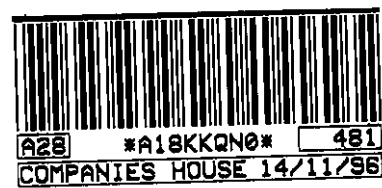


**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**31 MARCH 1996**

**Company number 590083**



# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

## DIRECTORS' REPORT

Directors: Sir Colin Marshall (Chairman)  
D M Stevens  
Mrs G F Redwood

Secretary P H Jarvis

Registered office: Speedbird House, Heathrow Airport (London)  
Hounslow, Middlesex TW6 2JA

The Directors present their report and the audited accounts for the year ended 31 March 1996.

### DIRECTORS

The Directors of the Company during the year were Sir Colin Marshall, D M Stevens and Mrs G F Redwood.

### ACCOUNTS AND RESULTS

The profit after tax, attributable to shareholders, amounted to £297,738 (1995: profit £168,016). The Directors do not propose payment of a dividend (1995: £Nil) and accordingly the profit for the year has been carried forward in retained profits.

### PRINCIPAL ACTIVITIES

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

### GB AIRWAYS

On 21 April 1995, British Airways Associated Companies Limited transferred their 49% interest in GB Airways (Holdings) Limited to British Airways Plc at a cost of £403,392.

### POST BALANCE SHEET EVENTS

The Company are in the process of selling their investment in Brussels Europa S.A.

### DIRECTORS' INTERESTS

None of the Directors had any beneficial interest in the shares of the Company either at 31 March 1996 or 31 March 1995. According to the register maintained as required under the Companies Act 1985, the Directors' interests in the share capital of British Airways Plc and in the 9.75% Convertible Capital Bonds 2005 of British Airways Capital Limited which require disclosure in these accounts were as follows:

|  | <u>Mrs G F Redwood</u> |              |
|--|------------------------|--------------|
|  | 31 March 1996          | 1 April 1995 |
| <u>Interests in British Airways Plc:</u>             |                        |              |
| Ordinary shares subject to no restrictions           | 17,412                 | ~            |
| Ordinary shares subject to restrictions              | 1,594                  | 408          |
| Options Executive and SAYE Share Schemes             | 39,698                 | 131,011      |
| <u>Interests in British Airways Capital Limited:</u> |                        |              |
| 9.75% Convertible Capital Bonds 2005                 | 53                     | 53           |

The interests of Sir Colin Marshall and D M Stevens are disclosed in the accounts of British Airways Plc. The Directors' interests set out above are in each case beneficial. The options under The Executive Share Scheme and SAYE Share Schemes are at prices ranging from £1.95 to £4.19.

### LIABILITY INSURANCE

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

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**DIRECTORS' REPORT**

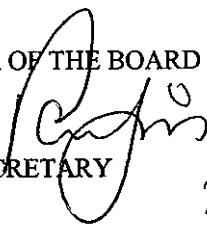
*(Continued)*

**AUDITORS**

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

BY ORDER OF THE BOARD

SECRETARY



20/9/96

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS**

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

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 as at the end of the financial year and of the profit or loss of the Company for the financial year.

The Directors consider that in preparing the financial statements on Pages 5 to 12, 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 financial statements 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 Company and to prevent and detect fraud and other irregularities.

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 Associated Companies Limited**

We have audited the accounts on pages 5 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

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

As described on page 3, the 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.

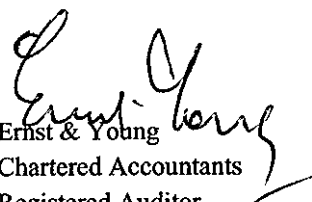
### **Basis of opinion**

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 Company's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young  
Chartered Accountants  
Registered Auditor  
LONDON

21.10. 1996  
.....

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 1996**

|   | Note | 1996<br>£ | 1995<br>£ |
|---|------|-----------|-----------|
| TURNOVER                                      | 2,3  | 1,797     | 1,875     |
| Cost of sales                                 |      | -         | -         |
|   |      | <hr/>     | <hr/>     |
| GROSS PROFIT                                  |      | 1,797     | 1,875     |
| Administrative expenses                       | 4a   | 1,000     | 1,000     |
|   |      | <hr/>     | <hr/>     |
| OPERATING PROFIT                              | 4b   | 797       | 875       |
| Interest receivable from parent undertaking   |      | 117,306   | 87,636    |
| Income from interests in:                     |      |           |           |
| Trade investments                             | 8c   | 196,643   | 88,400    |
|   |      | <hr/>     | <hr/>     |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION |      | 314,746   | 176,911   |
| Taxation                                      | 9    | (17,008)  | (8,895)   |
|   |      | <hr/>     | <hr/>     |
| RETAINED PROFIT FOR THE FINANCIAL YEAR        |      | 297,738   | 168,016   |
|   |      | <hr/>     | <hr/>     |

There are no recognised gains or losses other than the profits attributable to shareholders of the Company of £297,738 in the year ended 31 March 1996 and £168,016 in the year ended 31 March 1995.

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 1996**

|  | Note  | 1996<br>£        | 1995<br>£        |
|--|-------|------------------|------------------|
| <b>FIXED ASSETS</b>                          |       |                  |                  |
| Investments:                                 |       |                  |                  |
| Associated undertakings                      | 7a    | 160,376          | 563,768          |
| Trade investments                            | 8a    | 2,068,842        | 2,068,842        |
|  |       | <u>2,229,218</u> | <u>2,632,610</u> |
| <b>CURRENT ASSETS</b>                        |       |                  |                  |
| Amounts owed by ultimate parent undertaking  |       | 1,956,680        | 1,245,440        |
|  |       | <u>1,956,680</u> | <u>1,245,440</u> |
| <b>CREDITORS</b>                             |       |                  |                  |
| Amounts falling due within one year          | 11    | (25,363)         | (15,253)         |
|  |       | <u>1,931,317</u> | <u>1,230,187</u> |
| <b>NET CURRENT ASSETS</b>                    |       |                  |                  |
|  |       | <u>4,160,535</u> | <u>3,862,797</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       |                  |                  |
| <b>CREDITORS</b>                             |       |                  |                  |
| Amounts falling due after more than one year | 11    | (30,203)         | (30,203)         |
|  |       | <u>4,130,332</u> | <u>3,832,594</u> |
| <b>CAPITAL AND RESERVES</b>                  |       |                  |                  |
| Called up share capital                      | 12,13 | 675,000          | 675,000          |
| Profit and loss account                      | 13    | 3,455,332        | 3,157,594        |
| Approved by the Board                        | 13    | <u>4,130,332</u> | <u>3,832,594</u> |

*Yorke*

Director

20/9/96

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 1996**

**1 ACCOUNTING POLICIES**

**Accounting convention:**

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

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

**Investments:**

*Income*

Dividend income is included in the accounts in the year in which the dividends are receivable. Interest receivable on loans is included on an accruals basis.

*Investments*

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

*Provisions for diminution in value of investments*

Provisions for the diminution in value of the cost of investments in subsidiary undertakings, associated undertakings and trade investments are based on the Company's share of attributable net tangible assets as shown in the latest available accounts of the Company in which investments are held.

**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.

**Foreign currencies:**

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

**2 TURNOVER**

Turnover comprises the invoice value of business development and management fees exclusive of Value Added Tax.

**3 GEOGRAPHICAL ANALYSIS OF TURNOVER**

|   | 1996  | 1995  |
|---|-------|-------|
|   | £     | £     |
| Africa, Middle East, and Indian sub - continent | 1,797 | 1,875 |

**4 ADMINISTRATION EXPENSES AND OPERATING PROFIT**

|                            | 1996  | 1995  |
|----------------------------|-------|-------|
|                            | £     | £     |
| 4a Administration expenses | 1,000 | 1,000 |



**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS**

*(continued)*

**FOR THE YEAR ENDED 31 MARCH 1996**

**4 ADMINISTRATION EXPENSES AND OPERATING PROFIT**

*(Continued)*

|  |       |       |
|--|-------|-------|
| 4b Operating profit                            | 1996  | 1995  |
|  | £     | £     |
| Operating profit is arrived at after charging: |       |       |
| Auditors' remuneration                         | 1,000 | 1,000 |

**5 DIRECTORS' REMUNERATION**

The Directors received no remuneration or other emoluments from the Company during the year ended 31 March 1996 (1995 : £Nil).

**6 INTERESTS IN SUBSIDIARY UNDERTAKINGS**

|  |                        |                             |                         |
|--|------------------------|-----------------------------|-------------------------|
| a)   | Shares at<br>Cost<br>£ | Amounts<br>Written off<br>£ | Net<br>Book Value<br>£  |
| At 1 April 1995 and 31 March 1996  | <u>290,013</u>         | <u>(290,013)</u>            | <u>-</u>                |
| b) Subsidiary undertakings at 31 March 1996<br>comprise the following equity interests in<br>unlisted companies: | Activity               | Country of<br>Incorporation | Percentage<br>of Equity |
| British Air Services Limited   | Dormant                | England                     | 100%                    |
| Scottish Airways Limited   | Dormant                | Scotland                    | 100%                    |
| Jersey Airways Limited   | Dormant                | Jersey                      | 100%                    |

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS**

*(continued)*

**FOR THE YEAR ENDED 31 MARCH 1996**

**7 INTERESTS IN ASSOCIATED UNDERTAKINGS**

|  |                     |                                 |                             |
|--|---------------------|---------------------------------|-----------------------------|
|  |                     | £                               |                             |
| a) Shares at cost at 1 April 1995  |                     | 563,768                         |                             |
| Disposals  |                     | (403,392)                       |                             |
|  |                     | <hr/>                           |                             |
| At 31 March 1996   |                     | 160,376                         |                             |
| b) Associated undertakings at 31 March 1996 comprise the following equity interests in unlisted companies: |                     |                                 |                             |
|  | <u>Activity</u>     | <u>Country of incorporation</u> | <u>Percentage of equity</u> |
| Beau Vallon Properties Limited   | Hotels and catering | Seychelles                      | 35%                         |

**8 INTERESTS IN TRADE INVESTMENTS**

|   |                   |                        |                   |
|---|-------------------|------------------------|-------------------|
|   | Shares<br>at Cost | Amounts<br>Written off | Net Book<br>Value |
|   | £                 | £                      | £                 |
| a) At 1 April 1995 and 31 March 1996          | 2,077,162         | (8,320)                | 2,068,842         |
|   |                   |                        | 1996              |
|   |                   |                        | £                 |
| Listed investment on Mauritius Stock Exchange |                   |                        | 932,975           |
| Unlisted investments                          |                   |                        | 1,135,867         |
|   |                   |                        | <hr/>             |
|   |                   |                        | 2,068,842         |

b) Trade investments at 31 March 1996 comprise equity interests in the following companies:

|   |          |                 |                                 |                             |
|---|----------|-----------------|---------------------------------|-----------------------------|
|   |          | <u>Activity</u> | <u>Country of incorporation</u> | <u>Percentage of equity</u> |
| Air Mauritius Ltd                       | Listed   | Airline         | Mauritius                       | 10.6%                       |
| Air Mauritius Holding Ltd               | Unlisted | Airline         | Mauritius                       | 13.2%                       |
| Brussels Europa S.A.                    | Unlisted | Hotel           | Belgium                         | 10.0%                       |
| Tourism Promotion Services (Kenya) Ltd  | Unlisted | Hotels          | Kenya                           | 12.0%                       |
| Tourism Promotion Services (Uganda) Ltd | Unlisted | Hotels          | Uganda                          | 8.0%                        |

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS**

*(continued)*

**FOR THE YEAR ENDED 31 MARCH 1996**

**8 INTERESTS IN TRADE INVESTMENTS** *(Continued)*

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

Air Mauritius Limited is a listed company quoted on the Mauritius Stock Exchange. The stock exchange valuation of Air Mauritius at 31 March 1996 was £9.9 million.

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

**c) Income from interests in trade investments:**

|           | 1996           | 1995          |
|-----------|----------------|---------------|
|           | £              | £             |
| Dividends | 196,643        | 88,400        |
|           | <u>196,643</u> | <u>88,400</u> |

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS**

*(continued)*

**FOR THE YEAR ENDED 31 MARCH 1996**

**9 TAXATION**

|  | 1996          | 1995           |
|--|---------------|----------------|
|  | £             | £              |
| United Kingdom                                     |               |                |
| Corporation tax at 33 per cent (1995: 33 per cent) | <u>Nil</u>    | <u>Nil</u>     |
| Overseas taxation                                  |               |                |
| Relating to withholding tax on dividends           | 20,199        | 11,783         |
| Prior year adjustment                              | (3,191)       | -              |
| Capital Gains:                                     |               |                |
| Prior year adjustment on capital gains tax         | <u>-</u>      | <u>(2,888)</u> |
|  | <u>17,008</u> | <u>8,895</u>   |

There is no United Kingdom corporation tax charge or credit for the year. All taxable profits will be sheltered by group relief for which no payment is to be made.

**10 DEFERRED TAXATION**

No deferred taxation existed at 31 March 1995 or 31 March 1996.

**11 CREDITORS**

|                                  | 1996          | 1995          |
|----------------------------------|---------------|---------------|
|                                  | £             | £             |
| a) Due within one year:          |               |               |
| Overseas taxation                | 23,363        | 14,253        |
| Accruals                         | 2,000         | 1,000         |
|                                  | <u>25,363</u> | <u>15,253</u> |
| b) Due after more than one year: |               |               |
| Other creditors                  | <u>30,203</u> | <u>30,203</u> |

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS**

*(continued)*

**FOR THE YEAR ENDED 31 MARCH 1996**

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| 12 CALLED UP SHARE CAPITAL           | 1996             | 1995             |
|                                      | £                | £                |
| Authorised:                          |                  |                  |
| 1,000,000 ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> |
| Allotted, called up and fully paid:  |                  |                  |
| 675,000 ordinary shares of £1 each   | <u>675,000</u>   | <u>675,000</u>   |

13 RECONCILIATION OF SHAREHOLDERS' FUNDS  
AND MOVEMENTS ON RESERVES

|                     | Share<br>Capital | Profit &<br>Loss | Total            |
|---------------------|------------------|------------------|------------------|
|                     | £                | £                | £                |
| At 1 April 1994     | 675,000          | 2,989,578        | 3,664,578        |
| Profit for the year | <u>-</u>         | <u>168,016</u>   | <u>168,016</u>   |
| At 1 April 1995     | 675,000          | 3,157,594        | 3,832,594        |
| Profit for the year | <u>-</u>         | <u>297,738</u>   | <u>297,738</u>   |
| At 31 March 1996    | <u>675,000</u>   | <u>3,455,332</u> | <u>4,130,332</u> |

14 ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary undertaking of British Airways Plc, a company incorporated in England. Copies of the accounts of British Airways Plc can be obtained in writing to the Secretary, British Airways Plc Speedbird House, Heathrow Airport (London), Hounslow, Middlesex TW6 2JA.