

**PRELIMINARY FINANCIAL RESULTS 2001-2002**

		Three months ended March 31			Twelve months ended March 31		
		2002	Restated 2001	Better/ (Worse)	2002	Restated 2001	Better/ (Worse)
Turnover	£m	<b>1,953</b>	2,121	(7.9)%	<b>8,340</b>	9,278	(10.1)%
Operating (loss)/profit	£m	<b>(45)</b>	(61)	26.2%	<b>(110)</b>	380	(128.9)%
Operating margin	%	<b>(2.3)</b>	(2.9)	0.6pts	<b>(1.3)</b>	4.1	(5.4)pts
(Loss)/profit before tax	£m	<b>(85)</b>	(65)	(30.8)%	<b>(200)</b>	150	(233.3)%
Retained loss for the period	£m	<b>(43)</b>	(195)	77.9%	<b>(142)</b>	(126)	(12.7)%
Capital and reserves at period end	£m	<b>2,207</b>	2,325	(5.1)%	<b>2,207</b>	2,325	(5.1)%
(Loss)/earnings per share							
<i>Basic</i>	p	<b>(4.0)</b>	(5.3)	24.5%	<b>(13.2)</b>	6.2	nm
<i>Diluted</i>	p	<b>(4.0)</b>	nm	nm	<b>(13.2)</b>	6.2	nm
Dividends per share	p	<b>na</b>	12.8		na	17.9	

nm: Not meaningful

na: Not applicable

Comparatives have been restated to reflect the adoption of FRS19 'Deferred Tax'

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**GROUP PROFIT AND LOSS ACCOUNT**

	Three months ended			Twelve months ended		
	March 31		Better/ (Worse)	March 31		Better/ (Worse)
	2002 £m	Restated 2001 £m		2002 £m	Restated 2001 £m	
Traffic Revenue						
<i>Scheduled Passenger</i>	<b>1,653</b>	1,787	(7.5)%	<b>7,036</b>	7,803	(9.8)%
<i>Scheduled Cargo</i>	<b>120</b>	133	(9.8)%	<b>483</b>	579	(16.6)%
<i>Non-scheduled services</i>	<b>9</b>	7	28.6%	<b>52</b>	50	4.0%
	<b>1,782</b>	1,927	(7.5)%	<b>7,571</b>	8,432	(10.2)%
<i>Other revenue</i>	<b>171</b>	194	(11.9)%	<b>769</b>	846	(9.1)%
<b>TOTAL TURNOVER</b>	<b>1,953</b>	<b>2,121</b>	<b>(7.9)%</b>	<b>8,340</b>	<b>9,278</b>	<b>(10.1)%</b>
<i>Employee costs</i>	<b>548</b>	611	10.3%	<b>2,329</b>	2,376	2.0%
<i>Depreciation</i>	<b>171</b>	183	6.6%	<b>770</b>	715	(7.7)%
<i>Aircraft operating lease costs</i>	<b>52</b>	58	10.3%	<b>199</b>	221	10.0%
<i>Fuel and oil costs</i>	<b>186</b>	280	33.6%	<b>1,028</b>	1,102	6.7%
<i>Engineering and other aircraft costs</i>	<b>197</b>	163	(20.9)%	<b>673</b>	662	(1.7)%
<i>Landing fees and en route charges</i>	<b>137</b>	157	12.7%	<b>615</b>	645	4.7%
<i>Handling charges, catering and other operating costs</i>	<b>265</b>	289	8.3%	<b>1,110</b>	1,303	14.8%
<i>Selling costs</i>	<b>194</b>	285	31.9%	<b>824</b>	1,135	27.4%
<i>Accommodation, ground equipment costs and currency differences</i>	<b>168</b>	156	(7.7)%	<b>822</b>	739	(11.2)%
<i>Exceptional operating charge*</i>	<b>80</b>		(100.0)%	<b>80</b>		(100.0)%
<b>TOTAL OPERATING EXPENDITURE</b>	<b>1,998</b>	<b>2,182</b>	<b>8.4%</b>	<b>8,450</b>	<b>8,898</b>	<b>5.0%</b>
<b>OPERATING (LOSS)/PROFIT</b>	<b>(45)</b>	<b>(61)</b>	<b>26.2%</b>	<b>(110)</b>	<b>380</b>	<b>(128.9)%</b>
Share of operating profits in associates	<b>18</b>	36	(50.0)%	<b>22</b>	64	(65.6)%
<b>TOTAL OPERATING (LOSS)/PROFIT INCLUDING ASSOCIATES</b>	<b>(27)</b>	<b>(25)</b>	<b>(8.0)%</b>	<b>(88)</b>	<b>444</b>	<b>nm</b>
Other income	<b>20</b>	(1)	nm	<b>21</b>	1	nm
Profit/(loss) on sale of fixed assets and investments	<b>10</b>	4	150.0%	<b>145</b>	(69)	nm
Interest						
<i>Net payable</i>	<b>(72)</b>	(76)	5.3%	<b>(324)</b>	(297)	(9.1)%
<i>Retranslation on currency borrowings</i>	<b>(16)</b>	33	nm	<b>46</b>	71	(35.2)%
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(85)</b>	<b>(65)</b>	<b>(30.8)%</b>	<b>(200)</b>	<b>150</b>	<b>(233.3)%</b>
Tax	<b>46</b>	13	253.8%	<b>71</b>	(69)	nm
<b>(LOSS)/PROFIT AFTER TAX</b>	<b>(39)</b>	<b>(52)</b>	<b>25.0%</b>	<b>(129)</b>	<b>81</b>	<b>nm</b>
Equity minority interest	<b>(1)</b>	(2)	50.0%	<b>(1)</b>	(2)	50.0%
Non equity minority interest**	<b>(3)</b>	(3)		<b>(12)</b>	(12)	
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(43)</b>	<b>(57)</b>	<b>24.6%</b>	<b>(142)</b>	<b>67</b>	<b>(311.9)%</b>
Dividends paid and proposed		(138)	100.0%		(193)	100.0%
<b>RETAINED LOSS FOR THE PERIOD</b>	<b>(43)</b>	<b>(195)</b>	<b>77.9%</b>	<b>(142)</b>	<b>(126)</b>	<b>(12.7)%</b>

nm: Not meaningful

\* Exceptional operating charge for restructuring costs relating to 'Future Size and Shape' programme

\*\* Cumulative Preferred Securities

OPERATING AND FINANCIAL STATISTICS

Three months ended			Twelve months ended		
	March 31	Increase/	March 31	Increase/	
	2002	(Decrease	2002	(Decrease)	
		)			

TOTAL AIRLINE OPERATIONS (Note 1)

(including British Regional Air Lines from May 10<sup>th</sup>, 2001 and go until June 14<sup>th</sup>, 2001)

TRAFFIC AND CAPACITY

RPK (m)	25,221	26,800	(5.9)%	106,270	123,197	(13.7)%
ASK (m)	34,988	40,018	(12.6)%	151,046	172,524	(12.4)%
Passenger load factor(%)	72.1	67.0	5.1pts	70.4	71.4	(1.0)pts
CTK (m)	1,005	1,056	(4.8)%	4,033	4,735	(14.8)%
RTK (m)	3,508	3,711	(5.5)%	14,632	16,987	(13.9)%
ATK (m)	5,319	5,883	(9.6)%	22,848	25,196	(9.3)%
Overall load factor (%)	66.0	63.1	2.9pts	64.0	67.4	(3.4)pts
Passengers carried (000)	8,831	9,721	(9.2)%	40,004	44,462	(10.0)%
Tonnes of cargo carried (000)	185	204	(9.3)%	755	914	(17.4)%

FINANCIAL

Passenger revenue per RPK (p)	6.59	6.69	(1.5)%	6.67	6.37	4.7%
Passenger revenue per ASK (p)	4.75	4.48	6.0%	4.69	4.52	3.1%
Cargo revenue per CTK(p)	11.94	12.59	(5.2)%	11.98	12.22	(2.0)%
Total traffic revenue per RTK (p)	50.80	51.93	(2.2)%	51.74	49.64	4.2%
Total traffic revenue per ATK (p)	33.50	32.76	2.3%	33.14	33.47	(1.0)%
Average fuel price before hedging (US cents/US gallon)	66.89	103.82	(35.6)%	81.29	103.94	(21.8)%

OPERATIONS

Average Manpower Equivalent (MPE)	53,410	58,720	(9.0)%	57,227	58,852	(2.8)%
ATKs per MPE (000)	99.6	100.2	(0.6)%	399.3	428.1	(6.7)%
Aircraft in service at period end	360	338	22	360	338	22

TOTAL GROUP OPERATIONS

FINANCIAL

Net operating expenditure per RTK (p)	52.08	53.57	(2.8)%	52.49	47.40	10.7%
Net operating expenditure per ATK (p)	34.35	33.79	1.7%	33.62	31.96	5.2%

Note 1: Excludes non airline activity companies, principally, Airmiles Travel Promotions Ltd, BA Holidays Ltd, BA Travel Shops Ltd, Speedwing International Group and The London Eye Company Ltd.

## CHAIRMAN'S STATEMENT

### Group performance

Group loss before tax for the year was £200 million against £150 million profit in the previous year. No interim dividend was paid and the Board has recommended that no final dividend be paid.

The loss reflects the significant reduction in passenger and cargo revenue due to the effects of September 11<sup>th</sup>, weakening global economies and the impact of Foot and Mouth in the UK. Cost efficiency actions continued throughout the year with reductions in manpower and most other costs. Capacity was reduced on unprofitable routes, both tactically and through the fleet and network strategy.

Airline operations passenger yield (pence/RPK) for the full year improved by 4.7% compared with last year despite deterioration during the second half. The operating margin was a deficit of 1.3%, 5.4 points worse than last year.

The fourth quarter results show that the actions we announced after September 11<sup>th</sup> are having a significant impact on costs. Loss before tax for the quarter was £85 million, £20 million worse than last year. Excluding exceptional restructuring costs, operating profit for the quarter was £35 million, £96 million better than last year, unit costs per ATK improved by 2.8% and total operating costs were down by 12.1%.

The ongoing focus on cash conservation resulted in a closing cash balance of £1,219 million; the largest year-end balance since privatisation. Cash burn in the fourth quarter was zero.

### Turnover

For the twelve months, group turnover - - at £8,340 million - - was down 10.1% on a flying programme 9.3% smaller in ATKs. Group turnover for the quarter was down 7.9% - - at £1,953 million - - on capacity 9.6% lower.

Airline operations passenger yields for the quarter were down 1.5 % per RPK; seat factor was up 5.1 points at 72.1%, on capacity 12.6% lower in ASKs.

Cargo volumes for the quarter (CTKs) were down 4.8% compared with last year, with yields down 5.2%.

### Unit costs

For the twelve month period, unit costs before exceptional restructuring (pence/ATK) increased by 4.1%, on capacity reduction, in ATKs, of 9.3%.

Unit costs for the fourth quarter, excluding exceptional restructuring, were down 2.8% on the same quarter last year. This reflects the total cost reduction of 12.1%, on capacity 9.6% lower in ATKs.

Airline operations manpower fell during the course of the year by 2.8% to 57,227. Productivity, measured in ATKs per MPE, was down by 6.7%.

## **Non-operating items**

Net interest expense for the year was £278 million. This included a book credit for the revaluation of yen debts (used to fund aircraft acquisitions) of £49 million, compared to a credit the previous year of £73 million. The revaluation -- a non cash item required by standard accounting practice -- results from the weakening of the yen against sterling.

Profits on disposals of fixed assets and investments for the year were £145 million, reflecting primarily the disposal of our investment in Go Fly Ltd in June 2001. We also sold our investment in France Telecom (formerly shares held in Equant). This represents an improvement of £214 million compared with 2000/01.

Other income includes £22 million received from the UK Government as compensation, primarily for the closure of US airspace immediately following September 11<sup>th</sup>.

## **Earnings per share**

For the twelve month period, losses attributable to shareholders were £142 million, equivalent to a loss of 13.2 pence per share, compared with equivalent earnings of 6.2 pence per share last year. The loss attributable to shareholders for the fourth quarter was equivalent to 4.0 pence per share, compared with last year's loss of 5.3 pence per share.

## **Net Debt / Total Capital ratio**

Borrowings, net of cash and short-term loans and deposits, amounted to £6,294 million at the year end, an increase of £71 million from last year.

The year-end net debt/total capital ratio was 66%, a 1.5 point increase over last year but 0.5 points better than December 2001.

## **Cash flow**

Net cash inflow from operating activities totalled £866 million, down £385 million from last year. However, the net cashflow before management of liquid resources and financing was £514 million, an improvement of £182 million on last year, due to a reduction in capital expenditure and an increase in the sale of fixed assets and investments more than offsetting the reduction in operating cash flow.

## **Aircraft fleet changes**

The number of Group aircraft in service at March 31, 2002 was 360, an increase of 22 on the prior year. The increase primarily reflects the acquisition of British Regional Air Lines with 12 Jetstream 41, 13 British Aerospace ATP, 21 Embraer RJ145 and 5 British Aerospace 146 in service at year end. Conversely, the sale of **go** reduced Boeing 737-300 aircraft by 13. Other changes, in line with the ongoing fleet strategy, included new deliveries of 5 Boeing 777, 12 Airbus A319, 3 Airbus A320, 2 Boeing 737-300, 1 Avro RJ100 and 1 Embraer RJ145. Disposals included 8 Boeing 747-200, 18 Boeing 757-200, 2 Boeing 737-300, 3 Boeing 737-400, 1 ATR72 and 1 DHC-8. In addition, 5 Boeing 747-200 and 4 Boeing 757-200 are stood down awaiting disposal and 2 Boeing 737-300 went into service having previously been undergoing pre-service preparation at March 31, 2001.

## **Strategic Developments**

In February, we announced the result of the study known as 'Future Size and Shape'. Unanimously approved by the Board, it re-defines the business of British Airways and the way in which the company will deliver necessary economic and competitive reform. This includes further actions to eliminate unprofitable segments of our business through capacity reduction, elimination of unnecessary complexity, and reduction in both overhead and front line manpower levels without reducing customer service standards. In addition, we are changing the shorthaul pricing proposition to compete more effectively with the no-frills carriers. We are also rationalising our property portfolio and driving simplification and cost reduction through Information Technology.

## **Subsidiaries and Associates**

In April 2001, in partnership with Thomas Cook Ltd, we acquired a 50% holding in a newly formed company, Accoladia Ltd, a travel company into which the outbound business of BA Holidays was transferred.

Qantas issued new shares on two occasions during the year, by way of an institutional placement and shareholder placing respectively. British Airways did not take up its allocation, which resulted in the dilution of the group's shareholding from 25% to 21.4%.

On May 8, 2002, we announced the signing of a binding deal, which grants easyJet the option to buy 100% of Deutsche BA, by March 31, 2003.

## **Alliance Development**

In January 2002, we advised that the US Department of Transportation's conditions for an anti-trust immune deal with American Airlines were too high to allow us to proceed. We remain committed to our alliance relationship with American Airlines and we are still working together to look for alternative commercial opportunities, albeit not requiring anti-trust immunity, in a number of areas. Our co-operation within the **oneworld** framework continues to develop alongside the bilateral discussions.

We continue to strengthen links with other **oneworld** partners and during the year code-share agreements were extended with Aer Lingus, Cathay Pacific and Iberia.

## **Outlook**

Reform and re-structuring against a substantially changed competitive background are well under way. The concentration is on providing customers with the services they want at prices which are of value and at costs which make a satisfactory return for shareholders.

The current year is one of transition and still subject to global economic and political uncertainty. The market is expected to remain soft; but further capacity cuts should help to underpin yields and to support increases in seat factors. In a weak revenue environment, costs remain the focus.

**GROUP BALANCE SHEET**

	March 31	
	Restated	
	2002 £m	2001 £m
<b>FIXED ASSETS</b>		
Intangible assets	105	60
Tangible assets	10,509	10,662
Investments	489	426
	<b>11,103</b>	<b>11,148</b>
<b>CURRENT ASSETS</b>		
Stocks	109	170
Debtors	1,231	1,444
Cash, short-term loans and deposits	1,219	936
	<b>2,559</b>	<b>2,550</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>(3,201)</b>	<b>(3,308)</b>
<b>NET CURRENT LIABILITIES</b>	<b>(642)</b>	<b>(758)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>10,461</b>	<b>10,390</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Borrowings and other creditors	(6,985)	(6,788)
Convertible Capital Bonds 2005	(112)	(113)
	<b>(7,097)</b>	<b>(6,901)</b>
<b>PROVISIONS FOR DEFERRED TAX</b>	<b>(1,031)</b>	<b>(1,094)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>(126)</b>	<b>(70)</b>
	<b>2,207</b>	<b>2,325</b>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	271	271
Reserves	1,745	1,850
	<b>2,016</b>	<b>2,121</b>
Minority interest	9	18
Non equity minority interest	182	186
	<b>2,207</b>	<b>2,325</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	Twelve months ended	
	March 31	
	Restated	
	2002 £m	2001 £m
(Loss)/profit for the period	(142)	67
Other recognised gains and losses relating to the period:		
<i>Exchange and other movements</i>	17	(30)
<i>Prior period adjustment</i>	(1,094)	
<b>Total recognised gains and losses</b>	<b>(1,219)</b>	<b>37</b>

Prior year adjustment relates to the adoption of FRS 19 'Deferred Tax'.

These summary financial statements were approved by the Directors on May 20, 2002.

**GROUP CASH FLOW STATEMENT**

	Twelve months ended	
	March 31	
	<u>2002 £m</u>	<u>2001 £m</u>
CASH INFLOW FROM OPERATING ACTIVITIES	866	1,251
DIVIDENDS RECEIVED FROM ASSOCIATES	16	33
GOVERNMENT COMPENSATION RECEIVED	22	
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(327)	(342)
TAX	(1)	15
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	94	(457)
ACQUISITIONS AND DISPOSALS	(19)	26
EQUITY DIVIDENDS PAID	(137)	(194)
Cash inflow before management of liquid resources and financing	<u>514</u>	<u>332</u>
MANAGEMENT OF LIQUID RESOURCES	(301)	159
FINANCING	(217)	(521)
Decrease in cash in the period	<u>(4)</u>	<u>(30)</u>



## NOTES TO THE ACCOUNTS

For the period ended March 31, 2002

### 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, 2002 in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985 and are consistent with those applied in the previous year, with the exception of the implementation of FRS 19 'Deferred Tax'. As described in Note 7, the comparative figures have been restated as a result of implementing this standard. In addition, expendable stocks have been reclassified from fixed assets to stocks and comparative figures restated.

	Twelve months ended	
	2002 £m	March 31 2001 £m
<b>2 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Group operating (loss)/profit	(110)	380
Depreciation and amortisation	770	715
Other items not involving the movement of cash		(1)
Decrease/(increase) in stocks and debtors	186	(38)
(Decrease)/increase in creditors	(25)	204
Increase/(decrease) in provisions for liabilities and charges	45	(9)
<b>Cash inflow from operating activities</b>	<b>866</b>	<b>1,251</b>
<b>3 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>		
Decrease in cash during the period	(4)	(30)
Net cash outflow from decrease in debt and lease financing	217	524
Cash outflow/(inflow) from liquid resources	301	(159)
<b>Change in net debt resulting from cash flows</b>	<b>514</b>	<b>335</b>
New finance leases taken out and hire purchase arrangements made	(512)	(663)
Divested from subsidiary undertakings sold during the period		69
Assumed from subsidiary undertakings acquired during the year	(117)	
Conversion of Convertible Capital Bonds	1	
Exchange movements	43	(48)
<b>Movement in net debt during the period</b>	<b>(71)</b>	<b>(307)</b>
<b>Net debt at April 1</b>	<b>(6,223)</b>	<b>(5,916)</b>
<b>Net debt at period end</b>	<b>(6,294)</b>	<b>(6,223)</b>

	Three months ended		Twelve months ended	
	2002 £m	March 31 2001 £m	2002 £m	March 31 2001 £m
<b>4 OTHER INCOME</b>				
Income from trade investments			1	1
Government compensation	22		22	
Other	(2)	(1)	(2)	
	20	(1)	21	1
<b>Other income represented by:</b>				
Group	20	(1)	21	1
	20	(1)	21	1

British Airways received Government compensation for the closure of US and Israeli airspace following September 11, 2001.

**NOTES TO THE ACCOUNTS (continued)**  
For the period ended March 31, 2002

	Three months ended		Twelve months ended	
	March 31		March 31	
	2002 £m	2001 £m	2002 £m	2001 £m
5 PROFIT/(LOSS) ON SALE OF FIXED ASSETS AND INVESTMENTS				
Net profit on disposal of <b>go</b>			98	
Net profit on disposal of shares in France Telecom (formerly shares held in Equant)			23	
Net loss on disposal of Bedford Associates	(9)		(9)	
Net loss on disposal of Participations Aeronautiques		2		(54)
Share of net profit on disposal of Amadeus by Iberia		22		22
Net profit/(loss) on disposal of other fixed assets and investments	19	(20)	33	(37)
	<b>10</b>	<b>4</b>	<b>145</b>	<b>(69)</b>
Represented by:				
Group	7	(22)	142	(96)
Associates	3	26	3	27
	<b>10</b>	<b>4</b>	<b>145</b>	<b>(69)</b>
6 INTEREST				
Net payable:				
Interest payable less amount capitalised	78	102	374	389
Interest receivable	(6)	(26)	(50)	(92)
	<b>72</b>	<b>76</b>	<b>324</b>	<b>297</b>
Retranslation on currency borrowings	16	(33)	(46)	(71)
	<b>88</b>	<b>43</b>	<b>278</b>	<b>226</b>
Net interest payable represented by:				
Group	85	37	271	215
Associates	3	6	7	11
	<b>88</b>	<b>43</b>	<b>278</b>	<b>226</b>

7 TAX

During the year the company implemented FRS 19 'Deferred Tax', which requires full provision for deferred tax. Under the options allowed the company chose not to discount the resulting provision. Within the tax credit for the twelve months ended March 31, 2002 is a net credit of £71 million which arises as a result of implementing this standard, including a charge of £3 million relating to the sale of **go** and France Telecom. The taxation credit relating to the exceptional operating charge is £24 million. In addition, the comparatives have been restated, resulting in an increase to the tax charge of £47 million for the twelve months ended March 31, 2001. The deferred tax provision is included on balance sheet and amounts to £1,031 million at March 31, 2002 (March 31, 2001: £1,094 million). None of the deferred tax is expected to become payable in the foreseeable future.

8 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share for the quarter ended March 31, 2002 are calculated on a weighted average of 1,076,090,000 ordinary shares (March 2001: 1,075,831,000) and for the twelve months ended March 31, 2002, on a weighted average of 1,076,042,000 ordinary shares (March 2001: 1,075,496,000) as adjusted for shares held for the purposes of employee share ownership plans including the Long Term Incentive Plan. Diluted earnings/(loss) per share for the quarter ended March 31, 2002 are calculated on a weighted average of 1,076,090,000 ordinary shares (March 2001: 1,086,510,000) and for the twelve months ended March 31, 2002 on a weighted average of 1,077,966,000 ordinary shares (March 2001: 1,085,163,000).

The number of shares in issue at March 31, 2002 was 1,082,757,000 (March 31, 2001: 1,082,552,000) ordinary shares of 25 pence each.

**NOTES TO THE ACCOUNTS (continued)**  
*For the period ended March 31, 2002*

	2002 £m	March 31 2001 £m
9 TANGIBLE ASSETS		
Fleet	8,672	8,761
Property	1,335	1,418
Equipment	502	483
	<b>10,509</b>	<b>10,662</b>
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10 INVESTMENTS		
Associated undertakings	425	381
Trade investments	39	20
Investment in own shares	25	25
	<b>489</b>	<b>426</b>
<hr/>		
11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Loans	62	49
Finance Leases	208	106
Hire Purchase Arrangements	409	329
	<b>679</b>	<b>484</b>
Overdrafts - unsecured		3
Corporate taxation	29	31
Other creditors and accruals	2,493	2,790
	<b>3,201</b>	<b>3,308</b>
<hr/>		
12 BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR		
Loans	1,483	992
Finance Leases	2,404	2,240
Hire Purchase Arrangements	2,835	3,327
	<b>6,722</b>	<b>6,559</b>
Other creditors and accruals	263	229
	<b>6,985</b>	<b>6,788</b>
<hr/>		
13 RESERVES		
Balance at April 1	2,944	
Prior year adjustment *	(1,094)	
Balance at April 1 as restated	1,850	1,830
Retained loss for the period	(142)	(126)
Exchange and other adjustments	17	(30)
Goodwill written back on disposals	20	173
Premium arising from issue of ordinary share capital		3
	<b>1,745</b>	<b>1,850</b>
<hr/>		

\* Prior year adjustment relates to the adoption of FRS19 'Deferred Tax' (Note 7)

14 The figures for the three months and twelve months ended March 31, 2002 and 2001 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, 2002 were approved by the Board of Directors today but have not 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, 2001, have been extracted, with certain minor presentational changes, from the full accounts for that year, 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, 2002. The comparatives have been adjusted to reflect the adoption of FRS 19 'Deferred Tax'. In addition the company has adopted FAS 133 effective from April 1, 2001 for US GAAP.

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

	Three months ended March 31		Twelve months ended March 31	
	2002 £m	Restated 2001 £m	2002 £m	Restated 2001 £m
(Loss)/profit for the period as reported in the Group profit and loss account	(43)	(57)	(142)	67
US GAAP adjustments	(22)	75	13	159
<b>Net (loss)/ income as so adjusted to accord with US GAAP</b>	<b>(65)</b>	<b>18</b>	<b>(129)</b>	<b>226</b>
Net (loss)/income per Ordinary Share as so adjusted				
Basic	(6.0)p	1.7p	(12.0)p	21.0p
Diluted	(6.0)p	n/a	(12.0)p	20.8p
Net (loss)/income per American Depositary Share as so adjusted				
Basic	(60)p	17p	(120)p	210p
Diluted	(60)p	n/a	(120)p	208p
Shareholders' equity as reported in the Group balance sheet			2,016	2,121
US GAAP adjustments			55	213
<b>Shareholders' equity as so adjusted to accord with US GAAP</b>			<b>2,071</b>	<b>2,334</b>

**AIRCRAFT FLEET**

Number in service with Group companies at March 31, 2002

	On balance sheet aircraft	Operating Leases off balance sheet Extendible	Other	Total Mar 2002	Changes since Mar 2001	Future Deliveries	Options
<b>AIRLINE OPERATIONS (Note 1, 2 &amp; 8)</b>							
Concorde (Note 3)	7			7			
Boeing 747-200					(13)		
Boeing 747-400	56			56			
Boeing 777	45			45	5		
Boeing 767-300 (Note 4)	21			21			
Boeing 757-200	20	2	1	23	(22)		
Airbus A318						6	
Airbus A319 (Note 5)	21	10	2	33	12	6	113
Airbus A320	10		3	13	3	17	
Airbus A321						4	
Boeing 737-300 (Note 6)			27	27	(11)		
Boeing 737-400	20	5	6	31	(3)		
Boeing 737-500			10	10			
Turbo Props (Note 7)			44	44	23		
Embraer RJ145	15	5	9	29	22	1	17
Avro RJ100		16		16	1		
British Aerospace 146	5			5	5		
<b>GROUP TOTAL</b>	<b>220</b>	<b>38</b>	<b>102</b>	<b>360</b>	<b>22</b>	<b>34</b>	<b>130</b>

**Notes:**

- 1 Includes those operated by British Airways Plc, British Airways (European Operations at Gatwick) Ltd, Brymon Airways Ltd, CityFlyer Express, Deutsche BA and British Regional Air Lines.
- 2 Excludes 5 Boeing 757 - 200s, 5 Boeing 747 - 200s, stood down pending disposal or return to lessor, 1 Boeing 747 - 400 sub-leased to Qantas.
- 3 3 Concordes are currently stood down pending safety modifications.
- 4 Includes 4 Boeing 767 - 300s temporarily out of service.
- 5 Certain future deliveries and options include reserved delivery positions, and may be taking as any A320 family aircraft.
- 6 Net reduction includes 13 Boeing 737 - 300 aircraft disposed of with go.
- 7 Includes 12 Jetstream 41 aircraft, 13 British Aerospace ATP aircraft, 5 ATR 72 aircraft and 14 de Havilland Canada DHC-8 aircraft.
- 8 On the purchase of British Regional Air Lines 49 aircraft were acquired of which 47 were in service and comprised of 13 Jetstream 41 aircraft, 13 British Aerospace ATP aircraft, 18 Embraer 145 aircraft and 3 British Aerospace 146 aircraft.