.2)%	16,987	17,215	(1.3)%
ATK (m)	5,883	6,253	(5.9)%	25,196	25,840	(2.5)%
Passengers carried (000)	9,721	10,778	(9.8)%	44,462	46,578	(4.5)%
<i>FINANCIAL</i>						
Total traffic revenue per RTK (p)	51.93	47.07	10.3%	49.64	47.01	5.6%
Total traffic revenue per ATK (p)	32.75	30.42	7.7%	33.47	31.32	6.9%
Net operating expenditure per RTK (p)	53.58	50.16	6.8%	47.40	46.52	1.9%
Net operating expenditure per ATK (p)	33.79	32.42	4.2%	31.96	30.99	3.1%
<i>OPERATIONS</i>						
Average Manpower Equivalent (MPE)	62,425	64,874	(3.8)%	62,844	65,640	(4.3)%
ATKs per MPE (000)	94.2	96.4	(2.3)%	400.9	393.7	1.8%
Aircraft in service at period end	338	366	(28)	338	366	(28)

## **CHAIRMAN'S STATEMENT**

### **Group Performance**

Group profit before tax for the year was £150 million - - up from £5 million last year. Operating profit more than quadrupled to £380 million, despite a fuel bill almost £300 million higher.

The improvement in operating profit reflected benefits from the new aircraft fleet and network strategy, successful new products (especially the Club World flat bed) and aggressive cost efficiency actions. Commitment to customer service was strengthened ; employee morale improved.

The fleet strategy is based on smaller aircraft, flying higher frequencies and carrying a higher mix of premium traffic. Capacity reductions are targeted on unprofitable transfer and discount business.

Mainline passenger yields increased 7.7% - - the biggest year-over-year improvement since privatisation. Unit costs increased 3.1% ; excluding the impact of higher fuel prices, they fell marginally. Despite capacity reductions, productivity improved by 1.8%. Operating margin was 4.1% - - up from 0.9% last year.

For the three months ended March 31, 2001, pre tax losses were £65 million, compared with a loss of £175 million last year. Operating loss for the quarter more than halved to £61 million.

### **Turnover**

For the twelve month period, Group turnover - - at £9,278 million - - was up 3.8% on a flying programme 5.8% smaller in available seat kilometres (ASK).

Group turnover for the quarter was up 0.7% - - at £2,121 million - - on flying capacity 10.1% lower in ASK. Mainline passenger yields were up 11.5% per RPK and 13.9% per ASK ; seat factor was up 1.5 points at 67.3%.

Three month Cargo sales were almost unchanged from a year ago.

### **Unit Costs**

For the twelve month period, unit costs (pence per ATK) were 3.1% higher than a year ago. But for a 37% increase in fuel price (net of hedging), unit costs would have fallen by 0.3%. This reflected cost efficiency actions, including lower cost of sales, e-procurement initiatives and productivity and process improvements. Group manpower fell during the course of the year from 61,000 to 58,000.

Unit costs for the three months were 4.2% higher than the same quarter last year. Excluding the impact of higher fuel prices and adverse exchange rate changes, they would have fallen 2.3%, despite the upward pressure caused by the reduction in capacity.

### **Non Operating Items**

Net interest expense for the year was £226 million. This included a book credit for the revaluation of yen debts (used to fund aircraft acquisitions) of £73 million, compared to last year's charge of £126 million. The revaluation - - required by accounting standards - - results from the weakening of the yen against sterling.

Losses on disposals of fixed assets and investments for the year were £69 million, reflecting primarily the disposal of Air Liberte in May 2000 and product changeover costs. Our share of Iberia's profits from the sale of its investment in Amadeus was a partial offset. Last year profits of £249 million arose, primarily from the disposals of our investment in Galileo International and part of our investment in Equant.

### **Earnings Per Share**

For the twelve month period, profit attributable to shareholders was £114 million, equivalent to earnings of 10.6 pence per share, compared with a loss of 2 pence per share last year. The loss attributable to shareholders for the three months was equivalent to 7.2 pence per share, compared with last year's loss of 15.7 pence.

### **Dividends**

Shareholders will be asked to approve a final dividend of 12.8 pence per share, giving a total for the year of 17.9 pence - - the same as last year. The final dividend will be paid on July 31, 2001 to shareholders registered on June 1, 2001. The ex-dividend date will be May 30, 2001.

#### **Net Debt / Total Capital Ratio**

Borrowings, net of cash and short term loans and deposits, were £6,223 million at March 31 - - up £307 million since the start of the year, due primarily to further investment in new aircraft and products. The net debt/total capital ratio increased by 0.6 points to 64.5%.

Shareholders' funds increased primarily due to the Air Liberte disposal.

#### **Aircraft Fleet**

The Group fleet decreased by 28 during the year from 366 to 338 aircraft.

The mainline fleet increased by 4 aircraft during the year reflecting continued implementation of the revised strategy. Additions included 7 Boeing 777, 15 Airbus A319, 10 Boeing 737-500 and 1 Boeing 737-300 together with 5 Embraer RJ145 operated by Brymon. Aircraft leaving the fleet were 2 Boeing 747-200, 6 Boeing 767-300, 8 Boeing 757-200, and 13 Boeing 737-200 as well as 2 de Havilland Canada DHC-7 and 2 de Havilland Canada DHC-8 operated by Brymon. A further Boeing 747-400 was sub-leased to Qantas.

In the subsidiaries' fleet, seven Avro RJ 100 were added for CityFlyer Express ; disposals included 1 Boeing 737-300 from DBA, 1 ATR 72 and 5 ATR 42 operated by CityFlyer Express, and 32 Air Liberte aircraft.

Concorde services remain suspended following the Air France accident in July. Modifications to the fuel tanks are being made and we remain confident that the Civil Aviation Authority in the UK will re-issue the certificate of airworthiness. While the modifications are made, a £14 million package of product improvements, including new cabin interior and seats, are being installed. Services are expected to resume later this year.

#### **Strategic Developments**

Following a review of Gatwick operations in December, we announced a change from previous attempts to build Gatwick as a transfer hub. Key elements of the new Gatwick plan, which will be implemented over two years, include reducing longhaul destinations and refocusing shorthaul on serving local point-to-point business. The operations and management of our two subsidiaries (CityFlyer and BA's European Operations at Gatwick) will be fully consolidated at the North Terminal by early 2002.

#### **Subsidiaries and Associates**

During the year we sold Air Liberte and our investment in Hogg Robinson. We invested in On Line Travel Portal and announced that from May 2001 our UK outbound holiday business will merge with Thomas Cook.

We also announced our intention to sell our no-frills airline **go**. We expect to conclude the sale shortly and achieve a substantial profit on our £25 million investment.

In May 2001 we purchased British Regional Air Lines Group plc (BRAL); a further step in British Airways' plans to coordinate better its shorthaul businesses and reduce fragmentation among subsidiaries and franchise partners.

The British Airways London Eye is now a major tourist attraction, with over 3 million visitors in its first full year of operation.

#### **Alliance Development**

Top level discussions continue with American Airlines on how to cooperate further, both on a one-to-one basis and as part of **oneworld**. We continue to strengthen links with other partners too; during the year code-share agreements were extended with Qantas, Aer Lingus and Iberia.

Growth, whether organic or by means of alliances, will concentrate on profitable segments where customer service is at a premium.

## **Outlook**

Implementation of the fleet and network strategy is progressing on track; elimination of unprofitable capacity continues. As capacity reductions are implemented over the next two years, cost control will be a prime focus. New technology offers opportunities for operating efficiencies and improved customer service.

Our new Club World cabin (with flat bed) continues to increase yields and win market share from competitors as it rolls out across the network. Development of further product upgrades continue, which, like the new World Traveller Plus cabin, will give our employees new opportunities to demonstrate their outstanding customer service skills.

Our continued focus on improving the fundamentals of the business will help us ride out short term issues relating to slower world economic growth and the UK foot and mouth epidemic.

The Annual General Meeting will be held at Le Meridien Grosvenor House, Park Lane, London at 1100 hours on July 17, 2001. The full Report and Accounts and Summary Financial Statement will be distributed as appropriate to shareholders in the week beginning June 11, 2001; from then copies will be available to members of the public at the Company's registered office.

**GROUP BALANCE SHEET**

	March 31	
	2001	2000
	£m	£m
<b>FIXED ASSETS</b>		
Intangible Assets	60	62
Tangible Assets	10,766	10,294
Investments	426	567
	<u>11,252</u>	<u>10,923</u>
<b>CURRENT ASSETS</b>		
Stocks	66	78
Debtors	1,444	1,368
Cash, short-term loans and deposits	936	1,146
	<u>2,446</u>	<u>2,592</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>(3,308)</b>	<b>(3,366)</b>
	<b>)</b>	
<b>NET CURRENT LIABILITIES</b>	<b>(862)</b>	<b>(774)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>10,390</b>	<b>10,149</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Borrowings and other creditors	(6,788)	(6,615)
	)	
Convertible Capital Bonds 2005	(113)	(113)
	<u>(6,901)</u>	<u>(6,728)</u>
	<b>)</b>	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>(70)</b>	<b>(81)</b>
	<u>3,419</u>	<u>3,340</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	271	270
Reserves	2,944	2,877
<b>Total equity shareholders' funds</b>	<b>3,215</b>	<b>3,147</b>
Minority interest	18	16
Non equity minority interest	186	177
	<u>3,419</u>	<u>3,340</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	Twelve months ended	
	March 31	
	2001	2000
	£m	£m
Profit/(loss) for the year	114	(21)
Other recognised gains and losses relating to the year		
<i>Exchange and other movements</i>	(30)	(20)
<b>Total gains and losses recognised since the last annual report</b>	<b>84</b>	<b>(41)</b>

These summary financial statements were approved by the Directors on May 22, 2001.

**GROUP CASH FLOW STATEMENT**

Twelve months ended  
March 31

**2001 £m**      *2000 £m*

CASH INFLOW FROM OPERATING ACTIVITIES	<b>1,251</b>	<i>1,186</i>
DIVIDENDS RECEIVED FROM ASSOCIATES	<b>33</b>	<i>44</i>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<b>(342)</b>	<i>(315)</i>
TAXATION	<b>15</b>	<i>(2)</i>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	<b>(457)</b>	<i>(146)</i>
ACQUISITIONS AND DISPOSALS	<b>26</b>	<i>(218)</i>
EQUITY DIVIDENDS PAID	<b>(194)</b>	<i>(242)</i>
Net cash inflow before management of liquid resources and financing	<b>332</b>	<i>307</i>
MANAGEMENT OF LIQUID RESOURCES	<b>159</b>	<i>9</i>
FINANCING	<b>(521)</b>	<i>(319)</i>
Decrease in cash in the year	<b>(30)</b>	<i>(3)</i>

GROUP FINANCING REQUIREMENT

Net cash inflow before management of liquid resources and financing	<b>332</b>	<i>307</i>
Acquisitions under finance leases and hire purchase arrangements	<b>(663)</b>	<i>(659)</i>
Total financing requirement for the year	<b>(331)</b>	<i>(352)</i>

Total tangible fixed asset expenditure, net of progress payment refunds	<b>1,405</b>	<i>1,291</i>
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**NOTES TO THE ACCOUNTS**

For the period ended March 31, 2001

1 ACCOUNTING CONVENTION

The accounts have been prepared on the basis of the accounting policies set out in the Report and Accounts for the year ended March 31, 2001 in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985 and are consistent with those applied in the previous year.

	Twelve months ended March 31	
	2001 £m	2000 £m
2 RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES		
Group operating profit	380	84
Depreciation and amortisation	715	648
Other items not involving the movement of cash	(1)	39
(Increase)/decrease in stocks and debtors	(38)	4
Increase in creditors	195	411
<b>Cash inflow from operating activities</b>	<b>1,251</b>	<b>1,186</b>
3 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
Decrease in cash during the year	(30)	(3)
Net cash outflow from decrease in debt and lease financing	524	516
Cash inflow from liquid resources	(159)	(9)
<b>Change in net debt resulting from cash flows</b>	<b>335</b>	<b>504</b>
New finance leases taken out and hire purchase arrangements made	(663)	(659)
Divested from subsidiary undertakings sold during the year	69	
Assumed from subsidiary undertakings acquired during the year		(42)
Conversion of Convertible Capital Bonds		13
Exchange movements	(48)	(206)
<b>Movement in net debt during the year</b>	<b>(307)</b>	<b>(390)</b>
Net debt at April 1	(5,916)	(5,526)
<b>Net debt at year end</b>	<b>(6,223)</b>	<b>(5,916)</b>

	Three months ended March 31		Twelve months ended March 31	
	2001 £m	2000 £m	2001 £m	2000 £m
4 OTHER INCOME AND CHARGES				
Income from trade investments		1	1	3
Other	(1)	3		2
	(1)	4	1	5
Other income and charges represented by:				
Group	(1)	4	1	5
	(1)	4	1	5

**NOTES TO THE ACCOUNTS** (continued)  
For the period ended March 31, 2001

	Three months ended March 31		Twelve months ended March 31	
	2001 £m	2000 £m	2001 £m	2000 £m
5 (LOSS)/PROFIT ON SALE OF FIXED ASSETS AND INVESTMENTS				
Net loss on disposal of Air Liberte	2		(54)	
Net profit on disposal of investment in Galileo International Inc.				149
Share of net profit on disposal of Amadeus by Iberia	22		22	
Net profit on part disposal of investment in Equant		8		70
Net loss/(profit) on disposal of other fixed assets and investments	(20)	(10)	(37)	30
	<u>4</u>	<u>(2)</u>	<u>(69)</u>	<u>249</u>
Represented by:				
Group	(22)	(10)	(96)	237
Associates (including disposal of Amadeus)	26	8	27	12
	<u>4</u>	<u>(2)</u>	<u>(69)</u>	<u>249</u>
6 NET INTEREST PAYABLE				
Interest payable less amount capitalised	102	96	389	357
Interest receivable	(26)	(18)	(92)	(85)
	<u>76</u>	<u>78</u>	<u>297</u>	<u>272</u>
Retranslation (credits)/charges on currency borrowings	(33)	18	(71)	136
	<u>43</u>	<u>96</u>	<u>226</u>	<u>408</u>
Net interest payable represented by:				
Group	37	89	215	396
Associates	6	7	11	12
	<u>43</u>	<u>96</u>	<u>226</u>	<u>408</u>
7 TAXATION				
No taxable profits arose in the UK on operating results. Profit on sale of investments in the year being covered by tax losses. The tax charge for the year is attributable to tax on overseas investments.				
8 DIVIDENDS PAID AND PROPOSED				
The Board recommends a final dividend of 12.8p per share, giving a total dividend for the year of 17.9p, unchanged from last year.				
There was no charge to the profit and loss account in relation to 1999-00 final dividends paid to Convertible Capital Bond holders(1998-99: £1 million), who converted their bonds in June 2000, in accordance with the terms of the bonds.				
9 EARNINGS PER SHARE				
Basic earnings per share are calculated on a weighted average of 1,075,496,000 ordinary shares (March 2000: 1,074,823,000)as adjusted for shares held for the purposes of employee share ownership plans including the Long Term Incentive Plan. Diluted earnings per share are calculated on a weighted average of 1,084,761,000 ordinary shares (March 2000: 1,074,823,000).				
The number of shares in issue at March 31, 2001 was 1,082,552,000 (March 31, 2000: 1,081,515,000)ordinary shares of 25 pence each.				

**NOTES TO THE ACCOUNTS** (Continued)  
For the period ended March 31, 2001

	March 31	
	2001 £m	2000 £m
<b>10 TANGIBLE ASSETS</b>		
Fleet	8,865	8,437
Property	1,418	1,488
Equipment	483	369
	<b>10,766</b>	<b>10,294</b>
<b>11 INVESTMENTS</b>		
Associated undertakings	381	507
Trade investments	20	35
Investment in own shares	25	25
	<b>426</b>	<b>567</b>
<b>12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Loans	49	140
Finance Leases	106	120
Hire Purchase Arrangements	329	288
	<b>484</b>	<b>548</b>
Overdrafts - unsecured	3	5
Corporate taxation	31	18
Other creditors and accruals	2,790	2,795
	<b>3,308</b>	<b>3,366</b>
<b>13 BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Loans	992	903
Finance Leases	2,240	1,768
Hire Purchase Arrangements	3,327	3,725
	<b>6,559</b>	<b>6,396</b>
Other creditors and accruals	229	219
	<b>6,788</b>	<b>6,615</b>
<b>14 RESERVES</b>		
Balance at April 1	2,877	3,087
Retained loss for the year	(79)	(216)
Exchange and other adjustments	(30)	(20)
Reduction in reserves resulting from shares issued to a Qualifying Employee Share Ownership Trust in relation to the 1993 Share Save Scheme		(2)
Net movement on goodwill re Air Liberte disposal	173	7
Premium arising from issue of ordinary share capital	3	21
	<b>2,944</b>	<b>2,877</b>

15 The figures for the three months and year ended March 31, 2001 and three months ended March 31, 2000 are unaudited and do not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The Annual Report and Accounts for the year ended March 31, 2001 were approved by the Board of Directors today but have not yet been delivered to the Registrar of Companies; the report of the auditors on the accounts is unqualified. The figures for the year ended March 31, 2000 have been extracted, with certain minor presentational changes, from the full accounts which have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified audit report.

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

The accounts have been prepared in accordance with accounting principles accepted in the United Kingdom which differ in certain respects from those generally accepted in the United States. The significant differences are the same as those set out in the Report and Accounts for the year ended March 31, 2001.

The adjusted net income and shareholders' equity applying US GAAP are set out below:

	Three months ended March 31		Twelve months ended March 31	
	2001 £m	2000 £m	2001 £m	2000 £m
Income/(loss) for the period as reported in the Group profit and loss account			<b>114</b>	(21)
US GAAP adjustments	<b>(77)</b>	(168)	<b>112</b>	(430)
		(335)		
<b>Net income/(loss) as so adjusted to accord with US GAAP</b>	<b>18</b>	(503)	<b>226</b>	(451)
Net income/(loss) per Ordinary Share as so adjusted				
Basic	<b>1.7p</b>	(65.3p)	<b>21.0p</b>	(41.9p)
Diluted	<b>n/a</b>	(65.0p)	<b>20.8p</b>	n/a
Net income/(loss) per American Depositary Share as so adjusted				
Basic	<b>17p</b>	(653)p	<b>210p</b>	(419)p
Diluted	<b>n/a</b>	n/a	<b>208p</b>	n/a
Shareholders' equity as reported in the Group balance sheet			<b>3,215</b>	3,147
US GAAP adjustments			<b>(881)</b>	(758)
<b>Shareholders' equity as so adjusted to accord with US GAAP</b>			<b>2,334</b>	2,389

**AIRCRAFT FLEET**

Number in service with Group companies at March 31, 2001

MAINLINE (Notes 1 & 2)	Operating leases off			Total deliveries	Future Options
	On balance sheet Aircraft	Extendible	Other		
Concorde (Note 3)	7			7	
Boeing 747-200	12	1		13	
Boeing 747-400	56			56	
Boeing 777	40			40	5 16
Boeing 767-300	21			21	
Boeing 757-200	42	2	1	45	
Airbus A318					12 12
Airbus A319 (Note 4)	11	10		21	18 120
Airbus A320	10			10	20
Boeing 737-300			8	8	
Boeing 737-400	22	5	7	34	
Boeing 737-500			10	10	
Turbo Props (Note 5)			15	15	
Embraer RJ145			7	7	14
Sub total	221	18	48	287	55 162
<b>DEUTSCHE BA, 'go' and CITYFLYER (Note 6)</b>					
Boeing 737-300			30	30	
Avro RJ100 (Note 7)	5	10		15	1 6
Turbo Props (Note 8)		6		6	
Sub total	5	16	30	51	1 6
<b>GROUP TOTAL</b>	<b>226</b>	<b>34</b>	<b>78</b>	<b>338</b>	<b>56 168</b>

**Notes:**

- 1 Includes those operated by British Airways Plc, British Airways (European Operations at Gatwick) Ltd and Brymon Airways Ltd.
- 2 Excludes 1 McDonnell Douglas DC10-30, 3 Boeing 737-200s and 2 Boeing 757-200s stood down pending disposal or return to lessor, 1 Boeing 747-400 sub-leased to Qantas, and 2 Boeing 737-300 delivered but not yet in service.
- 3 7 Concorde are currently stood down as a result of the investigation into the Air France accident of July 25. Modification work has commenced and we are confident that Concorde will resume services in the not too distant future, pending the reissuing of a certificate of airworthiness by the Civil Aviation Authority.
- 4 Options include reserved delivery positions and, if taken, may be A319, A320 or A321.
- 5 De Havilland Canada DHC-8s.
- 6 Net reductions since March 31, 2000 include 14 McDonnell Douglas aircraft, 15 Fokker aircraft and 3 ATR aircraft, totalling 32 aircraft disposed of with Air Liberte.
- 7 Includes 4 owned by British Airways Plc and 1 owned by British Airways Leasing Limited which are operated by CityFlyer Express.
- 8 6 ATR 72 for CityFlyer Express.