

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 MARCH 1995

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 1995.

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 £168,016 (1994: £562,471). The Directors do not propose payment of a dividend (1994: £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.

FIXED ASSETS

The company increased its investment in Air Mauritius Limited during the year at a cost of £539,446. Details of the company's fixed assets are shown in notes 7 to 9 of the accounts.

EVENTS SINCE THE BALANCE SHEET DATE

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

DIRECTORS' INTERESTS

None of the directors had any beneficial interest in the shares of the company either at 31 March 1995 or 31 March 1994. 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 1995	1 April 1994
<u>Interests in British Airways Plc:</u>		
Ordinary shares subject to no restrictions		1,326
Ordinary shares subject to restrictions	408	
Options Executive and SAYE Share Schemes	131,011	108,338
<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

71/12/95

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.

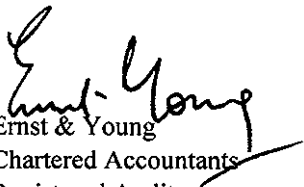
Basis of opinion

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 1995 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

16 January 1996

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1995

	Note	1995 £	1994 £
TURNOVER	2/3	1,875	1,525
Cost of sales		-	-
GROSS PROFIT		1,875	1,525
Administrative expenses	4a	1,000	(55,889)
OPERATING PROFIT	4b	875	57,414
Exceptional item:			
Profit on sale of investments	6	-	257,658
		875	315,072
Interest receivable from parent undertaking		87,636	77,658
Income from interests in:			
Associated undertakings	8c	-	27,807
Trade investments	9c	88,400	106,439
Release of provisions for diminution in value of the cost of investments		-	92,857
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		176,911	619,833
Taxation	10	(8,895)	(57,362)
PROFIT FOR THE FINANCIAL YEAR RETAINED		168,016	562,471

A statement of total recognised gains and losses has not been presented. There are no recognised gains or losses other than the profits attributable to shareholders of the company of £168,016 in the year ended 31 March 1995 and £562,471 in the year ended 31 March 1994.

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

BALANCE SHEET

AS AT 31 MARCH 1995

	Note	1995 £	1994 £
FIXED ASSETS			
Investments:			
Associated undertakings	8a	563,768	563,768
Trade investments	9a	2,068,842	1,529,396
		<u>2,632,610</u>	<u>2,093,164</u>
CURRENT ASSETS			
Amounts owed by ultimate parent undertaking		1,245,440	1,659,469
		<u>1,245,440</u>	<u>1,659,469</u>
CREDITORS			
Amounts falling due within one year	12	(15,253)	(57,852)
		<u>1,230,187</u>	<u>1,601,617</u>
NET CURRENT ASSETS			
		<u>3,862,797</u>	<u>3,694,781</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS			
Amounts falling due after more than one year	12	(30,203)	(30,203)
		<u>3,832,594</u>	<u>3,664,578</u>
CAPITAL AND RESERVES			
Called up share capital	13 & 14	675,000	675,000
Profit and loss account	14	3,157,594	2,989,578
	14	<u>3,832,594</u>	<u>3,664,578</u>
Approved by the Board			

J. H. Ridwood

Director

21/12/95

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1995

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

	1995	1994
	£	£
Africa, Middle East, and Indian sub - continent	1,875	1,525

4 ADMINISTRATION EXPENSES AND OPERATING PROFIT

4a Administration expenses/(credits)	1995	1994
	£	£
Administration expenses	1,000	1,000
Release of bad debt provision	-	(56,889)
	1,000	(55,889)

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

NOTES TO THE ACCOUNTS

(continued)

FOR THE YEAR ENDED 31 MARCH 1995

4 ADMINISTRATION EXPENSES AND OPERATING PROFIT

(Continued)

4b Operating profit	1995	1994
	£	£
The results are 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 1995 (1994 : £Nil).

6 EXCEPTIONAL ITEMS

	1995	1994
	£	£
Profit on disposal of trade investments	-	257,658
	<hr/>	<hr/>
Overseas taxation : capital gains tax charge (see note 10)	-	42,650
	<hr/>	<hr/>

7 INTERESTS IN SUBSIDIARY UNDERTAKINGS

a)	Shares at Cost £	Amounts Written off £	Net Book Value £
At 1 April 1994 and 31 March 1995	290,013	(290,013)	-
	<hr/>	<hr/>	<hr/>
b) Subsidiary undertakings at 31 March 1995 comprise the following equity interests in unlisted companies:	Activity	Country of Incorporation	Percentage of Equity
	<hr/>	<hr/>	<hr/>
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 1995

8 INTERESTS IN ASSOCIATED UNDERTAKINGS

		£	
a) Shares at cost at 1 April 1994 and 31 March 1995		563,768	
b) Associated undertakings at 31 March 1995 comprise the following equity interests in unlisted companies:			
	<u>Activity</u>	<u>Country of incorporation</u>	<u>Percentage of equity</u>
GB Airways (Holdings) Limited	Airline	Jersey	49%
Beau Vallon Properties Limited	Hotels and catering	Seychelles	35%
c) Income from interests in associated undertakings:		1995	1994
		£	£
Dividends		-	27,807

9 INTERESTS IN TRADE INVESTMENTS

	<u>Shares at Cost</u>	<u>Amounts Written off</u>	<u>Net Book Value</u>
	£	£	£
a) At 1 April 1994	1,537,716	(8,320)	1,529,396
Additions	539,446		539,446
At 31 March 1995	<u>2,077,162</u>	<u>(8,320)</u>	<u>2,068,842</u>
			1995
			£
Listed investment on Mauritius Stock Exchange			932,975
Unlisted investments			1,135,867
			<u>2,068,842</u>

b) Trade investments at 31 March 1995 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 1995

9 INTERESTS IN TRADE INVESTMENTS *(Continued)*

During the year, Air Mauritius Limited was listed on the Stock Exchange of Mauritius, following a significant restructure of Air Mauritius Limited's share capital. As part of the restructure and listing, a new company was formed, Air Mauritius Holding Limited. Part of the original investors shares in Air Mauritius Limited was transferred to this new company, Air Mauritius Holding Limited, which holds a 51% controlling interest in Air Mauritius Limited.

As a result of the above, at the end of the year, the company had an investment of 13.2% in Air Mauritius Holding Limited and its investment in Air Mauritius Limited of 10.6%, consisted 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 1995 was £6.4 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:

	1995	1994
	£	£
Dividends	88,400	106,439
	<u>88,400</u>	<u>106,439</u>

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

NOTES TO THE ACCOUNTS

(continued)

FOR THE YEAR ENDED 31 MARCH 1995

10 TAXATION

	1995	1994
	£	£
United Kingdom		
Corporation tax at 33 per cent (1994: 33 per cent)	Nil	Nil
Overseas taxation		
Relating to withholding tax on dividends	11,783	14,712
Capital Gains tax	-	42,650
Prior year adjustment on capital gains tax	(2,888)	-
	<u>8,895</u>	<u>57,362</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.

If full provision for deferred taxation had been made there would have been an additional charge/ (credit) for the year of £Nil (1994: £Nil).

11 DEFERRED TAXATION

No deferred taxation existed at 31 March 1994 or 31 March 1995.

12 CREDITORS

	1995	1994
	£	£
a) Due within one year:		
Overseas taxation	14,253	49,233
Accruals	1,000	8,619
	<u>15,253</u>	<u>57,852</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 1995

13 CALLED UP SHARE CAPITAL

	1995	1994
	£	£
Authorised:		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid:		
675,000 ordinary shares of £1 each	675,000	675,000

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

	Share Capital	Profit & Loss	Total
	£	£	£
At 1 April 1993	675,000	2,427,107	3,102,107
Profit for the year	-	562,471	562,471
At 1 April 1994	675,000	2,989,578	3,664,578
Profit for the year	-	168,016	168,016
At 31 March 1995	675,000	3,157,594	3,832,594

15 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.

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

THE FOLLOWING STATEMENT DOES NOT FORM PART
OF THE STATUTORY ACCOUNTS OF THE COMPANY

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1995

	1995 £	1994 £
REVENUE		
Directors' fees refunded (net)	1,875	1,525
TOTAL REVENUE	<u>1,875</u>	<u>1,525</u>
EXPENDITURE		
Auditors' remuneration	1,000	1,000
Provision for bad and doubtful debts	-	(56,889)
TOTAL EXPENDITURE	<u>1,000</u>	<u>(55,889)</u>
OPERATING PROFIT	875	57,414
Interest receivable	87,636	77,658
Dividends receivable	88,400	134,246
TRADING PROFIT AND INVESTMENT INCOME	<u>176,911</u>	<u>269,318</u>
Profit on sale of investments	-	257,658
Release of provisions for diminution in value of the cost of investments	-	92,857
PROFIT BEFORE TAXATION	<u>176,911</u>	<u>619,833</u>
Taxation	(8,895)	(57,362)
NET PROFIT FOR THE YEAR	<u>168,016</u>	<u>562,471</u>