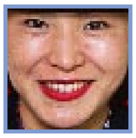
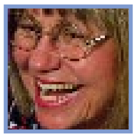
Report & Accounts 1996-97

...the undisputed leader in world travel





CONTENTS

Top of page, left to right:
Caroline Horland, cabin crew; David Bishop, cabin crew; Lydia Suttle, senior customer service agent; Nigel Wootton, senior first officer; Akiyo Onitsuka, Japanese visitors' service; Valerie Selwood, cabin crew.

THE NEXT DECADE

IN FEBRUARY 1997 British Airways celebrated 10 years of privatisation, with a renewed commitment to stay at the forefront of the industry. Progress during the last decade has been dazzling as the airline established itself as one of the most profitable in the world.

Success has been built on a firm commitment to customer service, cost control and the Company's ability to change with the times and new demands.

The launch of privatisation spelt a new beginning for British Airways.

As the year 2000 approaches, the nature of the industry and competition has changed. The aim now is to create a new British Airways for the new millennium, to become the undisputed leader in world travel.

This involves setting a new direction for the Company with a new Mission, Values and Goals; introducing new services and products; new ways of working; new behaviours; a new approach to service style and a brand new look.

Concorde, flagship of the fleet, celebrated 21 years of commercial flight in February 1997.

The new Mission is, "To be the undisputed leader in world travel." We intend to remain clearly ahead of the field and set standards for others to follow. We intend to be first through innovation, best in serving customer needs and best in delivering financial performance in the field.

The focus will be on international routes and building global alliances which enables British Airways to stretch its brand into travel-related areas.

The airline's new combined business centre at Harmondsworth nears completion. It will be home for 2,500 UK employees.

New corporate Goals and Values support the new Mission. The Goals are: to be the customers' choice; to have inspired people; strong profitability and to be truly global.

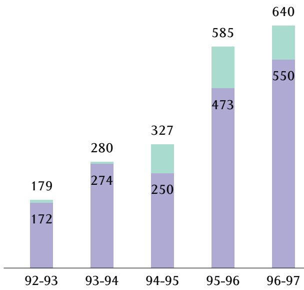
The Values are to be: safe and secure; honest and responsible; innovative and team-spirited; global and caring and a good neighbour.

The exciting new livery to take us into the new millennium.

On June 10 British Airways will unveil a bold new corporate identity to symbolise these changes and act as a promise of the new British Airways. The new face of British Airways is more global and caring and uses the art of different cultures to reflect its commitment to the peoples of the world.

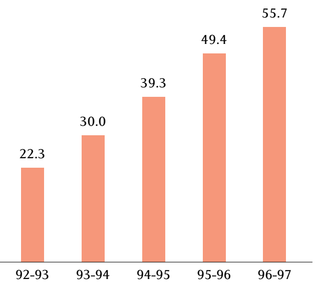
Once again British Airways is putting clear blue sky between itself and its rivals.

HIGHLIGHTS OF THE YEAR



PROFIT BEFORE TAXATION
PROFIT AFTER TAXATION
(£ million)

BRITISH AIRWAYS SHARE PRICE
VS. FTSE 100 INDEX



EARNINGS PER SHARE (pence)

BASIC (except for 1994-95, adjusted for US Airways Group, Inc. provision)

GROUP RESULTS

	1996-7	1995-6
Turnover up 7.7% (£ million)	**8,359**	*7,760*
Operating profit *(before exceptional operating charge)* down 7.6% (£ million)	**673***	*728*
Operating profit down 25% (£ million)	**546†**	*728*
Profit before taxation up 9.4% (£ million)	**640**	*585*
Attributable profit for the year up 16.9% (£ million)	**553**	*473*
Capital and reserves up 19.6% (£ million)	**2,984**	*2,494*
Earnings per share *(basic)* up 12.8% (pence)	**55.7**	*49.4*

KEY FINANCIAL STATISTICS

	1996-7	1995-6
Operating margin down 1.3 points (per cent)	**8.1**	*9.4*
Net Debt/Total Capital ratio improved 2.8 points (per cent)	**57.0**	*59.8*

OPERATING STATISTICS

	1996-7	1995-6
Passengers carried (total Group operations) up 6% (000)	**38,180**	*36,003*
Revenue passenger kilometres (mainline scheduled services) up 6.4% (million)	**102,304**	*96,163*
Available seat kilometres (mainline scheduled services) up 7.3% (million)	**139,789**	*130,286*
Passenger load factor (mainline scheduled services) down 0.6 points (per cent)	**73.2**	*73.8*
Tonnes of cargo carried (mainline scheduled services) up 7.3% (000)	**721**	*672*

* Exceptional operating charge £127 million
† Excludes write back of exceptional provision against US Airways Group, Inc. £125 million

Top of page: Global Image by Clifford Possum, Australia

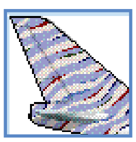
ANOTHER YEAR OF RECORD PERFORMANCE HAS BEEN ACHIEVED, with profit attributable to shareholders increased by 16.9 per cent to £553 million. Your Board has recommended a final dividend of 10.80 pence per ordinary share. Together with the interim dividend of 4.25 pence, this will give total dividends of 15.05 pence per share, for the year ended March 31, 1997. The dividend is payable on July 31, 1997. The scrip option introduced last year continues to be available to shareholders.

TEN MOMENTOUS YEARS

A significant milestone was reached early in 1997, when we celebrated the tenth anniversary of British Airways' privatisation. It was on February 11, 1987, that trading in British Airways shares, offered at 125 pence, began. More than a million applications were received for shares, making the offer eleven times over-subscribed. The progress made by your Company in those ten years is reflected in the fact that our original shareholders have seen the value of their investments increase more than five-fold. As I take pleasure in pointing out at every opportunity, British Airways has become one of Britain's few, truly world-class companies, establishing a reputation for consistently high standards of business and customer service performance, envied by our competitors and admired by business communities around the world. This year is no exception and I am, as always, grateful to all those who contribute to the success of your Company: our customers, employees, shareholders, suppliers, my fellow Board members and our executive management team.

THE GLOBAL COMMITMENT

The year's single, most notable development was the announcement of our intended alliance with American Airlines and our subsequent efforts to gain ratification of our plan from the British Government, the United States Government and the Commission of the European Union ('EU'). Although we held an investment in US Airways Group, Inc. (formerly USAir Group, Inc.), the far more extensive market reach of American made the prospect of this new alliance a matter of long-term strategic importance to your Company. US Airways was kept informed of our discussions with American and we had hoped they would join in a wider trans-Atlantic alliance. This was not to be and we announced in December our intention to relinquish the association with US Airways and offer our investment for sale on the open market.



GLOBAL IMAGES
A modern abstract design in vivid colours, from New York, conveying a sense of frozen motion.
Artist: Jenifer Kobylarz

It came as no surprise that the planned alliance between British Airways and American attracted much criticism from competitors, most of whom are already involved in US/European alliances. Moreover, the EU Commission showed no interest in those competitive alliances at the time they were formed.

The recent formation of a multi-national alliance involving five of our competitors, proves that the much-vaunted global market is nowhere more apparent than in the airline industry; and it is our responsibility to you, the shareholders, to ensure that your Company secures a significant stake and plays an influential part in the future development of world air transport.

"Competition now is among the emerging multi-national alliances..."

That process is well in train with the alliance involving Qantas, in the Asia/Pacific region; Deutsche BA and TAT European Airlines/Air Liberté in Continental Europe; Canadian Airlines International, in North America; and the franchised airlines carrying the British Airways brand. The strategy framework will be significantly enhanced when the alliance with American is finalised.

I have never been in any doubt that the market itself, rather than governments, would force the pace of air transport liberalisation. This is proving to be the case and we are now seeing an environment in which competition is no longer based on the traditional series of bi-lateral arrangements between the airlines of two countries. Competition now and for the future is among the emerging multi-national airline alliances. Our long-stated objective, to be the core and motivating force of the most successful of these global airline systems, has not changed.

top of page:
Global Image
by Jan Barwick,
Cayman Islands

VITAL ROLE OF EMPLOYEES

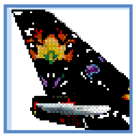
Preparing for and countering global competition continues to be the focus of British Airways' business strategy. This means achieving a satisfactory level of consistent profitability, to ensure our ability to invest for long-term success, in the face of increasing competition in every market we serve.

Clockwise from top left:
Akiyo Onitsuka,
Japanese Visitors' Service,
Leon Vardinian,
Iranian Visitors' Service;
Tina Driver, Colin Taylor,
Senior Customer Service Agents;
Martin Brown,
Customer Service Duty Manager

It involves significant investment in innovative product and service development, on one hand; and a commitment to relentless cost control, on the other. Inevitably, this requires changes in both process and structure which are not always easy for our employees either to contemplate or to implement. They are to a man and woman, fiercely proud of British Airways and have a capacity, as the last ten momentous years have shown, for working as a cohesive team and achieving considerable success. I congratulate each one of them for this year's fine performance, sometimes in the face of adversities beyond their control; and I have every confidence in their ability to continue creating the benchmarks by which the rest of the industry is judged.

The contribution of our employees to the success of British Airways is recognised in the Profit-Sharing Share Scheme. This year it provides each eligible employee with a bonus payment equivalent to 3.36 week's pay. Those who opt to receive their payments in shares are offered an enhancement of 20 per cent. Along with the existing Savings Related Share Option Scheme, this is giving greater scope for employees to hold a tangible stake in their Company. In recognition of the tenth anniversary of privatisation, each of our eligible employees will also be awarded ten free shares. Involvement in success through ownership is the greatest motivator of all.

GLOBAL IMAGES
A design from the Bushmen of the Kalahari, inspired by motifs from ancient African cave paintings.
Artist: Cgoise



GLOBAL IMAGES
Paper cut-outs are a uniquely Polish art form, made using sheep-shearing shears, for Easter decorations.
Artist: Danuta Wojda

INFRASTRUCTURE DEVELOPMENT

Terminal 5 is important to our future success at Heathrow and I remain confident of a positive outcome of the Public Inquiry and the subsequent Government decision. In anticipation of this, agreement has been reached with BAA plc for British Airways to be the principal occupant of Terminal 5, allowing us to consolidate operations, presently spread across Terminals 1 and 4, into a single, custom-built facility, from 2004.

"A bright future for every British Airways stakeholder..."

With runway capacity at Heathrow constrained, one of the year's important evolutionary shifts has come from the commitment to build Gatwick Airport as a network hub, working in tandem with Heathrow. British Airways progress at Gatwick has been little short of spectacular. A combination of organic growth by the airline and its franchise partners; and the selective transfer of routes from Heathrow, has brought Gatwick to the position where it now ranks alongside Heathrow, in the number of destinations served. Excellent terminal facilities and integrated surface access systems are gaining Gatwick increasing popularity among customers. Over the next six years, we expect our passenger throughput at Gatwick to double.

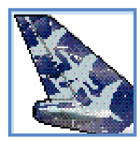
We look forward to next year's completion of the Heathrow Express project to link the airport with Paddington Station in central London by non-stop rail service. At the same time, the new terminal at Manchester International Airport scheduled to open in Summer 1998, will concentrate all British Airways operations at one facility, bringing major service benefits to our customers in the Northwest of England.

Clockwise from top left:
Sian Hughes,
Sharon Daw, Alan Blanchflower,
Gaye Somerville, Deborah Smith,
Russ Ashingden, Janie Fox;
Customer Service staff based at Gatwick

ENVIRONMENT AND COMMUNITY

Growth and development go hand in hand with a deep sense of responsibility for the environment and the community. The practical application of our concerns continues to be reported publicly in the annual Environmental Report. Its effectiveness was recognised in April when the Association of Chartered Certified Accountants named British Airways as the top UK company in its programme of awards for environmental reporting.

A wide range of activities and substantial financial contributions support your Company's programme of Community Relations. It operates to three main themes: the environment (in terms of local relationships); tourism and heritage; and education and youth development. The Change For Good scheme in which cabin crew voluntarily collect unwanted foreign currency from passengers has so far raised £4 million for UNICEF's work with deprived, distressed and disabled children throughout the world. The four established charities organised by employees – Cargo Kidney Fund, Dhaka Orphanage, Dream-flight and Operation Happy Child – go from strength to strength. This year a new employee-inspired charity began work to fund the building of a school for deprived children in Ghana.



GLOBAL IMAGES
'Nihon-ga' is an ancient Japanese technique of ink and pigments on hand-made paper or silk.
Artist: Matazo Kayama

MARKING THE MILLENNIUM

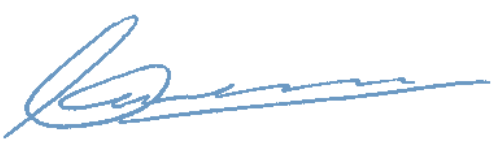
British Airways is a strong supporter of this country's efforts to mark the Millennium. This is not solely for the significant promotion of trade and tourism Millennium celebrations will create, but also because of the legacy of infrastructure development the many Millennium projects will bring.

Your Company's new combined business centre currently under construction at Harmondsworth, close to Heathrow Airport, is noted as an important Millennium project. Already hailed as one of the world's most advanced working environments, the development sets out to enshrine each of the Company's stated corporate values. The 280-acre property was previously a land-fill site. Our proposal has been to take this wasteland, make it safe and use 30-acres for the building of the new offices. The remaining 250 acres are being landscaped and donated to the local community as recreational parkland. It will be the biggest public park to be created, in the United Kingdom, this century. The first employees are expected to move in at the end of 1997.

FUTURE OUTLOOK

The ongoing growth of the world air travel market, coupled with British Airways' intention to take full advantage of it, gives me confidence for the long-term success of your Company. The necessary steps being taken today to ensure that we become truly competitive against the toughest global standards of tomorrow, hold out the promise of a bright future for every British Airways stakeholder.

The new Labour administration in Britain is not expected to result in significant change to the interface between British Airways and Government. We believe that the importance of sound policies to promote the healthy, competitive development of British civil aviation will be maintained within the restructured Cabinet. Government is well aware of our needs and priorities; and we anticipate a productive partnership.



Sir Colin Marshall *Chairman*

THIS HAS BEEN A LANDMARK YEAR FOR YOUR COMPANY and in many ways a turning point, as we set our sights firmly on reshaping British Airways to meet the challenges which the new millennium will bring.

On a personal level, it has also been a significant year – my first complete year as Chief Executive. I am privileged to lead a company of committed people and a thoroughly dedicated team of professional managers who richly deserve praise and admiration for putting British Airways at the forefront of the industry.

In February, our tenth anniversary of privatisation gave everyone in the company an opportunity to reflect on our many achievements during the past decade.

It also gave us a focus for our plans for the next decade and will be remembered as the year in which we sparked the biggest relaunch of British Airways since privatisation. The challenges of our industry and the new millennium mean it is vital for our future that British Airways takes a giant leap forward now.

To put us on course for the future, we have introduced a new Mission, "To be the undisputed leader in world travel." We intend to remain clearly ahead, to set the standards for others to follow and to remain alert to challenges for the leadership of our industry.

To help us achieve this Mission, we have also changed our corporate Goals and Values. Our new Goals are to be the "Customers' Choice," to have "Inspired People," "Strong Profitability" and to be "Truly Global." Our new Values are to be "Safe and Secure," "Honest and Responsible," "Innovative and Team Spirited," "Global and Caring" and a "Good Neighbour."

GLOBAL IMAGES
Poole Pottery in Dorset, England has a worldwide reputation for craft pottery, using brush stroke painting.
Artist: Sally Tuffin

GLOBAL IMAGES
Inspired by such sources as the Book of Kells, this Celtic Irish motif draws from a wealth of cultural tradition.
Artist: Timothy O'Neill

During the year we began a Business Efficiency Programme which is essential to building a successful company that is around for the long-run. It will deliver to the business annual efficiencies of £1 billion by the year 2000.

To signal to the world that we are changing, we introduced an interim livery, in preparation for a bold new corporate identity which will be unveiled to the world on June 10. Our key priorities this year have been to keep our customers satisfied, to create a profitable business, to build a strong network that spans the globe through our global alliances and marketing agreements with other carriers and to be the best managed company in the UK by the year 2000. I would now like to chart our progress in achieving the company's goals this year.

STRONG PROFITABILITY

Our objective is to produce consistently high returns to our shareholders and I am pleased to report that over the past five years total shareholder return was in the top quartile of UK FTSE 100 companies. In each year our performance was in the top 60 per cent – an achievement only four companies outside the financial sector can match. We will ensure the business continues to generate enough cash to give a good return on the invested capital and to grow the business profitably.

"...we have introduced a new Mission, 'To be the undisputed leader in world travel'."

Our focus will remain on high levels of customer service, continuous cost efficiency, on enhancing revenue and effectively using our resources, assets, people and technology. Liberalisation of aviation markets in which we operate has led to stronger competition. Today's customers understandably expect better value and higher quality.

The Business Efficiency Programme which I mentioned earlier, will give us a cost base that allows us to stay competitive throughout the ups and downs of the economic cycle and to grow through investing in new aircraft, products and better customer service.

Every part of the business has been examined. We have disposed of unprofitable businesses; restructured internally to become more competitive and outsourced some activities to companies who are able to provide specialist services more cost efficiently. The initiatives announced so far will remove more than 4,000 jobs from

Left to right:
Denise Delve,
Cabin Service Director;
Marie Weeks,
Customer Service Agent;
Julie Morton,
Cabin Crew;
Paul Davenport,
Customer Service Agent
are all members of the Special Events Team at Birmingham.

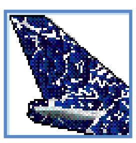
the Group through efficiency and outsourcing. In anticipation of this we called in September 1996 for 5,000 volunteers from the UK to leave the Company on severance or early retirement packages.

We intend to increase the number of people we employ to deliver skilled customer service and have already started to recruit in this area. As the business grows, we expect to take on a similar number of new em-ployees to those who leave the company over the next three years.

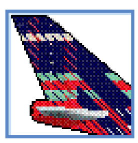
While the Business Efficiency Programme is central to achieving our strong profitability goal, we also need to increase our streams of revenue. New business and new ways of using the British Airways brand will play an important role. In April, we rolled out British Airways' branded film, cameras and mail order processing and we recently launched an exclusive co-branded credit card with NatWest. More new business ideas are being developed.

TRULY GLOBAL

At Gatwick, we have continued to build a successful hub operation. Together with our partner airlines we now operate to 116 destinations from Gatwick – more than from Heathrow. Since April this year, we launched new services linking Gatwick with Glasgow, Barcelona, Lisbon, Warsaw and Krakow and transferred flights to St Petersburg and Pisa from Heathrow, together with a new four times weekly service to Riga in Latvia. Latin American services from Heathrow were also transferred to Gatwick. No single airline's own network can offer the comprehensive global coverage which today's customers demand and we are constantly expanding ours through new routes, franchises, partnerships and alliances with other like-minded carriers.



GLOBAL IMAGES
This distinctive design is steeped in the tradition of Dutch ceramic tiles and pottery known as 'Delftware'.
Artist: Hugo Kaagman



GLOBAL IMAGES
A Scottish highland tartan design, created by the last remaining hand weaver using traditional methods.
Artist: Peter Macdonald

British Airways global alliance covers 474 scheduled destinations in 103 countries across the world's major markets. Last year we announced our intention to enter into an alliance with American Airlines, and are optimistic that we will soon be able to start working together for our customers. Together with American Airlines and its American Eagle affiliate we will be able to offer flights between 36,500 city pairs around the world, doubling our present reach. We have already improved our frequent flyer programmes to allow passengers, except those on non-stop transatlantic routes, to earn and burn miles on each carrier.

> "...no single airline's network can offer the comprehensive global coverage which today's customers demand"

Comair of South Africa, British Mediterranean Airways and Sun-Air of Denmark joined our franchise network during the year. In Scotland, the franchise network was expanded with Airlines of Britain group taking over our six (under performing) routes to Orkney, Shetland and the Western Isles of Scotland.

In the French market, we acquired a majority stake in Air Liberté, which had gone into receivership. Combined with our investment in TAT European Airlines, we are now a serious competitor, with a 22 per cent stake in the French domestic market. Deutsche BA, our alliance partner in Germany, was relaunched in January, offering a single class product, an expanded domestic network and value for money in the German domestic market. It also plans a single-type Boeing 737 jet fleet.

During the year your Company gave notice to US Airways Group, Inc. (formerly called USAir Group, Inc.) that it intended to sell all of its shares in the company and our alliance has now ended. Our three nominated directors – myself, Derek Stevens and Roger Maynard – have since resigned from the US Airways Board.

Our alliance with Qantas goes from strength to strength. In Singapore and Bangkok we now operate as one airline, under a Joint Service Agreement, sharing revenues on services between Europe and Australia over Singapore and Bangkok and benefiting from the considerable efficiencies which this brings to both airlines. Codesharing with Canadian Airlines International was expanded this year and we now codeshare more than 800 flights each week between ten cities in Canada and seven in the UK and Europe.

Clockwise from top left:
Sohan Bains, *Maintenance Operative;*
Trevor Boyce, *Lead Maintenance Worker;*
David Williams, *Aircraft Engineer;*
Brian Simmonds, *Fleet Lead Material Supplier;*
Philip Brescanin, *Licensed Aircraft Engineer;*
George Plummer, *Aircraft Technician, Mechanical;*
Jason Roberts and Alistair Finch, *Avionic Technicians*

INSPIRED PEOPLE

Becoming the best managed Company in the UK continues to be one of my key priorities and we have made significant progress during the year.

I had the honour of accepting on behalf of your Company, the Financial Times/Price Waterhouse award for the top-rated organisation in the European transport sector and the second most respected Company overall in Europe. We were also voted the best European Company at satisfying its customers and the most respected British business in the annual poll of 1,400 senior executives. For the third year running we were also voted one of the best managed companies in the Quality of Management Awards. We improved our place to second and we are striving to improve on that.

GLOBAL IMAGES
The women of the Ndebele people of South Africa have developed a living art of ingenuity, richness and vitality.
Artists: Emmly and Martha Masanabo

Our people are absolutely fundamental to our future success and to achieving our new Mission. We will do all we can to inspire our employees and ensure they too benefit from the Company's successes.

Our Cabin Crew have been going through a training programme called "Breakthrough," which encourages them to deliver a more personal style of service. Ground staff are attending a training programme called "Walking in the Customers' Shoes" to inspire them to deliver superior customer service through a new style of managing people and personal development.

We will continue to invest money and time to improve the efficiency and level of service that our employees can offer our customers.

> "We will do all we can to inspire our employees and ensure they too benefit from the Company's successes."

At the end of this year, the first of 2,500 British Airways employees start to move into the new combined business centre at Harmondsworth. For the first time, this will bring together head office functions which are currently split among several locations and improve out of sight the way we work together.

As we prepare to meet the new millennium, your Company will continue to strive for great heights and never be content with second-best.

Robert Ayling Chief Executive

BOARD MEMBERS

SIR COLIN MARSHALL (63)

Chairman. President, Confederation of British Industry. Chairman, Inchcape plc. Deputy Chairman, British Telecommunications plc, Director, HSBC Holdings plc. Chairman, London First Centre. Formerly Deputy Chairman and Chief Executive, British Airways Plc, having joined the Board as Chief Executive in 1983.

SIR MICHAEL ANGUS (67)

Non-Executive Director, Deputy Chairman and Chairman of the Board Audit, Remuneration and Nominations Committees. Joined the Board in 1988. President, Confederation of British Industry 1992-94. Chairman, Whitbread PLC and The Boots Company PLC. Director, National Westminster Bank PLC.

ROBERT AYLING (50)

Chief Executive. Joined the Board in 1991. Previously Group Managing Director, Director of Marketing and Operations, Company Secretary and Legal Director and Director of Human Resources. Formerly Under Secretary at the Department of Trade. Director, Qantas Airways Ltd., Royal Sun Alliance Group PLC and Business in the Community. Chairman, Millennium Central Ltd and the Association of European Airlines.

DEREK STEVENS (58)

Chief Financial Officer. Joined the Board in 1989. Formerly Finance Director, TSB Group Plc. Director, Commercial Union plc.

CAPTAIN COLIN BARNES (63)

Non-Executive Director, Chairman of the Board Safety Review Committee. Joined the Board in 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. Policy Committee and Council Member of the Air League.

MICHAEL DAVIES (62)

Non-Executive Director. Joined the Board in 1983. Chairman, Perkins Foods PLC, Simon Engineering PLC and National Express Group PLC. Deputy Chairman, GPA Group Plc.

DR ASHOK GANGULY (61)

Non-Executive Director. Joined the Board in April 1996. Formerly Director, Unilever PLC, Chairman, Hindustan Lever Ltd. Fellow of the Royal Society of Chemistry.

BARONESS O'CATHAIN (59)

Non-Executive Director. Joined the Board in 1993. Director, Tesco Plc, BNP UK (Holdings) Limited and Thistle Hotels Plc.

SIR ROBIN RENWICK (59)

Non-Executive Director. Joined the Board in 1996. Previously British Ambassador to the United States and to South Africa. Chairman, Save and Prosper Group Limited, Fluor Daniel. Director, Robert Fleming Holdings Limited, Liberty International Plc, Richemont and Canal Plus.

THE HON RAYMOND SEITZ (56)

Non-Executive Director. Joined the Board in 1995. United States Ambassador to the UK until May 1994. Vice Chairman, Lehman Brothers Ltd. Director, General Electric Company plc, The Chubb Corporation, Cable and Wireless plc, The Telegraph Group plc, Shandwick plc and RTZ-CRA plc.

PRESIDENT

THE RT HON THE LORD KING OF WARTNABY (79) Chairman 1981-1993

EXECUTIVE TEAM

Martin George (35)	Director of Marketing	Charles Gurassa (41)	Director of Passenger Business
David Holmes (62)	Director of Corporate Resources	Captain Mike Jeffery (52)	Director of Flight Crew
Colin Matthews (41)	Managing Director, BA Engineering	Roger Maynard (54)	Director of Investments and Joint Ventures
John Patterson (49)	Director of Strategy	Valerie Scoular (41)	Director of Customer Service
Derek Stevens (58)	Chief Financial Officer	Mike Street (49)	Director of Operations
Peter White (50)	Director of Sales		

Membership as at May 19, 1997

Opposite, anti-clockwise from front: Sir Colin Marshall, *Chairman;* Derek Stevens, *Chief Financial Officer;* Michael Davies; Captain Colin Barnes; Baroness O'Cathain; the Hon Raymond Seitz; Sir Robin Renwick; Dr Ashok S Ganguly; Sir Michael Angus, *Deputy Chairman;* Bob Ayling, *Chief Executive.*

Top of page: Global Image by Timothy O'Neill, Ireland

Ten Directors form the Board of British Airways Plc. Two Directors are executive and have service contracts with the Company. Of the eight Non-Executive members of the Board, two were formerly executives of the Company and six are drawn from a diversity of business, financial and diplomatic backgrounds bringing a broad range of views and experiences to Board deliberations.

The Board meets ten times a year and additionally when necessary to consider all matters relating to the overall control, business performance and strategy of the Company and to this end the Board has drawn up a schedule of matters which require Board decision. In recognition of the international nature of the Company's business, the Board holds three of its meetings each year at important longhaul and shorthaul destinations on British Airways' route network.

All Directors receive regular information about the Company so that they are equipped to play as full as possible a part in Board meetings. In addition all Board members have access to the Company Secretary for any further information they require. Non-Executive Directors are encouraged to visit the Company's operations and to speak with customers and employees whenever they fly. Independent professional advice would be available to Directors in appropriate circumstances, at the Company's expense.

The Board has four standing Board Committees which meet regularly under their own terms of reference:

The Audit Committee meets quarterly under the chairmanship of the Non-Executive Deputy Chairman. Its members are the Non-Executive members of the Board, Captain Colin Barnes, Mr Michael Davies, Dr Ashok Ganguly, Sir Colin Marshall, Baroness O'Cathain, Sir Robin Renwick and The Hon. Raymond Seitz . The external and internal auditors and the Legal Director attend all meetings of the Committee and executives attend as required. The Committee reviews the Company's financial statements to ensure that these present an accurate reflection of its financial position. It also reviews accounting policies, internal audit reports, compliance procedures and the Company's Code of Business Conduct.

The Safety Review Committee meets every other month under the chairmanship of Captain Colin Barnes. Its members are Mr Michael Davies, Dr Ashok Ganguly, Baroness O'Cathain, Sir Robin Renwick and The Hon. Raymond Seitz. The Committee considers matters relating to the operational safety of the airline and subsidiary airlines as well as health and safety issues.

The Nominations Committee meets once a year and additionally if required to consider and recommend appointments and reappointments to the Board. Its Chairman is Sir Michael Angus and its members are Sir Colin Marshall, Mr Michael Davies, Baroness O'Cathain and The Hon. Raymond Seitz.

The Remuneration Committee of the Board meets at least once a year to determine the Company's policy on Executive Directors' remuneration, to review that remuneration, to consider and decide grants under the Company's Long Term Incentive Plan and to advise on remuneration for senior executives below Board level. The Committee is chaired by Sir Michael Angus, Non-Executive Deputy Chairman and its members are Mr Michael Davies, Baroness O'Cathain and The Hon. Raymond Seitz.

REPORT OF THE REMUNERATION COMMITTEE

The Company has continued to pursue a policy on remuneration aimed at providing compensation packages at market rate which reward successful performance and attract, retain and motivate senior executives. The remuneration packages offered by the Company are comparable with other international businesses of similar size and nature to British Airways.

The remuneration package consists of a basic salary, an annual bonus and participation in a long term incentive plan. The Company also provides private health care, a car and fuel.

The Company has complied throughout the year with Section A annexed to the London Stock Exchange Listing Rules. In framing its remuneration policy, the Committee has given full consideration to Section B of the best practice provisions annexed to the London Stock Exchange Listing Rules. Questions concerning service contract length and pensionable bonuses are discussed below.

BASIC SALARY AND BENEFITS

The basic salary reflects the level of responsibility of the Executive Director, his market value and individual performance. In reviewing basic salary, independent external advice is taken on salaries for comparable jobs in companies similar to British Airways, as well as the remuneration earned by leaders of other international airlines.

ANNUAL BONUS SCHEME

Executive Directors and senior executives participate in an annual bonus scheme which is designed to reward achievement of pre-tax profit targets agreed by the Committee. For Executive Directors, maximum bonus is capped at 50 per cent of salary which is paid only if the pre-tax profit target (which is in itself stretching) is exceeded by a significant margin. Robert Ayling and Derek Stevens participated in this scheme in the year under review.

Left to right:
Suzanne Pike,
Tari Purba,
Kerry Brown,
Mike Tomlin,
Customer Service Agents based at Gatwick

LONG TERM INCENTIVE PLAN 1996

The British Airways Long Term Incentive Plan 1996 was approved by the shareholders at the Annual General meeting in July 1996. The Plan permits the Remuneration Committee to make awards of options over shares to selected executives conditional upon the Company's performance relative to other companies in the FTSE 100 index.

A third of the award becomes unconditional on the third, fourth and fifth anniversaries of the start of the financial year in which the award was made if the Company's ranking by total shareholder return (TSR) places it at or above the 75th percentile. A lower number of options are awarded pro-rata if the Company is ranked between 41st and 74th and no shares are awarded if the TSR is at or below the 40th percentile. All awards are subject to the Remuneration Committee being satisfied that the Company's overall financial performance justifies the grant of the option. Robert Ayling and Derek Stevens received conditional awards under the Plan during the year under review, details of which may be found on page 13.

SERVICE CONTRACTS

Robert Ayling and Derek Stevens hold two year service contracts with the Company. This was market practice at the time of their respective appointments and no change is proposed. Neither service contract has provision for pre-determined compensation on termination and the Committee would expect to take full account of any mitigating circumstances before agreeing compensation. In the event of a new appointment, the length of service contract would be determined by the Committee in the light of the then prevailing market practice.

NON-EXECUTIVE DIRECTORSHIPS

The Board encourages Executive Directors to broaden their experience outside the Company. Accordingly they are permitted to take up a limited number (normally two) of Non-Executive appointments from which they may keep any fee.

PENSION SCHEMES

Executive Directors participate in the New Airways Pension Scheme which is the main contributory pension scheme open to employees of the Company. Scheme members' benefits comprise a pension accrual rate of 1/56th of abated basic salary (the abatement being equivalent to 150 per cent of the UK Government's Lower Earnings Limit for National Insurance Contribution purposes) for each year of service (up to a limit of two-thirds of 'final remuneration' as defined by the Inland Revenue), a lump sum death-in-service benefit of three times annual basic salary and a dependent's benefit of two-thirds of the Executive's earned pension (but including half of the remaining service to normal retirement age where applicable). Normal retirement age is usually 60.

Senior Executives can accrue pension at an enhanced rate (up to the same two-thirds limit) by paying contributions for an additional pensionable service credit of up to 30 per cent.

Under Robert Ayling's and Derek Stevens' service contracts, pensionable remuneration includes any annual bonus paid. Provision for payment of a widow's pension on death and life insurance providing payment of a lump sum for death in service is also made. The Committee does not propose to change these arrangements since these are contractual rights. Future appointments of Executive Directors will not however include the annual bonus for pensionable purposes.

NON-EXECUTIVE DIRECTORS' FEES

The Chairman's fee is determined by the Remuneration Committee. Fees for the Non-Executive Directors (other than the Chairman) are determined by the Board on the recommendation of the Chairman. Neither the Chairman nor the Non-Executive Directors participate in the Long Term Incentive Plan nor are their fees pensionable.

DIRECTORS' REMUNERATION, SHARE INTERESTS AND LONG TERM INCENTIVE PLAN

The remuneration of the Executive Directors was:

	Robert Ayling		Derek Stevens	
£'000	1997	*1996*	1997	*1996*
Basic salary	400	*336*	235	*223*
Taxable benefits	13	*13*	7	*8*
Performance related bonus	100	*168*	59	*112*
Share appreciation rights		*48*		
Total	513	*565*	301	*343*

Taxable benefits include a company car, fuel and private health insurance. Performance related bonuses are driven by corporate performance targets set at the beginning of each financial year by the Remuneration Committee.
Sir Francis Kennedy was paid £30,268 until he retired from the Board on July 16, 1996 (1996: £109,801 – full year). He was a part-time Special Adviser to the Chairman and Board and Chairman of British Airways Regional Limited.

Pensions

	Age as at March 31, 1997	Annual pension earned during 1996-97	Total annual pension as at March 31, 1997
Robert Ayling	50	£36,871	£174,074
Derek Stevens	58	£20,056	£172,249

The fees paid to Non-Executive Directors were:

£'000	1997	*1996*
Sir Colin Marshall (1996: from January 1996)	265	*67*
Sir Michael Angus	70	*73*
Captain Colin Barnes	47	*46*
Michael Davies	26	*25*
Dr Ashok Ganguly	23	
Charles Mackay (to July 16, 1996)	6	*23*
Baroness O'Cathain	26	*25*
Sir Robin Renwick	27	*2*
The Hon Raymond Seitz	24	*24*

Sir Colin Marshall's fee as Non-Executive chairman was £250,000 per annum in addition to which he enjoyed taxable benefits of £15,000. In the previous year, in addition to fees of £67,000 paid to him as Non-Executive Chairman for the period January 1 to March 31, 1996, his remuneration was £691,000 for the period April 1 to December 31, 1995, during which he was Executive Chairman of the Company.
Sir Michael Angus' fee recognises his commitment to the Company as Non-Executive Deputy Chairman of an average half-day per week in addition to Board and Board Committee meetings where he is chairman of the Audit, Remuneration and Nominations Committees. Captain Colin Barnes receives £11,500 per annum for his chairmanship of the Safety Review Committee. The fee paid to the other Non-Executive Directors is reviewed every three years and comprises a basic £20,000 per annum plus £500 for each Board Committee separately attended.

Directors' Share Interests at March 31, 1997

	British Airways Plc				British Airways Capital Limited	
	Ordinary shares subject to no restrictions		Ordinary shares subject to restrictions		Convertible Capital Bonds	
Number	March 31, 1997	*April 1, 1996*	March 31, 1997	*April 1, 1996*	March 31, 1997	*April 1, 1996*
Sir Colin Marshall	49,789	*48,463*	5,080	*3,629*	11,304	*11,304*
Sir Michael Angus	3,876	*3,780*			1,333	*1,333*
Robert Ayling	36,503	*36,503*	4,593	*3,142*		
Derek Stevens	13,673	*10,222*	4,233	*6,233*	109	*109*
Captain Colin Barnes	20,571	*16,388*			644	*644*
Michael Davies	5,224	*5,224*			2,221	*2,221*
Dr Ashok Ganguly						
Baroness O'Cathain	5,100	*3,528*				
Sir Robin Renwick	1,000					
The Hon Raymond Seitz						
	135,736	*124,108*	13,906	*13,004*	15,611	*15,611*

No Director has any beneficial interest in any subsidiary undertaking of the Company other than those shown above in the 9.75 per cent Convertible Capital Bonds 2005 of British Airways Capital Limited.
Sir Francis Kennedy and Mr Charles Mackay who were Directors until July 16, 1996 held at that date 14,343 and 13,000 ordinary shares respectively. Sir Francis Kennedy also held 1,421 Convertible Capital Bonds.
There were no changes to the Directors' interests shown above from April 1, 1997 to May 19, 1997.

DIRECTORS' REMUNERATION (CONTINUED)

Directors' Share Options at March 31, 1997

The following Directors held options to purchase ordinary shares of British Airways Plc granted under the British Airways Executive Share Option Scheme 1987:

	Date of grant/exercise	Number of options	Option price	Options exercised*	Profit £'000	Exercisable for seven years from
Sir Colin Marshall	June 9, 1993	81,911	293p			June 9, 1996
	July 1, 1994	12,903	372p			July 1, 1997
	Aug 11, 1994	95,465	419p			Aug11, 1997
Balance at April 1, 1996 and March 31, 1997		190,279				
Robert Ayling	June 9, 1993	102,389	293p			June 9, 1996
	July 1, 1994	16,129	372p			July 1, 1997
	Aug 11, 1994	81,145	419p			Aug 11, 1997
	June 30, 1995	14,814	405p			June 30, 1998
Balance at April 1, 1996 and March 31, 1997		214,477				
Derek Stevens	May 26, 1989	208,640	192p			May 26, 1992
	June 1, 1990	143,183	196p			1 June 1993
	June 16, 1992	46,022	261p			June 16, 1995
	June 9, 1993	13,651	293p			June 9, 1996
	July 1, 1994	5,645	372p			July 1, 1997
	June 30, 1995	7,654	405p			June 30, 1998
Balance at April 1, 1996 and March 31, 1997		424,795				
Captain Colin Barnes	May 26, 1987	32,289	201p	32,289	117	May 26, 1990
	July 3, 1989	20,255	197p	20,255	74	July 3, 1992
	June 1, 1990	20,454	196p	20,454	75	June 1, 1993
	Balance at April 1, 1996	72,998				
	May 24, 1996	(72,998)		72,998	266	
	March 31, 1997					

* Share price on the date of exercise was 563.5p.

In addition to the above, Sir Colin Marshall, Robert Ayling and Derek Stevens each hold 1,326 options at 286 pence under the 1993 operation of the British Airways Savings Related Share Option Scheme 1987 which will be exercisable on December 1, 1998. The options held by Sir Colin Marshall and Captain Colin Barnes were granted whilst they were Executives of the Company. No options lapsed during the year. No further grants under the British Airways Executive Share Option Scheme 1987 will be made.

Long Term Incentive Plan 1996

The following Directors held conditional awards of options over ordinary shares of British Airways Plc granted under the British Airways Long Term Incentive Plan 1996 on August 2, 1996:

Robert Ayling 57,034 shares Derek Stevens 33,507 shares

One third of each individual award may vest at the end of the financial years ending in 1999, 2000 and 2001 if the performance of the Company, measured by total shareholder return (TSR) from 1996 through to the end of the year in question, places the Company at or above the 75th percentile when compared with the TSR for each of the companies in the FTSE 100 index. If the Company's TSR for the period to that financial year end is at or below the 40th percentile, no options will be granted. If the Company's TSR for that period is between the 41st and 74th percentiles, the number of options will be determined pro-rata on a straight line basis. No payment is due upon exercise of options. Options are exercisable for seven years from vesting. All grants of options are subject to the Remuneration Committee being satisfied that the Company's overall financial performance justifies the grant of an option.

Mid-market prices of the ordinary shares	1997	*1996*
At March 27 (being the last trading day prior to March 31, 1997)	**655.5**	*536.0p*
Highest in the year	**664.0**	*536.0p*
Lowest in the year	**506.5**	*398.0p*

By order of the Board

Gail Redwood *Company Secretary*

May 19, 1997

The Directors have pleasure in presenting their Report and Accounts for the year ended March 31, 1997. The accounts are set out on pages 26 to 54.

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 for the year attributable to members of British Airways Plc amounted to £553 million, against £473 million in the previous year. The Board recommends a final dividend of 10.80p per share. An interim dividend of 4.25p per share was paid in January making a total of 15.05p per share, an increase of 10.3 per cent on the previous year. After providing £154 million for dividends, the retained profit for the year amounted to £399 million.

DIRECTORS

Sir Francis Kennedy and Mr Charles Mackay retired from the Board at the Annual General Meeting in 1996. Since that date there have been no changes to the membership of the Board.

Mr Robert Ayling, Captain Colin Barnes and Baroness O'Cathain retire by rotation in accordance with the Company's Articles of Association at the Annual General Meeting to be held on July 15, 1997. Robert Ayling is the Chief Executive of the Company and has a service contract with the Company. Captain Barnes and Baroness O'Cathain are Non-Executive Directors of the Company. Biographical notes about the Directors seeking re-election may be found in the explanatory notes to the notice of Annual General Meeting.

The names and details of all the Directors are set out on page 8. Their membership of Board Committees is set out on page 10, as is the report of the Remuneration Committee. The remuneration and share interests of the Directors are set out on pages 12 and 13.

EMPLOYEE INVOLVEMENT

The Company is committed to recognising the contribution to its success by its well motivated and dedicated employees and to involve them fully in the Company's fortunes.

As in previous years, the Company is rewarding its eligible employees world-wide through the Profit Sharing Share Scheme which, this year, will generate a bonus equivalent to 3.36 weeks' basic pay. In addition, to mark the tenth anniversary of privatisation, each of our eligible employees will also be awarded ten free shares.

The Company is also fully committed to increasing its employees participation in it and would like to see the number of staff holding shares and their shareholding increased from the current levels of some 65 per cent and 3.5 per cent respectively. To that end, the Company will be continuing this year the approach it introduced last year of offering an additional bonus of 20 per cent, as an incentive for employees who use their profit share payment to acquire shares in the Company instead of taking this in cash. The offer of taking the profit share payment in shares instead of cash is again being extended to employees outside the UK where local tax regulations allow this to take place.

The Savings Related Share Option Scheme also enables employees to save up to £55 a month, with the option, after five years to purchase shares at the prescribed price of 286 pence per share; or alternatively redeeming the savings in the normal way. The scheme will mature in December 1998.

EQUAL OPPORTUNITY

British Airways Equal Opportunity Policy and Code of Practice is underpinned by a Steering Group chaired by the Director of Human Resources and comprising senior line managers who champion equal opportunity and diversity throughout the Company. By this means, the Company ensures its Policy is translated into actions and that those actions take account of local departmental circumstances.

The Equal Opportunities Steering Group is currently undertaking a major review of the Policy and the actions being taken to support it, to identify further steps that can be taken to support its aims.

The Company continues to be actively involved in Opportunity 2000 and in Race for Opportunity, a national campaign to help and encourage ethnic minorities to succeed in areas of employment, community affairs and business activity.

CHARITABLE AND POLITICAL DONATIONS

Left to right:
Lydia Suttle,
Kerry Miller,
Kevin Sharp
Customer Service staff based at Gatwick

Following a review of our community investment policy, which received Board approval in April 1996, British Airways increased the value of its charitable donations by 80 per cent in the year under review to £1,070,000 (1996: £594,000).

Our investment in the community is much greater than indicated by the above donations. A Per Cent Club audit by Business In The Community indicated the total value of our contribution was close to £5 million – this includes the market value of gifts in kind (notably air tickets) and services donated.

We have renewed our "Change for Good" agreement with UNICEF under which we collect surplus currency from our customers and pass it on to UNICEF for investment in children of the world. In the past three years we have passed over £4 million in this way, and this achievement was recognised by a special award presented by H.R.H. The Duchess of Kent to British Airways on the occasion of the 50th Anniversary of UNICEF.

No political donations were made during the year (1996: nil).

ENVIRONMENT

One of the Company's five key values is to be a "Good Neighbour" showing concern for the environment and the community.

This is supported by a strong statement of environmental policy. There is a small central environmental group charged with implementing the policy through provision of support and advice, as well as measuring and monitoring of performance.

This programme includes site audits and reviews of specific topics within key areas of: noise; fuel efficiency and emissions to the atmosphere; waste, materials and water; congestion in the air and on the ground; and tourism and conservation.

The airline supports two major environmental outreach programmes: the British Airways Tourism for Tomorrow Awards, recognising environmental responsibility in the industry; and British Airways Assisting Conservation, which works largely by provision of assistance with travel to leading worldwide conservation organisations.

Each year the airline publishes an Environmental Report in which progress against specific targets and specific environmental indicators is recorded. Copies of the 1996-97 report can be obtained from: Environmental Branch, British Airways Plc, S285 Speedbird House, PO Box 10, Heathrow Airport, Hounslow, Middlesex TW6 2JA, UK.

SHAREHOLDERS — NON-UK NATIONALS

At March 31, 1997, 22 per cent of the ordinary shares of the Company were held by non-UK nationals (1996: 27 per cent). 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 expect (but without limiting their freedom to act) to seek to exercise their powers to restrict non-UK share ownership.

CORPORATE GOVERNANCE

The Company has complied throughout the year under review with the Cadbury Committee's Code of Best Practice.

INTERNAL FINANCIAL CONTROL

The Directors are responsible for the Company's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance regarding:

(a) the safeguarding of assets against unauthorised use or disposition, and

(b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The key procedures that the Directors have established to provide effective internal financial controls are as follows:

Corporate objectives are communicated to all staff through the distribution of the Missions, Values and Goals, supported by the Code of Business Conduct which conveys ethical values and establishes the norms of business behaviour throughout the Company. A clear organisational structure exists detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, accountability, control consciousness and identifies appropriate training requirements. Action plans are consequently prepared and implemented to ensure that staff obtain the required skills to fulfil their responsibilities, and that the Company can meet its future management requirements.

A three year business plan sets the business agenda. The plan communicates the corporate strategy, agrees targets for financial return and service standards, identifies and prioritises improvement opportunities to deliver the targets and agrees capital and manpower requirements. The business plan priorities link into the annual budget process which defines specific departmental action plans. The budget confirms the targeted result can be achieved, satisfies departments that their plans are robust and establishes performance indicators against which departments can be evaluated. The budget is approved by the Board on an annual basis.

A comprehensive management accounting system is in place providing both key financial and performance indicators to executive management. Detailed management accounts are prepared to cover each major area of the business. Variances from budget are analysed, explained and acted on in a timely manner. Regular Board meetings are held to discuss performance and specific projects are discussed as and when required. Information systems are developed to support the Company's long term objectives and are managed by a professionally staffed Information Management Department. The Company follows a professional approach to financial reporting.

Manuals of policies and procedures are in place covering all significant areas of the business. These detail lower level controls including authorisation and approval processes.

Business controls are reviewed on an ongoing basis by the Internal Audit Department which operates internationally and to a programme based on risk assessment. The department is managed by professionally qualified personnel with experience gained from both inside and outside the industry. The department also ensures that recommendations made by both internal and external auditors to improve controls are followed up by management. The Audit Committee, comprising the Non-Executive Directors, considers significant control matters raised by management and both the internal and external auditors. The Committee reports its findings to the Board.

The Board of Directors has reviewed the effectiveness of the Company's internal financial control system considering the processes set out above.

GOING CONCERN

After making enquiries, the Directors consider that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

PAYMENT POLICY

British Airways is a signatory to the Confederation of British Industry (CBI) code of practice on supplier payment and is committed to the payment of its suppliers to agreed terms. Further information in respect of this code can be obtained from the CBI at Centre Point, 103 New Oxford Street, London WC1A 1DU.

Specific actions in pursuit of this commitment include the publication in 1995 of a corporate purchasing policy document which clearly sets out the Company's approach to supplier payment and the introduction of an integrated procurement and payment management system during 1997 with effective supplier payment as one of its core objectives. The number of days' purchases in creditors as at March 31,1997 in respect of the Company is calculated as 43 days. (Calculation basis as defined by The Companies Act 1985.)

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.

By order of the Board
Gail Redwood *Company Secretary*
May 19, 1997

REPORT OF THE AUDITORS TO BRITISH AIRWAYS PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the accounts, we have reviewed the Directors' statement on page 15 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43 (j) and 12.43 (v).

BASIS OF OPINION

We carried out our review in accordance with guidance issued by the Auditing Practices Board, and assessed whether the Directors' statements on internal financial control and going concern are consistent with the information of which we are aware from our audit. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

OPINION

With respect to the Directors' statement on internal financial control and going concern on pages 15 and 16, in our opinion the Directors have provided the disclosures required by the Listings Rules referred to above and such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and Officers of the Company and examination of relevant documents, in our opinion the Directors' statement on page 15 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young
Chartered Accountants
London
May 19, 1997

SUMMARY

Group profit before tax for the year was a new record at £640 million, up £55 million or 9.4 per cent on last year. Operating profit (before exceptional restructuring costs) for the year was down £55 million at £673 million. The reduction is more than explained by the rise in the price of aviation fuel, worth £142 million in the year. Excluding this, operating profit would have risen by 12 per cent, reflecting strong growth in passenger revenue and continued focus on cost efficiencies. A provision of £127 million has been made for restructuring costs associated with cost efficiency initiatives planned for implementation over the next two years under the Business Efficiency Programme.

OPERATING REVIEW

TURNOVER

For the year ended March 31, 1997, Group turnover increased by 7.7 per cent from £7,760 million to £8,359 million. Passenger traffic (mainline scheduled revenue passenger kilometres – RPKs) increased by 6.4 per cent while capacity (available seat kilometres – ASKs) rose 7.3 per cent. Passenger load factor for the year was 73.2 per cent, 0.6 points below last year's record figure.

At the Group level total traffic (revenue tonne kilometres – RTKs) increased 7.7 per cent with total capacity (available tonne kilometres – ATKs) up by 8.2 per cent.

Mainline scheduled passenger yield improved by 1.3 per cent in spite of the increased strength of Sterling. The negative exchange effect was more than offset by fare increases.

Cargo revenue fell marginally by £1 million to £565 million, with growth in volume (mainline scheduled cargo tonne kilometres – CTKs) of 9.0 per cent offset by a yield decline caused by increased capacity in the market and fierce price competition.

In addition to the routes added to the network from the new franchise agreements with Comair (South Africa), British Mediterranean Airways and Sun-Air (Scandinavia), the year saw the launching of new services linking Gatwick with Kiev, Belgrade, Phoenix, San Diego and Zagreb. Latin America services from Heathrow were also transferred to Gatwick.

EXPENDITURE

Group operating expenditure (excluding exceptional charge) increased by 9.3 per cent in the year to £7,686 million with unit costs per ATK up by 0.8 per cent. Unit costs were pushed up by fuel price increases of 20 per cent. Excluding the increase in the price of fuel, the Group operating expenditure would have risen by 7.3 per cent, with unit costs per ATK falling by 1.2 per cent.

The average number of employees in the Group during the year to March 31, 1997 rose 2,914 (5.3 per cent) to 58,210. In terms of average manpower equivalent (MPE), the increase was 4.4 per cent to 59,218. Productivity, as measured in terms of Group ATKs per MPE, was up by 3.6 per cent. Employee costs increased by 9.3 per cent to £2,248 million reflecting the increase in staff numbers and the impact of pay settlements for UK staff.

Depreciation costs increased by 9.8 per cent and aircraft operating lease costs rose by 5.3 per cent from last year's level principally due to increase in the number of aircraft from 293 to 308, partly offset by the benefits obtained from re-structuring some aircraft financing. Engineering and other aircraft costs increased 2.2 per cent to £469 million reflecting increased maintenance and overhaul offset by lower aircraft hire charges. Landing fees and en route charges rose a marginal 1.4 per cent to £673 million primarily due to increased activity, partly offset by rate reductions and release of prior year accruals.

Selling costs, handling charges, catering and other operating costs increased 7.6 per cent in line with increased volumes. Accommodation, ground equipment costs and currency differences were 8.8 per cent higher than last year reflecting an increase in maintenance costs and increased expenditure on computer software and networks and other sub-contracted services.

GEOGRAPHICAL ANALYSIS

The financial results in all Regions were adversely impacted by the increase in fuel prices, and the increased strength of Sterling which modified the gains in turnover experienced in all areas.

Profits in the UK and Europe fell by £20 million to £6 million – more than explained by the additional restructuring costs in our European subsidiaries. In addition, mainline carryings and capacity rose by five per cent and seven per cent respectively.

Left to right:
Russell Williams,
Senior First Officer, 747;
Janet Baker,
Senior Customer Service Agent

Top of page:
Global Image by
Emmly Masanabo,
South Africa

Turnover on American routes rose by £412 million, and profits by £49 million year over year, caused by a five per cent growth in yields and higher volumes.

Africa, Middle East and the Indian sub-continent profits fell by £63 million to £157 million. A large (14 per cent) growth in network capacity was not matched by loads, and both seat factors and unit yields fell.

In the Far East and Australasia, profits were down £21 million to £146 million, primarily due to the increase in the cost of fuel and lower yields linked to currency movements.

The above analysis excludes the exceptional charge of £127 million.

BUSINESS EFFICIENCY PROGRAMME

It is a year since the Company announced the need to identify and deliver £1 billion of annual efficiency savings by March 2000. The first benefits of the programme would be seen in the financial year ending March 1998. During the past year the Company has announced several internal restructuring plans as part of the programme, for example:

- Agreement was reached with 2,800 ramp and baggage staff in aircraft services at Heathrow, including a two-year pay-freeze, the introduction of better working practices and lower wage-rates for future new recruits.
- Increased automation, better working practices and a two-year pay-freeze were agreed in BA World Cargo, including the loss of 400 jobs over two years.
- Finance announced the rationalisation of its transaction processing activities world-wide, including increased automation, improved processes and the creation of a new global accounting centre near London in 1998.
- Proposals were put to BA Regional staff to make that company's costs competitive. These proposals which involve pay reductions combined with initial cushioning payments, are now being voted on by staff.

Some areas previously staffed by British Airways are being outsourced, sold or closed.

- British Airways Contract Handling, a handling operation for other airlines at Heathrow, was closed in March 1997 in the face of persistent losses. Most of the 750 employees were redeployed elsewhere in the Company.
- The provision of vehicle management and maintenance services at Heathrow and Gatwick was outsourced to Ryder Plc on a five-year contract with 415 former British Airways employees transferring to the new operator.
- We have recently announced our intention to sell our remaining catering production operations at Heathrow, transferring 1,200 people to a new owner. This is expected to take place in 1997.
- In BA Engineering two overhaul units with 232 staff servicing wheels and brakes and landing gear are to be sold. Additionally, the management of the engineering's IT systems will be outsourced.

The improvements already implemented or announced up to the end of April 1997, together with improved revenue yield, provide over £200 million of efficiences in the 1997-98 financial year, rising to £600 million in the year to March 2000. This represents good progress towards our £1 billion target.

ALLIANCE BENEFITS

The global alliance continued to show benefits in 1996-97. During the year the following significant activities occurred in Europe: Deutsche BA relaunched principally as a single class domestic service and towards the end of the year a controlling interest in Air Liberté S.A. was acquired in France. Feeder traffic continued to increase the benefits from the global alliances.

QANTAS

The year saw continued co-operation and progress for the BA/Qantas alliance. New joint lounges were opened in Singapore, Manila and Los Angeles with building work starting on additional facilities in Bangkok. The two organisations continued to co-ordinate sales and marketing activity around the world and in SE Asia launched the

Left to right:
Andrew Frampton,
Ground Transport Services;
Matt Bagshaw,
Senior Customer Service Agent;
Peter Sparkes,
Flight Captain, 767

first joint structure with an integrated sales and customer service team. BA World Cargo and Qantas Freight have achieved synergies in sales and handling arrangements in a number of countries and are continuing to work closely on co-ordination of other cargo-related activities. Schedules continued to grow with new services being added on Frankfurt and Rome to Australia and from London to Singapore.

During the year, Qantas successfully launched QUBE, its new reservation, departure control and inventory management system and RATIO, an advanced yield management system. Both of these systems are based on British Airways technology.

Qantas pre-tax profit for the six months ended December 31, 1996 (consolidated in our March quarter result) amounted to A$248 million, an increase of 0.6 per cent on the corresponding period last year. Group profit after tax amounted to A$151 million compared to A$148 million in the prior period. Operating revenue for the six months was A$3,973 million, up a modest 2.5 per cent and net passenger revenue showed virtually no increase on the corresponding period last year. Both figures reflect the impact of currency changes and an overall decline in yield of 7.3 per cent. In addition to the impact of escalating fuel prices, trading conditions were uneven and generally disappointing with wide variations in regional markets. However, the airline's cost reduction programme is now being clearly reflected in the Qantas key performance ratios with cost per ASK for the core airline down by 4.2 per cent.

DEUTSCHE BA (DBA)

Losses in DBA were higher than in the previous year, primarily due to restructuring costs. In addition, DBA has suffered from a declining air traffic market and a difficult economic environment with significant weakening of the Deutsche Mark. Despite this, market share gains have been achieved on domestic routes. In addition, in preparation for the completion of the final stage of airline deregulation in the European Union on April 1, 1997, DBA implemented a new strategy focusing on the domestic market and key routes from Germany to London Gatwick. Two new domestic routes from Munich to Hamburg and Munich to Cologne were opened in January 1997. The losses at DBA are partly offset by the value of the feed traffic to British Airways.

TAT EUROPEAN AIRLINES S.A. (TAT) AND AIR LIBERTE S.A.

Operating losses in TAT were almost halved, largely due to tactical changes to the domestic network, timetable and frequency of operations. Three new mini-trunk routes were launched from Orly to Perpignan, Toulon and Nantes replacing the trunk route from Orly to Marseille. Overall, passenger volumes increased by more than 32 per cent on the domestic routes and 19 per cent on the services to London Heathrow and Gatwick.

British Airways was successful in its joint bid with the Rivaud Group to purchase Air Liberté and the rescued airline joined the Group on January 10, 1997. The Rivaud Group have retained a minority shareholding in the company. Air Liberté operates a French domestic network, routes to French overseas Departments and international services to Morocco. A codeshare was implemented with TAT on the shared route from Orly to Toulouse. The company has undergone significant reorganisation since its acquisition and a new joint management team for TAT and Air Liberté have embarked on plans to merge the two companies.

FRANCHISING

In October 1996, Comair, South Africa's second largest carrier with over one million passengers per annum, became the Group's eighth franchise after Sun-Air, the Danish regional airline in April last year. In March this year, British Mediterranean Airways joined the family, operating services from London Heathrow to points in the Levant and other new destinations in the area.

Transfer traffic to British Airways for the year increased by 49 per cent to 272,000 passengers, which, together with services provided to the franchisees by the airline, has generated in excess of £75 million of revenue.

FINANCIAL REVIEW

INCOME FROM INTERESTS IN ASSOCIATED UNDERTAKINGS

British Airways' share of profits from associated undertakings increased by £53 million to £114 million during the year with £34 million of the increase attributed to preferred stock dividends from US Airways (see below).

US AIRWAYS PREFERRED STOCK DIVIDEND

During the year, a total of US$72 million, or £45 million, was received from US Airways in the form of preferred stock dividends, with all arrears now having been paid.

The Group has decided to dispose of the investment in the US carrier and the three British Airways Directors on the Board of US Airways have resigned. The investment, previously accounted for as an associated undertaking, has been reclassified as a trade investment and dividends received since January amounting to US$18 million, or £11 million, have been included as income from trade investments under the heading of Other Income and Charges. Pending disposal, the investment in US Airways has been restated in the balance sheet at its original cost, reversing the 50 per cent write-down made in 1995.

PROFIT ON SALE OF FIXED ASSETS

Net profit on disposal of fixed assets amounted to £20 million mainly due to the disposal of aircraft spares.

NET INTEREST PAYABLE

Net interest payable fell by £40 million to £182 million reflecting lower rates of interest and favourable exchange rate movements, partially offset by lower average cash balances during the year.

TAXATION

The analysis of the tax charge is set out in Note 11 to the accounts.

The taxation charge, which arises mainly in the UK apart from that attributable to associated undertakings, principally Qantas, was 14 per cent of profit before tax. The effective rate is lower than the standard UK tax rate of 33 per cent due largely to capital allowances on aircraft and other asset acquisitions exceeding the charge for depreciation.

In the recent UK Finance Act there have been important changes to the UK capital allowance rules which will reduce the rate of capital allowances on many new long-life assets, defined as those with expected economic life in excess of 25 years, from 25 per cent to six per cent on a reducing balance basis. It remains uncertain which aircraft will fall to be treated as long-life assets, but there are important transitional rules which will apply to expenditure incurred up to the end of 2000 in pursuance of contracts entered into before November 26, 1996. For British Airways these transitional rules will substantially reduce the impact of the changes in the rules until after 2000.

On the basis of projections of capital expenditure and the likely application of the new rules it is probable that the current level of potential deferred taxes will not crystallise. Prior to the tax changes it could be anticipated that the potential deferred tax liability for the Group would continue to grow and that the effective rate of tax would remain substantially below the UK rate of corporation tax for the forseeable future. The impact of the changes is that after 2000 it can be expected that the difference between capital allowances and depreciation will be much less significant than in earlier periods, resulting in a current tax charge which is much closer to the UK rate.

In the periods up to 2000 current taxes will continue to be reduced by the high level of capital allowances arising from contracts that fall within the transitional rules. It is uncertain whether the exceptionally low current tax liabilities in any of these periods will require a provision to be made for an element of deferred taxes on new originating timing differences in those periods. Potential deferred taxes will increase substantially over the next three years and may reach a level from which it could be expected that there might be a partial reversal in later years.

EARNINGS PER SHARE

Profit attributable to the members of British Airways increased by 16.9 per cent to £553 million, equivalent to earnings of 55.7p per share compared with 49.4p last year.

Arthur Hopkins,
Aircraft Catering Executive

DIVIDENDS

The Board recommends a final dividend of 10.80p per share, giving a total dividend for the year of 15.05p per share, compared with 13.65p per share in the previous year, an increase of 10.3 per cent.

SHARE CAPITAL

On June 17, 1996 37,795,000 ordinary shares were issued in exchange for 88,447,000 Convertible Capital Bonds on the basis of one ordinary share for every 2.34 Bonds held. During the year, more than two million shares were issued on the exercise of options under Employee Share Option Schemes.

NET DEBT/TOTAL CAPITAL RATIO

Borrowings net of cash, short-term loans and deposits amount to £3,958 million at the year end, an increase of £253 million on last year. This is mainly as a result of increased finance lease borrowings (£495 million), a reduction in short-term loans and deposits (£560 million), offset to an extent by exchange effects (£244 million) and net repayments of borrowings (£411 million). Capital and reserves rose £490 million, giving a net debt/total capital ratio of 57 per cent, a 2.8 point improvement over last year.

REVIEW OF CASH FLOW

Net cash inflow from operating activities totalled £1,212 million, down £212 million on last year. After net investment of £1,377 million in fixed assets and sundry other cash flows, the net financing requirement for the year amounted to £572 million. Overall cash increased by £29 million.

WORKING CAPITAL

At March 31, 1997, net current liabilities were £996 million, up £856 million on last year. This change reflects the financing of some of this year's new aircraft deliveries by cash, instead of long-term financing.

Sales in advance of carriage increased by £125 million to £790 million, reflecting an increase in trading activities, particularly in respect of premium brands where volume and yields were notably stronger.

CAPITAL EXPENDITURE

Group capital expenditure on tangible assets is set out in Note 14e to the accounts.

AIRCRAFT FLEET CHANGES

The number of aircraft in the Group increased by 15 to 308. This includes three McDonnell Douglas DC-10-30s, seven McDonnell Douglas MD83s and three Boeing 737-200s through the acquisition of Air Liberté. TAT restructured its fleet by switching one Boeing 737-200 for one Boeing 737-300 and one Fokker F28 for one Fokker 100. As part of its restructuring, DBA reduced its turbo prop fleet by seven and added two Boeing 737-300s to its jet fleet.

The mainline fleet grew by seven aircraft to 256. This includes an additional five Boeing 777s, four Boeing 747-400s and two Boeing 767-300s. Two Boeing 737-400s previously sub-leased returned to service and one Boeing 767-200 on wet lease was returned to the lessor during the year. There was a net reduction of five in the ATP fleet.

Orders were placed for an additional four Boeing 747-400s, six Boeing 757-200s and three Boeing 777-200s. Nine Boeing 737-300s were ordered for DBA to replace the Fokker 100s as part of DBA's fleet rationalisation.

FINANCING

Seven aircraft, comprising three Boeing 747-400s, one Boeing 777-200, two Boeing 767-300s and one Boeing 757-200, were financed by cost-effective hire purchase arrangements by way of Japanese leveraged leases. All other new mainline jet fleet deliveries were purchased for cash.

In other cost-effective measures the finance lease of a Boeing 747-200 was restructured and extended, producing substantial savings; further, in order to meet longer term fleet planning needs, the short term operating lease of a Boeing 757-200 was converted into a finance lease on attractive terms by arrangement with the extant owner and its financiers. The airline is also taking the opportunity selectively to prepay certain floating rate aircraft mortgage loans where it is both prudent and economic to do so; during the year the equivalent of £105 million of debt was repaid in this way.

Left to right:
Natar Singh Bhatti, *Tractor Driver;*
Peter Wyatt, *Team Leader;*
John Walsh, *Flight Despatcher*

In October 1996, British Airways announced a fully underwritten US$2.5 billion secured aircraft financing facility to support the acquisition of new Boeing 747-400 and new Boeing 777-200 aircraft scheduled for delivery through to the end of 1998. Primary syndication of this facility was duly completed in December 1996 and the first drawdown took place in March 1997. At March 31, 1997 the undrawn balance of the facility stood at US$2.31 billion.

In March 1997, British Airways arranged a £150 million five year fixed rate bank-guaranteed facility from the European Investment Bank to assist in funding the airline's ongoing longhaul fleet replacement programme. Completion of the necessary documentation and drawdown of this facility is anticipated to have occurred during the first quarter of the financial year 1997-98.

In addition to the above mentioned financing facilities, at March 31, 1997 British Airways had unused overdraft and revolving credit facilities of £40 million, and undrawn uncommitted money market lines of £229 million and US$45 million with a number of banks.

The Group's holding of cash and short-term loans and deposits, together with committed funding facilities and net cash flow, are sufficient to cover the cost of all firm aircraft deliveries due in the next two years. The acquisition of Boeing 747-400 and Boeing 777-200 aircraft, scheduled for delivery during the next four years, is expected to be financed partially by cash holdings and internal cash flow and partially through external financing, including committed facilities arranged prior to delivery. Because of the necessity to plan aircraft orders well in advance of delivery, it is not economic for British Airways to have committed funding in place now for all outstanding orders, many of which relate to aircraft which will not be delivered for several years. British Airways' policies in this regard are in line with the funding policies of other airlines. In addition to aircraft related financing facilities, the airline has a number of unsecured borrowing facilities of both a short and long term nature which may be used for the general purposes of the Group.

FOREIGN CURRENCY EXPOSURE

The Group does business in approximately 140 foreign currencies which account for approximately 60 per cent of Group revenue and approximately 40 per cent of operating expenses. The Group generates a surplus in most of these currencies. The principal exceptions are the US Dollar and the pound Sterling in which the Group has a deficit arising from capital expenditure and the payment of some leasing costs, together with expenditure on fuel, which is payable in US Dollars, and the majority of staff costs, central overheads and other leasing costs, which are payable in pounds Sterling. However, the broad spread of currencies in the business – many of which are linked to the US Dollar and the pound Sterling – gives the Group a measure of protection against exchange rate movements and reduces the overall sensitivity of the Group's results to exchange rate fluctuations. Nonetheless, the Group can experience adverse or beneficial effects. For example, if the pound Sterling weakened against the US Dollar and strengthened against other major currencies, the overall effect would be likely to be adverse, while the reverse would be likely to produce a beneficial effect.

The Group seeks to reduce its foreign exchange exposure arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, either spot or forward, for US Dollars and pounds Sterling.

The Group's forward transactions in foreign currency are detailed in Note 35 to the accounts.

In addition to the primary effects outlined above, exchange rate movements can affect demand for services, especially from leisure travellers whose decision whether and where to travel may alter as a result of exchange rate movements. While it is not possible to quantify this effect, British Airways does monitor exchange rate movements in an attempt to anticipate likely changes in the pattern of demand.

Left to right:
Graham Hill,
Loader;
Mick Hall,
Engineering Technician;
John O'Shea,
Technician

DERIVATIVE FINANCIAL INSTRUMENTS

British Airways uses derivative financial instruments (derivatives) with off-balance sheet risk selectively for treasury and fuel risk management purposes.

The risk management strategy for both treasury and fuel operations is implemented by the respective departments within the guidelines and parameters laid down by the Board of Directors, and reflects a risk averse policy. The Company's policy is not to trade in derivatives but to use these instruments to hedge perceived exposures, where appropriate.

As part of its treasury risk management activities the Company has entered into a number of swap agreements in order to hedge its direct exposure to interest rates and/or currency exchange rates. Single and cross currency swap agreements outstanding at March 31, 1997 are summarised in Note 36 to the accounts.

Forward foreign exchange contracts are actively used to cover a proportion of future capital commitments denominated in US Dollars and to cover to a limited extent near term future revenues and operating payments in a variety of currencies. Forward foreign exchange contracts outstanding at March 31, 1997 are summarised in Note 35 to the accounts.

Whilst the Company considers the purchase of interest rate caps and the entering into of forward rate agreements as bona fide exposure management activities, it would not generally contemplate the opening of new exposures by selling puts, calls or options. Other treasury derivative instruments would be considered on their merits as valid and appropriate risk management tools.

The Company's fuel risk management strategy has the twin objectives of providing the airline with protection against sudden and significant increases in oil prices; and ensuring that the airline is not competitively disadvantaged in a significant way in the event of a significant fall in the price of fuel.

In meeting these objectives the fuel risk management programme allows for the judicious use of a number of derivatives traded through both the Regulated Markets in London (the Institute of Petroleum Exchange) and New York (the New York Mercantile Exchange) and the Over The Counter (OTC) markets. However, the Company's policy does not allow for short positions to be taken.

As derivatives are used for the purposes of risk management they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the asset, liability, revenues or costs being hedged.

The Group's accounting policy for derivatives is to defer and only recognise in the Group profit and loss account gains and losses on hedges of revenues or operating payments as they crystallise. Amounts payable or receivable in respect of interest rate swap agreements are recognised in the net interest payable charge over the period of the contracts on an accruals basis. Cross currency swap agreements and forward foreign exchange contracts taken out to hedge borrowings are brought into account in establishing the carrying values of the relevant loans, leases or hire purchase arrangements in the balance sheet. Gains and losses on forward foreign exchange contracts to hedge capital expenditure commitments are recognised as part of the total Sterling carrying cost of the relevant tangible asset as the contracts mature or are closed out.

OUTLOOK

Economic conditions in British Airways' major markets are expected to produce continuing growth in demand for air travel during the next twelve months, with the UK and US economies still strong. Sterling's current strength will adversely impact profits although it is anticipated that this will at least be partially offset by lower fuel prices and further business efficiency improvements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ACCOUNTS

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

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial year.

The Directors consider that in preparing the financial statements on pages 26 to 54, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities and to establish an effective system of internal financial control.

The Directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

REPORT OF THE AUDITORS TO THE MEMBERS OF BRITISH AIRWAYS PLC

We have audited the accounts on pages 26 to 54, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 30 to 32. We have also examined the amounts disclosed relating to the emoluments, share options and long-term incentive scheme interests of the Directors which form part of the report to Shareholders by the Remuneration Committee on pages 10 to 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described above, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes 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 Group'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 and of the Group as at March 31, 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
London
May 19, 1997

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 1997

£ million	Note	Group 1997	Group *1996*
Turnover	2	8,359	*7,760*
Cost of sales	4	(7,663)	*(6,903)*
Gross profit		696	*857*
Administrative expenses	4	(150)	*(129)*
Operating profit before exceptional operating charge		673	*728*
Exceptional operating charge	4	127	
Operating profit		546	*728*
Income from interests in associated undertakings	7	114	*61*
Other income and charges	8	17	*(1)*
Write back of exceptional provision against investment in US Airways Group, Inc	18	125	
Profit on sale of fixed assets	9	20	*20*
Net interest payable	10	(182)	*(223)*
Profit before taxation		640	*585*
Taxation	11	(90)	*(112)*
Profit after taxation		550	*473*
Minority share of losses after taxation		3	
Profit for the year		553	*473*
Dividends paid and proposed	12	(154)	*(131)*
Retained profit for the year	32	399	*342*
Earnings per share	13		
Basic earnings per share		55.7p	*49.4p*
Fully diluted earnings per share		50.8p	*44.2p*
Dividends per share	12	15.05p	*13.65p*

BALANCE SHEETS

AS AT MARCH 31, 1997

£ million	Note	Group 1997	Group *1996*	Company 1997	Company *1996*
Fixed assets					
Tangible assets	14				
Fleet		6,337	*5,726*	6,156	*5,553*
Property		988	*866*	909	*786*
Equipment		263	*234*	232	*210*
		7,588	*6,826*	7,297	*6,549*
Investments	17				
Subsidiary undertakings				804	*729*
Associated undertakings		396	*497*	1	
Trade investments		288	*34*	36	*32*
		684	*531*	841	*761*
		8,272	*7,357*	8,138	*7,310*
Current assets					
Stocks	21	78	*104*	58	*82*
Debtors	22	1,412	*1,374*	1,306	*1,220*
Short-term loans and deposits		598	*1,158*	474	*1,082*
Cash at bank and in hand		76	*48*	10	*21*
		2,164	*2,684*	1,848	*2,405*
Creditors: amounts falling due within one year	24	(3,160)	*(2,824)*	(3,051)	*(2,732)*
Net current liabilities		(996)	*(140)*	(1,203)	*(327)*
Total assets less current liabilities		7,276	*7,217*	6,935	*6,983*
Creditors: amounts falling due after more than one year					
Borrowings and other creditors	25	(4,034)	*(4,350)*	(4,058)	*(4,485)*
Convertible Capital Bonds 2005	27	(226)	*(314)*		
		(4,260)	*(4,664)*	(4,058)	*(4,485)*
Provisions for liabilities and charges	28	(58)	*(59)*	(55)	*(57)*
Minority interests		26			
		2,984	*2,494*	2,822	*2,441*
Capital and reserves					
Called up share capital	30	251	*240*	251	*240*
Reserves	32				
Share premium account		565	*471*	565	*471*
Revaluation reserve		297	*302*	296	*301*
Profit and loss account		1,871	*1,481*	1,710	*1,429*
		2,733	*2,254*	2,571	*2,201*
		2,984	*2,494*	2,822	*2,441*

Sir Colin Marshall *Chairman*
Robert Ayling *Chief Executive*
Derek Stevens *Chief Financial Officer*
May 19, 1997

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 1997

£ million	Note	Group 1997	Group 1996
Cash inflow from operating activities	5a	1,212	*1,424*
Returns on investments and servicing of finance			
Interest received		81	*96*
Interest paid on bank and other loans		(136)	*(151)*
Interest paid on finance leases and hire purchase arrangements		(179)	*(196)*
Dividends received from associated undertakings and trade investments		57	*10*
Net cash outflow from returns on investments and servicing of finance		(177)	*(241)*
Taxation		(83)	*(51)*
Capital expenditure and financial investment			
Tangible fixed assets purchased for cash	14e	(1,449)	*(923)*
Refund of progress payments		459	*195*
Purchase of interests in trade investments			*(8)*
Sale of tangible fixed assets and investments		46	*37*
Net cash outflow for capital expenditure and financial investment		(944)	*(699)*
Acquisitions and disposals			
Purchase of subsidiary undertakings	19b	(19)	
Purchase of interests in associated undertakings		(2)	
Sale of interests in associated undertakings		5	
Net cash outflow for acquisitions and disposals		(16)	
Equity dividends paid		(131)	*(121)*
Net cash (outflow)/inflow before management of liquid resources and financing		(139)	*312*
Management of liquid resources		560	*(59)*
Financing			
Received from minority for subscription in share capital		11	
Changes in borrowings	26c		
Bank and other loans raised		137	*39*
Bank and other loans repaid		(327)	*(109)*
Capital elements of finance leases and hire purchase arrangements repaid		(221)	*(198)*
		(411)	*(268)*
Changes in share capital			
Issue of ordinary share capital and share premium received		8	*9*
Increase/(decrease) in cash	23a	29	*(6)*

£ million	Note	Group 1997	Group 1996
Group financing surplus/(requirement)			
Net cash (outflow)/inflow before management of liquid resources and financing		(139)	*312*
Acquisitions under loans, finance leases and hire purchase arrangements	14e	(495)	*(262)*
Refinancing of finance leases			*(13)*
Aircraft returned to lessor on early termination of finance leases	26c	62	*5*
Total financing (requirement)/surplus for the year		(572)	*42*
Total tangible fixed asset expenditure, net of progress payment refunds		1,485	*990*

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

FOR THE YEAR ENDED MARCH 31, 1997

£ million	Note	Group 1997	*1996*
Profit for the year		553	*473*
Other recognised gains and losses relating to the year			
Exchange movements	32a	61	*50*
Total gains and losses recognised since last annual report		614	*523*

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED MARCH 31, 1997

£ million	Note	Group 1997	*1996*
Profit for the year		553	*473*
Dividends paid and proposed	12	(154)	*(131)*
Retained profit for the year		399	*342*
Other recognised gains and losses relating to the year		61	*50*
Issue of ordinary share capital, on the conversion of Convertible Capital Bonds, and on the exercise of options under Employee Share Option Schemes			
Share capital		11	*1*
Share premium		94	*11*
		105	*12*
Movement in goodwill in the year		(75)	
Net additions to shareholders' funds		490	*404*
Shareholders' funds at April 1		2,494	*2,090*
Shareholders' funds at March 31		2,984	*2,494*

The difference between reported and historical cost profits and losses is not material.

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 and the Companies Act 1985. Changes in the presentation of the Group cash flow statement have been made consequent upon the adoption of the revised Financial Reporting Standard No. 1 'Cash Flow Statements'. Comparative figures have been restated accordingly.

Basis of consolidation

The Group accounts include the accounts of the Company and its subsidiary undertakings, each made up to March 31, together with the attributable share of results and reserves of associated undertakings, adjusted where appropriate to conform with British Airways accounting policies. The Group's share of the profits less losses of associated undertakings is included in the Group 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. Certain associated undertakings make up their annual audited accounts to dates other than March 31. In the case of Qantas, unaudited published results up to the year ended December 31 are included; in other cases, results disclosed by subsequent unaudited management accounts are included. The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership. On the acquisition of a business, including an equity interest in an associated undertaking, fair values are attributed to the Group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the resulting goodwill is set off against reserves in the year of acquisition. In accordance with section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company only is not presented.

Turnover

Passenger ticket and cargo waybill sales, net of discounts, are recorded as current liabilities in the 'sales in advance of carriage' account until recognised as revenue when the transportation service is provided. Commission costs are recognised at the same time as the revenue to which they relate and are charged to cost of sales. Unused tickets are recognised as revenue on a systematic basis.

Other revenue is recognised at the time the service is provided.

Segmental reporting

a BUSINESS SEGMENTS

The Directors regard all Group activities as relating to the airline business.

b GEOGRAPHICAL SEGMENTS

i) *Turnover by Destination* The analysis of turnover by destination is based on the following criteria:

Scheduled and non-scheduled services Turnover from domestic services within the United Kingdom is attributed to the United Kingdom. Turnover from inbound and outbound services between the United Kingdom and overseas points is attributed to the geographical area in which the relevant overseas point lies.

Other revenue Revenue from the sale of package holidays is attributed to the geographical area in which the holiday is taken, while revenue from aircraft maintenance and other miscellaneous services is attributed on the basis of where the customer resides.

ii) *Turnover by Origin* The analysis of turnover by origin is derived by allocating revenue to the area in which the sale was made. Operating profit resulting from turnover generated in each geographical area according to origin of sale is not disclosed as it is neither practical nor meaningful to allocate the Group's operating expenditure on this basis.

iii) *Geographical Analysis of Net Assets* The major revenue-earning assets of the Group are comprised of the aircraft fleets, the majority of which are registered in the United Kingdom. Since the Group's aircraft fleets are employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

1 ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation as stated below. Depreciation is calculated to write off the cost or valuation, less estimated residual value, on the straight line basis.

a CAPITALISATION OF INTEREST ON PROGRESS PAYMENTS

Interest attributed to progress payments made on account of aircraft and other assets under construction is capitalised and added to the cost of the asset concerned. Interest capitalised in respect of progress payments on those aircraft which subsequently become subject to extendible operating lease arrangements is carried forward and written off over the initial lease period.

b FLEET

i) *Cost or Valuation* All aircraft are stated at cost, net of manufacturers' credits, with the exception of a small number that are stated at March 31, 1988 valuations, with subsequent expenditure stated at cost. The Concorde fleet remains at nil book value. Aircraft not in current use are included at estimated net realisable value.

Aircraft which are financed in foreign currency, either by loans, finance leases or hire purchase arrangements, are regarded together with the related liabilities as a separate group of assets and liabilities and accounted for in foreign currency. The amounts in foreign currency are translated into Sterling at rates ruling at the balance sheet date and the net differences arising from the translation of aircraft costs and related foreign currency loans are taken to reserves. The cost of all other aircraft is fixed in Sterling at rates ruling at the date of purchase.

ii) *Depreciation* Fleet assets owned, or held on finance leases or 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. Cabin interiors, including those required for brand changes and re-launches, are depreciated over the lower of five years and the remaining life of the aircraft at the date of such modification. Residual values and operational lives are reviewed annually.

c PROPERTY AND EQUIPMENT

Freehold properties and certain leasehold properties professionally valued at March 31, 1995 are included in these accounts on the basis of that valuation. Subsequent additions are included at cost. 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 or 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 the cost of tangible fixed assets represents the aggregate of the capital elements payable during the lease or hire purchase term. The corresponding obligation, reduced by the appropriate proportion of lease or hire purchase payments made, is included in creditors. The amount included in the cost of tangible fixed assets is depreciated on the basis described in the preceding paragraphs and the interest element of lease or hire purchase payments made is included in interest payable in the profit and loss account.

Payments under all other lease arrangements, known as operating leases, are charged to the profit and loss account in equal annual amounts over the period of the lease. In respect of aircraft, operating lease arrangements allow the Group to terminate the leases after a limited initial period, normally five to seven years, without further material financial obligations. In certain cases the Group is entitled to extend the initial lease period on pre-determined terms; such leases are described as extendible operating leases.

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 fleet 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.

1 ACCOUNTING POLICIES (CONTINUED)

Stocks

Stocks are valued at the lower of cost and net realisable value.

Cash and liquid resources

Cash includes cash in hand and deposits repayable on demand with any qualifying financial institution, less overdrafts from any qualifying financial institution repayable on demand. Liquid resources includes current asset investments held as readily disposable stores of value.

Pension and other post-retirement benefits

Retirement benefits are payable through separately funded United Kingdom 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.

Provision is made based on actuarial advice for post-retirement medical benefits of employees in the United States.

Frequent flyer programmes

The Group operates two principal frequent flyer programmes. The main airline schemes are run through the 'Executive Club' and 'Frequent Traveller' programmes where frequent travellers may accumulate mileage credits which entitle them to a choice of various awards, including free travel. The main United Kingdom scheme is run under the brand name of 'Airmiles' and principally involves the selling of miles of travel to United Kingdom companies to use for promotional incentives.

The incremental direct cost of providing free travel in exchange for redemption of miles earned by members of the Group's Executive Club, Frequent Traveller programmes and Airmiles scheme is accrued as members of these schemes accumulate mileage. Costs accrued include incremental passenger service charges and security, fuel, catering, and lost baggage insurance; these costs are charged to cost of sales.

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 currency translation

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 which finance fixed assets are taken to reserves together with the differences arising on the translation of the related foreign currency denominated assets. Exchange differences arising on the translation of net assets of overseas subsidiary undertakings and associated undertakings are taken to reserves. Profits and losses of such undertakings are translated into Sterling at average rates of exchange during the year. All other profits or losses arising on translation are dealt with through the profit and loss account.

2 TURNOVER

£ million	Group 1997	Group 1996
Traffic revenue		
Scheduled services - passenger	6,986	*6,473*
- freight and mail	565	*566*
	7,551	*7,039*
Non-scheduled services	57	*44*
	7,608	*7,083*
Other revenue (including aircraft maintenance, package holidays and other airline services)	751	*677*
	8,359	*7,760*

Turnover relating to acquisition is not material.

3 GEOGRAPHICAL ANALYSIS OF TURNOVER AND OPERATING PROFIT

a Turnover

	Group			
	By area of original sale		By area of destination	
£ million	1997	1996	1997	1996
Europe	5,458	*5,029*	3,168	*3,109*
United Kingdom	3,581	*3,240*	669	*791*
Continental Europe	1,877	*1,789*	2,499	*2,318*
The Americas	1,485	*1,415*	2,861	*2,449*
Africa, Middle East and Indian sub-continent	617	*546*	1,134	*1,074*
Far East and Australasia	799	*770*	1,196	*1,128*
	8,359	*7,760*	8,359	*7,760*

b Operating Profit

	Group			
	By area of destination			
£ million	Operating profit before exceptional operating charge	Exceptional operating charge	1997	1996
Europe	6	(42)	(36)	*26*
The Americas	364	(48)	316	*315*
Africa, Middle East and Indian sub-continent	157	(20)	137	*220*
Far East and Australasia	146	(17)	129	*167*
	673	(127)	546	*728*

4 ANALYSIS OF OPERATING EXPENDITURE

£ million	Group 1997	Group 1996
Employee costs	2,248	*2,057*
Depreciation	506	*461*
Aircraft operating lease costs	119	*113*
Fuel and oil costs	842	*655*
Engineering and other aircraft costs	469	*459*
Landing fees and en route charges	673	*664*
Handling charges, catering and other operating costs	1,048	*974*
Selling costs	1,187	*1,103*
Accommodation, ground equipment costs and currency differences	594	*546*
	7,686	*7,032*
Exceptional operating charge for restructuring costs under the Business Efficiency Programme	127	
Total operating expenditure	7,813	*7,032*
Total operating expenditure comprises:		
Cost of sales	7,663	*6,903*
Administrative expenses	150	*129*
Total operating expenditure	7,813	*7,032*

Operating expenditure relating to acquisition is not material.

5 OPERATING PROFIT

a Reconciliation of operating profit to cash inflow from operating activities

£ million	Group 1997	Group 1996
Group operating profit	546	*728*
Depreciation charges	506	*461*
Other items not involving the movement of cash	(46)	*(28)*
Decrease/(increase) in stocks and debtors	19	*(184)*
Increase in creditors	187	*447*
Cash inflow from operating activities	1,212	*1,424*

b Operating profit is arrived at after charging:

Depreciation of Group tangible fixed assets

£ million	Group 1997	Group 1996
Owned assets	279	*251*
Finance leased aircraft	103	*105*
Hire purchased aircraft	97	*84*
Other leasehold interests	27	*21*
	506	*461*

5 OPERATING PROFIT (CONTINUED)

Operating lease costs

£ million	Group 1997	Group 1996
Lease rentals – aircraft	119	*113*
– property	104	*104*
Hire of equipment and charter of aircraft and crews	135	*181*
	358	*398*

Auditors' remuneration

£'000	Group 1997	Group 1996
Group auditors – audit fees	1,099	*1,153*
– other professional fees – United Kingdom	1,474	*836*
– overseas	367	*362*
	2,940	*2,351*

Directors' emoluments

£'000	Group 1997	Group 1996
Fees	514	*290*
Salary and benefits	685	*1,081*
Performance related bonus	159	*469*
Share appreciation rights		*159*
Gains on exercise of share options	266	
	1,624	*1,999*

The report of the Remuneration Committee discloses full details of Directors' Emoluments and can be found on pages 10 to 13.

6 EMPLOYEE COSTS AND NUMBERS

Number	Group 1997	Group 1996
The average number of persons employed in the Group during the year was as follows:		
United Kingdom	47,686	*45,735*
Overseas	10,524	*9,561*
	58,210	*55,296*

£ million	Group 1997	Group 1996
Wages and salaries	1,560	*1,425*
Employee profit share	94	*94*
Social security costs	164	*154*
Contributions to pension schemes	79	*72*
	1,897	*1,745*

7 INCOME FROM INTERESTS IN ASSOCIATED UNDERTAKINGS

£ million	Group 1997	*1996*
Attributable profits less losses	**80**	*61*
US Airways preferred stock dividend (see Note 18)	**34**	
	114	*61*

8 OTHER INCOME AND CHARGES

£ million	Group 1997	*1996*
Income from trade investments	**2**	*2*
US Airways preferred stock dividend since January 1997 (see Note 18)	**11**	
Other	**4**	*(3)*
	17	*(1)*

9 PROFIT ON SALE OF FIXED ASSETS

£ million	Group 1997	*1996*
Net profit on disposal of fixed assets	**20**	*25*
Provision against aircraft held for resale		*(5)*
	20	*20*

10 NET INTEREST PAYABLE

£ million	Group 1997	*1996*
Interest payable		
On bank loans	**58**	*67*
On finance leases	**83**	*94*
On hire purchase arrangements	**101**	*101*
On other loans, including interest of £24 million (1996: £31 million) on Convertible Capital Bonds 2005	**71**	*86*
	313	*348*
Interest capitalised	**(43)**	*(28)*
Interest receivable	**(76)**	*(96)*
	194	*224*
Currency profit on retranslation of general purpose loans at year end	**(12)**	*(1)*
	182	*223*

In respect of all loans, including finance lease and hire purchase arrangements repayable in whole or in part after five years, the final repayment date is November 2011. The interest rates range from 3.5 per cent to 10.9 per cent (March 1996: 4.2 per cent to 10.9 per cent).

11 TAXATION (see also Note 33)

£ million	Group 1997	1996
British Airways Plc and subsidiary undertakings		
United Kingdom corporation tax	59	*103*
Deferred taxation		*(14)*
Overseas	4	*3*
	63	*92*
Share of taxation of associated undertakings	27	*20*
	90	*112*

The charge for taxation has been reduced by the excess of tax allowances over depreciation arising from the acquisition of aircraft.

If full provision for deferred taxation had been made, there would have been an additional charge for the year of £102 million (1996: £118 million), comprising:

	1997	1996
Accelerated capital allowances	141	*116*
Other timing differences	(39)	*2*
	102	*118*

In the recent UK Finance Act there have been important changes to the UK capital allowance rules which will reduce the rate of capital allowances on many new long-life assets, defined as those with an expected economic life in excess of 25 years, from 25 per cent to six per cent on a reducing balance basis. It remains uncertain which aircraft will fall to be treated as long-life assets, but there are important transitional rules which will apply to expenditure incurred up to the end of 2000 in pursuance of contracts entered into before November 26, 1996. For British Airways these transitional rules will substantially reduce the impact of the changes in the rules until after 2000. The impact of the changes then can be expected to be, that the difference between capital allowances and depreciation will be much less significant than in earlier periods, resulting in a current tax charge which is much closer to the UK rate. In the periods up to 2000 current taxes will continue to be reduced by the high level of capital allowances arising from contracts that fall within the transitional rules. It is uncertain whether the exceptionally low current tax liabilities in any of these periods will require a provision to be made for an element of deferred taxes on new originating timing differences in those periods. Potential deferred taxes will increase substantially over the next three years and may reach a level from which it could be expected that there might be a partial reversal in later years.

12 DIVIDENDS

£ million	Group 1997	1996
Interim dividend of 4.25p per share paid (1996: 3.85p per share)	46	*37*
Final dividend of 10.80p per share proposed (1996: 9.80p per share)	108	*94*
	154	*131*

The amounts charged to the profit and loss account includes £4 million in relation to 1995-96 final dividends paid to Convertible Capital Bond holders, who converted their bonds in June 1996, in accordance with the terms of the Bonds.

13 EARNINGS PER SHARE

	Group Profit 1997 £ million	Profit 1996 £ million	Earnings per share 1997 pence	Earnings per share 1996 pence
Profit for the year and basic earnings per share	553	*473*	55.7	*49.4*
Fully diluted earnings per share	574	*499*	50.8	*44.2*

Basic earnings per share are calculated on a weighted average of 992,538,000 ordinary shares (1996: 958,096,000). Fully diluted earnings per share are calculated on a weighted average of 1,129,578,000 ordinary shares (1996: 1,128,378,000) after allowing for the conversion rights attaching to the Convertible Capital Bonds and for outstanding share options and for corresponding adjustments to income to eliminate interest payable on the Convertible Capital Bonds and to include notional interest receivable on the subscription cash for shares.

14 TANGIBLE ASSETS

a Group

£ million	Fleet	Property	Equipment	Group total 1997	Group total *1996*
Cost or valuation					
Balance at April 1	8,289	965	738	**9,992**	*9,014*
Exchange adjustments	(131)	(1)	(1)	**(133)**	*123*
Additions (see Note 14e)	1,662	157	108	**1,927**	*1,254*
Disposals	(206)	(3)	(55)	**(264)**	*(204)*
Refund of progress payments	(459)			**(459)**	*(195)*
Balance at March 31	9,155	1,118	790	**11,063**	*9,992*
Depreciation					
Balance at April 1	2,563	99	504	**3,166**	*2,851*
Exchange adjustments	(29)		1	**(28)**	*14*
Charge for the year	401	32	73	**506**	*461*
Provision against aircraft held for resale					*5*
Disposals	(117)	(1)	(51)	**(169)**	*(165)*
Balance at March 31	2,818	130	527	**3,475**	*3,166*
Net book amounts					
March 31, 1997	6,337	988	263	**7,588**	
March 31, 1996	*5,726*	*866*	*234*		*6,826*
Utilisation at March 31					
Assets in current use					
Owned	2,248	781	209	**3,238**	*2,846*
Finance leased	1,266			**1,266**	*1,399*
Hire purchase arrangements	1,968			**1,968**	*1,643*
Progress payments	851	207	54	**1,112**	*932*
Assets held for resale	4			**4**	*6*
	6,337	988	263	**7,588**	*6,826*
The net book amount of property comprises:					
Freehold				**298**	*232*
Long leasehold				**414**	*412*
Short leasehold				**276**	*222*
				988	*866*

		Valuation/cost	Depreciation	Net book amount 1997	Net book amount *1996*
Revalued fleet and properties are included in the accounts at the following amounts:					
Fleet	– *valuation*	589	511	**78**	*95*
	– *subsequent additions at cost*	148	85	**63**	*73*
Property	– *valuation*	565	33	**532**	*558*
	– *subsequent additions at cost*	12		**12**	
March 31, 1997		1,314	629	**685**	
March 31, 1996		*1,352*	*626*		*726*
If these assets had not been revalued they would have been included at the following amounts:					
March 31, 1997		914	531	**383**	
March 31, 1996		*948*	*531*		*417*

14 TANGIBLE ASSETS (CONTINUED)

b Company

£ million	Fleet	Property	Equipment	Company total 1997	Company total *1996*
Cost or valuation					
Balance at April 1	8,053	877	680	9,610	*8,653*
Exchange adjustments	(115)			(115)	*118*
Additions	1,571	156	91	1,818	*1,196*
Disposals	(126)	(2)	(49)	(177)	*(168)*
Net transfers to subsidiary undertakings		(5)	(2)	(7)	
Refund of progress payments	(459)			(459)	*(189)*
Balance at March 31	8,924	1,026	720	10,670	*9,610*
Depreciation					
Balance at April 1	2,500	91	470	3,061	*2,751*
Exchange adjustments	(19)			(19)	*14*
Charge for the year	385	29	64	478	*434*
Provision against aircraft held for resale					*3*
Disposals	(98)	(1)	(45)	(144)	*(141)*
Net transfers to subsidiary undertakings		(2)	(1)	(3)	
Balance at March 31	2,768	117	488	3,373	*3,061*
Net book amounts					
March 31, 1997	6,156	909	232	7,297	
March 31, 1996	*5,553*	*786*	*210*		*6,549*
Utilisation at March 31					
Assets in current use					
Owned	2,190	702	178	3,070	*2,706*
Finance leased	1,196			1,196	*1,262*
Hire purchase arrangements	1,968			1,968	*1,643*
Progress payments	798	207	54	1,059	*932*
Assets held for resale	4			4	*6*
	6,156	909	232	7,297	*6,549*
The net book amount of property comprises:					
Freehold				295	*230*
Long leasehold				352	*350*
Short leasehold				262	*206*
				909	*786*

		Valuation/cost	Depreciation	Net book amount 1997	Net book amount *1996*
Revalued fleet and properties are included in the accounts at the following amounts:					
Fleet	*– valuation*	589	511	78	*95*
	– subsequent additions at cost	148	85	63	*73*
Property	*– valuation*	563	32	531	*554*
	– subsequent additions at cost	11		11	
March 31, 1997		1,311	628	683	
March 31, 1996		*1,348*	*626*		*722*
If these assets had not been revalued they would have been included at the following amounts:					
March 31, 1997		911	530	381	
March 31, 1996		*945*	*531*		*414*

14 TANGIBLE ASSETS (CONTINUED)

c Revaluation

All freehold properties of the Group, and certain leasehold properties, where leases give long term security of tenure and rights to development, disposal and sub-letting, were revalued at open market value for existing use at March 31, 1995.

d Depreciation

Fleets are generally depreciated over periods ranging from 16 to 25 years after making allowance for estimated residual values. Effective depreciation rates resulting from this method are shown in the following table:

	Group	
per cent	1997	*1996*
Boeing 747-100, 747-200, 747-400, 777-200 and McDonnell Douglas DC-10-30	**4.1**	*4.1*
Boeing 767-300 and 757-200	**4.9**	*5.0*
Airbus A320, Boeing 737-200, 737-400, McDonnell Douglas MD83, Fokker 100 and F28	**6.3**	*5.8*
Turbo Props	**5.0**	*5.4*

Property, apart from freehold land, is depreciated over its 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.

e Analysis of group tangible asset additions

				Group total	
£ million	Fleet	Property	Equipment	1997	*1996*
Cash paid	1,211	136	102	**1,449**	*923*
Acquisitions under loans, finance leases and hire purchase arrangements	495			**495**	*262*
Acquisition of subsidiary undertaking	36		3	**39**	
Capitalised interest	38	5		**43**	*28*
Accrual movements	(118)	16	3	**(99)**	*41*
	1,662	157	108	**1,927**	*1,254*

15 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £3,030 million for the Group (1996: £3,788 million) and £2,871 million for the Company (1996: £3,788 million).

The outstanding commitments include £2,539 million which relates to the acquisition of Boeing 747-400 and Boeing 777 aircraft scheduled for delivery during the next four years and £255 million which relates to the acquisition of Boeing 757-200 and Boeing 737-300 aircraft scheduled for delivery during the next year. It is intended that these aircraft will be financed partially by cash holdings and internal cash flow and partially through external financing, including committed facilities arranged prior to delivery.

At March 31, 1997 British Airways had an unused long term secured aircraft financing facility of US$2.31 billion and unused overdraft and revolving credit facilities of £40 million, and undrawn uncommitted money market lines of £229 million and US$45 million with a number of banks. In addition, British Airways had arranged a £150 million bank-guaranteed facility from the European Investment Bank to assist in funding the airline's ongoing longhaul fleet replacement programme.

The Group's holdings of cash and short-term loans and deposits, together with committed funding facilities and net cash flow, are sufficient to cover the full cost of all firm aircraft deliveries due in the next two years.

16 OPERATING LEASE COMMITMENTS

£ million	Group 1997	Group *1996*	Company 1997	Company *1996*
a Fleet				
The aggregate payments, for which there are commitments under operating leases as at the end of the year, fall due as follows:				
Amounts payable within one year relate to commitments expiring as follows:				
Within one year	18	*13*	10	*5*
Between one and five years	67	*69*	21	*36*
Over five years	22	*39*	6	*8*
Within one year	107	*121*	37	*49*
Between one and five years	204	*251*	46	*63*
Over five years	17	*39*	11	*18*
	328	*411*	94	*130*
b Property and Equipment				
The aggregate payments, for which there are commitments under operating leases as at the end of the year, fall due as follows:				
Amounts payable within one year relate to commitments expiring as follows:				
Within one year	10	*24*	9	*23*
Between one and five years	17	*31*	10	*30*
Over five years	58	*40*	57	*37*
Within one year	85	*95*	76	*90*
Between one and five years	259	*212*	242	*205*
Over five years, ranging up to the year 2145	1,345	*1,408*	1,341	*1,394*
	1,689	*1,715*	1,659	*1,689*

The principal amount of the total property and equipment commitments above relates to property leases.

17 INVESTMENTS

£ million	Equity	Loans at cost	Provisions: Shares	Provisions: Loans	Group total 1997	Group total 1996
a Group						
i) Associated Undertakings						
Balance at April 1	620	12	(135)		**497**	*442*
Exchange movements	(38)	(1)	10		**(29)**	*40*
Additions	14				**14**	*2*
Repayments						*(2)*
Share of attributable results	30				**30**	*25*
Share of movements on other reserves	12				**12**	*(9)*
Disposals	(2)				**(2)**	*(1)*
Reclassification (see Note 18)	(251)		125		**(126)**	
Balance at March 31	385	11			**396**	*497*
Equity comprises:						
Cost of shares					**395**	*669*
Goodwill set off					**(94)**	*(94)*
Share of post acquisition profits					**81**	*54*
Share of movements on other reserves					**3**	*(9)*
					385	*620*

	Cost: Shares	Cost: Loans	Provisions: Shares	Provisions: Loans	Group total 1997	Group total 1996
ii) Trade Investments						
Balance at April 1	33	4	(2)	(1)	**34**	*29*
Additions	4				**4**	*5*
Disposals	(1)				**(1)**	
Reclassification (see Note 18)	251		(125)		**126**	
Write back of provision (see Note 18)			125		**125**	
Balance at March 31	287	4	(2)	(1)	**288**	*34*

	Associated undertakings	Trade investments	Group total 1997	Group total 1996
Net book value of total investments				
Listed	308	29	**337**	*308*
Unlisted	88	259	**347**	*223*

	Group total 1997	Group total 1996
Market value of listed investments		
Associated undertakings	**297**	*298*
Trade investments	**30**	*36*

The Group's principal investments in subsidiary undertakings, associated undertakings and trade investments are listed on page 54.

17 INVESTMENTS (CONTINUED)

£ million	Cost Shares	Cost Loans	Provisions Shares	Provisions Loans	Company total 1997	Company total 1996
b Company						
i) Subsidiary Undertakings						
Balance at April 1	1,387	4	(658)	(4)	729	*678*
Exchange movements	(19)				(19)	*12*
Additions/(reductions)	93	(4)	1	4	94	*39*
Transfer to subsidiary undertaking	(38)		38			
Balance at March 31	1,423		(619)		804	*729*
ii) Associated Undertakings						
Additions	1				1	
Balance at March 31	1				1	
iii) Trade Investments						
Balance at April 1	31	4	(2)	(1)	32	*27*
Additions	4				4	*5*
Balance at March 31	35	4	(2)	(1)	36	*32*

	Subsidiary undertakings	Associated undertakings	Trade investments	Company total 1997	Company total 1996
Net book value of total investments					
Listed			28	28	*28*
Unlisted	804	1	8	813	*733*

	Company total 1997	Company total 1996
Market value of listed investments		
Trade investments	23	*26*

18 INVESTMENT IN US AIRWAYS GROUP, INC. (formerly USAir Group, Inc.)

On October 24, 1996, US Airways Group, Inc. (US Airways) announced its intention to end the codesharing and frequent flyer programmes with British Airways at the end of March 1997. On December 17, 1996, the Group notified US Airways of its intention to sell, in one or more underwritten public offerings or privately negotiated transactions, all of the Group's investment in US Airways' convertible preferred stock. Under the agreement between the two parties, US Airways has the right of first offer to purchase all of such shares at prices set forth in the Sale Notice.

The holdings of convertible preferred stock entitle the Group to 22 per cent of the current voting rights in US Airways. The three British Airways Executives who were Directors of US Airways resigned from the US Airways Board in January 1997. Accordingly, the Group's investment in US Airways, previously accounted for as an associated undertaking, was reclassified in January 1997 as a trade investment.

Having considered the carrying value of the Group's investment in US Airways, the Directors have decided to write back the 50 per cent provision (£125 million) made in 1995.

19 ACQUISITION OF INTERESTS IN AIR LIBERTE S.A. AND TAT EUROPEAN AIRLINES S.A.

In August 1996, British Airways exercised its option to purchase the remaining 50.1 per cent of the share capital of TAT European Airlines S.A. for the pre agreed price of £21 million. Goodwill arising from the acquisition, amounting to £39 million, had already been fully set off against reserves in March 1995 when TAT European Airlines S.A. was fully consolidated as a quasi-subsidiary of the Group.

In January 1997, British Airways acquired effective control of Air Liberté S.A., based at Orly airport, Paris, operating mainly scheduled services within France and to French overseas territories, in partnership with the Rivaud Group, a French investment company. As part of the agreement with British Airways, Rivaud Group took a minority shareholding in TAT European Airlines S.A.

The following table sets out the fair value of the assets and liabilities of Air Liberté S.A. as at the date of acquisition, and the goodwill arising as a result of this transaction, which has been set off against Group reserves.

a Goodwill

£ million

Fixed assets		39
Current assets		38
Cash less overdrafts		4
Creditors: amounts falling due within one year	– borrowings	(3)
	– other	(80)
		(83)
Net current liabilities		(41)
Total assets less current liabilities		(2)
Creditors: amounts falling due after more than one year	– borrowings	(29)
	– other	(77)
		(106)
Net liabilities at date of acquisition		(108)
Less attributable to minority:		28
		(80)
Legal and professional costs		(2)
Goodwill set off against reserves (see Note 32a)		(82)

Accounting policy changes to align with British Airways policies and fair value adjustments to assets and liabilities of Air Liberté S.A. are not material.

b Cash flow effect of purchase of subsidiary undertakings

£ million

Net cash acquired in Air Liberté S.A.	4
Legal and professional costs	(2)
Acquisition of remaining shares in TAT European Airlines S.A.	(21)
	(19)

c Summarised statement of operations

The last published audited statement of operations for Air Liberté S.A., prepared in accordance with French generally accepted accounting principles, for the year ended October 31, 1996 is summarised below:

	FFr million	£ million
Operating revenues	1,927	248
Loss after taxation	(1,314)	(169)

The Sterling equivalents for the statement of operations have been translated at the average rate of exchange for the year to October 31, 1996.

The revenue and loss after taxation of Air Liberté S.A. for the period between October 31, 1996 and acquisition, and revenue and loss after taxation in the period since acquisition date are not material.

20 INVESTMENT IN QANTAS AIRWAYS LIMITED

Summarised Financial Information

The published statements of operations for the Qantas group for the year ended June 30, 1996 and the six months ended December 31, 1996, and its balance sheets at these dates, as adjusted to accord with British Airways accounting policies, are summarised below:

	As published by Qantas (audited) A$m	Adjustments A$m	Year ended and at June 30 1996 Total A$m	1996 Total £m	*1995 Total £m*
Operating revenue	7,600		7,600	3,697	*3,401*
Operating profit	504	135	639	311	*308*
Net interest	(103)		(103)	(50)	*(169)*
Profit before taxation	401	135	536	261	*139*
Profit after taxation	246	84	330	161	*77*
Non current assets	7,568	1,580	9,148	4,655	*4,228*
Net current liabilities	(714)	(153)	(867)	(441)	*(327)*
Long term liabilities	(4,417)	(1,580)	(5,997)	(3,052)	*(2,981)*
Share capital	1,036		1,036	527	*446*
Reserves	1,401	(153)	1,248	635	*474*

	As published by Qantas (audited) A$m	Adjustments A$m	Six months ended and at December 31 1996 Total A$m	1996 Total £m	*1995 Total £m*
Operating revenue	3,973		3,973	1,973	*1,864*
Operating profit	308	40	348	173	*197*
Net interest	(60)		(60)	(30)	*(64)*
Profit before taxation	248	40	288	143	*133*
Profit after taxation	151		151	75	*80*
Non current assets	7,681	1,436	9,117	4,270	*4,399*
Net current liabilities	(732)	(11)	(743)	(348)	*(294)*
Long term liabilities	(4,365)	(1,536)	(5,901)	(2,764)	*(3,059)*
Share capital	1,081		1,081	506	*488*
Reserves	1,503	(111)	1,392	652	*558*

The Sterling equivalents for the statements of operations have been translated at the average exchange rates for the year ended June 30, 1996 and six months ended December 31, 1996; those for the balance sheets have been translated at the closing rate on those dates.

21 STOCKS

£ million	Group 1997	*Group 1996*	Company 1997	*Company 1996*
Raw materials, consumables and work in progress	**78**	*104*	58	*82*

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

22 DEBTORS

£ million	Group 1997	*Group 1996*	Company 1997	*Company 1996*
Trade debtors	**983**	*990*	911	*947*
Amounts owed by subsidiary undertakings			95	*18*
Amounts owed by associated undertakings	**9**	*19*	9	*17*
Other debtors	**146**	*111*	96	*67*
Advance corporation tax recoverable	**27**	*24*	27	*24*
Prepayments and accrued income	**247**	*230*	168	*147*
	1,412	*1,374*	1,306	*1,220*

Amounts due after more than one year included above are not significant.

23 CASH

a Reconciliation of net cash flow to movement in net debt

£ million	Group 1997	Group 1996
Increase/(decrease) in cash during the year	29	*(6)*
Cash outflow from decrease in debt and lease financing	411	*268*
Cash (inflow)/outflow from liquid resources	(560)	*59*
Changes in net debt resulting from cash flows	(120)	*321*
New loans and finance leases taken out and hire purchase arrangements made	(495)	*(262)*
Assumed from subsidiary undertaking acquired during the year	(32)	
Refinancing of finance leases		*(13)*
Early termination of finance leases	62	*5*
Conversion of Convertible Capital Bonds	88	*1*
Exchange movements	244	*(63)*
Movement in net debt during the year	(253)	*(11)*
Net debt at April 1	(3,705)	*(3,694)*
Net debt at March 31	(3,958)	*(3,705)*

b Analysis of net debt

£ million	Balance at April 1	Cash flow	Acquisition (Excluding cash & overdrafts)	Other non-cash	Exchange	Balance at March 31
Cash	48	28				76
Overdrafts	(15)	1				(14)
	33	29				62
Short-term loans and deposits	1,158	(560)				598
Bank and other loans	(1,452)	190	(24)		71	(1,215)
Finance leases and hire purchase arrangements	(3,130)	221	(8)	(433)	173	(3,177)
Convertible Capital Bonds	(314)			88		(226)
Total March 31, 1997	**(3,705)**	**(120)**	**(32)**	**(345)**	**244**	**(3,958)**
Total March 31, 1996	*(3,694)*	*321*		*(269)*	*(63)*	*(3,705)*

24 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

£ million	Group 1997	Group 1996	Company 1997	Company 1996
Loans, finance leases and hire purchase arrangements				
Bank and other loans	329	*133*	321	*24*
Finance leases	104	*113*	95	*94*
Hire purchase arrangements	122	*99*	122	*99*
Loans from subsidiary undertakings				*96*
	555	*345*	538	*313*
Overdrafts - unsecured	14	*15*		
Trade creditors	983	*1,024*	835	*916*
Unredeemed frequent flyer liabilities	57	*47*	39	*33*
Amounts owed to subsidiary undertakings			301	*232*
Amounts owed to associated undertakings	3	*1*	7	*1*
Other creditors				
Other creditors	318	*308*	236	*253*
Corporate taxation	105	*128*	93	*116*
Other taxation and social security	72	*66*	38	*37*
	495	*502*	367	*406*
Dividends payable	108	*94*	108	*94*
Accruals and deferred income				
Sales in advance of carriage	790	*665*	738	*624*
Accruals and deferred income	155	*131*	118	*113*
	945	*796*	856	*737*
	3,160	*2,824*	3,051	*2,732*

25 BORROWINGS AND OTHER CREDITORS

£ million	Group 1997	Group 1996	Company 1997	Company 1996
Loans, finance leases and hire purchase arrangements				
Bank and other loans	886	*1,319*	658	*1,092*
Finance leases	1,173	*1,320*	1,106	*1,187*
Hire purchase arrangements	1,778	*1,598*	1,778	*1,598*
Loans from subsidiary undertakings			409	*509*
	3,837	*4,237*	3,951	*4,386*
Other creditors	139	*72*	65	*72*
Corporate taxation	7		7	
Accruals and deferred income	51	*41*	35	*27*
	4,034	*4,350*	4,058	*4,485*

26 LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS

a Total Loans, Finance Leases and Hire Purchase Arrangements

£ million		Group 1997	Group 1996	Company 1997	Company 1996
Loans					
Bank	*- Deutsche Mark*	DM75m	*DM75m*	DM75m	*DM75m*
	- French Franc	FFr108m	*FFr163m*		
	- US Dollar	US$867m	*US$893m*	US$827m	*US$892m*
	- Sterling	£118m	*£171m*	£79m	*£132m*
		688	*811*	614	*750*
Euro-sterling notes		300	*300*	300	*300*
Other	*- US Dollar*		*US$400m*		
	- French Franc	FFr83m	*FFr105m*		
	- Sterling	£218m	*£66m*	£65m	*£66m*
		227	*341*	65	*66*
Loans from subsidiary undertakings	*- US Dollar*			US$250m	*US$400m*
	- Sterling			£255m	*£343m*
				409	*605*
Finance leases	*- Deutsche Mark*		*DM131m*		
	- French Franc	FFr129m	*FFr148m*		
	- US Dollar	US$456m	*US$434m*	US$355m	*US$339m*
	- Sterling	£983m	*£1,070m*	£983m	*£1,058m*
		1,277	*1,433*	1,201	*1,281*
Hire purchase arrangements	*- Japanese Yen*	¥98,944m	*¥75,523m*	¥98,944m	*¥75,523m*
	- US Dollar	US$1,258m	*US$1,386m*	US$1,258m	*US$1,386m*
	- Sterling	£635m	*£327m*	£635m	*£327m*
		1,900	*1,697*	1,900	*1,697*
		4,392	*4,582*	4,489	*4,699*
Comprising:					
Bank loans					
Repayable wholly within five years		104	*73*	78	*53*
Repayable in whole or in part after five years		584	*738*	536	*697*
		688	*811*	614	*750*
Other loans, finance leases and hire purchase arrangements					
Repayable wholly within five years		541	*642*	489	*567*
Repayable in whole or in part after five years		3,163	*3,129*	3,386	*3,382*
		3,704	*3,771*	3,875	*3,949*
		4,392	*4,582*	4,489	*4,699*

Bank and other loans are repayable up to the year 2011. In addition to finance leases and hire purchase arrangements, bank and other loans of the Group amounting to FFr52 million (1996: FFr85 million), US$807 million (1996: US$882 million) and £59 million (1996: £112 million) and bank loans of the Company amounting to US$767 million (1996: US$882 million) and £59 million (1996: £112 million) are secured on aircraft.

26 LOANS, FINANCE LEASES AND HIRE PURCHASE ARRANGEMENTS (CONTINUED)

b Incidence of Repayments

£ million	Bank loans	Other loans	Finance leases	Hire purchase arrangements	Group total 1997	Group total *1996*
Instalments falling due:						
Within one year	104	225	104	122	**555**	*345*
After more than one year						
Between one and two years	34	43	99	135	**311**	*521*
Between two and five years	121	159	281	486	**1,047**	*1,029*
In five years or more	429	100	793	1,157	**2,479**	*2,687*
	584	302	1,173	1,778	**3,837**	*4,237*
Total 1997	688	527	1,277	1,900	**4,392**	
Total 1996	*811*	*641*	*1,433*	*1,697*		*4,582*
Analysis of total 1997						
British Airways Plc	614	365	1,201	1,900	**4,080**	*4,094*
Subsidiary undertakings	74	162	76		**312**	*488*
	688	**527**	**1,277**	**1,900**	**4,392**	*4,582*

c Analysis of Changes in Borrowings During the Year

£ million	Bank and other loans	Finance leases and hire purchase arrangements	Group total 1997	Group total *1996*
Balance at April 1	1,452	3,130	**4,582**	*4,517*
New loans raised	137		**137**	*39*
Assumed from subsidiary undertaking acquired during the year (see Note 19)	24	8	**32**	
Loans, finance leases and hire purchase arrangements undertaken to finance the acquisition of aircraft		495	**495**	*262*
Refinancing of finance leases				*13*
Repayment of amounts borrowed	(327)	(221)	**(548)**	*(307)*
Early termination of finance leases		(62)	**(62)**	*(5)*
Effect of exchange rate changes	(71)	(173)	**(244)**	*63*
Balance at March 31	1,215	3,177	**4,392**	*4,582*

27 CONVERTIBLE CAPITAL BONDS 2005

£ million	Group 1997	Group *1996*
	226	*314*

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 June 1993 to June 2005 on the basis of one ordinary share for each £2.34 (adjusted for the effect of the 1993 rights issue) of Bonds held. On June 17, 1996, 37,795,000 ordinary shares were issued in exchange for 88,447,000 Bonds. 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 a sale are less than the issue price of the Bonds, the Company has to fund any deficit from its own resources. Full conversion of the remaining Bonds would require the issue of 96,500,000 ordinary shares.

The mid market closing prices of the Bonds and the ordinary shares at March 27, 1997 (being the last trading day prior to March 31, 1997) as quoted in the London Stock Exchange Daily Official List were 280.25p and 655.5p each respectively.

28 PROVISIONS FOR LIABILITIES AND CHARGES

Group

£ million	Balance at April 1	Transfers from profit and loss account	Other movements	Provisions applied	Balance at March 31
Pensions and similar obligations	10	3	(1)	(4)	8
Post-retirement medical benefits	21	2	(1)		22
Litigation provision (see Note 29)	22				22
Other	6				6
Total March 31, 1997	59	5	(2)	(4)	58
Total March 31, 1996	*57*	*2*			*59*
Analysis of total 1997					
British Airways Plc	57	4	(2)	(4)	55
Subsidiary undertakings	2	1			3
Total March 31, 1997	59	5	(2)	(4)	58

29 LITIGATION

a A number of legal claims have been made against the Company by Virgin Atlantic Airways Limited. Having regard to legal advice received, and in all the circumstances, the Directors are of the opinion that these claims will not give rise to liabilities which will in the aggregate have a material effect on these accounts.

b There are a number of further identified legal and other claims which emanate from international airline operations and other activities of the Group for which the Directors have made what they believe is appropriate provision.

c In addition, experience with litigation and regulation has led the Directors to conclude that it is prudent to continue to carry forward £22 million of a provision made in prior years.

30 SHARE CAPITAL

Group and Company

	1997		*1996*	
Ordinary Shares of 25p each	Number of shares '000	£ million	Number of shares '000	£ million
Authorised				
At April 1 and March 31	**1,308,000**	**327**	*1,308,000*	*327*
Allotted, called up and fully paid				
At April 1	**960,576**	**240**	*955,718*	*239*
Conversion of Convertible Capital Bonds	**37,795**	**9**	*360*	
Exercise of options under Employee Share Option Schemes	**2,401**	**1**	*4,064*	*1*
Conversion of Scrip dividends	**1,814**	**1**	*434*	
At March 31	**1,002,586**	**251**	*960,576*	*240*

31 SHARE OPTIONS

Number of shares '000	Group and Company 1997	Group and Company 1996
Outstanding at April 1	33,911	*36,690*
Granted in the year		*1,960*
Exercised during the year	(2,401)	*(4,064)*
Expired/cancelled	(517)	*(675)*
At March 31	30,993	*33,911*
Date exercisable	1997 - 2005	*1996 - 2005*
Price per share	130p - 465p	*130p - 465p*
Price range of options exercised during the year	130p - 419p	*144p - 293p*

32 RESERVES

	£ million	Share premium account	Revaluation reserve	Profit and loss account	Group total 1997	Group total 1996
a	**Group**					
	Balance at April 1	471	302	1,481	2,254	*1,851*
	Retained profit for the year			399	399	*342*
	Transfers relating to revalued assets		(5)	5		
	Exchange adjustments net of tax relief			61	61	*50*
	Goodwill set off on acquisition			(82)	(82)	
	Effect on goodwill of transfer of minority shareholding in subsidiary			7	7	
	Share premium	94			94	*11*
	Balance at March 31	565	297	1,871	2,733	*2,254*
	Group profit and loss account includes cumulative retained profits of £84 million (1996: £45 million) in respect of associated undertakings.					
	Cumulative goodwill set off against reserves at March 31, comprises:					
	In respect of subsidiary undertakings				585	*510*
	In respect of associated undertakings				94	*94*
					679	*604*
b	**Company**					
	Balance at April 1	471	301	1,429	2,201	*1,813*
	Retained profit for the year			227	227	*346*
	Transfers relating to revalued assets		(5)	5		
	Exchange adjustments net of tax relief			49	49	*31*
	Share premium	94			94	*11*
	Balance at March 31	565	296	1,710	2,571	*2,201*

33 DEFERRED TAXATION (see also Note 11)

There is no provision for deferred taxation at March 31, 1997 (1996: £nil).

If full provision for deferred taxation at 33 per cent (1996: 33 per cent) had been made, the following amounts would have been required:

£ million	Group 1997	Group 1996	Company 1997	Company 1996
Accelerated capital allowances	915	*774*	904	*765*
Other timing differences	(48)	*(9)*	(60)	*(19)*
	867	*765*	844	*746*

In arriving at the amount of the full provision for the Group at March 31, 1997 of £867 million, no account has been taken of any tax liability that might arise on the realisation of the revaluation surplus on properties as the Directors have no present intention to dispose of significant property assets.

34 PENSION COSTS

British Airways operates two principal defined benefit pension schemes in the United Kingdom, the Airways Pension Scheme (APS), which is closed to new members, and the New Airways Pension Scheme (NAPS) of which all new permanent employees over the age of 18 employed by the Company and certain subsidiary undertakings in the United Kingdom 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 (the "abatement") not exceeding one and a half times the Government's lower earnings limit. NAPS benefits are subject to Retail Price Index increases up to a maximum of five per cent in any one year.

During the year, a new section of NAPS was opened placing a cap of 15 per cent of full pensionable pay on the abatement. All new employees will be invited to join this section. In addition, all existing members of NAPS were offered the opportunity to join the new section and some 20,000 out of a total of 38,000 took up the option.

Most employees engaged outside the United Kingdom 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 the abatement in NAPS.

The latest actuarial valuations of APS and NAPS were made as at March 31, 1995 by an independent firm of qualified actuaries, R. Watson & Sons, using the attained age method for APS and the projected unit method for NAPS. These valuations showed that no further employers' contributions were required in respect of APS while for NAPS an employer's contribution equal to an average of 2.20 times the employees' contribution for the year April 1, 1996 to March 31, 1997 (2.20 times employees' contribution for 1995-96) was appropriate. Contributions payable to NAPS in 1997-98 will be reviewed in the light of the introduction of the new section. The next valuations of the two schemes will be carried out as at March 31, 1998.

	Group	
£ million	**1997**	*1996*
All amounts recognised as costs were either funded or paid directly.		
Employers' contributions (calculated as set out above for APS and NAPS)		
charged in the accounts were:		
Airways Pension Scheme		
New Airways Pension Scheme	**63**	*56*
Other pension schemes and provident funds - mainly outside the United Kingdom	**17**	*16*
	80	*72*

At the date of the actuarial valuation, the market values of the assets of APS and NAPS amounted to £3,855 million and £1,630 million respectively. The value of the assets represented 112 per cent (APS) and 101 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 was sufficient to cover both past and future service liabilities. In the case of NAPS, the actuarial value of the assets together with future contributions from employees was sufficient to cover past service liabilities and some future service liabilities. The employer's 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 increase 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 employees have been determined in accordance with best local practice.

35 FORWARD TRANSACTIONS

The Group had outstanding forward transactions to hedge foreign currencies in fuel purchases as follows:

	In currency		Sterling equivalents	
	1997	*1996*	**1997**	*1996*
Maturing within one year				
- to cover future capital commitments in US Dollars	**US$590m**	*US$300m*	**£362m**	*£197m*
- to hedge future currency revenue in US Dollars	**US$39m**	*US$35m*	**£24m**	*£23m*
- to hedge future currency revenues in other currencies			**£48m**	*£35m*
- to hedge future operating payments in US Dollars	**US$31m**	*US$135m*	**£19m**	*£88m*
- to hedge future fuel costs in US Dollars	**US$165m**		**£101m**	
- to hedge future operating payments in other currencies			**£60m**	*£4m*
Maturing after one year				
- to cover future capital commitments in US Dollars	**US$140m**	*US$75m*	**£86m**	*£49m*
- to hedge future currency revenues in other currencies			**£1m**	

36 INTEREST RATE AGREEMENTS

To reduce interest rate risk, British Airways has entered into single currency interest rate swap arrangements so as to change the interest payable elements of certain loans and lease obligations from variable to fixed rates and, accordingly, accounts for such swaps as hedges.

Outstanding single currency interest rate swap agreements are summarised as follows:

			Interest rates
	Notional principal balance	Termination dates	Fixed payable
At March 31, 1997			
US Dollar	**US$525m**	**2000 - 2003**	**8.4% - 9.9%**
Sterling	**£50m**	**1997**	**9.5%**
At March 31, 1996			
US Dollar	*US$713m*	*1996 - 2003*	*8.4% - 9.9%*
Sterling	*£50m*	*1997*	*9.5%*

In addition, British Airways has entered into cross currency interest rate swaps in relation to specific borrowings, involving the exchange of interest payments in one currency for interest receipts in another. In certain swaps, the principal amounts are similarly exchangeable.

Outstanding cross currency interest rate swap agreements are summarised as follows:
(Interest rates payable comprising both fixed and variable rates)

			Interest rates
	Notional principal balance	Termination dates	Fixed payable
At March 31, 1997			
Sterling	**£83m**	**1997 - 1998**	**6.5% - 10.2%**
At March 31, 1996			
Sterling	*£83m*	*1997 - 1998*	*6.1% - 10.2%*

37 CONTINGENCIES

There were contingent liabilities at March 31, 1997 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of business, upon which no material losses are likely to arise.

The Group and the Company have guaranteed certain borrowings, liabilities and commitments which at March 31, 1997 amounted to £94 million (1996: £97 million) and £532 million (1996: £741 million) respectively. For the Company these included guarantees given in respect of the Convertible Capital Bonds issued by a subsidiary undertaking.

38 RELATED PARTY TRANSACTIONS

The Group has had transactions, during the year under review, with related parties, as defined in Financial Reporting Standard 8, Related Party Disclosures, as follows:

Qantas Airways Limited

The Group has a 25 per cent equity investment in Qantas Airways Limited, and has a 'Joint Service Agreement' with the airline which started in November 1995. The agreement allows the two airlines to co-operate in developing schedules and fares and to share revenues for the core 'Kangaroo' routes between Europe and Australia. During the year under review, the agreement has resulted in British Airways having to pay to Qantas an amount of £5 million. In addition, for software systems purchased from British Airways prior to April 1996, Qantas paid the Group US$1.1 million during the year as final settlement.

In common throughout the airline industry, British Airways and Qantas from time to time carry each other's passengers travelling on the other airlines' tickets. The settlement between the two carriers is actioned through the IATA Clearing House, of which both airlines are members. This arrangement is common practice within the airline industry and is outside the control of the two parties.

As at March 31, 1997, the balance due from Qantas amounted to £9 million.

US Airways Group, Inc.

Until October 1996, British Airways had an alliance arrangement with US Airways covering passenger and ground handling and other shared facilities. The arrangement was progressively withdrawn between October 1996 and March 1997, and as a result of this arrangement, for the year under review, British Airways paid a net amount of US$722,000 to US Airways. The two companies also carry out engineering services for each other's aircraft. For the year under review, British Airways has received net income of just over £600,000.

In addition, US Airways is a member of the IATA Clearing House and has similar settlement arrangements with British Airways to those described above between British Airways and Qantas.

Galileo International Partnership

The Group has a 14.65 per cent equity investment in Galileo International Partnership, a company providing computer reservations systems for the airline industry. During the year under review, the Group has incurred net charges of £10 million.

As at March 31, 1997, the balance due to Galileo International Partnership amounted to £3 million.

Laboratories et Ateliers de Bretagne ('LAB')

TAT European Airlines S.A. has an arrangement with LAB, owned by the TAT Group, who also held 50.1 per cent of TAT European Airlines S.A. until August 1996, for LAB to supply engineering services to the airline. During the year under review, TAT European Airlines S.A. has incurred engineering charges amounting to FFr166 million.

Jet Trading and Leasing Company ('JTLC') and Prop Leasing and Trading Company ('PLTC')

TAT European Airlines S.A. has a 35 per cent equity investment in each of JTLC and PLTC, international aircraft leasing companies. During the year under review, TAT European Airlines S.A. paid FFr102 million to JTLC for the rental of seven aircraft and FFr21 million to PLTC for the rental of four aircraft.

As at March 31, 1997, the balances outstanding with JTLC and PLTC were nil.

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.

In addition to the above, the Group also has transactions with related parties which are conducted in the normal course of airline business. These include the provision of airline and related services.

39 FOREIGN CURRENCY TRANSLATION RATES

	At March 31		Annual average	
	1997	*1996*	**1996-97**	*1995-96*
US Dollar	**1.63**	*1.53*	**1.59**	*1.57*
Japanese Yen	**201**	*163*	**178**	*150*
Deutsche Mark	**2.73**	*2.25*	**2.44**	*2.23*
Australian Dollar	**2.08**	*1.95*	**2.02**	*2.13*
French Franc	**9.21**	*7.68*	**8.27**	*7.76*

PRINCIPAL INVESTMENTS

AT MARCH 31, 1997

SUBSIDIARY UNDERTAKINGS

Principal subsidiary undertakings are wholly-owned except where indicated.

	Principal activities	Country of incorporation and registration and principal operation
Air Miles Travel Promotions Ltd *	Airline marketing	England
Bedford Associates Inc	Specialist computer reservations software	USA
Britair Acquisition Corp. Inc *	Holding company	USA
British Airways Capital Ltd *	Airline finance	Jersey
(89 per cent of founders' shares owned)		
British Airways (European Operations at Gatwick) Ltd *	Airline operations	England
British Airways Finance B.V. *	Airline finance	Netherlands
British Airways Holidays Ltd *	Package holidays	England
British Airways Maintenance Cardiff Ltd *	Aircraft maintenance	England
British Airways Regional Ltd *	Air travel services	England
British Airways Travel Shops Ltd *	Travel agency	England
British Asia Airways Ltd *	Air travel services	England
Deutsche BA Luftfahrtgesellschaft mbH	Airline operations	Germany
(49 per cent of equity owned)		
Participations Aeronautiques S.A.	Airline holding company	France
(74 per cent of equity owned)		
(Holding company of TAT European Airlines S.A. and Air Liberté S.A.)		
Speedbird Insurance Company Ltd *	Captive insurance	Bermuda
The Plimsoll Line Ltd *	Airline holding company	England
(Holding company of Brymon Airways Ltd)		
Travel Automation Services Ltd *	Computer reservations systems	England
(trading as Galileo United Kingdom)		

The Group's 49 per cent interest in Deutsche BA Luftfahrtgesellschaft mbH, previously accounted for as a quasi-subsidiary, is now consolidated as a subsidiary undertaking since it is considered that the Group exercises a dominant influence over its operational, management and financial policies.

ASSOCIATED UNDERTAKINGS

	Percentage of equity owned	Principal activies	Country of incorporation and principal operations
Concorde International Travel Pty Ltd	50.0	Travel services	Australia
Galileo International Partnership	14.6	Computer reservations systems	USA
Qantas Airways Ltd	25.0	Airline operations	Australia

TRADE INVESTMENTS

	Percentage of equity owned	Principal activies	Country of incorporation and principal operations
Hogg Robinson plc *	13.2	Travel services	England
Ruby Aircraft Leasing and Trading Ltd *	19.3	Aircraft leasing	England
Sapphire Aircraft Leasing and Trading Ltd *	19.3	Aircraft leasing	England
US Airways Group, Inc.	(see Note 18 to the accounts)	Airline operations	USA

* Owned directly by British Airways Plc

US GAAP ACCOUNTING PRINCIPLES

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:

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 crystallize in the foreseeable future. Under US GAAP, as set out in Statement of Financial Accounting Standards (FAS) No. 109 'Accounting for Income Taxes', deferred taxation is generally provided on a full liability basis.

Goodwill

British Airways sets off goodwill arising on consolidation directly against retained earnings. Under US GAAP, goodwill arising on consolidation is amortised over its useful life. For the purposes of determining the differences between UK GAAP and US GAAP, the expected useful life of goodwill has been taken to be 40 years.

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 March 31, 1995 and fleet at March 31, 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, any revaluation surplus thus realised would be reflected in income.

Purchase accounting

Under US GAAP, as set out in FAS 109, 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.

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 forward rates of exchange ruling at that date, would have been included in the determination of net income. British Airways does not take account of such notional gains and losses.

Dividends

Under UK GAAP, dividends are recorded in the financial statements for the period to which the dividend relates. Under US GAAP, the liability for dividends is recorded in the financial statements when declared. The proposed final dividend at March 31, 1997, and the related advance corporation tax, would not, therefore, be included in the financial statements for 1997 prepared in accordance with US GAAP.

Foreign currency translation

Aircraft which are financed in whole or in part in foreign currency, either by loans, finance lease obligations or hire purchase arrangements, are regarded, together with the related liabilities, as a separate group of assets and liabilities and accounted for in foreign currency. The amounts in foreign currency are translated into Sterling at rates ruling at the balance sheet date and the differences arising from the translation of aircraft costs and related foreign currency loans are taken to retained earnings. Under US GAAP, the cost of these aircraft would be fixed in pounds Sterling at the rate of exchange ruling at the date of the original acquisition, lease or hire purchase and the exchange gain or loss on the related foreign currency loans would be reflected in income.

Gains on sale and leaseback transactions

Under UK GAAP, 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 assets 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.

Pension costs

Under US GAAP, the cost of providing pensions is attributed to periods of service in accordance with the benefit formulae underlying the pension plans. The resultant 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 March 31, 1997 amounted to £63 million (1996: £56 million) under UK GAAP compared with an estimated credit of £14 million (1996: cost £78 million) under FAS 87 'Employers' Accounting for Pensions'. The resultant decrease in operating costs of £77 million (1996: increase of £22 million), net of related deferred tax of £25 million (1996: £7 million), would increase net income under US GAAP by £52 million (1996: reduction of £15 million), and would be reflected in the consolidated balance sheet as a reduction to accrued pension costs.

Capitalised operating leases

Under UK GAAP, certain aircraft operating leases have been capitalised and the related liabilities included in finance lease obligations and the resulting assets are being depreciated over the remaining term of the lease. Under US GAAP, such leases would be classified as operating leases and neither the capital element nor the associated liability would be brought onto the balance sheet.

Associated undertakings

Adjustments made in respect of associated undertakings accounted for under UK GAAP to bring them into line with the US GAAP accounting principles are as set out above.

Provision for diminution in value of investment

Under UK GAAP, provisions for diminution in value of investments that are no longer required are to be written back through the profit and loss account. Under US GAAP, such write back of provisions is not permitted.

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 UK GAAP are summarised on pages 56 and 57.

NET INCOME UNDER US GAAP

For the year ended March 31, 1997

Group	1997 £ million	*1996 £ million*	1997 $ million	*1996 $ million*
Profit for the year as reported in the Group profit and loss account	553	*473*	901	*724*
Adjustments:				
Depreciation and Amortisation				
Goodwill set off in respect of subsidiary undertakings	(12)	*(10)*	(20)	*(15)*
Goodwill set off in respect of associated undertakings	(3)	*(3)*	(5)	*(5)*
Fleet	2	*23*	3	*35*
Finance leased aircraft	56	*56*	91	*86*
Property	2	*1*	3	*2*
	45	*67*	72	*103*
Aircraft operating lease costs	(109)	*(109)*	(178)	*(167)*
Equity accounting of associated undertakings				
Share of results of associated undertakings	36	*(44)*	59	*(67)*
Share of taxation of associated undertakings	(13)	*16*	(21)	*24*
	23	*(28)*	38	*(43)*
Interest payable	54	*57*	88	*87*
Pension costs	77	*(22)*	126	*(34)*
Exchange gains/(losses)				
Arising on translation of aircraft related loans	147	*(72)*	240	*(110)*
Relating to revaluation of forward exchange contracts	(2)	*5*	(3)	*8*
	145	*(67)*	237	*(102)*
Profit on disposal of tangible fixed assets				
Arising on disposal of revalued aircraft	1	*25*	2	*38*
Arising on sale and leaseback transactions	6	*10*	10	*15*
	7	*35*	12	*53*
Write back of provision of investment in US Airways Group, Inc.	(125)		(204)	
Taxation	(3)	*5*	(5)	*8*
Deferred taxation				
Effect of the above adjustments	(27)	*(22)*	(44)	*(34)*
Effect of differences in methodology	(92)	*(122)*	(150)	*(186)*
	(119)	*(144)*	(194)	*(220)*
	(5)	*(206)*	(8)	*(315)*
Net income as adjusted to accord with US GAAP	548	*267*	893	*409*
	Pence	Pence	Cents	Cents
Net income per Ordinary Share as so adjusted				
Primary	55.2	*27.9*	90.0	*42.7*
Fully diluted	50.4	*26.0*	82.2	*39.8*
	£	£	$	$
Net income per American Depositary Share as so adjusted				
Primary	5.52	*2.79*	9.00	*4.27*
Fully diluted	5.04	*2.60*	8.22	*3.98*
		Translation rate	**£1 = $1.63**	*£1 = $1.53*

SHAREHOLDERS' EQUITY UNDER US GAAP

At March 31, 1997

	Group			
	1997 £ million	*1996 £ million*	1997 $ million	*1996 $ million*
Shareholders' equity as reported in the Group balance sheet	2,984	*2,494*	4,864	*3,816*
Adjustments:				
Intangible assets				
Goodwill set off in respect of subsidiary undertakings				
Cost	591	*437*	963	*669*
Amortisation	(97)	*(81)*	(158)	*(124)*
	494	*356*	805	*545*
Tangible assets				
Cost				
Fleet	(1,168)	*(1,498)*	(1,903)	*(2,292)*
Property and equipment	(308)	*(328)*	(502)	*(502)*
	(1,476)	*(1,826)*	(2,405)	*(2,794)*
Amortisation				
Fleet, property and equipment	421	*447*	686	*684*
Investments – associated undertakings				
Quasi-subsidiaries		*(34)*		*(52)*
Associated undertakings	(5)	*(28)*	(8)	*(43)*
Goodwill set off in respect of associated undertakings				
Cost	94	*134*	153	*205*
Amortisation	(10)	*(9)*	(16)	*(14)*
	84	*125*	137	*191*
Trade Investments	(125)		(204)	
Current assets				
Stocks		*(20)*		*(31)*
Debtors		*(69)*		*(106)*
Cash, short-term loans and deposits		*(2)*		*(3)*
Current liabilities				
Loans, finance leases and hire purchase arrangements	60	*87*	98	*133*
Overdrafts		*14*		*21*
Trade creditors		*46*		*70*
Other creditors	2	*68*	3	*104*
Proposed dividends	108	*94*	176	*144*
Pension costs accruals	(56)	*(133)*	(91)	*(203)*
Accruals and deferred income	7	*18*	11	*28*
Long-term liabilities				
Loans, finance leases and hire purchase arrangements	756	*950*	1,232	*1,454*
Other creditors		*22*		*34*
Accruals and deferred income	(1)	*(5)*	(2)	*(8)*
Provisions for liabilities and charges				
Deferred taxation				
Effect of the above adjustments	4	*31*	7	*47*
Effect of differences in methodology	(857)	*(765)*	(1,397)	*(1,170)*
	(853)	*(734)*	(1,390)	*(1,123)*
Other		*2*		*3*
	(584)	*(622)*	(952)	*(952)*
Shareholders' equity as adjusted to accord with US GAAP	2,400	*1,872*	3,912	*2,864*
		Translation rate	£1 = $1.63	*£1 = $1.53*

FIVE YEAR SUMMARIES

FOR THE FIVE YEARS ENDED MARCH 31, 1997

GROUP PROFIT & LOSS ACCOUNT

£ million	1997	*1996*	*1995*	*1994*	*1993*
Turnover	**8,359**	*7,760*	*7,177*	*6,602*	*5,655*
Operating expenditure	**(7,813)**	*(7,032)*	*(6,559)*	*(6,134)*	*(5,302)*
Operating profit	**546**	*728*	*618*	*468*	*353*
Income from interests in associated undertakings	**114**	*61*	*58*	*22*	*3*
Other income and charges	**17**	*(1)*	*1*	*9*	*5*
Provision against investment in US Airways Group, Inc.	**125**		*(125)*		
Profit/(loss) on sale of fixed assets	**20**	*20*	*(20)*	*(7)*	*15*
Profit on sale of subsidiary undertaking			*10*		
Net interest payable	**(182)**	*(223)*	*(215)*	*(212)*	*(197)*
Profit before taxation	**640**	*585*	*327*	*280*	*179*
Taxation	**(90)**	*(112)*	*(77)*	*(6)*	*(7)*
Profit after taxation	**550**	*473*	*250*	*274*	*172*
Minority share of losses after taxation	**3**				
Profit for the year	**553**	*473*	*250*	*274*	*172*
Dividends	**(154)**	*(131)*	*(119)*	*(106)*	*(79)*
Retained profit for the year	**399**	*342*	*131*	*168*	*93*
Earnings per share					
Basic earnings per share	**55.7p**	*49.4p*	*26.2p*	*30.0p*	*22.3p*
Adjusted earnings per share	**55.9p**	*49.4p*	*39.3p*	*30.0p*	*22.3p*
Fully diluted earnings per share	**50.8p**	*44.2p*	*24.5p*	*27.6p*	*20.7p*
Fully diluted adjusted earnings per share	**51.0p**	*44.2p*	*35.6p*	*27.6p*	*20.7p*
Dividends per share	**15.05p**	*13.65p*	*12.40p*	*11.10p*	*10.16p*

Adjusted earnings per share for 1995 have been adjusted to exclude provision of £125 million against investment in US Airways Group, Inc.

Adjusted earnings per share for 1997 have been adjusted to exclude the exceptional operating charge of £127 million and the write back of provision of £125 million against investment in US Airways Group, Inc.

GEOGRAPHICAL ANALYSIS OF GROUP TURNOVER AND OPERATING PROFIT

By area of destination

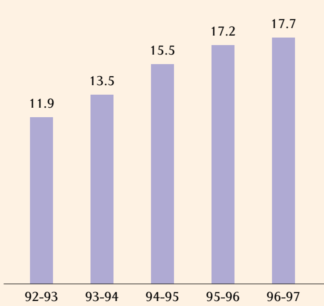
£ million	1997	*1996*	*1995*	*1994*	*1993*
Turnover					
Europe	**3,168**	*3,109*	*3,015*	*2,734*	*2,327*
The Americas	**2,861**	*2,449*	*2,185*	*2,029*	*1,709*
Africa, Middle East and Indian sub-continent	**1,134**	*1,074*	*953*	*900*	*757*
Far East and Australasia	**1,196**	*1,128*	*1,024*	*939*	*862*
	8,359	*7,760*	*7,177*	*6,602*	*5,655*
Operating profit					
Europe	**6**	*26*	*2*	*16*	*31*
The Americas	**364**	*315*	*245*	*140*	*106*
Africa, Middle East and Indian sub-continent	**157**	*220*	*226*	*209*	*144*
Far East and Australasia	**146**	*167*	*145*	*103*	*72*
	673	*728*	*618*	*468*	*353*
Exceptional operating charge for restructuring costs under the Business Efficiency Programme	**(127)**				
	546	*728*	*618*	*468*	*353*

GROUP BALANCE SHEET

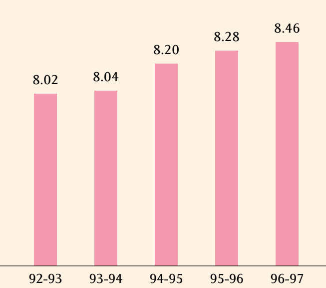
£ million	1997	1996	1995	1994	1993
Fixed assets					
Tangible assets	7,588	6,826	6,163	5,811	5,439
Investments	684	531	471	595	550
	8,272	7,357	6,634	6,406	5,989
Current assets	2,164	2,684	2,429	2,433	1,644
Creditors: amounts falling due within one year	(3,160)	(2,824)	(2,320)	(2,114)	(1,993)
Net current (liabilities)/assets	(996)	(140)	109	319	(349)
Total assets less current liabilities	7,276	7,217	6,743	6,725	5,640
Creditors: amounts falling due after more than one year	(4,260)	(4,664)	(4,596)	(4,926)	(4,436)
Provisions for liabilities and charges	(58)	(59)	(57)	(69)	(74)
Minority interests	26				
	2,984	2,494	2,090	1,730	1,130
Capital and reserves					
Called up share capital	251	240	239	239	185
Reserves	2,733	2,254	1,851	1,491	945
	2,984	2,494	2,090	1,730	1,130

GROUP CASH FLOW STATEMENT

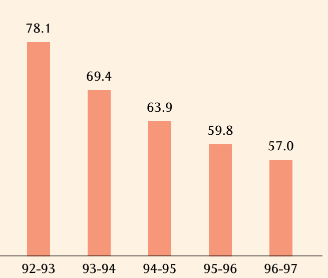
£ million	1997	1996	1995	1994	1993
Cash inflow from operating activities	1,212	1,424	1,108	832	772
Returns on investments and servicing of finance	(177)	(241)	(211)	(207)	(179)
Taxation	(83)	(51)	9	(20)	(38)
Capital expenditure and financial investment	(944)	(699)	(451)	(154)	(440)
Acquisitions and disposals	(16)		(30)	(72)	(592)
Equity dividends paid	(131)	(121)	(109)	(86)	(76)
Cash (outflow)/inflow before management of liquid resources and financing	(139)	312	316	293	(553)
Management of liquid resources	560	(59)	95	(699)	211
Financing	(392)	(259)	(395)	405	341
Increase/(decrease) in cash	29	(6)	16	(1)	(1)



OPERATING CASH FLOW/
MARKET VALUE OF ASSETS (%)



AIRCRAFT UTILISATION
AVERAGE HOURS PER AIRCRAFT PER DAY



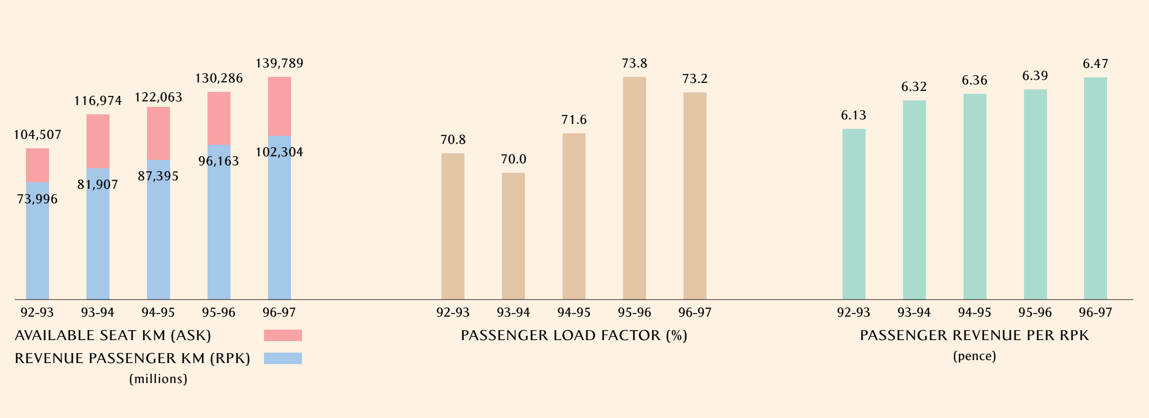
NET DEBT/TOTAL CAPITAL RATIO (%)

OPERATING AND FINANCIAL STATISTICS (see Note 1)

FOR THE FIVE YEARS ENDED MARCH 31, 1997

MAINLINE SCHEDULED SERVICES (see Note 2)

		1997	*1996*	*1995*	*1994*	*1993*
Traffic and capacity						
Revenue passenger km (RPK)	m	**102,304**	*96,163*	*87,395*	*81,907*	*73,996*
Available seat km (ASK)	m	**139,789**	*130,286*	*122,063*	*116,974*	*104,507*
Passenger load factor	%	**73.2**	*73.8*	*71.6*	*70.0*	*70.8*
Cargo tonne km (CTK)	m	**3,790**	*3,476*	*3,349*	*2,991*	*2,691*
Total revenue tonne km (RTK)	m	**14,004**	*13,084*	*11,667*	*10,792*	*9,730*
Total available tonne km (ATK)	m	**19,907**	*18,508*	*17,115*	*16,240*	*14,695*
Overall load factor	%	**70.3**	*70.7*	*68.2*	*66.5*	*66.2*
Passengers carried	000	**33,440**	*32,272*	*30,552*	*28,656*	*25,905*
Tonnes of cargo carried	000	**721**	*672*	*666*	*607*	*532*
Frequent flyer RPKs as a percentage of total RPKs (see Note 3)	%	**2.0**	*1.9*	*1.7*	*1.4*	
Financial						
Passenger revenue per RPK	p	**6.47**	*6.39*	*6.36*	*6.32*	*6.13*
Cargo revenue per CTK	p	**14.78**	*16.20*	*15.47*	*15.41*	*14.72*
Average fuel price (US cents/US gallon)		**75.90**	*63.16*	*59.79*	*63.64*	*69.32*
Operations						
Unduplicated route km	000	**759**	*767*	*743*	*643*	*599*
Punctuality - within 15 minutes	%	**82**	*82*	*84*	*85*	*81*
Regularity	%	**99.2**	*99.1*	*99.5*	*99.3*	*99.3*



TOTAL GROUP OPERATIONS

(including Deutsche BA, TAT and Air Liberté) (see Note 4)

		1997	*1996*	*1995*	*1994*	*1993*
Traffic and capacity						
Total revenue tonne km (RTK)	m	**14,336**	*13,311*	*12,380*	*11,467*	*10,313*
Total available tonne km (ATK)	m	**20,542**	*18,982*	*18,224*	*17,233*	*15,424*
Passengers carried	000	**38,180**	*36,003*	*35,643*	*32,749*	*28,100*
Revenue aircraft km	m	**579**	*567*	*556*	*522*	*431*
Revenue flights	000	**399**	*381*	*381*	*358*	*268*
Break-even overall load factor	%	**63.6**	*62.9*	*61.5*	*61.4*	*62.8*
Financial						
Operating cash flow/Market Value of assets	%	**17.7**	*17.2*	*15.5*	*13.5*	*11.9*
Interest cover	times	**4.5**	*3.6*	*2.5*	*2.3*	*1.9*
Dividend cover	times	**3.6**	*3.6*	*2.1*	*2.6*	*2.2*
Operating margin	%	**8.1**	*9.4*	*8.6*	*7.1*	*6.2*
Net Debt/Total Capital Ratio	%	**57.0**	*59.8*	*63.9*	*69.4*	*78.1*
Total traffic revenue per RTK	p	**53.07**	*53.21*	*52.76*	*52.44*	*49.28*
Total traffic revenue per ATK	p	**37.04**	*37.31*	*35.84*	*34.89*	*32.95*
Net operating expenditure per RTK	p	**48.37**	*47.74*	*47.77*	*48.36*	*46.27*
Net operating expenditure per ATK	p	**33.76**	*33.48*	*32.45*	*32.18*	*30.94*
Operations						
Average manpower equivalent (MPE)		**59,218**	*56,720*	*54,958*	*53,491*	*50,803*
RTKs per MPE	000	**242.1**	*234.7*	*225.3*	*214.4*	*203.0*
ATKs per MPE	000	**346.9**	*334.7*	*331.6*	*322.2*	*303.6*
Aircraft in service at year end		**308**	*293*	*283*	*294*	*241*
Aircraft utilisation (average hours per aircraft per day)		**8.46**	*8.28*	*8.20*	*8.04*	*8.02*

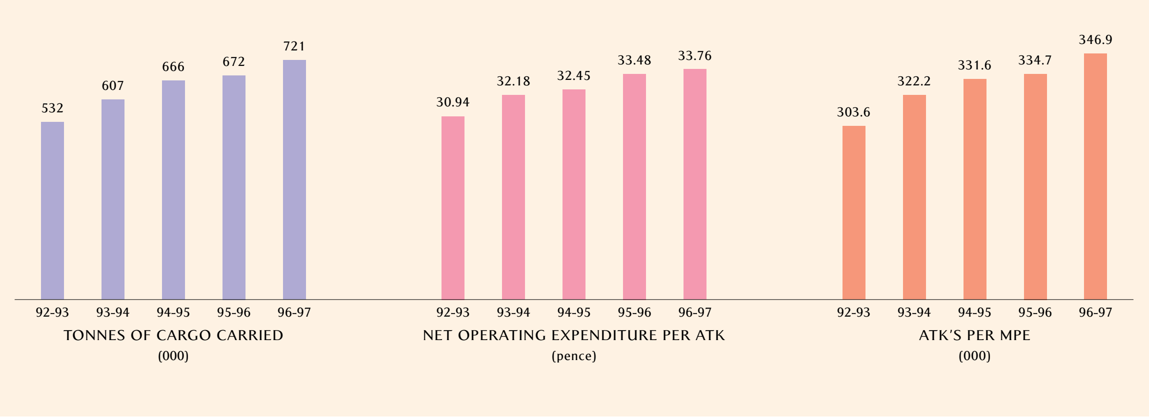
Notes:

1 Operating statistics do not include those of associated undertaking (Qantas Airways) and franchisees (British Mediterranean Airways, British Regional Airlines, CityFlyer Express, Comair (South Africa), GB Airways, Maersk Air, Loganair and Sun-Air (Scandinavia)).

2 Mainline scheduled services include those operated by British Airways and all of its wholly-owned subsidiary undertakings.

3 The carriage of passengers on Frequent Flyer Programme is evaluated on a ticket by ticket basis. Data prior to 1994 not available.

4 Group operating and financial statistics for the year ended March 31, 1997 included Air Liberté since its acquisition by the Group in January 1997 and exclude exceptional operating charge of £127 million. Group statistics for the three years ended March 31, 1995 included charter services operated by Caledonian Airways.



	Number in service with Group companies at March 31, 1997								
		Operating leases off balance sheet							
MAINLINE (see Note 1 below)	On balance sheet aircraft	extendible	other	Total (see Note 2 below)	Future deliveries	Options	1996-97 revenue hours flown	Average hours per aircraft/day	Average age (years)
Concorde	7			**7**			5,958	2.33	20.3
Boeing 747-100	14		1	**15**			62,064	11.34	24.9
Boeing 747-200	13	3		**16**			63,329	10.84	16.3
Boeing 747-400	36			**36**	29	7	178,552	14.42	5.2
Boeing 777	8			**8**	9	17	16,265	10.53	1.0
McDonnell Douglas DC-10-30	5	2		**7**			31,886	12.48	18.4
Boeing 767-300	25			**25**		3	90,737	10.40	5.4
Boeing 757-200	41	3		**44**	5		118,973	7.41	10.4
Airbus A320	10			**10**			23,413	6.41	8.1
Boeing 737-200	15		18	**33**			83,862	6.97	14.3
Boeing 737-400	27		8	**35**			99,462	8.04	5.1
Turbo Props (see Note 3 below)	2	10	8	**20**			43,136	5.16	7.0
Hired aircraft							17,294		
Sub total	203	18	35	**256**	43	27	834,931	9.13	10.1
DEUTSCHE BA, TAT AND AIR LIBERTE									
McDonnell Douglas DC-10-30			3	**3**			3,442	9.56	22.6
McDonnell Douglas MD83	3		4	**7**			4,143	6.58	7.9
Boeing 737-200			3	**3**			1,356	5.02	28.7
Boeing 737-300			12	**12**	9		31,405	7.82	5.5
Fokker 100	4	7		**11**			27,956	7.35	5.5
Fokker F28	7			**7**			14,544	5.42	23.3
Turbo Props (see Note 4 below)	2	5	2	**9**			15,903	4.85	8.0
Sub total	16	12	24	**52**	9		98,749	5.23	11.0
GROUP TOTAL	**219**	**30**	**59**	**308**	**52**	**27**	**933,680**	**8.46**	**10.3**

Notes:

1 Includes those operated by British Airways and all of its wholly-owned subsidiary undertakings.

2 Excludes 1 Boeing 747-400, 1 Boeing 777-200 and 1 Boeing 757-200 that have been delivered but not entered service, and 2 McDonnell Douglas DC-10-30s, 2 Boeing 737-200s, 1 Fokker F28, 3 ATR 72s, 3 ATR 42s, 2 Embraer and 5 Saab 2000s subleased to other carriers.

3 Includes 10 BAe ATPs, 2 de Havilland Canada DHC-7-100s and 8 de Havilland Canada DHC-8s.

4 Includes 2 ATR 72s, 5 ATR 42s and 2 Saab 340s.

SHAREHOLDER INFORMATION

SHAREHOLDERS

As at May 12, 1997 there were 230,026 shareholders (May 13, 1996: 235,062). An analysis is given below.

Size of shareholding	Percentage of shareholders	Percentage of shares
1-1,000	90.86	6.22
1,001-5,000	7.48	3.45
5,001-10,000	0.77	1.20
10,001-50,000	0.43	2.26
50,001-100,000	0.12	1.95
100,001-250,000	0.14	4.98
250,001-500,000	0.08	6.54
500,001-750,000	0.04	5.60
750,001-1,000,000	0.02	3.60
Over 1,000,000	0.06	64.20
	100.00	100.00

Classification of shareholding	Percentage of shareholders	Percentage of shares
Individuals	93.50	9.66
Bank or Nominee	5.62	85.64
Insurance companies	0.03	0.52
Pension trusts	0.02	1.75
Investment trusts	0.26	0.28
Other corporate bodies	0.57	2.15
	100.00	100.00

Mercury Asset Management has a non-beneficial interest in 16.99 per cent of the shares of the Company.
British Airways is not aware of any other interest in its shares of ten per cent or more nor of any material interest of three per cent or more.

GENERAL INFORMATION

FINANCIAL CALENDAR

Financial year end	March 31, 1997
Annual General Meeting	July 15, 1997

ANNOUNCEMENT OF 1997-98 RESULTS AND DIVIDENDS

First quarter results to June 30, 1997	August 1997
Second quarter results to September 30, 1997	November 1997
Interim dividend	November 1997 (payable January 1998)
Third quarter results to December 31, 1997	February 1998
Preliminary announcement	mid May 1998
Report and Accounts	June 1998
Final dividend	May 1998 (payable July 1998)

REGISTERED OFFICE

Speedbird House, Heathrow Airport (London), Hounslow TW6 2JA
Registered number - 1777777

OUTSIDE ADVISERS

Company Registrars: The Royal Bank of Scotland plc, Registrars Department, PO Box 82, Caxton House, Redcliffe Way, Bristol, BS99 7NH
ADR Depositary: Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, NY 10260

UNSOLICITED MAIL

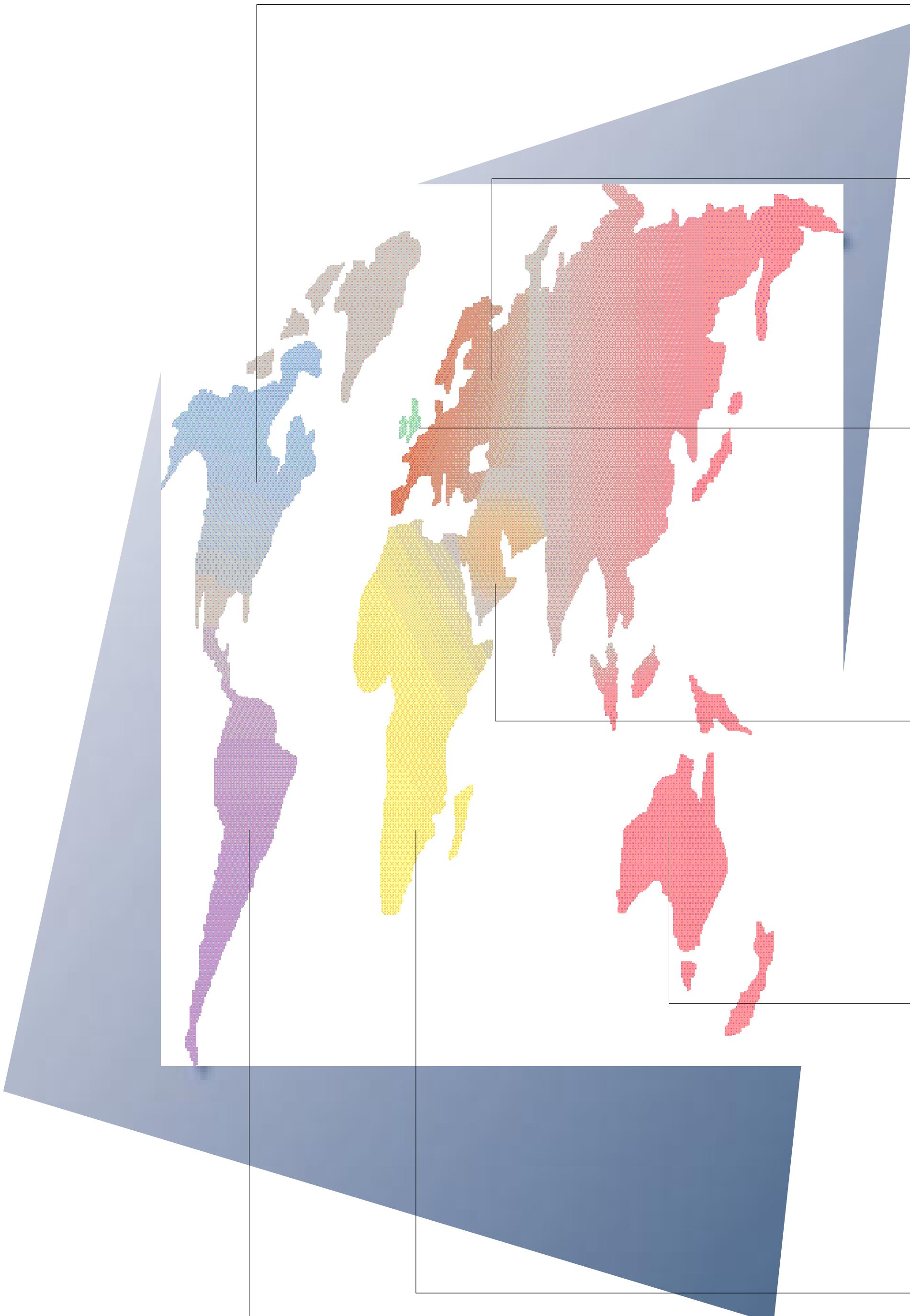
British Airways is obliged by law to make its share register available on request to other organisations who may then use it as a mailing list. This may result in your receiving unsolicited mail. If you wish to limit the receipt of unsolicited mail you may do so by writing to the Mailing Preference Service, 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.

Mainline	This includes British Airways and all of its wholly-owned subsidiary undertakings.
Available seat kilometres (ASK)	The number of seats available for sale multiplied by the distance flown.
Available tonne kilometres (ATK)	The number of tonnes (2,204 lb) of capacity available for the carriage of revenue load (passenger and cargo) multiplied by the distance flown.
Revenue passenger kilometres (RPK)	The number of revenue passengers carried multiplied by the distance flown.
Cargo tonne kilometres (CTK)	The number of revenue tonnes of cargo (freight and mail) carried multiplied by the distance flown.
Revenue tonne kilometres (RTK)	The revenue load in tonnes multiplied by the distance flown.
Load factor	The percentage relationship of revenue load carried to capacity available.
Passenger load factor	RPK expressed as a percentage of ASK.
Overall load factor	RTK expressed as a percentage of ATK.
Break-even load factor	The load factor required to equate total traffic revenue with operating costs.
Frequent flyer RPKs as a percentage of total RPKs	The amount of frequent flyer RPKs expressed as a percentage of total RPKs is indicative of the proportion of total passenger traffic that is represented by redemption of frequent flyer points in the year.
Revenue per RPK	Passenger revenue from Mainline scheduled operations divided by Mainline scheduled RPK.
Total traffic revenue per RTK	Revenue from total traffic (scheduled and non-scheduled) divided by RTK.
Total traffic revenue per ATK	Revenue from total traffic (scheduled and non-scheduled) divided by ATK.
Punctuality	The industry's standard, measured as 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.
Unduplicated route kilometres	All scheduled flight stages counted once, regardless of frequency or direction.
Operating cash flow/Market Value of Assets	Group operating profit plus depreciation, plus rentals for aircraft, property and equipment divided by average market value of operating fixed assets (including assets under operating lease) and net working capital.
Interest cover	The number of times profit before taxation and net interest payable covers the net interest payable.
Dividend cover	The number of times profit for the year covers the dividends paid and proposed.
Operating margin	Operating profit as a percentage of turnover.
Net Debt	Loans, finance leases and hire purchase arrangements, plus Convertible Capital Bonds, net of short-term loans and deposits and cash less overdrafts.
Total Capital	Capital and reserves plus Net Debt.
Net Debt/Total Capital ratio	Net Debt as a ratio of Total Capital.
Manpower Equivalent	Number of employees adjusted for part-time workers and overtime.

Global images, opposite, from top:
North America – Joe David, native North American;
Europe – Hugo Kaagman, Netherlands;
British Isles – Terry Frost, St Ives, England;
Middle East – Chant Avedissian, Egypt;
Asia/Pacific – Clifford Possum, Aboriginal Australian;
Africa – Cgoise, Kalahari, Botswana;
Latin America & Caribbean – Jan Barwick, Cayman Islands.

GLOBAL NETWORK



BRITISH AIRWAYS GLOBAL ALLIANCE

The airline's overriding strategy continues to concentrate on the building of a global air transport system to serve a world market.

British Airways global alliance consists of airlines in which we have equity investments, franchise agreements and codeshare agreements.

Agreement has been reached with American Airlines to pursue an alliance. Regulatory approvals are pending.

As at March 31, 1997, British Airways served 165 destinations in 82 countries. Under franchising agreements the BA code reaches a further 74 destinations in nine more countries, whilst codesharing agreements add another 14 destinations and one more country. With alliance carriers, the global network covers 474 destinations in 103 countries.

NORTH AMERICA

British Airways serves 24 cities in the USA and Canada on aircraft flying from the UK.
Including Canadian Airlines International, we offer daily codeshare flights to a further five Canadian cities.

EUROPE

British Airways, with its partner airlines, including TAT European Airlines, Air Liberté and Deutsche BA, serve 67 European airports from the UK. TAT and Air Liberté operate to 30 airports and Deutsche BA eight. Franchises include Sun-Air, GB Airways and CityFlyer Express.

BRITISH ISLES

An extensive scheduled domestic network together with close links with franchisees Brymon Airways, CityFlyer Express, Loganair, Maersk Air and Manx Airlines (Europe), give British Airways the widest coverage in the British Isles.

MIDDLE EAST

British Airways flies to 10 destinations in the Middle East.
British Mediterranean Airways, under a franchise agreement, operates to a further five destinations.

ASIA/PACIFIC

British Airways and Qantas connect the UK and Australia offering a combined four flights a day. British Airways flies to 19 other cities in the Asia/Pacific region.
The Singapore flights connect with Qantas flights to eight destinations in the region.

AFRICA

Seventeen flights a week link Heathrow with South Africa. All of the airline's African services, except for South Africa and Egypt, operate out of Gatwick Airport. Franchisee Comair operates between 12 cities in Southern Africa.

LATIN AMERICA & CARIBBEAN

British Airways serves 16 destinations in Mexico, South America and the Caribbean from the UK. Latin American flights transferred to Gatwick from Heathrow in March 1997.

Front cover photograph

1 Mike O'Connor *Flight Captain, Concorde*
2 Susan Rodrigues-Kerr *Cabin Crew, Indian routes*
3 Fiona Shearer *Crew Operations*
4 Takefumi Haraoka *Cabin Crew based in Osaka*
5 Manuela Dominguez-Ramos *Cabin Crew, Spanish routes*
6 Hanaa Fayyad *Cabin Crew based in Cairo*
7 Liz Comish *Flight Despatcher*
8 John Stoner *Aircraft Engineer, Concorde*
9 Christopher Dennis *Cabin Crew*
10 Lisa Balsom *Cabin Crew*
11 Angela Bourne *Crew Operations*
12 Uma Devi Thankappan *Cabin Crew based in Kuala Lumpur*
13 Worrawan Yasopon *Cabin Crew based in Bangkok*
14 Randa Georgi *Cabin Crew based in Bahrain*
15 Anise Jung *Cabin Crew based in Seoul*
16 Adrian Crick *Purser*
17 Dermot Layden *Cabin Crew*
18 Ray Bryant *Baggage Handling*
19 Pat Brosnan *Driver, Ground Transport Services*
20 Maggie Risley *First Officer, Boeing 757 & 767*
21 Martin Poll *Cabin Crew*
22 Sylvia Fung *Cabin Crew based in Hong Kong*
23 Steve Langheim *Design Engineer, Concorde*
24 Magda Grain *Cabin Crew*
25 Estelle Moffat *Cabin Crew*
26 Yuko Tashiro *Cabin Crew based in Tokyo*
27 John Stuart *Fire Protection Officer*
28 Maxine Gray *Aircraft Engineer, Concorde*
29 Dr David Flower *Medical Doctor*
30 Caroline Decruz *Cabin Crew based in Madras*
31 Ali Mufazzal *Cabin Crew based in Dhaka*
32 Colin Smith *Head of Investor Services*
33 Simon Quinn *Cabin Crew*
34 Mary Chittenden *Medical Nurse*
35 Helen Hui *Cabin Crew based in Singapore*
36 Pamela London *Cabin Crew*
37 Catherine Ogunsanya *Cabin Crew*
38 Peter Scheide *Baggage Handling*
39 Mary Freeman *Cabin Crew*
40 Sally Griffiths *First Officer, Boeing 747*
41 David Rowland *Flight Captain, Concorde*
42 Sandy Limninart *Crew Operations based in Bangkok*
43 Dave Bennett *Fire Protection Officer*

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