Company Number: 1470151

BRITISH AEROSPACE PLC

INTERIM ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1992

These accounts have been prepared under section 272 of the Companies Act 1985 (the 1985 Act) for the purpose of confirming that British Aerospace Public Limited Company has sufficient distributable reserves to support a declared interim dividend of 3 pence and proposed final dividend of 4 pence per ordinary share and the half yearly dividend of 3.375 pence per preference share.

The accounts are not the annual statutory accounts required under the 1985 Act and, in particular, do not include all the disclosure which would have been required in such accounts. In the opinion of the Board any such disclosures omitted are not material for determining, by reference to the accounts, whether the proposed dividends would contravene the relevant requirements of the Act.

COMPANY PROFIT AND LOSS ACCOUNT

BRITISH AEROSPACE
for the year ended 31st December

		1992 Unaudited £m	1991 Audited £m
	Sales	4,949	5,092
	Cost of sales	(4,887)	(4,851)
	Operating profit	62	241
	Interest	(49)	(36)
	Profit before tax and exceptional items	13	205
Note 2	Exceptional items	(1,137)	(339)
	Loss before tax on ordinary activities	(1,124)	(134)
	Tax on the result before exceptional items	6	27
	Tax recoverable on exceptional items	250	-
Note 3	Tax	256	27
	Loss after tax before dividends from Group companies	(868)	(107)
	Dividends from Group companies	106	139
	(Loss)/profit after tax dealt with in the accounts of the Company	(762)	32
Note 4	Dividends	(47)	(105)
	Balance transferred from reserves	(809)	(73)

COMPANY BALANCE SHEET

BRITISH AEROSPACE
as at 31st December

		1992 Unaudited £m	1991 Audited £m
	Fixed assets		
	Tangible assets	1,302	1,333
	Investments	1,030	998
		2,332	2,331
	Current assets		
	Stocks	2,065	2,144
	Debtors due within one year	1,409	1,205
	Debtors due after one year	449	26
	Investments	985	1,206
	Cash at bank and in hand	95	79
		5,003	4,660
	Current liabilities		
	Loans and overdrafts	124	88
	Creditors	3,311	3,613
	Net current assets	1,568	959
	Total assets less current liabilities	3,900	3,290
	Liabilities falling due after one year		
	Loans	370	456
	Creditors	1,655	913
Note 5	Provisions for liabilities and charges	1,143	364
		732	1,557
	Capital and reserves		
Note 8	Called up share capital	105	256
Note 9	Share premium account	17	616
Note 10	Statutory reserve	202	202
Note 9	Revaluation reserve	225	230
Note 9	Capital reserve	92	105
Note 9	Special reserve	4	-
Note 9	Profit and loss account	87	148
		732	1,557

Approved by the Board on 23rd February, 1993

J C Cahill — Chairman — John C Cahill

R D Lapthorne — Finance Director

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Basis of preparation

The accounts are drawn up in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of certain land and buildings.

Foreign currencies

Transactions in overseas currencies are converted at the rates then ruling or, where forward cover contracts have been arranged, at the contracted rates. Assets and liabilities are translated at the rates ruling at the balance sheet date or at a contracted rate if applicable.

Sales and profit

Sales comprise the net value of deliveries made, work completed or services rendered during the year. Sales are recognised when title passes or a separately identifiable phase of a contract or development has been completed.

Profit is recognised at the time of sale. In the case of contracts with extended delivery programmes, it is arrived at by reference to the estimated overall profitability of the contract. Full provision is made for any losses in the year in which they are first foreseen.

The Company shares in the results of Airbus Industrie and participates in Airbus programmes which are effectively carried out on a joint venture basis. Profits or losses on the Group's participation are aggregated with its share of the results of Airbus Industrie.

In prior years contract profits included interest attributable to unexpended cash received on customers' account and customer stage payments. This presentation has been changed and such interest is now included within interest receivable.

Fixed assets

Depreciation is provided on a straight line basis on the cost or valuation of all tangible fixed assets, except freehold land, assets in the course of construction and investment properties. Other assets, including assets obtained under finance leases, are written off over their useful lives, or if leasehold buildings or obtained under finance leases and the term of the lease is shorter, such shorter term.

Finance leases

Assets held for leasing out under finance leases are included in debtors at cost less the accumulated capital element of rentals received. The finance charge element of rentals received is calculated to give a constant rate of return on the net cash investment in the lease and is included in sales.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (Continued)

Finance leases (continued)

Assets obtained under finance leases are included in tangible fixed assets at cost less depreciation and the related obligations included in loans. Rental payments are apportioned between the finance element, which is charged as interest , and the capital element, which reduces the outstanding obligation for future instalments, so as to give a constant rate of charge on the outstanding obligation.

Operating leases

Assets held for leasing out under operating leases are included in tangible fixed assets at cost less depreciation. Rental income is recognised in sales as the receipts fall due. Rental payments for assets acquired under operating leases are charged in arriving at operating profit.

Stocks

Stocks are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Development properties and rationalisation costs - Costs of development properties include rationalisation expenditure incurred in respect of operational sites surplus to requirements and interest on borrowings specifically attributable to the developments. Rationalisation expenditure includes redundancy and site clearance costs and is included in costs of development properties to the extent that it is recoverable from the estimated disposal proceeds of the surplus sites. Provision is made for any anticipated shortfall between the estimated total disposal proceeds and the estimated total costs in respect of all surplus sites covered by rationalisation schemes. Estimated disposal proceeds of such surplus sites are based upon advice received from independent valuers and assume the grant of relevant planning consent but exclude any development profit.

Long term contracts - Work in progress relating to long term contracts is stated at cost plus attributable profit earned to date less provisions for anticipated losses.

Airbus Industrie

Amounts relating to the Company's participation in Airbus Industrie are included in debtors or creditors as appropriate. Previously such amounts were included in stocks. Comparative figures have been restated to reflect this change in presentation.

Cash received on customers' account and customer stage payments

Amounts received from customers in accordance with the terms of contracts which specify payments in advance of delivery are credited, as progress payments, against any expenditure incurred upon stocks or work in progress for the particular contract with any unexpended balance held in creditors as customer stage payments or, if the amounts are subject to advance payment guarantees, as cash received on customers' account.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (Continued)

Research and development

Expenditure on research and development is written off as incurred and charged in arriving at operating profit, except for that element expended on buildings or supported under contract.

Launch costs

The costs of launching an aircraft project fall into three principal categories: design and development; education; and jigs and tools.

Design and development and education - In the case where the project is fully funded by the Company, design and development and education expenditure is charged to profit as incurred. This approach is more appropriate to the reorganised regional aircraft activities and will be applied to any new projects. Previously education expenditure was carried forward and amortised by reference to an appropriate assessment of sales.

In the case where the project has external funding, design and development and education expenditure is carried forward and amortised by reference to an assessment of sales where the terms of the funding arrangements make this appropriate.

Jigs and tools - Expenditure on jigs and tools is capitalised into fixed assets and depreciated over its useful life. This represents a change of accounting classification; in prior years such costs were carried forward in stocks and amortised by reference to an appropriate assessment of total sales. Accordingly, the comparative figures for fixed assets and stocks have been restated. The impact on profit of this change is not material.

Government funded launch aid

In accordance with the provisions of the Civil Aviation Act 1982, HM Government has provided to the Company launch aid totalling £700 million for various Airbus projects.
The Company repays the launch aid to HM Government as levies on aircraft sales, which are charged in arriving at operating profit. The remaining launch aid, which was previously deducted against stocks, is included in creditors. Accordingly, the comparative figures have been restated to reflect this change in presentation.

Tax

Provision for deferred tax is made using the liability method to the extent that the net deferred tax asset or liability is likely to crystallise in the foreseeable future.

Pensions

The pension fund schemes are assessed in accordance with advice from qualified actuaries and the costs charged in arriving at operating profit so as to spread the cost over the remaining expected service lives of the employees within the relevant schemes.

NOTES TO THE ACCOUNTS

BRITISH AEROSPACE
for the year ended 31st December

2 EXCEPTIONAL ITEMS

	1992 Unaudited £m	1991 Audited £m
Reorganisation of Regional Aircraft activities	(1,000)	-
Provision for diminution in value of investments in subsidiary undertakings	(137)	(175)
Provision for reorganisation and rationalisation costs	-	(149)
Loss on sale of investments	-	(15)
	(1,137)	(339)

The *reorganisation of Regional Aircraft activities* includes the provision for estimated costs associated with the financing arrangements of the existing BAe 146 regional aircraft fleet, costs related to operations with Avro International Aerospace Limited, costs of closure at Hatfield as one of the regional aircraft manufacturing sites and the costs of transfer of assembly of the Advanced Turboprop aircraft to Prestwick, site of the Jetstream aircraft operations, to form a combined turboprop activity. In view of the long term nature of these liabilities, the provision has been calculated on a net present value basis. A deferred tax asset of £250 million has been established in respect of these costs.

The £1,000 million provision has been dealt with in the accounts as follows:

	1992 Unaudited £m
In provisions for liabilities and charges	830
In stocks	170
	1,000

NOTES TO THE ACCOUNTS

BRITISH AEROSPACE
for the year ended 31st December

3 TAX

	1992 Unaudited £m	1991 Audited £m
UK corporation tax at 33% (1991 33.25%)		
Current year	-	(40)
Prior year	(28)	-
Deferred tax	(233)	8
Advance corporation tax	4	-
Overseas tax	1	5
	(256)	(27)

Included above is a deferred tax credit of £250 million (1991 nil)) arising in respect of exceptional items (see note 2). There is no UK corporation tax charge due to the availability of current year tax losses.

4 DIVIDENDS

	1992 Unaudited £m	1991 Audited £m
Interim 3p per ordinary share declared (1991 8.9p paid)	11	23
Final 4p per ordinary share proposed (1991 16.1p paid)	15	61
Preference dividends	21	21
	47	105

NOTES TO THE ACCOUNTS

BRITISH AEROSPACE
for the year ended 31st December

5 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax	Pensions	Contract contingencies and losses	Warranties and after-sales service	Sub-total
	Unaudited £m	Unaudited £m	Unaudited £m	Unaudited £m	Unaudited £m
At 1st January, 1992	15	126	20	65	226
Provisions created	5	-	11	4	20
Provisions released	-	(6)	(5)	(4)	(15)
Expenditure charged against provisions	-	-	(1)	(20)	(21)
Other provision movements	-	5	(2)	-	3
At 31st December, 1992	20	125	23	45	213

	Sub-total from above	Closure and reorg-anisation costs	Recourse and other	Total
	Unaudited £m	Unaudited £m	Unaudited £m	Unaudited £m
At 1st January, 1992	226	10	128	364
Provisions created	20	660	370	1,050
Provisions released	(15)	-	(12)	(27)
Expenditure charged against provisions	(21)	(125)	(105)	(251)
Other provision movements	3	-	4	7
At 31st December, 1992	213	545	385	1,143

6 OPERATING LEASE COMMITMENTS AND CONTINGENT LIABILITIES

Commercial aircraft sales are frequently subject to the arrangement of finance (including lease finance) on extended terms provided either by the manufacturer or by third parties, where the terms may involve recourse to the manufacturer. In circumstances where the Company has itself arranged the finance, generally by selling the aircraft to a third party lessor and leasing it back under an operating lease prior to entering into a sub-lease with an operator, an obligation to pay head lease rent is created. Where the term of the head lease is longer than that of the sub-lease, or where the sub-lease rentals are less than the head lease rentals, the total head lease payments will exceed those due under the sub-lease, thus creating a net operating lease commitment.

NOTES TO THE ACCOUNTS

BRITISH AEROSPACE
for the year ended 31st December

6 OPERATING LEASE COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Operating lease commitments falling due after 31st December, 1992 are as follows:

	1992 Unaudited £m	1991 Audited £m
Total commitments under Commercial aircraft and other head leases expiring:		
In one year or less	55	45
Between one and five years	191	152
In later years	414	331
	660	528

Property lease rentals, which are not included above, payable by the Company during 1993 on lease commitments expiring after more than five years are £14 million.

The Company also has liabilities in relation to certain similar operating leases in respect of which Airbus Industrie is the obligor

The future rentals receivable in respect of committed sub-leases, all of which relate to Commercial aircraft, are as follows:

	1992 Unaudited £m	1991 Audited £m
Total rentals receivable in respect of sub-leases expiring:		
In one year or less	35	32
In later years	219	206
	254	238

The net exposure of the Company, after deducting the estimated realisable value of the relevant aircraft and provisions, to the above obligations which would have arisen upon the termination of all head and sub-leases at 31st December, 1992 was £180 million (1991 £348 million).

In circumstances where Commercial aircraft finance has been provided by a third party, with recourse to the Company in the event of a customer default, a contingent liability is created. These liabilities amounted to £242 million (1991 £98 million) after deducting the estimated realisable value of the relevant aircraft and provisions.

The Company's involvement in the Orionsat project gives rise to gross contingent liabilities of £115 million (1991 £100 million). The Directors are of the opinion that the the current market value of such satellite capacity is in excess of the value of the guarantees, if called.

The Company has provided bank guarantees of £60 million (1991 £25 million) arising from the Company's investment in Hutchison Telecommunications (UK) Limited.

NOTES TO THE ACCOUNTS

BRITISH AEROSPACE
for the year ended 31st December

7 DEFERRED TAX

	1992 Unaudited £m	1991 Audited £m
Accelerated capital allowances and other timing differences	80	63
Advance corporation tax recoverable	(60)	(48)
Provision for liabilities and charges (note 5)	20	15
Reorganisation costs deferred tax asset	(250)	-
Deferred tax (recoverable)/payable	(230)	15

The *reorganisation costs* deferred tax asset of £250 million has been established in respect of costs arising in respect of the reorganisation of the Company's Regional Aircraft activities.

Deferred tax is provided in respect of the expected surplus on site disposals and other timing differences to the extent that a liability is expected to crystallise. In respect of the other components of deferred tax, the potential liability does not exceed the amount provided.

8 SHARE CAPITAL

	Special share of Unaudited £1	Ordinary shares Unaudited '000,000	Preference shares of 25p each Unaudited '000,000	Nominal value Unaudited £m
Authorised				
At 1st January, 1992	1	545	275	341
Reduction of capital	-	-	-	(218)
At 31st December, 1992	1	545	275	123
Issued and fully paid				
At 1st January, 1992	1	377	270	256
Reduction of capital	-	-	-	(151)
At 31st December, 1992	1	377	270	105

NOTES TO THE ACCOUNTS

BRITISH AEROSPACE
for the year ended 31st December

8 SHARE CAPITAL (continued)

Following shareholder approval on 19th October, 1992 at separate class meetings of the preference and ordinary shareholders and at an Extraordinary General Meeting of the same date and subsequent approval by the Court on 12th November, 1992, the Company reduced its capital by cancelling paid up capital to the extent of 40p on each of the issued ordinary shares of 50p and reducing the nominal value of each of the ordinary shares both issued and unissued to 10p. The purpose of this reduction in capital is set out more fully in note 9 below.

The 7.75p (net) cumulative redeemable preference shares of 25p each are convertible into ordinary shares of 10p each at the option of the holder on 31st May in any of the years 1992 to 2007 inclusive, on the basis of 0.11976 ordinary shares for every preference share. The first opportunity for preference shareholders to elect to convert their shares occurred on 31st May, 1992 when 24,736 preference shares were converted for 2,962 ordinary shares.

The Company may redeem all of the remaining preference shares any time after 1st July, 2007 and, in any case, will redeem any remaining shares on 1st January, 2010, in each case at 100p per share together with any arrears and accruals of dividend

9 RESERVES

	Share premium	Revaluation reserve	Capital reserve	Special reserve	Profit and loss account
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	£m	£m	£m	£m	£m
At 1st January, 1992	616	230	105	-	148
Loss for the year	-	-	-	-	(809)
Transfers	-	-	(6)	4	2
Reduction of capital	(599)	-	-	-	750
Other	-	(5)	(7)	-	(4)
At 31st December, 1992	17	225	92	4	87

Following shareholder approval on 19th October, 1992 at separate class meetings of the preference and ordinary shareholders and at an Extraordinary General Meeting of the same date and subsequent approval by the Court on 12th November, 1992, the Company reduced its capital by £750 million. This was achieved by cancelling £151 million of the paid up ordinary share capital, as noted above in note 8, and cancelling £599 million of the share premium account.

The reduction was made to eliminate the deficit on the profit and loss account following provision for costs arising from the reorganisation of the Company's Regional Aircraft activities, as set out in note 2 above. If this deficit had not been eliminated no dividends could have been declared on either ordinary or preference shares until the Company had generated distributable reserves in excess of such deficit.

NOTES TO THE ACCOUNTS

BRITISH AEROSPACE
for the year ended 31st December

9 RESERVES (continued)

In order to obtain the sanction of the Court, the Company undertook to provide protection to its creditors by establishing a Special Reserve. The Special Reserve will be available for the purposes of capitalisation issues and, to the extent that share capital is issued for new consideration, will be released to distributable reserves. Otherwise, it will not be available for distribution until the creditors of the Company at the effective date, 12th November 1992, have been paid or agreed otherwise.

The Company has agreed to credit the Special Reserve with the £4 million credit balance on the profit and loss account at 30th June, 1992 and any amount by which the Regional Aircraft reorganisation provision proves to exceed the actual costs incurred in that reorganisation.

Furthermore, the Company will credit to the Special Reserve any profit realised on any asset of the Company to the extent of the difference between the book value and the actual value of such an asset at 30th June, 1992 and any dividend paid to the Company out of the retained profits as at 30th June, 1992 of any subsidiary or associated company unless it is applied in writing down the book value of such company.

10 STATUTORY RESERVE

Following the issue on 2nd January, 1981 of fully paid ordinary shares in the Company to HM Government under Section 3 of the British Aerospace Act 1980, the balance of the former investment held by HM Government in British Aerospace was designated as 'the statutory reserve' in accordance with Section 4 of the Act. This reserve may only be applied in paying up unissued shares of the Company to be allotted to members of the Company as fully paid bonus shares.

Company No: 1470151

BRITISH AEROSPACE PLC

ANNUAL REPORT & ACCOUNTS FOR THE YEAR ENDED

31 DECEMBER 1992

Contents

Highlights

	1992	1991
Sales	£9,977m	£10,562m
Operating (loss)/profit	£(81)m	£215m
(Loss)/profit before tax and exceptional items	£(201)m	£154m
Loss per share after exceptional items	(240.9)p	(38.1)p
Net debt	£(257)m	£(37)m
Shareholders' funds	£1,780m	£2,697m
Employees	102,500	115,700

With many markets in severe recession during 1992 British Aerospace has:—

- Addressed Regional Aircraft losses
- Continued to cut costs
- Introduced tight financial controls to enable quality defence profits to flow to the bottom line.

Statement to the Shareholders

1992 was the most testing year in your Company's history. In common with most other manufacturing companies, British Aerospace saw the impact of a severe recession in the UK compounded by a progressive deterioration in many overseas markets. Our automotive, construction and property companies were all exposed to very harsh economic conditions. However, the Defence company continued to perform robustly.

The problems encountered in commercial aircraft, and specifically in the regional jet business, were of a different order. Chronic manufacturing overcapacity and a steep downturn in order inflow combined to push the whole regional aircraft industry into heavy loss worldwide. Faced with a rapid escalation in our own losses, and little short-term prospect of a return to profit, the Board initiated a reorganisation of our regional aircraft activities.

This reorganisation was announced at the time of the interim results in September and its painful consequences will be known to you: a charge of £750m after tax was incurred in the second half, obliging the Company to seek the approval of shareholders for a Capital Reduction. This scheme was approved by the High Court in November, enabling the Board to declare dividends from distributable reserves earned from 1st July, 1992.

Consistent Dividend Policy

The Company has already declared and paid an interim dividend of 3p per share in respect of 1992, and your Board is now recommending a final ordinary dividend of 4p per share. This will be paid as usual in June to give a total payment for the year of 7p, compared with 25p in 1991. In determining the level of the 1992 dividend, your Board aimed to strike a balance between the income requirements of shareholders and the need to rebuild reserves. This balance will remain the guiding factor in distribution policy.

The regional aircraft problems were very largely responsible for the Group's operating loss of £81m compared with a profit of £215m in 1991 and for the attributable loss of £888m. Whatever their cause, the results are clearly unsatisfactory and your management is determined to extract from the Group's operations a much improved and more robust level of return.

We believe that we have made a strong start. Following the appointment of a new Chairman the new senior management team was completed by the appointment of Richard Lapthorne as Finance Director. Each offers British Aerospace the benefit of many years of top-level experience in well-regarded international companies, BTR and Courtaulds, respectively.

Regional Aircraft Venture

Our first priority has been to resolve the problems in regional aircraft. The financial actions described above effectively stemmed the losses and secured the financial position. More recently, we have provided the business with a sound commercial future through the joint venture agreement with Taiwan Aerospace Corporation (TAC) to assemble and market the new RJ range of aircraft.

We believe that this joint venture exploits TAC's Far East market strength as well as its manufacturing skills to give us the best chance of providing an adequate return. Equally important, the joint venture has enabled us to save thousands of UK jobs which would otherwise have been lost.

The agreement, which is subject to certain conditions precedent, was an illustration of our determination to deliver on commitments made to shareholders. We made two further specific commitments in 1992: to realise the potential of the European Fighter Aircraft; and to bring to a conclusion our discussions with the Kingdom of Saudi Arabia over the next phase of the Al Yamamah contract.

Making Progress

We are delighted to have delivered on all three. The European Fighter Aircraft project was intensively reviewed by the partner governments and now has a surer future as the more economical Eurofighter 2000. Perhaps most significant of all, the Group — and indeed the whole UK defence industry — received a tremendous boost from the very substantial commitment secured by the Prime Minister in Riyadh in January 1993. This agreement, the centrepiece of which is an order for 48 Tornado aircraft, will secure many thousands of jobs and represents an important vote of confidence in the quality and competitiveness of our defence products.

While the TAC joint venture, Eurofighter and Al Yamamah seized the headlines, we made steady progress in every area of the Group. To give two examples: Rover reached an agreement with its workforce which will transform car production in the UK; Airbus absorbed the problems of some of its customers and won strong orders, including further penetration of the US market.

We need to ensure that the full benefit of these successes is reflected in returns to shareholders. We have therefore embarked on a far-reaching programme of management action, the overriding objective of which is a substantial reduction in the Group's cost base. This has already involved painful sacrifices for shareholders and employees. In the past year we have made 13,000 employees redundant across our business. Some benefits may show through in 1993, while others may not pay off substantially until the world economy regains its vigour. The effect of many of these measures will be shrouded by redundancy costs. Cost savings are essential in bad times but they literally pay dividends when conditions improve.

In support of these operational measures, we have made structural changes designed to provide quicker detection and correction of poor operational performance. We now have in place a Profit Plan system which allows the centre to monitor business units and, more importantly, provides line management with the ability to track and correct their own performance. As part of the Profit Planning process the Group was divided into 60 business units, each responsible for charting the success of their own operations. This action was taken not only in the UK but also in the US, where we see strong growth potential.

We will continue to shed costs and to focus on obtaining an improved return for shareholders

Emphasis on Cash Flow

Financial controls have been strengthened and greater emphasis has been placed on the generation of cash. At the same time a number of initiatives are being taken to simplify the presentation of published accounts. These changes are described in the Introduction to the Accounts.

A strong and secure cash flow will allow British Aerospace to continue investing in its core businesses and so maintain its position as the UK's leading engineering based company. Last year Rover completed a major investment programme at Cowley for the production of the Rover 800 and the new 600 series; another important investment programme is under way at Chester for the production of wings for the Airbus A330 and A340 range.

British Aerospace must be able to fund these programmes while simultaneously providing a rising stream of dividend income to its shareholders. The goal is quite simple: to turn more of our sales into profit and more of our profit into cash. An order backlog of £12bn and annual sales of £10bn provide a solid base from which to pursue these objectives.

Core Defence Business

We are fortunate to have strong businesses on which to build. At the heart of the Group is the Defence company, which last year reported profits before interest of £352m. While economic pressures caused governmental commitments to come more slowly in the defence field, the business was increasing its market share and its order book even before the confirmation of additional Al Yamamah orders. British Aerospace is one of the world's very few fully integrated defence contractors and the long-term outlook for this business is excellent.

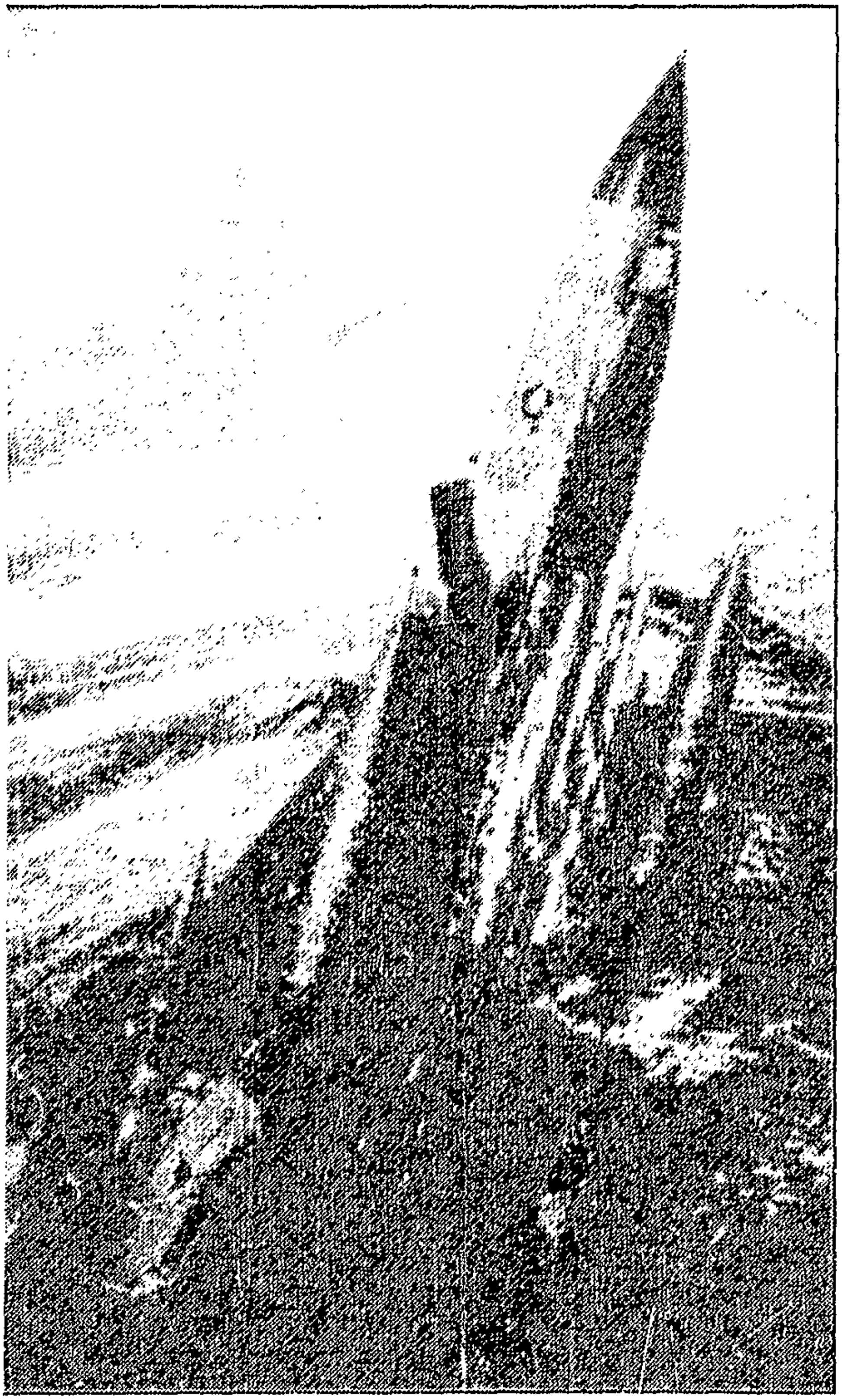
Looking Forward

We expect Defence to continue improving its market penetration and to post satisfactory results. A modest improvement in the economy would strengthen the automotive, property and construction markets. Rover should also benefit from the introduction of the 600 series. While we do not expect these businesses to exhibit buoyant performances, their markets should not be in the same distress as in 1992. We will continue to manage them with an eye to reaping greater benefits as conditions improve.

Although a recovery in demand would be helpful, we are not counting on it. Volume or price can only be of marginal assistance to the Group in the short term. Only cost reduction programmes will have a real impact. These are in place, they are measurable and they will be monitored to ensure success. Across the entire Group we will continue to shed costs and to focus management on obtaining an improved return for shareholders.

John Cahill
Chairman
23rd February, 1993

Dick Evans
Chief Executive



The Defence company embraces the Dynamics, Military Aircraft, Systems and Services Divisions and Royal Ordnance. Despite a 12% real decline in world defence expenditure between 1988 and 1992, British Aerospace has over the same period increased sales in this sector. Sales fell slightly from £4,266m in 1991 to £4,003m in 1992, and profit margins held up well despite the most difficult trading conditions in 30 years. Profit margins are likely to come under pressure due to intense competition in the export market and the transition from mature to new products. In 1992 overseas sales made up over 75% of sales. British Aerospace Defence was once again amongst the world's top three defence companies.

Labour costs have been reduced by more than 40% over the last five years and labour and overheads have been reduced over the same period from 45% to 30% of sales. The cost reduction programme continues to achieve savings of over 10% per year.

Military Aircraft Division

In 1992 the German Government indicated that it might not be prepared to move forward to production of the European Fighter Aircraft (EFA). Action with our partners enabled us to identify possible cost savings of 13% and options offering savings on national variants as high as 30%. This was the key factor that led to a renewal of the commitment to a four-nation programme. The consistent and solid

New orders for the Tornado aircraft from Saudi Arabia and support and development of in-service aircraft will maintain Tornado activities well into the next century.

The European Fighter Aircraft (renamed as the Eurofighter 2000) was reconfirmed as a four-nation programme following a review identifying cost savings.

backing of HM Government also played a key role.

We can now go forward with Eurofighter 2000, as EFA has been renamed, confident we will deliver a first class aeroplane at a lower price in real terms than its predecessor — and that is a first. We are also confident there is an excellent export market for Eurofighter,

1992 has been a good year for sales of Harrier aircraft with new orders being received for training aircraft for the RAF, aircraft for the US Marine Corps and the first export order to Italy of the new Harrier II Plus variant developed with McDonnell Douglas. There is significant confidence for substantial further orders in 1993.

DEFENCE

		1992	1991	1990
Sales	£m	4,003	4,266	4,635
Overseas sales	%	77	72	76
External order book	£m	7,109	6,580	7,023
Capital employed	£m	1,416	1,360	1,198
Employees at year end		37,400	42,700	48,500

particularly when fitted with the new ASRAAM system under development in the Dynamics Division.

Orders for the Tornado aircraft were taken to almost 1,000 with the announcement in January 1993 that Saudi Arabia was to purchase 48 more aircraft under the Al Yamamah programme.

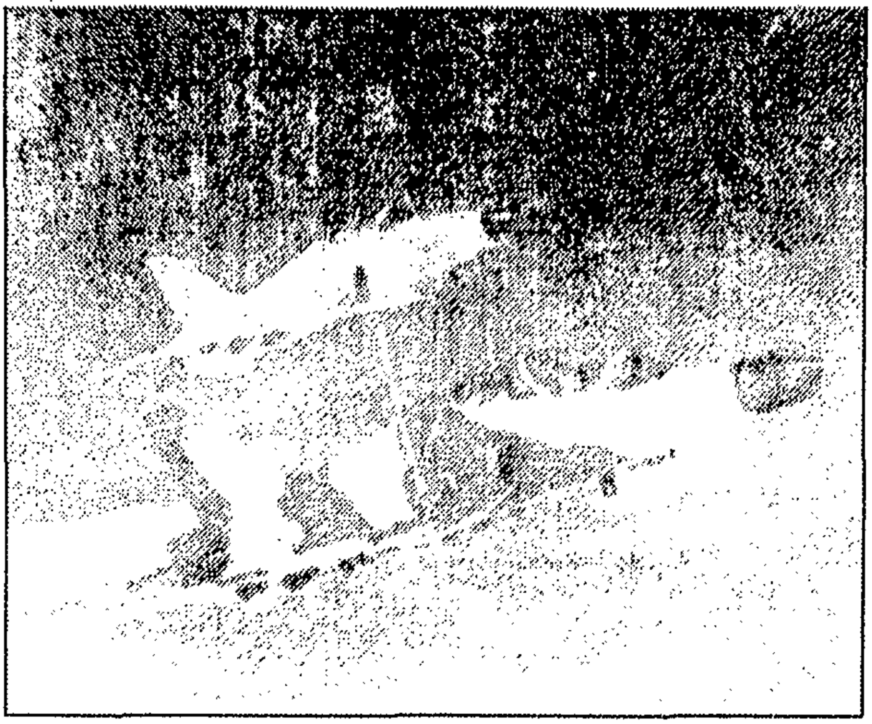
The Division is working on a programme for the introduction of a substantial mid-life update of the Tornado which will both improve its capability and extend its life.

Similarly the Hawk programme continued to do well with 16 aircraft delivered to customers in the Far East and Africa.

The programme to produce a variant of the Hawk for the US Navy, again in collaboration with McDonnell Douglas, has moved forward apace. Production T-45 aircraft are now being delivered. Orders have been secured for 24 further aircraft and the programme is expected to reach around 250 in total.

The Division has continued with its site rationalisation and cost reduction

British Aerospace Defence was once again amongst the world's top three defence companies



Development of advanced Hawks has progressed well with the pre-production 100 and 200 series aircraft flying for the first time. The first production aircraft are due for delivery into service with export customers in 1993. Further export orders are expected.

programmes with operations ceasing at its Kingston factory in 1992 and the plan to close the Preston site during 1993 continuing to schedule. The Division has continued to invest in its remaining facilities which represent some of the most modern, comprehensive and efficient in the world military aircraft sector.

Dynamics Division

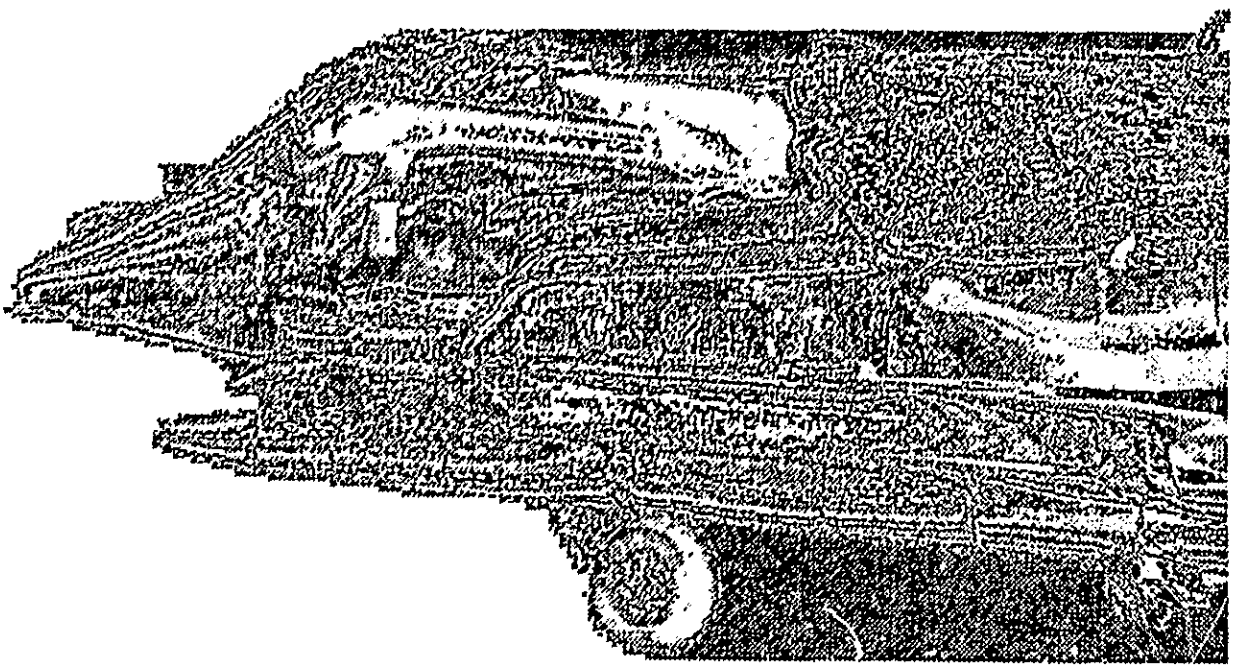
Set against a difficult underlying trading environment, the Dynamics Division achieved major UK and export orders during 1992 and maintained progress on its development and production programmes. The Dynamics Division remains one of the world's major suppliers of guided weapons systems.

Among a number of other important contracts won by Dynamics was one for the supply of additional support equipment for Rapier 2000, the new low level air defence system being developed and produced under a contract worth more than £1bn.

Malaysia became the first export customer for the Vertical Launch Seawolf system and a contract to upgrade the Rapier air defence system in Oman was signed.

The commitment to drive down cost saw a further reduction in workforce numbers to 5,600 by the end of the

The highlight of the year for Dynamics was the winning, against strong competition, of a £570 million contract to develop and produce the Advanced Short Range Air to Air Missile (ASRAAM). A £40 million follow-on order for the Air Launched Anti Radar Missile (ALARM) was received.



year and the continuous improvement programme established across the Division showed tangible benefits with a reduced cost base and improved management control.

Systems and Services Division

As defence budgets reduce, customers world-wide increasingly seek to place their complex system procurement requirements in the hands of an industrial prime contractor who takes full responsibility for total procurement packages, from development of specifications, through provision of both hardware and personnel, to full in-service training and support — all to be achieved at maximum cost effectiveness. The Systems and Services Division (SSD), through the management of the Saudi Arabian Al Yamamah programme, has unrivalled experience in this area.

As prime contractor to the British Government for the Al Yamamah programme, the Division oversees the provision of all the hardware requirements and provides full in-country support and development training to the Saudi Armed Forces through its 4,000 highly skilled employees resident in the Kingdom. During the year, key hardware, defence system and construction project milestones were achieved.

In January 1993, the commitment to a new Tornado aircraft order, with associated support and infrastructure, effectively launched Phase 2 of the Al Yamamah Defence Co-operation Agreement.

Through the creation of SSD, British Aerospace is now able to combine its naval skills with its prime contractorship skills, and the marine engineering system software skills of BAeSEMA to provide a cost effective solution to whole ship procurement.

Royal Ordnance

During 1992, significant orders were obtained from the UK Ministry of Defence for medium calibre ammunition, the mid-life improvement of the Giant Viper mine clearance system and in partnership with SAAB for direct fire simulation equipment. A licence agreement was signed with two Japanese companies for the production of 81 mm mortar and ammunition including the supply of manufactured components.

The Vehicle Intercom System was selected by the US Army for use in its fighting vehicle fleet whilst Heckler and Koch's 5.56 mm Assault Rifle was chosen by Ecuador to re-equip its army.

A highlight of the product development programme was the successful completion of the US evaluation trials by the 155 mm Light Towed Howitzer.

1992 saw the completion ahead of schedule of a major mine clearance contract in Kuwait which had involved mine clearance at oil well heads and on beaches.

Looking towards the next generation of guided weapons systems, significant achievements during the year included the decision to evaluate Merlin, the new smart mortar munition, by both the UK and the USA. This new concept is well suited to emerging requirements for rapid reaction forces. The Dynamics Division also won a study contract for CORPS SAM, the USA's future air defence system.

Royal Ordnance continued its programme of rationalisation and manpower reductions. The acquisition of the BMARC assets and order book significantly enhanced market share in the medium calibre gun and ammunition sector. BMARC's Grantham activities are being transferred to Royal Ordnance's Nottingham site to increase the efficiency of that facility.

Royal Ordnance remains committed to maintaining a major position as a supplier of ordnance hardware and consumables through product development, marketing and a positive programme of collaboration.

With the launch of the Coupe, the Rover 800 consolidated its position as the UK's best selling executive car.

MOTOR VEHICLES

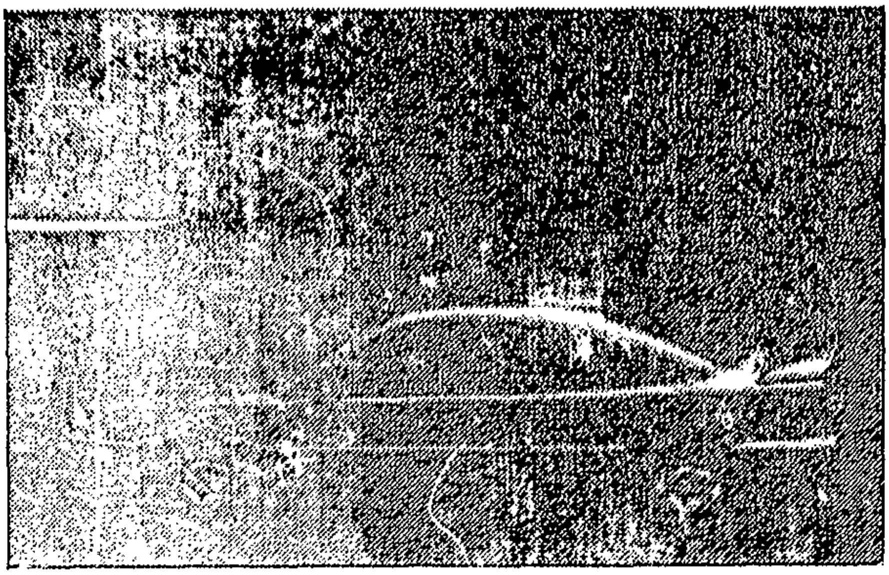
		1992	1991	1990
Sales	£m	3,684	3,744	3,765
Overseas sales	%	43	43	39
Capital employed	£m	1,444	1,563	1,676
Employees at year end		33,500	35,700	41,700

Despite 1992 being one of the most difficult years in over a decade for the worldwide motor industry, Rover Group again moved ahead with its strategy of introducing world class products, increasing investment in facilities and people, expanding its export market base and improving the competitiveness of its cost base.

All of Rover's key markets were affected by recessionary conditions and the UK in particular saw a continuation of the very low demand levels experienced in 1991.

Retail sales of Rover Group vehicles worldwide fell by 6.2% when compared with 1991 with most of the decline occurring in the UK market. Exports to mainland Europe were held at levels comparable to the previous year and represented about 34% of Rover's worldwide sales.

Rover Group finished the year strongly as further new models were introduced, with Land Rover products achieving their best year ever in the UK and cars carrying the Rover marque achieving an increase of 7% in volume across the UK and continental European markets.



The Rover 800 quickly became the UK's best-selling executive car, and the launch in Spring 1993 of the Rover 600 marks the completion of the programme for a full product range of Rover-badged cars.

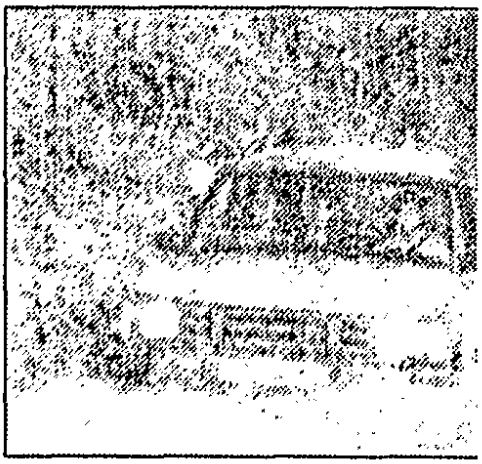
Rover Group initiated a programme which enables people to develop in both their own interests and those of the company. The new methods of working enrol the commitment of everybody to work flexibly and to the highest quality standards, and to seek continuous improvements in productivity, efficiency and cost reduction.

Rover continued its drive to improve efficiency in 1992 during which manpower was reduced by over 2 000 and sales per employee increased by more than 9%.

The past year has seen a continuation of investment designed to facilitate the manufacture of even better products. Two major examples were the opening of a new consolidated facility for large cars at Cowley. The new flexible facility is able to produce the same number of cars as previously, but in half the space and by a reduced workforce.

Similarly a new tri-axis press was "launched" by HRH the Duke of Kent at Rover's Body & Pressings Plant in Swindon in October 1992. The new press, the most advanced of its kind in Europe, will supply pressings not only to Rover, but also to the new Honda plant recently opened in Swindon.

The Rover 200 Coupe won the Auto Express readers' 'Best Car of 1992' award. Rover Group has won a string of industry and press awards including the BVRLA anti-theft award for the Rover 800 series, the Autocar and Motor award for the best manufacturer and the 1992 BQLA quality award for small and medium cars.

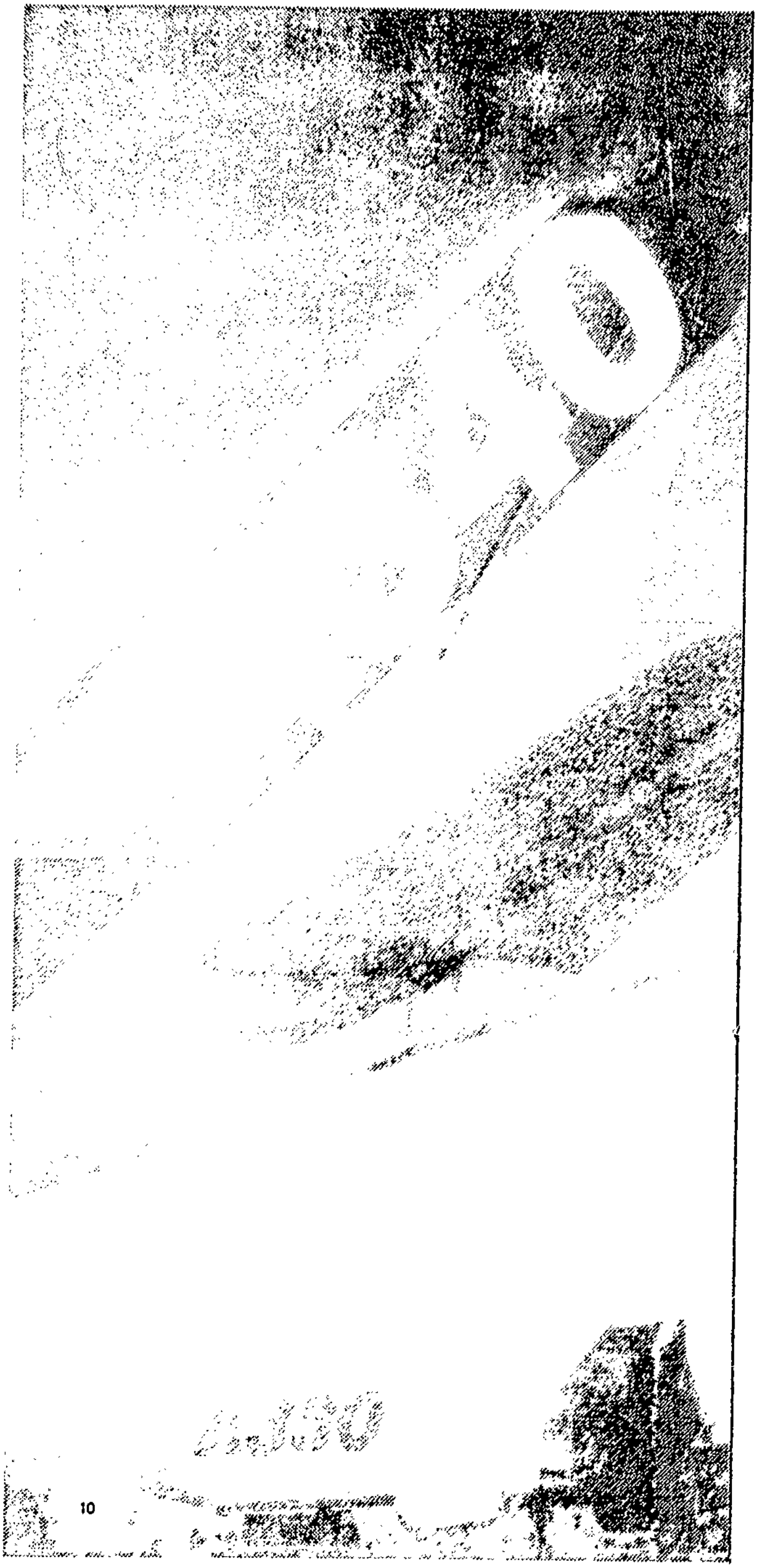


1992 was the best year for Land Rover 4WD sales in the UK, including the highly acclaimed Discovery, since the introduction of the first Land Rover vehicle in 1948.

ROVER

LAND ROVER

More new vehicles or major derivatives were launched than ever before



Airbus

In common with its competitors, Airbus Industrie experienced some order cancellations and deferment of delivery dates. In particular, during the second half of 1992, Airbus Industrie was impacted by deferred deliveries to GPA and cancellation of firm orders for 74 aircraft by Northwest Airlines. Notwithstanding the difficult market environment, Airbus Industrie delivered 157 aircraft during 1992 and ended the year with a forward order book valued at $66bn having improved upon 1991 with a gross order intake of 136 aircraft.

Employment within BAe Airbus was reduced during 1992 by 1,000 people arising from a combination of the implementation of planned cost reduction programmes and production rate adjustments. The full cost benefit of these actions will be felt during 1993.

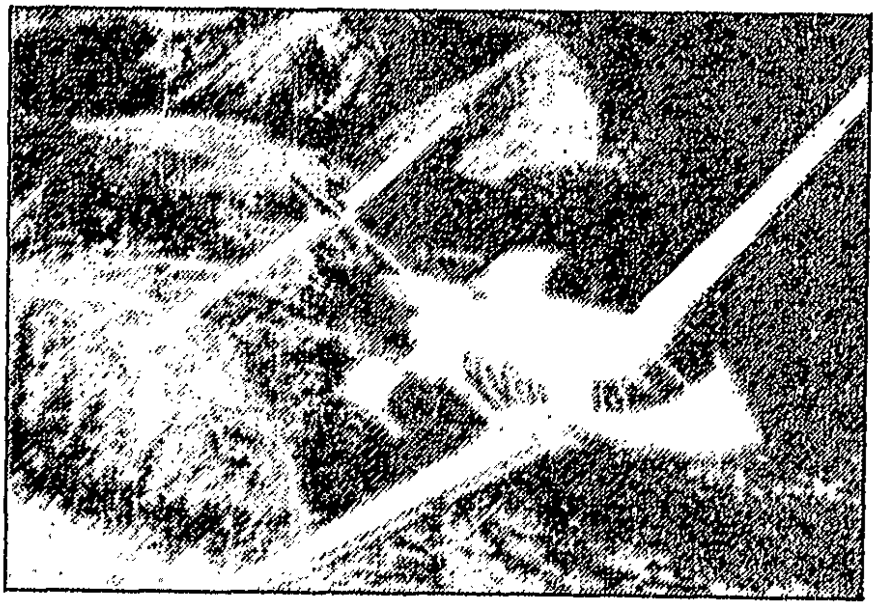
Against the background of a very difficult trading year there were still notable achievements in both sales and product development. An order from United Airlines for 50 A320 aircraft with options for a further 50 represented a significant milestone in the US market and Singapore Airlines placed a major order for up to 20 A340 aircraft.

The four-engined Airbus A340 completed its flight test programme to gain certification from the civil aviation authorities of Europe and the A330 made

Production of wing sets increased as the A330 joined the A340 in flight development. The A340 achieved certification towards the end of the year for entry into service in early 1993.

The newly introduced longer range BAe 1000 joined the series 800 to extend the corporate jet family.

its maiden flight. The Airbus partner companies have authorised Airbus Industrie to seek launch customers for a 125 seat variant of the Airbus A320, the A319.



Corporate Jets

The Corporate Jet market held up well during 1992 despite difficult trading conditions in North America. Sales in the rest of the world for the 125 family, which consists of the BAe 800 and the BAe 1000, were at an all time high. The order backlog at the year end was 22 aircraft valued at some $285m with additional outstanding commitments from the Japan Air Self Defence Force for search and rescue aircraft amounting to a further $550m.

The 125 family has traditionally dominated the mid-sized cabin market. Despite challenges by new entrants the BAe 800 and 1000 won a 48% share of the market with 30 aircraft being delivered during the course of the year.

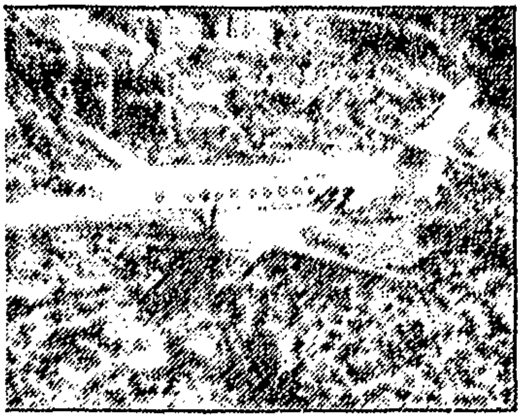
COMMERCIAL AIRCRAFT

		1992	1991	1990
Sales	£m	1,425	1,667	1,579
Overseas sales	%	83	84	80
External order book	£m	4,187	4,404	4,133
Capital employed	£m	(133)	1,016	1,112
Employees at year end		21,000	24,600	26,700

Regional Aircraft

Regional Aircraft has continued to trade in a market where, throughout the year, the world's commercial airlines have endured the consequences of severe recession. Despite this, the new "Regional Jetliner" (RJ) development of the BAe 146 was successfully introduced and contracts for a total of 21 new aircraft were announced

The Commercial Aircraft businesses have been affected by recession resulting in programme reductions across all sectors



The new 29-seat Jetstream 41 turboprop has been in flight development throughout 1992. Type certification was awarded in November, just prior to first customer deliveries. There are 117 orders and commitments.

during 1992 which represented the largest share of the market for jet airliners of less than 120 seats ordered in the world during the year.

A proposed reorganisation of the Company's Regional Aircraft business was announced at the time of the mid-year results, together with a provision of £750m, net of tax, to cover the associated costs. This rationalisation is now well under way.

The assembly and marketing of the RJ range of aircraft is being transferred to a 50/50 joint venture with Taiwan Aerospace Corporation, to be called Avro International Aerospace. This new company links British Aerospace with one of the world's most successful trading nations and provides a major foothold in the world's fastest developing region — Asia Pacific.

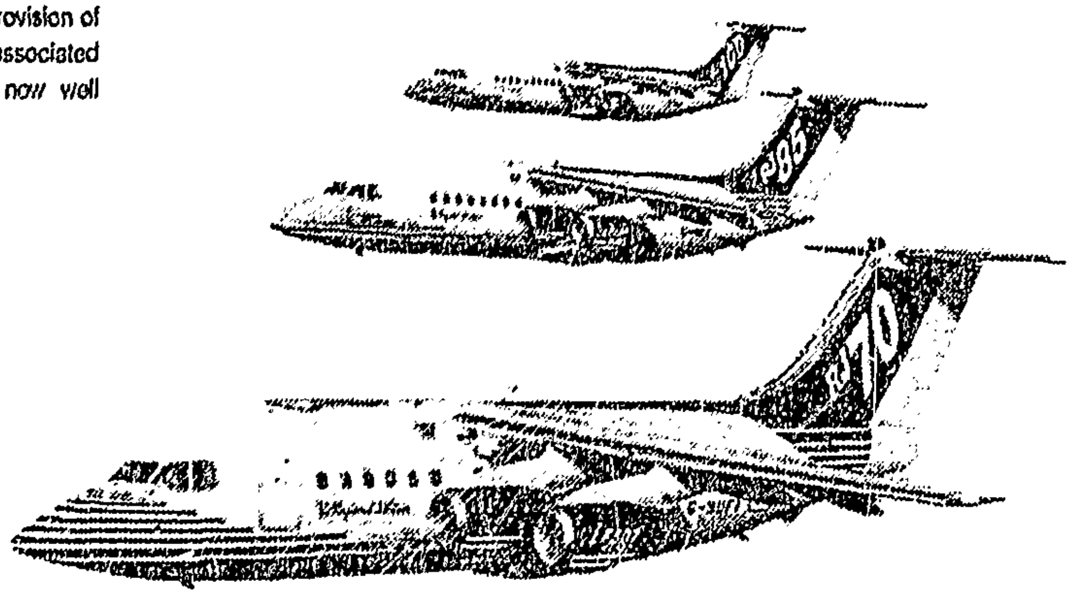
With the formation of Avro International Aerospace, British Aerospace will receive approximately £120m from Taiwan Aerospace Corporation, in return for a 50% interest in Avro based primarily on the net asset value of the assets transferred.

Assembly of the new RJ family of aircraft will take place both at Woodford in the UK, with first delivery in April 1993, and also in Taiwan where the first aircraft is due for completion in 1994. As part of the reorganisation, all manufacturing operations at Hatfield will cease by the end of 1993.

The regional turboprop programmes, comprising Jetstream Super 31, Jetstream 41 and ATP are being consolidated at Prestwick to provide greater focus and efficiency, together with significantly reduced costs. The new Jetstream 41 aircraft received its Certificate of Airworthiness in November 1992 on programme, in only fourteen months from first flight.

The reorganisation of both the jet and the turboprop activities of Regional Aircraft greatly reduces overall costs, and establishes a foundation for future success when the world market for commercial aircraft recovers.

The new 70 to 120 seat Regional Jetliner is a major development of the proven BAe 146 series, of which over 200 have been delivered to date. Significant enhancements, such as Category III blind landing capability and a new interior, are matched with new Textron Lycoming LF507 engines, combining reduced maintenance costs together with increased overall payload and range.

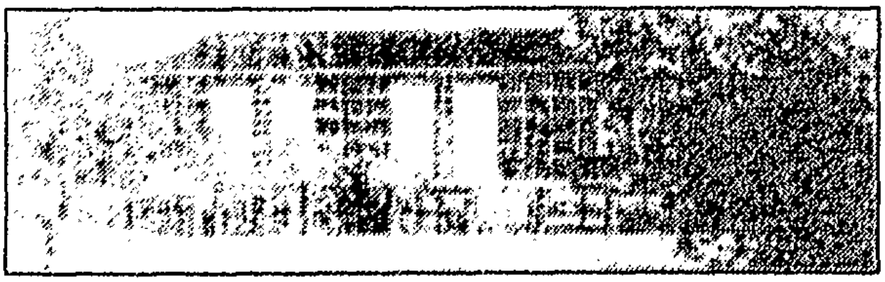


PROPERTY
AND CONSTRUCTION

		1992	1991	1990
Sales	£m	880	1,072	720
Overseas sales	%	55	48	69
Capital employed	£m	311	320	309
Employees at year end		5,600	5,900	5,100

Arlington

The economic climate in the UK has inevitably had a major impact on the property market. Despite this, the high-quality Business Park sector has continued to attract institutional investor made. The Farnborough development was awarded a Britain in Bloom Award, in respect of landscaping excellence. At the BIAS annual development competition, Farnborough, Birmingham and Solent developments took first, second and third



interest. PosTel purchased two buildings and entered a joint venture with Arlington for the development of the last remaining 13.5 acres in The Quadrant at Aztec West. At Hatfield, Clerical Medical purchased a distribution centre now being built for the Royal Mail. Transactions with both parties were completed prior to commencement of work on site, utilising an area vacated by the Dynamics business. The Farnborough Aerospace Centre was completed to budget and ahead of schedule.

During the year, Arlington was awarded the BALI Silver Medal for their contribution to landscaping. This is only the second time the award has been

Arlington development policy places it in a unique position to benefit from future improvements in the economic climate.

places, respectively, in the Business Space category.

Major planning permissions have been secured on the Group's surplus land at Canley, Cowley and Hatfield. Infrastructure works on all three sites will commence in 1993.

Another aspect of Arlington's property activities is focused on retail town centre shopping and superstores. A strong upturn in tenant demand, with many new lettings,

Arlington is the market leader in high-quality, out-of-town, developments

was achieved in the fourth quarter.

These retail activities and the Arlington leisure developments have been separated from the longer term core business park activity and management of the Group's surplus property in a move to make a major reduction in operating overheads.

Ballast Nedam

Ballast Nedam has long been associated with airport development. Schiphol Airport, near Amsterdam, is engaged in a major expansion with Ballast Nedam involvement. In December, Ballast Nedam Dredging was awarded an important contract for site preparation for Hong Kong's new airport. Work commenced immediately.

Ballast Nedam is a member of the consortium constructing Europe's longest combined road and rail bridge, the West Bridge in Denmark's Storebaelt.

Outside Europe, Ballast Nedam has active contracts in Indonesia, Malaysia and Singapore. Work mainly comprises civil engineering projects. Growth in South East Asia is expected to continue.

Satisfactory returns were achieved from Saudi Arabian operations. Substantial turnover is expected to continue from current air base contracts despite postponement of a proposed air base.

SPACE SYSTEMS

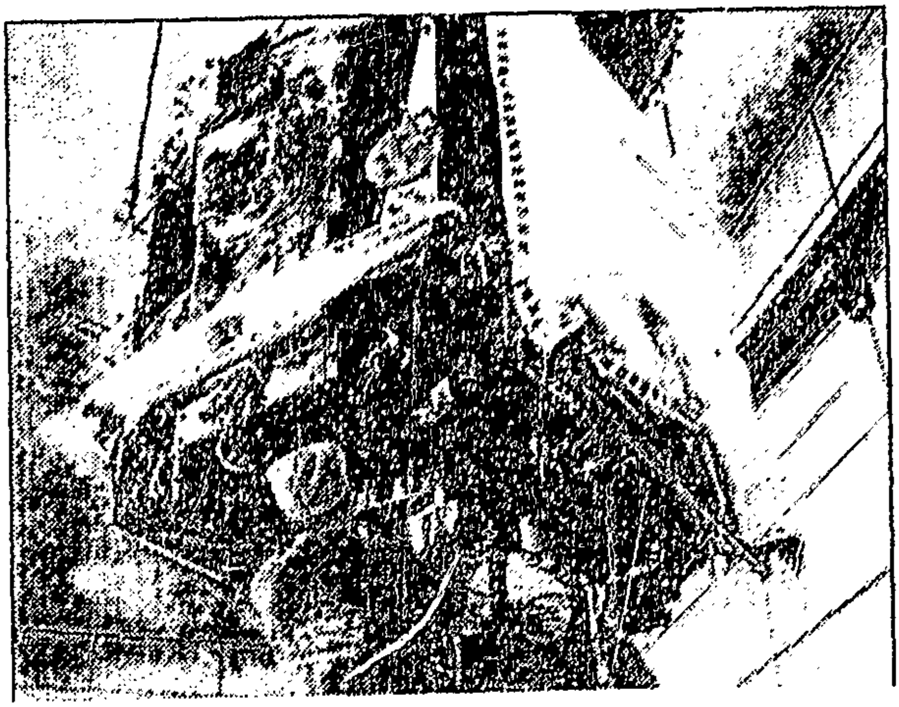
Our Space Systems business is undergoing a reorganisation programme, particularly within its communications satellites business, to improve competitiveness and achieve greater efficiency.

A new long-term European Space Plan, placing emphasis on environmental monitoring, received UK ministerial endorsement in November 1992 British Aerospace is the prime contractor for the design and manufacture of the Polar Platform — to be the baseline for the next generation European environmental satellites.

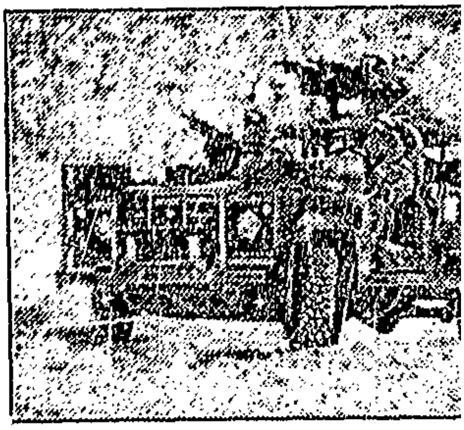
The selection of the EUROSTAR platform for Orionsat marked the first commercial sale by a European company of communications satellites into the United States.

The completion and launch of the final NATO IV military communications satellite is expected to be achieved by the end of 1993. Space Systems has been awarded a UK Ministry of Defence project definition study which is expected to lead to the provision of further Skynet military communications satellites for first launch in 1997.

British Aerospace Space Systems has assembled a series of military communications satellites based on the Skynet platforms for both the UK MoD and NATO.

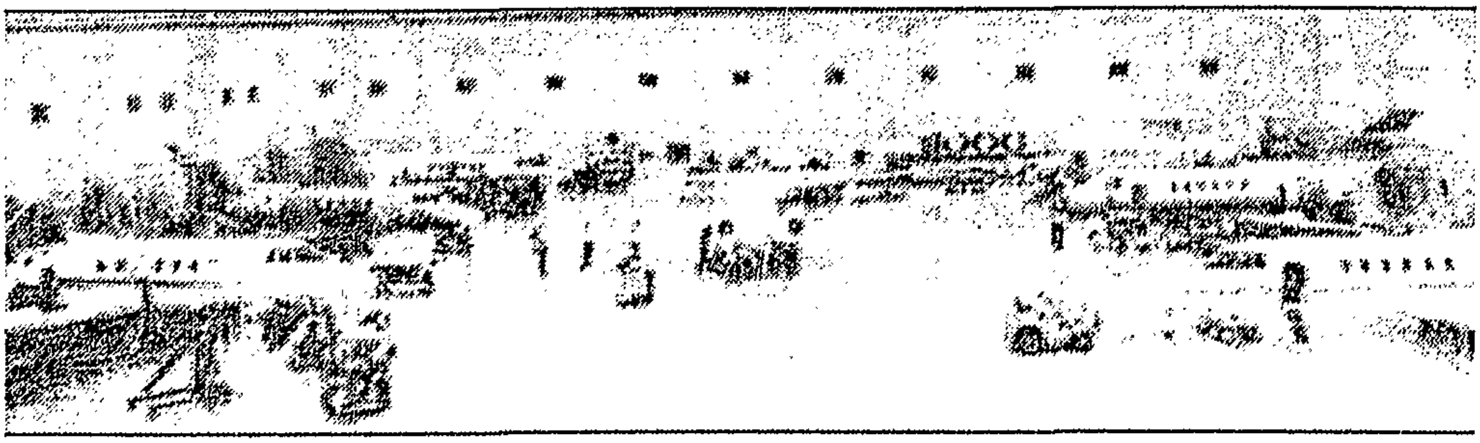


In a depressed market, Land Rover North America sales were up 28% on 1991. Sales were boosted by the launch of the new Long Wheelbase Range Rover County and a limited edition of 500 Land Rover Defender 110s which promoted the Land Rover brand.
Specially equipped Land Rover Defenders have also been supplied to the US Special Forces.



BRITISH AEROSPACE

IN NORTH AMERICA



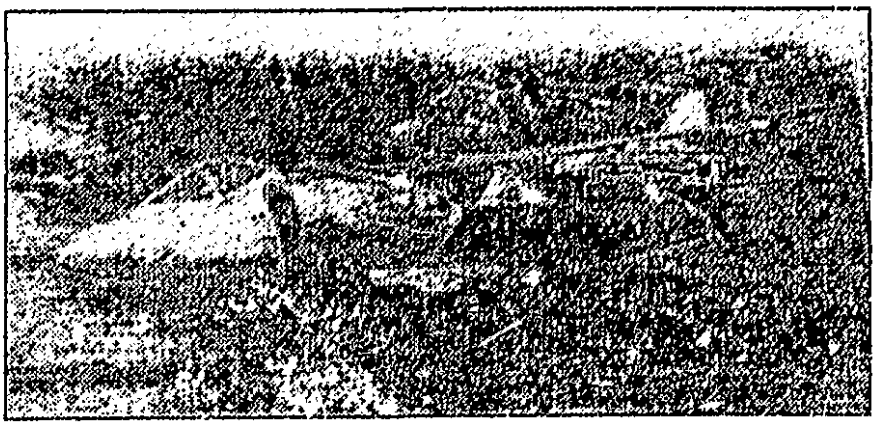
North America is important to British Aerospace both as a large market for products across the Group and also as a major source of supply.

British Aerospace has had an important collaborative relationship with McDonnell Douglas since 1969 which involves joint design and manufacture on two military aircraft programmes, the T-45 Goshawk, derived from the Hawk Trainer, and the Harrier II V-STOL aircraft.

In January 1992, the first production standard T-45 advanced jet trainer was delivered by McDonnell Douglas to the US Navy which has a requirement for approximately 250 such aircraft. British Aerospace supplies wings and rear fuselage assemblies for the T-45 programme.

The latest variant of the Harrier, the Harrier II Plus, made its first flight in 1992. The Harrier II Plus incorporates an improved defence system and radar to further extend the role of this versatile aircraft. The US Navy has put forward a plan that would re-manufacture fighters to the Harrier II Plus standard at McDonnell Douglas, with new-build, British Aerospace fuselage assemblies.

1992 was the first full year of operation for Arkansas Aerospace Inc in their new facility, which was opened by President Clinton in 1991. The Corporate completion business delivered many 125s during the year. The Corporate Service Centre had over 180 aircraft visits.



Cornerstone of British Aerospace's participation in the USA has been the long standing collaboration with McDonnell Douglas on the Harrier programme leading to the latest Harrier II Plus variant.

Board of Directors

Chairman	**J C Cahill**
Executive Directors	
Chief Executive	**R H Evans**
Vice Chairman	**S Gillibrand**
Finance Director	**R D Lapthorne**
Deputy Chief Executive	**G Simpson**

Non-Executive Directors

Sir James Blyth[†*]
Aged 52, appointed in 1990.
Chief Executive of The Boots Company PLC and Chairman of the Advisory Panel on the Citizens Charter.

K C Brown[†*]
Aged 50, appointed in 1989.
Managing Director of Morgan Stanley International and a member of the Board of London Regional Transport.

Sir Graham Day[†]
Aged 59, appointed in 1988.
Chairman of Cadbury Schweppes plc and PowerGen plc. Non-executive Director of The Laird Group plc, MAI plc and Thorn EMI plc.

R C Hampel[†*]
Aged 60, appointed in 1989.
Chief Operating Officer and a Director of Imperial Chemical Industries plc and a Director of Commercial Union Assurance plc.

Lord Hollick[†]
Aged 47, appointed in 1992.
Managing Director of MAI plc, Chairman of Meridian Broadcasting plc, Director of Hambros Bank and founding Trustee of the Institute for Public Policy Research.

R L Kirk[†]
Aged 64, appointed in 1992.
A US citizen. Chairman of British Aerospace Inc and Corporate Jets Ltd.

†Member of the Compensation Committee *Member of the Audit Committee

Secretary	Miss S D Windridge
Auditors	KPMG Peat Marwick
Brokers	Hoare Govett Limited
Registrars	Lloyds Bank Plc, Registrar's Department The Causeway, Worthing West Sussex BN99 6DA.

Directors' Report

The Directors present their Report, together with the Accounts, for the year ended 31st December, 1992.

Principal Activities and Business Review

Engineering excellence is essential if the Group is to deliver products and services which give outstanding customer satisfaction against the intense competition which has been heightened by the current recession. The key to this competitive edge is investment; investment in people, facilities, and in a strategic commitment to R&D.

The Group has continued to invest substantially in R&D during 1992 giving an increased emphasis to those research projects which offer an early return, for example by improving manufacturing and process efficiency.

High priority has been given to R&D expenditure through increased external collaboration and by joint action between British Aerospace businesses to strengthen the combined technology base. The EFA programme for instance will make a major impact across the Group in areas such as flight controls, software management, new materials and processes, and systems integration. Confirmation that the programme will go ahead is of importance to the technology base of British Aerospace and of British industry as a whole.

The Sowerby Research Centre continues to provide a key contribution to making emerging technology and science available to all British Aerospace businesses, both for their products, and their manufacturing processes.

Investment in R&D is made both on our own account, and through grants and on behalf of customers. In 1992, the total R&D programme amounted to some £720m, of which some £330m was devoted to work which is truly innovative. £202m was funded by the Group directly from profit or overheads.

The Group operates in the following principal businesses:

The Defence business comprises military aircraft, guided weapons, ordnance and electronic systems.

The Commercial Aircraft business comprises the design and production of wings for the Airbus Industrie range of jet airliners. It also manufactures a family of regional aircraft and the BAe 125 executive jet.

Rover Group manufactures the Rover and Land Rover range of vehicles.

The Group is also engaged, through Arlington, in the development of substantial property assets and, through Ballast Nedam, in construction activities.

A more detailed description of the Group's principal products and business activities during the year, other important events affecting the Group since the end of the year and likely future developments accompanies this Report.

Treasury Policy

Group Treasury provides a service to the corporate centre and the operating businesses. It provides advice and the means to manage risk at the lowest cost and in the most appropriate way. Treasury is not a profit centre.

The operating businesses are required to hedge significant foreign currency exposures partially or totally depending on the nature and timing of such exposures. Speculation on future exchange rate movements is forbidden. Cover takes the form primarily of transactions in the forward foreign currency market, but can also be via currency options (for conditional flows) or other treasury products. Cover is also executed in the form of foreign currency denominated borrowings.

Treasury agrees the foreign currency transaction with the businesses and then either nets the exposure off against an opposite exposure in the same or a comparable currency or executes a matching transaction in the external market. British Aerospace does not hedge any translation exposure arising from the profits, assets and liabilities of non-sterling business activities.

Employment

1992 was a difficult year for employment, with most businesses announcing redundancy programmes and many involved in major rationalisation or reorganisation. Nevertheless, British

Aerospace companies continued the process of improving individual accountability and delegating authority by removing organisational layers and introducing flatter organisational structures. In association with this, many businesses are placing enhanced emphasis on team-working, together with the necessary associated skills and are renewing existing processes such as suggestion schemes and communication systems. Performance-related pay systems, based on key personal objectives, are also becoming more widespread. All these measures are designed to further enhance employee awareness of their business and the relevant underlying issues and to maximise the opportunity for individuals to contribute to, and benefit from, future success and prosperity. This is underpinned by the SAYE Share Option Scheme and a further offer under this scheme was made to employees in March 1992. This offer was again substantially oversubscribed.

During the year, the Group has maintained its commitment to employee training and development with several businesses introducing personal development plans as a key part of individual appraisal and development. To assist the recruitment and development of young people with relevant skills and experience, the Group continues to develop and establish innovative training programmes with external institutions.

Examples of this are the Rover Partnership Degree currently under development with Warwick University as a competence-based and predominantly work-based replacement for existing engineering education and training schemes and the new undergraduate degree course in Systems Engineering established by the Military Aircraft Division of British Aerospace Defence Limited with Loughborough University.

The Group is an equal opportunity employer and all decisions relating to employees and job applicants are made solely on the grounds of individual merit and ability, regardless of sex, marital status, race, colour, nationality, ethnic origin or disability, subject only to considerations of national security. The Group employs a large number of disabled people in a wide variety of occupations and organisation levels and, where practicable, adapts the work environment to facilitate recruitment and gives special consideration to the needs of those who become disabled during employment.

Honours

The following employees were honoured in the 1992 Birthday Honours and 1993 New Year Honours Lists:

CBE	Mr A J Saint
OBE	Mr P J Ginger
	Mr A Stagg
	Mr T Truman
MBE	Mr B J Champion
	Mr P Cronshaw
	Miss M Raven
	Mr D Wells
BEM	Mr H Benson
	Mr A Campbell
	Mr W Embery

Capital Structure

The authorised and issued share capital of the Company is set out in Note 22 to the Accounts.

As a result of the decision to reorganise the activities of Regional Aircraft, and reduce the deficit which subsequently arose on distributable reserves, the Company undertook during the year an exercise to reduce its capital. This Capital Reduction was aimed at eliminating the deficit against capital and reserves by the cancellation of 40p of the capital paid up on each ordinary share of 50p, amounting in aggregate to approximately £151m and reducing the nominal value of each ordinary share to 10p. At the same time the Company took action to ensure that members voting rights remained equal to those enjoyed prior to the Capital Reduction. The Capital Reduction also involved the reduction of the share premium account to £17m.

The number of ordinary shares shown in the register of members as at 31st December, 1992 as Foreign-held Shares pursuant to Article 40 of the Company's Articles of Association was 88,524,905 (23.45%). Article 40 contains provisions which restrict the aggregate number of Foreign-held Shares at any one time to 29.5% of the issued ordinary share capital. At 23rd February, 1993 the following had notified the Company of an interest of 3% or more in the issued ordinary share capital of the Company:

Chase Manhattan Bank NA (certain subsidiary and client accounts)	9.00%
Templeton Galbraith and Hansberger Limited (certain subsidiary and client accounts)	8.08%

Phillips and Drew Fund Management Limited (certain subsidiary and client accounts) 7.06%

Schroder Investment Management Limited (certain subsidiary and client accounts) 6.06%

Scottish Widows Group (certain subsidiary and client accounts) 3.85%

The Directors are seeking renewal of their authority under Article 11 of the Company's Articles of Association to allot unissued ordinary shares in the capital of the Company and to allot such shares for cash as if the pre-emption rights contained in Section 89 of the Companies Act 1985 did not apply.

The appropriate resolution will be proposed at the Annual General Meeting.

Results and Dividend

Half-yearly dividend payments are normally made to preference shareholders at 1st January and 1st July. Dividends totalling 7.75p per share were paid to such shareholders in respect of the year to 31st December, 1992. As a result of the Capital Reduction exercise the payment of the preference share dividend due on 1st January, 1993 was delayed until 25th February, 1993.

The loss after taxation, minority interests and preference dividends attributable to ordinary shareholders is £909m and, subject to the approval of the proposed final dividend, is dealt with as shown in the consolidated profit and loss account on page 22 of the Accounts.

The Directors were unable to declare an interim dividend for ordinary shareholders at the time that the Interim Results were published. However, the Directors stated their intention, in the absence of unforeseen circumstances, to pay an interim dividend provided that the Capital Reduction exercise was approved. The Capital Reduction was approved on 12th November, 1992 and the Directors declared on 23rd February, 1993 an interim dividend of 3p per ordinary share payable on 25th February, 1993. The Directors propose a final dividend of 4p per ordinary share which, with the interim dividend of 3p per ordinary share, makes a total dividend of 7p per ordinary share for the year. The final dividend, if approved, will be paid on 1st June to ordinary shareholders registered at the close of business on 15th March and shareholders will be offered the opportunity to elect for shares in lieu of cash.

Fixed Assets

Changes in tangible fixed assets arising in the normal course of business are detailed in Note 12 to the Accounts. The majority of the Company's freehold and leasehold land and buildings was revalued as at 31st December, 1988.

Post Balance Sheet Event

On 19th January, 1993, the Company and Taiwan Aerospace Corporation signed contractual agreements, subject to certain conditions, including regulatory approval, to form a joint venture company, Avro International Aerospace Limited. The purpose of the joint venture is to design, assemble, market and support the new Regional Jetliner family of aircraft and to provide continuing technical support to existing BAe 146 regional aircraft. Assembly of the Regional Jetliner will take place in both the UK and Taiwan with marketing and support facilities located in the United Kingdom, the Asia Pacific region and the United States. In consideration of the 50% equity acquisition by Taiwan Aerospace Corporation, the Company will receive an estimated cash consideration of approximately £120m on a staged basis within 9 months of completion. A further US$25m will be received on delivery of the first Regional Jetliner aircraft assembled in Taiwan, expected to be in 1994.

Charitable Donations

During 1992 the Group made donations in the UK for charitable purposes amounting to £874,000 (1991 £1,310,000). No contributions for political purposes were made.

Directors

The names of the present Directors of the Company are listed on page 16. On 1st January, 1992 Lord Hollick and Mr R L Kirk were appointed Directors of the Company. On 31st March, 1992 Mr D G Eustace resigned from the Board. Mr J C Cahill was appointed as a Director and Chairman of the Board on 1st May, 1992. On 30th June, 1992 Mr B Cookson and Mr F B Saundry retired from the Board. Mr R D Lapthorne was appointed a Director on 11th July, 1992. Mr H R Mould resigned from the Board on 14th August, 1992.

In accordance with Article 88 of the Company's Articles of Association, Mr Cahill and Mr Lapthorne retire at the Annual General Meeting and, being eligible, will offer themselves for re-election. The Directors retiring by rotation at the 13th Annual General Meeting in accordance with Article 82 are Mr R H Evans and Mr S Gillibrand who, being eligible, will both offer themselves for re-election.

The unexpired periods from the date of this report of service contracts with retiring Directors are 50 months for Mr Cahill, 36 months for Mr Lapthorne, 36 months for Mr Evans and 15 months for Mr Gillibrand. In accordance with the terms of their contracts, Mr Lapthorne's and Mr Evans' contracts will continue in force beyond the stated period unless they are determined by either party giving to the other not less than 36 months' notice in writing but not so as to extend the contract beyond the Director's normal retirement date.

The beneficial, including family, interests in the share capital of the Company of the persons who are Directors at the end of the financial year are shown in Note 6 to the Accounts. None of the Directors has any non-beneficial interest in the share capital of the Company during the year, nor in the period from the year end to 23rd February, 1993. The Board is not aware of any contract of significance (other than service contracts or as disclosed in Note 6 to the Accounts) in relation to the Company or its subsidiaries in which any Director has, or has had, a material interest. During the year, the Company has purchased for a number of Directors and officers of Group companies insurance against certain liabilities in relation to the Group.

Corporate Governance

The Report of the Cadbury Committee on the financial aspects of corporate governance, and incorporating a Code of Best Practice, was published on 1st December, 1992. The Committee's central recommendation was that boards of all listed companies registered in the UK should comply with the Code and should report, in respect of years ending after 30th June, 1993, their compliance with the Code and give reasons for any areas of non-compliance. The Directors welcome the Cadbury Committee Report and the Code of Best Practice. The Company is already compliant with a large part of the Code and the Directors will be addressing those areas of non-compliance during the course of 1993 to enable a full statement to be included in the 1993 Annual Report. A summary of the current position is set out below.

Board of Directors

The Board of Directors, comprising the Chairman, four Executive and six non-Executive Directors, meets regularly through the year. The roles of Chairman and Chief Executive are split. The Board is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and reviews the trading performance and annual budgets of its subsidiary companies.

The Company Secretary is responsible for ensuring that Board procedures are complied with. All Directors have access to the advice and services of the Company Secretary.

The Company is compliant with all aspects of the Code of Best Practice regarding non-Executive Directors, including their appointment and selection.

The service contracts of all Executive Directors are for terms of three years or less.

Standing Committees

The Board has established a number of Standing Committees, consisting of certain Directors and, where appropriate, specialist staff members. Each Committee operates with defined terms of reference. The principal committees are the Audit Committee and the Compensation Committee, both of which are chaired by non-Executive Directors.

The Audit Committee comprises three non-Executive Directors and meets at least twice a year. It monitors the adequacy of the Group's internal controls, accounting policies and financial reporting. It also discusses with the statutory auditors their proposed audit programme and the results of their audit of the Group's Accounts.

The Compensation Committee consists of all the non-Executive Directors. It meets regularly throughout the year and is responsible for reviewing the salaries and benefits of the Executive Directors and other senior managers.

Close Company Status

The close company provisions of the Income and Corporations Taxes Act 1988 do not apply to the Company.

Auditors

The Auditors of the Company, KPMG Peat Marwick, have indicated their willingness to continue in office and a resolution proposing their re-appointment will be put to the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the Royal Lancaster Hotel, London on Tuesday, 27th April, 1993 at 2.30 pm. Details of the business to be considered at the Meeting, are contained in the separate Notice of Meeting and Explanatory Notes.

By order of the Board

S D Windridge

Secretary 23rd February, 1993

Introduction to the Accounts

In an effort to improve communications with shareholders the Report and Accounts have been simplified. These Accounts contain a number of modifications to the bases used in prior years, and disclose a greater level of information than is required. They will also assist in the process of establishing a basis for clear and more effective management control.

Costs relating to the launch of commercial aircraft ('launch costs') comprise the costs of design and development, education and jigs and tools and were carried forward within stocks in prior years. All jigs and tools are now included in fixed assets. The costs of design, development and education are carried forward where the terms of funding agreements make this appropriate. Accordingly, all education costs relating to projects fully funded by the Company have been written off in the current year. This approach is more appropriate to the reorganised regional aircraft activities.

Launch aid represents amounts that will be repayable to HM Government through the payment of levies on sales of certain Airbus aircraft. In prior years the balance outstanding was included as a deduction from stocks. Launch aid is now included within creditors.

Interest earned on cash received from customers' advances was included in arriving at profit before interest in prior years. All such interest is now included in the interest line.

Previously the results of associates had been reflected in the cost of sales. These results are now shown on a separate line on the face of the profit and loss account.

The method for accounting for pension costs has now been standardised across all the Group's schemes.

An element of the cash balances (called Cash on customers' account) is the subject of advance payment guarantees. These amounts should be deducted to arrive at the Group's net debt position:

	1992 £m	1991 £m
Investments	1,255	1,492
Cash at bank and in hand	382	181
Loans and overdrafts repayable		
less than one year	(342)	(314)
over one year	(1,386)	(1,036)
Net liquid funds	(91)	323
Cash on customers' account	(166)	(360)
Net debt	(257)	(37)

A new accounting standard, FRS3, will change the main format of the Accounts but it is not yet mandatory. Given the number of detailed changes, the Capital Reduction and the size and nature of the exceptional charge for 1992, it is considered more helpful to present these Accounts in the same main format as previous years. The 1992 Accounts will be re-stated with the publication of the 1993 Interim Results.

Richard Lapthorne – Finance Director
23rd February, 1993

Consolidated Profit and Loss Account

British Aerospace
for the year ended 31st December

		1992	1991
		£m	£m
Note 2	**Sales**	**9,977**	10,562
Note 3	Cost of sales	**(10,058)**	(10,347)
	Operating (loss)/profit	**(81)**	215
	Share of results of associated undertakings	**6**	(3)
Note 2	**(Loss)/profit before interest**	**(75)**	212
Note 4	Interest	**(126)**	(58)
	(Loss)/profit before tax and exceptional items	**(201)**	154
Note 7	Exceptional items	**(1,000)**	(266)
	Loss before tax on ordinary activities	**(1,201)**	(112)
	Tax on the result before exceptional items	**22**	(43)
	Tax recoverable on exceptional items	**250**	17
Note 9	**Tax**	**272**	(26)
	Loss after tax on ordinary activities	**(929)**	(138)
Note 7	Extraordinary item	**–**	(45)
	Loss after tax	**(929)**	(183)
	Minority interests	**41**	51
	Loss for the financial year	**(888)**	(132)
Note 10	Dividends	**(47)**	(105)
Note 23	**Balance transferred from reserves**	**(935)**	(237)
Note 11	**(Loss)/earnings per share before exceptional items**		
	On net distribution basis	**(42.1)p**	49.8 p
Note 11	**Loss per share after exceptional items**		
	On net distribution basis	**(240.9)p**	(38.1)p

Balance Sheets

	British Aerospace as at 31st December	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
	Fixed assets				
Note 12	Tangible assets	3,257	3,243	1,302	1,333
Note 13	Investments	431	430	1,030	998
		3,688	3,673	2,332	2,331
	Current assets				
Note 14	Stocks	3,448	3,151	2,065	2,144
Note 15	Debtors – due within one year	1,708	1,589	1,409	1,205
Note 15	– due after one year	401	82	449	26
Note 16	Investments	1,255	1,492	985	1,206
	Cash at bank and in hand	382	181	95	79
		7,194	6,495	5,003	4,660
	Current liabilities				
Note 17	Loans and overdrafts	342	314	124	88
Note 18	Creditors	4,051	4,208	3,311	3,613
	Net current assets	2,801	1,973	1,568	959
	Total assets less current liabilities	6,489	5,646	3,900	3,290
	Liabilities falling due after one year				
Note 17	Loans	1,386	1,036	370	456
Note 18	Creditors	1,703	1,033	1,655	913
Note 19	Provisions for liabilities and charges	1,382	613	1,143	364
Note 2		2,018	2,964	732	1,557
	Capital and reserves				
Note 22	Called up share capital	105	256	105	256
Note 23	Share premium account	17	616	17	616
Note 24	Statutory reserve	202	202	202	202
Note 23	Revaluation reserve	225	230	225	230
Note 23	Capital reserve	820	840	92	105
Note 23	Special reserve	4	–	4	–
Note 23	Profit and loss account	407	553	87	148
	Shareholders' funds	1,780	2,697	732	1,557
Note 25	**Minority interests**	238	267	–	–
		2,018	2,964	732	1,557

Approved by the Board on 23rd February, 1993
J C Cahill *Chairman*
R D Lapthorne *Finance Director*

Consolidated Cash Flow

British Aerospace
for the year ended 31st December

		1992	1991
		£m	£m
		Note 27	
Note 28	**Net cash inflow/(outflow) from operating activities**	200	(107)
	Return on investments and servicing of finance		
	Interest received	146	215
	Interest paid	(231)	(208)
	Interest element of finance lease rental payments	(15)	(23)
	Dividends paid	(82)	(85)
	Dividends received from associated undertakings	4	–
		(178)	(101)
	Taxation		
	UK corporation tax paid	(39)	(46)
	Overseas tax paid	(3)	(1)
		(42)	(47)
	Investing activities		
	Purchase of tangible fixed assets	(487)	(700)
	Purchase of fixed asset investments	(49)	(110)
Note 29	Purchase of subsidiary undertakings	(1)	(45)
	Purchase of minority interests	(4)	(5)
	Sale of tangible fixed assets	119	245
	Sale of fixed asset investments	–	46
Note 29	Sale of subsidiary undertakings	12	1
Note 30	Sale of non-cash equivalent current assets	116	793
		(294)	225
	Net cash outflow before financing	(314)	(30)
	Financing		
	Net proceeds from rights issue	–	432
	Proceeds from exercise of share options	–	3
	Minority interests	16	1
	Capital element of finance lease rental payments	(16)	(30)
	Increase in loans	320	130
Note 31	**Net cash inflow from financing**	320	536
Note 32	**Net increase in cash and cash equivalents**	6	506
	Movement of non-cash equivalent net liquid funds	(420)	(894)
Note 27	**Net decrease in net liquid funds**	(414)	(388)
Note 27	Movement of cash on customers' account	194	(197)
Note 27, 33	**Net increase in net debt**	(220)	(585)

Notes to the Accounts

1 Accounting Policies

Basis of preparation
The accounts are drawn up in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of certain land and buildings.

The Group has adopted the provisions of SSAP19 in relation to investment properties as noted below. This accounting standard requires modification of the accounting treatment set out in the Companies Act 1985. The impact on the Group accounts is not material.

Basis of consolidation
The consolidated accounts of the Group incorporate the accounts of the Company and its subsidiary and associated undertakings, all of which were made up to 31st December.

Goodwill arising on consolidation is written off directly against reserves in the year of acquisition.

Foreign currencies
Transactions in overseas currencies are converted at the rate then ruling or, where forward cover contracts have been arranged, at the contracted rates. Assets and liabilities are translated at the rates ruling at the balance sheet date or at a contracted rate if applicable. The sales and profits of overseas subsidiary undertakings are translated at average rates. Differences on translation of the unhedged net assets of overseas subsidiary undertakings, arising from the use of exchange rates ruling at the balance sheet date, are taken direct to reserves.

Sales and profit
Sales comprise the net value of deliveries made, work completed or services rendered during the year. Sales are recognised when title passes or a separately identifiable phase of a contract or development has been completed.

Profit is recognised at the time of sale. In the case of contracts with extended delivery programmes, it is arrived at by reference to the estimated overall profitability of the contract. Full provision is made for any losses in the year in which they are first foreseen.

The Group shares in the results of Airbus Industrie and participates in Airbus programmes which are effectively carried out on a joint venture basis. Profits or losses on the Group's participation are aggregated with its share of the results of Airbus Industrie.

In prior years contract profits included interest attributable to unexpended cash received on customers' account and customer stage payments. This presentation has been changed and such interest is now included within interest receivable.

Fixed assets
Depreciation is provided on a straight line basis on the cost or valuation of all tangible fixed assets except freehold land, assets in the course of construction and investment properties. Other assets, including assets obtained under finance leases, are written off over their useful lives, or if leasehold buildings or obtained under finance leases and the term of the lease is shorter, such shorter term.

Investment properties are revalued annually. Revaluation surpluses on properties sold are transferred to the profit and loss account from the revaluation and capital reserves.

Finance leases
Assets held for leasing out under finance leases are included in debtors at cost less the accumulated capital element of rentals received. The finance charge element of rentals received is calculated to give a constant rate of return on the net cash investment in the lease and is included in sales.

Assets obtained under finance leases are included in tangible fixed assets at cost less depreciation and the related obligations included in loans. Rental payments are apportioned between the finance element, which is charged as interest, and the capital element, which reduces the outstanding obligation for future instalments, so as to give a constant rate of charge on the outstanding obligation.

Operating leases
Assets held for leasing out under operating leases are included in tangible fixed assets at cost less depreciation. Rental income is recognised in sales as the receipts fall due. Rental payments for assets acquired under operating leases are charged in arriving at operating profit.

Stocks
Stocks are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Development properties and rationalisation costs - Costs of development properties include rationalisation expenditure incurred in respect of operational sites surplus to requirements and interest on borrowings specifically attributable to the developments. Rationalisation expenditure includes redundancy and site clearance costs and is included in costs of development properties to the extent that it is recoverable from the estimated disposal proceeds of the surplus sites. Provision is made for any anticipated shortfall between the estimated total disposal proceeds and the estimated total costs in respect of all surplus sites covered by rationalisation schemes. Estimated disposal proceeds of such surplus sites are based upon advice received from independent valuers and assume the grant of relevant planning consent but exclude any development profit.

Long term contracts - Work in progress relating to long term contracts is stated at cost plus attributable profit earned to date less provisions for anticipated losses.

Airbus Industrie
Amounts relating to the Group's participation in Airbus Industrie are included in debtors or creditors as appropriate. Previously such amounts were included in stocks. Comparative figures have been restated to reflect this change in presentation.

1 Accounting policies continued

Cash received on customers' account and customer stage payments

Amounts received from customers in accordance with the terms of contracts which specify payments in advance of delivery are credited, as progress payments, against any expenditure incurred upon stocks or work in progress for the particular contract with any unexpended balance held in creditors as customer stage payments or, if the amounts are subject to advance payment guarantees, as cash received on customers' account.

Research and development

Expenditure on research and development is written off as incurred and charged in arriving at operating profit, except for that element expended on buildings or supported under contract.

Launch costs

The costs of launching an aircraft project fall into three principal categories, design and development; education; and jigs and tools.

Design and development and education - In the case where the project is fully funded by the Company, design and development and education expenditure is charged to profit as incurred. This approach is more appropriate to the reorganised regional aircraft activities and will be applied to any new projects. Previously education expenditure was carried forward and amortised by reference to an appropriate assessment of sales.

In the case where the project has external funding, design and development and education expenditure is carried forward and amortised by reference to an assessment of sales where the terms of the funding arrangements make this appropriate.

Jigs and tools - Expenditure on jigs and tools is capitalised into fixed assets and depreciated over its useful life. This represents a change of accounting classification; in prior years such costs were carried forward in stocks and amortised by reference to an appropriate assessment of total sales. Accordingly, the comparative figures for fixed assets and stocks have been restated. The impact on profit of this change is not material.

Government funded launch aid

In accordance with the provisions of the Civil Aviation Act 1982, HM Government has provided to the Company launch aid totalling £700 million for various Airbus projects. The Company repays the launch aid to HM Government as levies on aircraft sales, which are charged in arriving at operating profit. The remaining launch aid, which was previously deducted against stocks, is included in creditors. Accordingly, the comparative figures have been restated to reflect this change in presentation.

Tax

Provision for deferred tax is made using the liability method to the extent that the net deferred tax asset or liability is likely to crystallise in the foreseeable future.

Pensions

The pension fund schemes are assessed in accordance with advice from qualified actuaries and the costs charged in arriving at operating profit so as to spread the cost over the remaining expected service lives of the employees within the relevant schemes.

2 Segmental Analysis

	Sales		(Loss)/profit before interest	
	1992	1991	1992	1991
	£m	£m	£m	£m
Defence	4,003	4,266	352	371
Commercial aircraft	1,465	1,667	(337)	(37)
Motor vehicles	3,684	3,744	(49)	(52)
Property development	88	291	(2)	(24)
Construction	792	781	14	28
Other businesses and headquarters	332	363	(53)	(74)
	10,384	11,112	(75)	212
Less: Intra-group	(407)	(550)	-	-
	9,977	10,562	(75)	212

Sales include rental income from operating leases of £93 million (1991 £85 million).

The intra-group sales largely arise in the Defence and Construction business segments; £181 million (1991 £361 million) originate from the United Kingdom and the remainder from the rest of Europe.

Included within loss before interest of Other businesses and headquarters in 1992 is a charge of £36 million in respect of full provision against the carrying value of the Group's investment in DAF NV.

In prior years profit before interest included interest attributable to unexpended cash received on customers' account and customer stage payments. Such amount is now included within interest and, accordingly, the comparative profit before interest figure above has been restated from last year's published figure to reflect the change in presentation.

	(Loss)/profit before tax and exceptional items		Assets employed	
	1992	1991	1992	1991
	£m	£m	£m	£m
Defence	533	553	1,416	1,360
Commercial aircraft	(410)	(56)	(133)	1,016
Motor vehicles	(115)	(83)	1,444	1,563
Property development	(26)	(34)	130	160
Construction	23	38	181	160
Other businesses and heaquarters	(55)	(80)	428	167
	(50)	338	3,466	4,426
Unallocated interest and borrowings	(151)	(184)	(1,448)	(1,462)
	(201)	154	2,018	2,964

2 Segmental Analysis continued

The distribution of sales by geographical market comprised:

	1992 £m	1991 £m
United Kingdom	3,389	3,800
Rest of Europe	2,739	2,820
Middle East	2,415	2,580
USA and Canada	661	536
Far East	402	423
Australasia	114	189
Central and South America	57	119
Africa	110	95
	9,977	10,562

Sales of £9,411 million (1991 £9,970 million), loss before interest of £89 million (1991 profit £184 million) and assets employed of £1,840 million (1991 £2,804 million) originate from the United Kingdom. The remaining sales, profit before interest and assets employed originate from the rest of Europe.

3 Cost of Sales

	1992 £m	1991 £m
Raw materials	1,286	1,371
Change in stocks of finished goods and work in progress	(240)	474
Staff costs (Note 5)	2,209	2,403
Depreciation	331	306
Net provisions created (excluding pensions and deferred tax):		
In provisions for liabilities and charges	1,128	213
In investments, against the carrying value of DAF NV	20	-
In investments, other diminutions in value	5	-
In stocks and elsewhere	143	302
Other external charges	6,368	5,765
Other operating income	(209)	(176)
	11,050	10,658
Less net costs dealt with as:		
Exceptional items	(1,000)	(266)
Extraordinary items	-	(45)
	10,056	10,347

In prior years, the cost of sales note included the Group's share of results of associated undertakings; such results are now shown separately on the face of the profit and loss account. In addition, cost of sales has been presented in a revised form this year. Accordingly, the comparative cost of sales figure above has been restated from last year's published figure to reflect these changes in presentation.

Included within the above analysis are the following expenses:

	1992 £m	1991 £m
Operating lease charges:		
Plant and machinery	78	113
Other, including aircraft	162	157
Research, design and development:		
Company funded	151	104
Other	400	447
Training	74	90

The remuneration of the Auditors for the year ended 31st December, 1992 for audited work was £2,966,000 (1991 £2,875,000). In addition, £5,685,000 was paid in the United Kingdom to the Auditors in respect of non-audit work.

4 Interest

	1992 £m	1991 £m
Interest receivable and similar income	130	173
Interest payable and similar charges:		
On bank loans and overdrafts and other loans repayable within five years	(111)	(104)
On other loans	(143)	(125)
On finance leases	(15)	(23)
	(139)	(79)
Add back: Interest capitalised into development property	13	21
Net interest payable	(126)	(58)

In prior years, profit before interest included interest attributable to unexpended cash received on customers' account and customer stage payments. Such interest is now included within the interest line and, accordingly, the comparative interest figure above has been restated from last year's published figure to reflect this change in presentation.

5 Employees

The average weekly number of employees was as follows:

	1992 Number '000	1991 Number '000
Defence	40.2	46.7
Commercial aircraft	23.4	25.5
Motor vehicles	34.8	38.3
Property development	0.3	0.4
Construction	5.4	5.5
Other businesses and headquarters	4.6	6.8
	108.5	123.2

The number of employees at the end of the year was 102,500 (1991 115,700).

The aggregate payroll costs of the employees were:

	1992 £m	1991 £m
Wages and salaries	2,028	2,167
Social security costs	188	184
Other pension costs (Note 26)	(7)	52
	2,209	2,403

6 Directors

Emoluments

The emoluments, including pension contributions, of the Directors were as follows:

	1992 £'000	1991 £'000
Fees	160	192
Other emoluments	2,508	2,310
	2,668	2,502

Mr J C Cahill and Mr R L Kirk have waived their rights to receive Directors' fees; the waivers relate to future entitlement to Directors' fees as well as to those payable in 1992. Total fees waived during 1992 amounted to £25,000.

The emoluments of the Chairmen and highest paid Director, excluding pension contributions, were:

	1992 £	1991 £
Chairmen (see note (a) below)	439,318	297,703
Highest paid Director (see note (b) below)	406,191	339,110

(a) The emoluments of the Chairman from 1st January, 1992 to 30th April, 1992 were £78,673. The total emoluments of the Chairman paid by all subsidiaries in the Group for the worldwide services of the Chairman from 1st May, 1992 to 31st December, 1992 were £360,645.

(b) The emoluments of the highest paid Director in 1992 include a cash sum paid on appointment.

Two Directors received payments totalling £552,643 (1991 £194,469) in connection with the termination of their contracts. An amount of £452,400 (1991 £nil) was paid to a past Director relating to pensions.

The emoluments, excluding pension contributions, of the Chairmen and Directors fell within the following ranges:

£'000	1992 Number	1991 Number
0 to 5	—	1
5 to 10	—	1
10 to 15	1	1
15 to 20	2	1
20 to 25	—	1
25 to 30	1	—
55 to 60	1	—
80 to 85	1	—
100 to 105	1	—
150 to 155	—	1
155 to 160	1	—
160 to 165	—	1
165 to 170	1	—
190 to 195	1	—
205 to 210	—	1
235 to 240	—	1
240 to 245	—	1
245 to 250	—	1
255 to 260	—	1
260 to 265	1	—
290 to 295	1	—
305 to 310	—	1
335 to 340	—	1
345 to 350	1	—
360 to 365	1	—
405 to 410	1	—

The number of Directors shown above includes Directors who held office for only part of the year.

6 Directors continued

Transactions

Rover Group Holdings plc, a subsidiary of the Company, owns a half interest in a flat in London in which Sir Graham Day, a non-Executive Director of the Company, owns the remaining interest. The flat is occupied by Sir Graham without payment to Rover, but he has full responsibility for the maintenance and all outgoings. Sir Graham has an option to purchase Rover's interest in the property at full market value with vacant possession at the time the option is exercised. Sir Graham entered into this transaction prior to the acquisition of Rover in 1988. The Companies Act 1985 requires accounts to state the 'value' of any such arrangement and provides that, if such value cannot be expressed as a specific sum of money, it is deemed to exceed £100,000. The Directors consider that Sir Graham's rights over the property cannot be expressed as a specific sum of money; however, they believe the real value of this right during 1992 was less than £100,000.

On 14th August, 1992 the Company acquired the equity share capital of Cashhold Limited held by certain executives of Arlington Securities Plc, including Mr H R Mould (a Director of the Company from 1st January, 1991 until his resignation on 14th August, 1992), satisfied by the issue of £7,750,000 of Variable Rate Unsecured Guaranteed Loan Notes 1998. Mr Mould previously held 27.5% of the equity share capital of Cashhold Limited. Cashhold Limited owns 49.9% of the equity share capital of Arlington Estates Limited; the remaining equity share capital is owned directly by the Company. Arlington Estates Limited and the Company entered into a Property Development and Management Agreement on 18th July, 1989 (particulars of which were set out in the circular relating to the recommended offer by the Company for Arlington Securities Plc in July 1989), under which Arlington Estates Limited agreed, *inter alia*, to develop, manage and realise the property portfolio of Arlington Securies Plc and certain other development properties of the Group in return for an annual retainer and fees related to future profits realised on the property managed. The Property Development and Management Agreement has been terminated with effect from 15th August, 1992 and no payments in respect of fees relating to profits realised on the property managed have been or will be made.

At 31st December, 1992 there was an aggregate balance of £415,508 outstanding on house purchase loans made to or arranged for 10 officers to assist with their relocation at the Company's request.

Shareholdings

The interests of the Directors in the ordinary shares of the Company and the options granted to Directors to acquire ordinary shares in the Company were as follows:

Ordinary Shares of 10p each

	Shares		Share Options		
	At 1st January, 1992	At 31st December, 1992	At 1st January, 1992	At 31st December, 1992	Granted during 1992
J C Cahill	50,000*	100,000	-	-	-
Sir James Blyth	741	741	-	-	-
K C Brown	2,000	2,000	-	-	-
Sir Graham Day	1,627	1,627	-	-	-
R H Evans	10,992	32,492	305,696	305,696	-
S Gillibrand	3,000	9,000	199,326	200,310	984
R C Hampel	700	700	-	-	-
Lord Hollick	-	-	-	-	-
R L Kirk	-	25,000	-	48,543	48,543
R D Lapthorne	-*	28,500	-	553,398	553,398
G Simpson	3,558	11,058	176,682	177,666	984

*At date of appointment

Share options were granted to certain Directors on:

(a) 31st March, 1992 under the British Aerospace SAYE Share Option Scheme, exercisable at a subscription price of £2.97, normally in 1997; and

(b) 6th November, 1992 under the British Aerospace Executive Share Option Scheme, exercisable at a subscription price of £2.06, normally between 1995 and 2002.

There have been no changes in the interests of persons presently Directors of the Company between 31st December, 1992 and 23rd February, 1993.

7 Exceptional and Extraordinary Items

	1992 £m	1991 £m
Exceptional Items		
Reorganisation of Regional Aircraft activities	(1,000)	-
Loss on sale of investments	-	(16)
Provision for reorganisation and rationalisation costs	-	(250)
	(1,000)	(266)

The *reorganisation of Regional Aircraft activities* includes the provision for estimated costs associated with the financing arrangements of the existing BAe 146 regional aircraft fleet, costs related to operations with Avro International Aerospace Limited, costs of closure at Hatfield as one of the regional aircraft manufacturing sites and the costs of transfer of assembly of the Advanced Turboprop aircraft to Prestwick, site of the Jetstream aircraft operations, to form a combined turboprop activity. In view of the long term nature of these liabilities, the provision has been calculated on a net present value basis. A deferred tax asset of £250 million has been established in respect of these costs.

The £1,000 million provision has been dealt with in the Accounts as follows:

In provisions for liabilities and charges	830
In stocks	170
	1,000

The *loss on sale of investments* in 1991 arose from disposal of the Company's 24% stake in SD-Scicon plc. In accordance with then accepted accounting practice, no account was taken in the 1991 Accounts of goodwill written off against reserves on acquisition. Such goodwill is now required to be included in the calculation of profits on disposals, and accordingly £31 million of goodwill has been transferred from capital reserves and charged to the profit and loss account, reducing the profit of £15 million published in the 1991 Accounts to a loss of £16 million. There was no tax charge or credit arising from this disposal.

Extraordinary Item

The extraordinary item in 1991 was in respect of the closure costs of Sterling Motor Cars Inc following the announced withdrawal of Rover from the US motor car market.

8 Company Profit and Loss Account

In accordance with the provisions of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company only has not been presented. Of the consolidated loss after tax of £929 million (1991 loss of £163 million), a loss of £762 million (1991 profit £32 million) has been dealt with in the Accounts of the Company.

9 Tax

	1992 £m	1991 £m
UK corporation tax at 33% (1991 33.25%)		
Current year	-	-
Prior year	(50)	-
Deferred tax	(235)	15
Advance corporation tax	4	-
Overseas tax	9	10
Associated undertakings	-	1
	(272)	26

Included above is a deferred tax credit of £250 million (1991 deferred tax credit of £17 million) arising in respect of exceptional items (see Note 7). There is no UK corporation tax charge due to the availability of current year tax losses.

10 Dividends

	1992 £m	1991 £m
Interim 3p per ordinary share declared (1991 8.9p paid)	11	23
Final 4p per ordinary share proposed (1991 16.1p)	15	61
Preference dividends	21	21
	47	105

11 Earnings per Share

Earnings per share figures have been calculated on the basis of a weighted average number of shares in issue during the year of 377.4 million (1991 283.3 million) and the following earnings:

	1992 £m	1991 £m
(Loss)/profit before tax and exceptional items	(201)	154
Tax thereon	22	(43)
Minority interests	41	51
Preference dividends	(21)	(21)
(Loss)/profit before exceptional items attributable to ordinary shareholders	(159)	141
Exceptional items	(1,000)	(266)
Tax on exceptional items	250	17
Loss on ordinary activities attributable to ordinary shareholders	(909)	(108)

On the above basis the (loss)/earnings per share figures are:

	Before exceptional items 1992	Before exceptional items 1991	After exceptional items 1992	After exceptional items 1991
On net distribution basis	(42.1)p	49.8p	(240.9)p	(38.1)p

The comparative figures for earnings per share have been restated from last year's published figures following the revised treatment of goodwill on disposal of the Company's 24% stake in SD-Scicon plc in 1991 (see Note 7).

12 Fixed Assets – Tangible Assets

	Land and buildings Freehold	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings and equipment	Total
	£m	£m	£m	£m	£m
Group					
Cost or valuation					
At 1st January, 1992	1,474	150	2,946	1,146	5,716
Exchange adjustments	17	–	36	10	63
Reclassifications	14	(12)	6	(8)	–
Transfers to stocks	(55)	–	(32)	(3)	(90)
Additions	79	41	210	157	487
Disposals	(28)	(37)	(126)	(40)	(231)
Revaluations	(7)	(1)	–	–	(8)
Arising from acquisitions	1	–	6	1	8
At 31st December, 1992	1,495	141	3,046	1,263	5,945
Depreciation					
At 1st January, 1992	104	8	1,654	707	2,473
Exchange adjustments	–	1	16	6	23
Reclassifications	2	(2)	4	(4)	–
Transfers to stocks	(3)	–	(29)	–	(32)
Charge for the year	30	3	188	110	331
Disposals	(2)	(1)	(79)	(29)	(111)
Arising from acquisitions	–	–	3	1	4
At 31st December, 1992	131	9	1,757	791	2,688
Net book value					
At 31st December, 1992	1,364	132	1,289	472	3,257
At 31st December, 1991	1,370	142	1,292	439	3,243
The amounts at 31st December, 1992 include:					
Capitalised finance leases:					
Cost	–	–	310	326	636
Accumulated depreciation	–	–	172	266	438
Depreciation charge for the year	–	–	20	19	39
Short leaseholds	–	36	–	–	36
Assets let under operating leases:					
Cost	41	15	11	–	67
Accumulated depreciation	1	–	2	–	3
Non-depreciated assets:					
Investment properties	50	35	–	–	85
Assets in course of construction	21	–	114	75	210
Other assets, including land	219	6	1	–	226

12 Fixed Assets – Tangible Assets continued

	Land and buildings Freehold	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings and equipment	Total
	£m	£m	£m	£m	£m
Company					
Cost or valuation					
At 1st January, 1992	620	38	1,153	290	2,101
Reclassifications	21	(20)	3	(4)	–
Transfers to stocks	(3)	–	(4)	(3)	(10)
Additions	42	20	82	25	169
Disposals	(26)	–	(38)	(24)	(88)
Intra-group transfers	(1)	–	(15)	–	(16)
At 31st December, 1992	653	38	1,181	284	2,156
Depreciation					
At 1st January, 1992	31	3	548	186	768
Reclassifications	1	(1)	5	(5)	–
Transfers to stocks	–	–	(4)	(1)	(5)
Charge for the year	13	–	75	33	121
Disposals	(2)	–	(8)	(18)	(28)
Intra-group transfers	–	–	(2)	–	(2)
At 31st December, 1992	43	2	614	195	854
Net book value					
At 31st December, 1992	610	36	567	89	1,302
At 31st December, 1991	589	35	605	104	1,333
The amounts at 31st December, 1992 include:					
Capitalised finance leases:					
Cost	–	–	59	107	166
Accumulated depreciation	–	–	10	89	99
Depreciation charge for the year	–	–	4	10	14
Short leaseholds	–	29	–	–	29
Non-depreciated assets:					
Assets in course of construction	8	–	20	–	28
Other assets, including land	76	1	–	–	77

12 Fixed Assets – Tangible Assets continued

In prior years expenditure on jigs and tools arising on Company funded aircraft projects was carried forward in stocks and amortised by reference to an appropriate assessment of total sales, such expenditure is now capitalised into fixed assets and depreciated over its useful life.

Accordingly, plant and machinery for the Group and Company at 1st January, 1992 includes £484 million in cost or valuation and £231 million in depreciation which was previously held in stocks.

Capital expenditure not provided for in the Accounts comprised:

	Group		Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Firm orders	101	105	28	20
Items approved but not ordered	217	308	33	20
	318	413	61	40

Land and buildings comprised:

Assets of the Company included at Directors' valuations at 31st December, 1984 or at 31st December, 1988, taking account of independent professional advice, on the basis of open market value for existing use or depreciated replacement cost, as appropriate; or, in the case of subsequent additions, at cost;

Assets owned by subsidiary undertakings acquired since 1984 which are included at fair value at the date of acquisition; and

Investment properties included at Directors' open market valuation, following review by the Group's professionally qualified staff, at 31st December, 1992.

Analysis of cost or valuation of land and buildings

	Group	Company
	£m	£m
Land and buildings at 31st December, 1992		
At valuation – 1984	2	2
At valuation – 1988	453	444
Investment properties	85	-
At cost/fair value at acquisition	1,096	245
	1,636	691

Buildings are depreciated over 40 years, or the lease term if shorter. Other fixed assets are depreciated over 4 to 15 years.

If land and buildings had not been revalued, the following amounts would have been included in the balance sheet:

	Group	Company
	£m	£m
Historic cost	1,447	503
Depreciation	(154)	(82)
Net book value		
At 31st December, 1992	1,293	421
At 31st December, 1991	1,310	418

The depreciation charge for the year, based on the historic cost, would have been £28 million for the Group (1991 £21 million).

13 Fixed Assets – Investments

	Investments £m	Associated undertakings £m	Total £m
Group			
Cost or carrying value			
At 1st January, 1992	252	171	423
Exchange adjustments	4	4	8
Goodwill adjustment	–	(10)	(10)
Provisions against diminution in value	(41)	–	(41)
Additions	1	48	49
Disposals	–	(1)	(1)
Transfers	(21)	15	(6)
At 31st December 1992	195	227	422
Retained profits			
At 1st January, 1992		7	7
Exchange adjustments		(4)	(4)
Share of retained losses for the year		–	–
Transfers		6	6
At 31st December, 1992		9	9
Net book value			
At 31st December, 1992	195	236	431
At 31st December, 1991	252	178	430

	Subsidiary undertakings £m	Investments £m	Associated undertakings £m	Total £m
Company				
Cost or carrying value				
At 1st January, 1992	1,131	3	51	1,185
Exchange adjustments	5	–	–	5
Provisions against diminution in value	(137)	(2)	(3)	(142)
Additions	174	1	4	179
Disposals	(9)	–	(1)	(10)
Transfers	–	13	(13)	–
At 31st December, 1992	1,164	15	38	1,217
Loans from subsidiaries				
At 1st January, 1992	(187)			(187)
At 31st December, 1992	(187)			(187)
Net book value				
At 31st December, 1992	977	15	38	1,030
At 31st December, 1991	944	3	51	998

Included in investments for the Group in 1991 are those listed on the UK Stock Exchange at carrying value £36 million (market value £31 million). In 1992 all such listed investments have been fully provided for in the Group and therefore have a nil carrying value. The market value of these listed investments is also nil for 1992.

13 Fixed Assets – Investments continued

Included in subsidiary undertakings is the Company's interest in non-trading subsidiaries whose assets comprise loans to the Company totalling £187 million which have been offset against the cost of the Company's investment.

Included within investments is an investment in 20% of the ordinary share capital of Honda of the UK Manufacturing Limited, a company registered in England and Wales. This is held within investments in view of the contractual restriction on the Group's ability to influence the management of that company. The latest published accounts available for Honda of the UK Manufacturing Limited are for the year ended 31st March, 1992 and show aggregate capital and reserves of £250 million and a retained loss for the year of £84,000.

Included in the diminution in value of investments of the Group is £36 million which represents full provision against the carrying value of the Group's investment in DAF NV

The principal subsidiary and associated undertakings contributing to the Group's results at 31st December, 1992, all of which are directly owned by the Company, except where indicated, were as follows:

	Country of incorporation and principal operation	Issued share capital		Proportion held	
		Ordinary	Preferred	Ordinary	Preferred
Principal subsidiary undertakings					
Arlington Property Developments Limited Business park developer	England	£55m		100%	
Arlington Securities Plc Property investment and development	England	£11m	£25m	100%	100%
Ballast Nedam BV International construction	Holland	DFl 126m		100%	
British Aerospace Inc Marketing, product support and financing activities	USA	US$53m		100%	
Corporate Jets Limited Manufacturer of corporate aircraft	England	£1,000		100%	
Rover Group Limited Manufacturer of motor vehicles *(Held by Rover Group Holdings plc)*	England	£520m		80%	
Royal Ordnance plc Manufacture of ammunition and weapon systems	England	£60m		100%	
British Aerospace Space Systems Limited Manufacturer of space systems *(Held by British Aerospace Space and Communications Limited)*	England	£20m		100%	
Principal associated undertakings					
Burwood House Group PLC Retail property investment and development *(Ordinary shares held by Arlington Securities Plc)*	England	£150m	£51m	50%	50%

A fuller list of investments appears on page 46.

14 Stocks

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Raw materials and consumables	180	159	128	104
Work in progress	4,105	3,877	3,564	3,214
Finished goods and goods for resale	754	740	168	130
Development properties	582	341	290	202
Progress payments	(2,173)	(1,966)	(2,075)	(1,506)
	3,448	3,151	2,065	2,144

Included within work in progress for the Group and Company are unamortised launch costs relating to programmes supported by launch aid of £500 million (1991 £548 million) and net costs less foreseeable losses on long term contracts of £549 million for the Group (1991 £717 million) and £250 million for the Company (1991 £275 million). The payments on account applicable to these contracts and included within progress payments are £486 million for the Group (1991 £654 million) and £220 million for the Company (1991 £209 million).

Development properties for the Group include capitalised interest of £39 million (1991 £30 million) and rationalisation costs of £303 million for the Group (1991 £178 million) and £280 million for the Company (1991 £186 million). These rationalisation costs are after deducting provisions of £350 million (1991 £350 million) for the Group and £174 million (1991 £174 million) for the Company.

15 Debtors

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Due within one year				
Trade debtors	1,115	1,186	524	495
Amounts owed by subsidiary undertakings	–	–	606	513
Amounts owed by associated undertakings	27	47	2	3
Other debtors	504	245	255	142
Prepayments and accrued income	62	111	22	52
	1,708	1,589	1,409	1,205

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Due after one year				
Trade debtors	74	29	54	24
Amounts owed by subsidiary undertaking	–	–	140	–
Amounts owed by associated undertakings	28	18	5	–
Deferred tax (Note 21)	250	–	250	–
Other debtors	49	35	–	2
	401	82	449	26
	2,109	1,671	1,858	1,231

Included within trade debtors due within one year are amounts recoverable on long term contracts of £60 million for the Group (1991 £71 million) and £60 million for the Company (1991 £70 million). Included within other debtors falling due after more than one year for the Group is £26 million (1991 £16 million) in respect of prepaid pension contributions.

16 Current Assets – Investments

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Fixed interest Government securities	–	18	–	18
Commercial paper and repurchase agreements	174	288	20	205
Term deposits with banks and building societies	1,043	1,015	965	826
Other securities	38	171	–	157
	1,255	1,492	985	1,206

17 Loans and Overdrafts

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Due within one year				
Bank loans and overdrafts	293	256	113	73
European Investment Bank loan (secured)	5	5	–	–
US$ 9.038% bank loan	4	–	–	–
Obligations under finance leases	40	53	11	15
	342	314	124	88

The bank loans and overdrafts for Group and Company include £24 million (1991 £22 million) secured by charges on assets.

17 Loans and Overdrafts continued

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Due after one year				
Commercial paper	46	83	46	83
European Investment Bank loan, final instalment 2009 (secured)	340	345	–	–
Medium term notes	248	32	–	–
US$ 8% Eurobond, repayable 1997	235	–	–	–
Euro-Sterling 11¾% bond, repayable 2008	150	150	150	150
Euro-Sterling 10¾% bond, repayable 2014	100	100	100	100
Private Placement 10.15% loan, repayable 2000	64	57	–	–
Schuldschein 9.2% bond, repayable 2000	34	34	–	–
US$9.038% bank loan, repayable 1993 to 1996	12	16	–	–
Other loans	9	68	5	58
Obligations under finance leases	148	151	69	65
	1,386	1,036	370	456

In 1991, other loans to the Group included £24 million secured by fixed charges.

Commercial paper with a maximum period to maturity of 365 days is included in loans falling due after one year as it is the intention to issue further paper on maturity or to re-finance the borrowings through undrawn committed medium term bank facilities.

Euro-Dollar and Sterling commercial paper are at variable market rates of interest and at 31st December, 1992 averaged 3.5% and 10.2% respectively. The European Investment Bank loan is at fixed rates of interest, with a weighted average of 10.0% and is secured against net amounts payable by Airbus Industrie to the Group. The medium term notes are at rates of interest between 7.1% and 9.3% and are repayable between 1997 and 2001. Other loans, which include borrowings denominated in foreign currencies, are at variable rates of interest, between 2.0% and 12.0%.

The above loans and overdrafts are repayable as follows:

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
In one year or less	342	314	124	88
Between one and two years	93	107	52	69
Between two and five years	526	233	23	95
In later years	767	696	295	292
	1,728	1,350	494	544

In the case of loans drawn under committed revolving credit facilities, the date of repayment shown above is the date of the expiry of the facility. In the case of commercial paper, the date of repayment is the date of expiry of the committed revolving credit facility which supports the programme.

18 Creditors

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Due within one year				
Trade creditors	1,635	1,993	930	1,295
Customer stage payments	334	335	255	221
Cash received on customers' account	166	360	131	339
Launch aid	32	41	32	41
Amounts owed to subsidiary undertakings	–	–	1,189	1,227
Amounts owed by associated undertakings	33	106	–	1
Corporation tax	31	98	18	62
Other taxes and social security costs	170	173	63	42
Dividends	36	71	36	71
Other creditors	339	261	108	130
Accruals and deferred income	1,275	770	549	184
	4,051	4,208	3,311	3,613
Due after one year				
Trade creditors	1,116	379	1,116	377
Customer stage payments	–	65	–	–
Launch aid	524	527	524	527
Other creditors	28	13	15	7
Accruals and deferred income	35	49	–	2
	1,703	1,033	1,655	913

Included within trade creditors falling due within one year are payments on account received in respect of long term contracts of £48 million for the Group (1991 £12 million) and £48 million for the Company (1991 £3 million).

19 Provisions for Liabilities and Charges

	Deferred tax	Pensions	Contract contingencies and losses	Warranties and after-sales service	Closure and reorganisation costs	Recourse and other	Total
	£m	£m	£m	£m	£m	£m	£m
	Note 21	Note 26					
Group							
At 1st January, 1992	22	163	46	164	49	169	613
Provisions created	7	–	19	84	664	378	1,152
Provisions released	(4)	(25)	(11)	(5)	–	(1)	(46)
Expenditure charged against provisions	–	–	(12)	(98)	(134)	(97)	(341)
Other provision movements	–	10	(2)	4	1	(9)	4
At 31st December, 1992	25	148	40	149	580	440	1,382
Company							
At 1st January, 1992	15	126	20	65	10	128	364
Provisions created	5	–	11	4	660	370	1,050
Provisions released	–	(6)	(5)	(4)	–	(12)	(27)
Expenditure charged against provisions	–	–	(1)	(20)	(125)	(105)	(251)
Other provision movements	–	5	(2)	–	–	4	7
At 31st December, 1992	20	125	23	45	545	385	1,143

20 Operating Lease Commitments and Contingent Liabilities

Commercial aircraft sales are frequently subject to the arrangement of finance (including lease finance) on extended terms provided either by the manufacturer or by third parties, where the terms may involve recourse to the manufacturer. In circumstances where the Company has itself arranged the finance, generally by selling the aircraft to a third party lessor and leasing it back under an operating lease prior to entering into a sub-lease with an operator, an obligation to pay head lease rent is created. Where the term of the head lease is longer than that of the sub-lease, or where the sub-lease rentals are less than the head lease rentals, the total head lease payments will exceed those due under the sub-lease, thus creating a net operating lease commitment.

Operating lease commitments falling due after 31st December, 1992 are as follows:

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Total commitments under Commercial aircraft and other head leases expiring:				
In one year or less	197	173	55	45
Between one and five years	701	552	191	152
In later years	1,297	1,114	414	331
	2,195	1,839	660	528

Property lease rentals, which are not included above, payable by the Group and Company during 1993 on lease commitments expiring after more than 5 years are £14 million.

The Group and Company also have liabilities in relation to certain similar operating leases in respect of which Airbus Industrie is the obligor.

The future rentals receivable in respect of committed sub-leases, all of which relate to Commercial aircraft, are as follows:

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Total rentals receivable in respect of sub-leases expiring:				
In one year or less	117	95	35	32
In later years	587	542	219	206
	704	637	254	238

The net exposure of the Group and Company, after deducting the estimated realisable value of the relevant aircraft and provisions, to the above obligations which would have arisen upon the termination of all head and sub-leases at 31st December, 1992 was £180 million (1991 £348 million).

In circumstances where Commercial aircraft finance has been provided by a third party, with recourse to the Company in the event of a customer default, a contingent liability is created. These liabilities amounted to £242 million (1991 £98 million) after deducting the estimated realisable value of the relevant aircraft and provisions.

The Group's involvement in the property development and construction business gives rise to a contingent liability in respect of obligations relating to partnerships and joint ventures of £83 million (1991 £116 million).

The Group's investment in the Orionsat project gives rise to gross contingent liabilities of £115 million (1991 £100 million). The Directors are of the opinion that the current market value of such satellite capacity is in excess of the value of the guarantees, if called.

The Company has provided bank guarantees of £60 million (1991 £25 million) arising from the Company's investment in Hutchison Telecommunications (UK) Limited.

Under new and used vehicles sales agreements concluded during the year, Rover Group Limited has provided guarantees amounting to a maximum of £70 million (1991 £nil).

21 Deferred Tax

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Accelerated capital allowances and other timing differences	85	70	80	63
Advance corporation tax recoverable	(60)	(48)	(60)	(48)
Provision for liabilities and charges (Note 19)	25	22	20	15
Reorganisation costs deferred tax asset (Note 15)	(250)	-	(250)	-
Deferred tax (recoverable)/payable	(225)	22	(230)	15

The *reorganisation costs* deferred tax asset of £250 million has been established in respect of costs arising in respect of the reorganisation of the Company's Regional Aircraft activities.

Deferred tax is provided in respect of the expected surplus on site disposals and other timing differences to the extent that a liability is expected to crystallise. In respect of the other components of deferred tax, the potential liability does not exceed the amount provided.

22 Share Capital

	Special share of £1	Ordinary shares m	Preference shares of 25p each m	Nominal value £m
Authorised				
At 1st January, 1992	1	545	275	341
Reduction of capital	–	–	–	(218)
At 31st December, 1992	1	545	275	123
Issued and fully paid				
At 1st January, 1992	1	377	270	256
Reduction of capital	–	–	–	(151)
At 31st December, 1992	1	377	270	105

Following shareholder approval on 19th October, 1992 at separate class meetings of the preference and ordinary shareholders and at an Extraordinary General Meeting of the same date and subsequent approval by the Court on 12th November, 1992, the Company reduced its capital by cancelling paid up capital to the extent of 40p on each of the issued ordinary shares of 50p and reducing the nominal value of each of the ordinary shares both issued and unissued to 10p. The purpose of this reduction in capital is set out more fully in Note 23 below.

The 7.75p (net) cumulative redeemable preference shares of 25p each are convertible into ordinary shares of 10p each at the option of the holder on 31st May in any of the years 1992 to 2007 inclusive, on the basis of 0.11976 ordinary shares for every preference share. The first opportunity for preference shareholders to elect to convert their shares occurred on 31st May, 1992 when 24,736 preference shares were converted for 2,962 ordinary shares.

The Company may redeem all of the remaining preference shares any time after 1st July, 2007 and, in any case, will redeem any remaining shares on 1st January, 2010, in each case at 100p per share together with any arrears and accruals of dividend.

Under the British Aerospace SAYE Share Option Scheme for employees, options to purchase ordinary shares of 10p each are exercisable normally on completion of the related five year savings contracts. No options under this scheme were exercised during the year.

The number of options outstanding at 31st December, 1992, together with their exercise prices, was as follows:

	Exercise price	Lapsed during the year '000	Outstanding '000
Granted			
1987	£5.56	2,589	–
1989	£5.81	1,286	2,519
1992	£2.97	267	5,697
		4,142	8,216

Under the British Aerospace Executive Share Option Scheme, options to purchase ordinary shares of 10p each are exercisable not later than ten years and normally not earlier than three years from the date of the grant. No options under this scheme were exercised during the year.

The number of options outstanding at 31st December, 1992, together with their exercise prices, was as follows:

	Exercise price	Lapsed during the year '000	Outstanding '000
Granted			
1985	£3.79	–	58
1986	£5.78	45	85
1987 (April)	£6.23	103	118
1987 (October)	£4.83	1	37
1988	£3.99	160	224
1989 (April)	£5.55	8	267
1989 (October)	£6.45	53	584
1990 (April)	£4.94	45	814
1990 (April)	£5.11	–	140
1990 (October)	£5.57	27	26
1991	£6.05	81	412
1992 (March)	£3.07	31	2,233
1992 (November)	£2.06	–	880
		554	5,878

23 Reserves

	Share premium £m	Revaluation reserve £m	Capital reserve £m	Special reserve £m	Profit and loss account £m
Group					
At 1st January, 1992	616	230	840	–	553
Loss for the year	–	–	–	–	(935)
Exchange adjustment	–	–	–	–	34
Goodwill written off	–	–	(12)	–	–
Transfers	–	–	(6)	4	2
Reduction of capital	(599)	–	–	–	750
Other	–	(5)	(2)	–	3
At 31st December, 1992	17	225	820	4	407
Company					
At 1st January, 1992	616	230	105	–	148
Loss for the year	–	–	–	–	(809)
Transfers	–	–	(6)	4	2
Reduction of capital	(599)	–	–	–	750
Other	–	(5)	(7)	–	(4)
At 31st December, 1992	17	225	92	4	87

Following shareholder approval on 19th October, 1992 at separate class meetings of the preference and ordinary shareholders and at an Extraordinary General Meeting of the same date and subsequent approval by the Court on 12th November, 1992, the Company reduced its capital by £750 million. This was achieved by cancelling £151 million of the paid up ordinary share capital, as noted above in Note 22, and cancelling £599 million of the share premium account.

The reduction was made to eliminate the deficit on the profit and loss account following provision for costs arising from the reorganisation of the Company's Regional Aircraft activities, as set out in Note 7 above. If this deficit had not been eliminated no dividends could have been declared on either ordinary or preference shares until the Company had generated distributable reserves in excess of such deficit.

In order to obtain the sanction of the Court, the Company undertook to provide protection to its creditors by establishing a Special Reserve. The Special Reserve will be available for the purposes of capitalisation issues and, to the extent that share capital is issued for new consideration, will be released to distributable reserves. Otherwise, it will not be available for distribution until the creditors of the Company at the effective date, 12th November, 1992, have been paid or agreed otherwise.

The Company has agreed to credit the Special Reserve with the £4 million credit balance on the profit and loss account at 30th June, 1992 and any amount by which the Regional Aircraft reorganisation provision proves to exceed the actual costs incurred in that reorganisation.

Furthermore, the Company will credit to the Special Reserve any profit realised on any asset of the Company to the extent of the difference between the book value and the actual value of such an asset at 30th June, 1992 and any dividend paid to the Company out of the retained profits as at 30th June, 1992 of any subsidiary or associated company unless it is applied in writing down the book value of such company.

The cumulative capital reserves arising on acquisition is £866 million (1991 £866 million); the cumulative amount of premiums arising on acquisition is £111 million (1991 £99 million).

Goodwill written off comprises £10 million in respect of the Group's 50% investment in BAeSEMA Limited and £2 million in respect of others.

24 Statutory Reserve

Following the issue on 2nd January, 1981 of fully paid ordinary shares in the Company to HM Government under Section 3 of the British Aerospace Act 1980, the balance of the former investment held by HM Government in British Aerospace was designated as 'the statutory reserve' in accordance with Section 4 of the Act. This reserve may only be applied in paying up unissued shares of the Company to be allotted to members of the Company as fully paid bonus shares.

25 Minority Interests

	1992 £m	1991 £m
150 shares of Auction Preferred Stock of US$1 million each in British Aerospace Capital Corporation Inc (redeemable at the option of the Company between 15 and 45 days after notice)	99	80
104 million £1 ordinary shares in Rover Group Ltd	129	173
21 million £1 'B' ordinary shares in Liverpool Airport plc	8	8
Other	2	6
	238	267

26 Pension Schemes

The Group operates several pension schemes in the UK and overseas. The principal schemes listed below cover 90% of the relevant employees and are funded defined benefits schemes managed by trustees and valued by independent actuaries.

	Latest valuation date	Asset funding level	Estimated service life remaining in years
British Aerospace Pension Scheme	April 1991	115%	10
Rover Group Pension Scheme	April 1991	125%	9.5
Royal Ordnance Pension Scheme	December 1989	164%	13

The British Aerospace scheme uses the defined accrued benefit valuation method whilst the Royal Ordnance and Rover schemes use the projected unit method. The aggregate market valuations show net assets of £4,100 million representing a surplus of assets over accrued pension liabilities of some £800 million.

The principal actuarial assumption used for the valuations was that, over the long term, the annual rate of return on investments would be 2% higher than the annual increase in pensionable remuneration for the British Aerospace and Rover schemes, both valued in April 1991, and 2.5% higher for the Royal Ordnance scheme, valued in December 1989. The assumptions used for the rate of return on investments in excess of the annual increase in RPI were 3.5% higher for the British Aerospace scheme, 4% higher for the Royal Ordnance scheme and 4.5% higher for the Rover scheme.

Part of the surplus is being used to improve pension benefits with the balance in each scheme being amortised over the estimated remaining service lives of the scheme members to reduce the future pension charges to the profit and loss account. The basis of amortisation for the main pension schemes has been standardised in 1992. The effect of the standardisation has been to reduce pension costs by £59 million compared with that calculated on the 1991 basis. Accordingly, the pension credit for the year was £7 million (1991 charge £52 million). The difference between the accumulated charge and payments made to the schemes is dealt with in provisions for liabilities and charges and debtors as appropriate.

27 Consolidated Cash Flow

The consolidated cash flow statement has been prepared in accordance with FRS1 and the following definitions:

Cash Cash in hand and deposits repayable on demand.

Cash equivalents Short term investments, which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less loans and overdrafts repayable within three months from the date of advance.

In addition to showing the net movement in cash and cash equivalents, the cash flow has been extended to show the movement in *net liquid funds* and *net debt*.

These terms have been defined by the Company as follows:

Net liquid funds Current asset investments plus cash at bank and in hand less short and long term loans and overdrafts.

Net cash/(debt) Net liquid funds excluding cash on customers' account.

Cash on customers' account Unexpended cash received from customers in advance of delivery which is subject to advance payment guarantees.

On the above basis, the Group's net liquid funds at 31st December, 1992 comprise:

	Cash and cash equivalents £m	Non-cash equivalents £m	Net liquid funds £m	*Cash on customers' account £m*
Current assets				
Investments	1,196	59	1,255	–
Cash at bank and in hand	382	–	382	–
Current liabilities				
Loans and overdrafts	(190)	(152)	(342)	–
Creditors	–	–	–	*166*
Liabilities falling due after one year				
Loans	–	(1,386)	(1,386)	–
At 31st December, 1992	1,388	(1,479)	(91)	*166*
At 31st December, 1991	1,382	(1,059)	323	*360*
Increase/(decrease)	6	(420)	(414)	*(194)*

28 Net Cash Inflow/(Outflow) from Operating Activities

	1992 £m	1991 £m
(Loss)/profit before interest	(75)	212
Depreciation	331	306
Movement in provisions for liabilities and charges (excluding deferred tax)	769	(54)
Loss/(profit) on disposal and provisions against fixed assets	34	(24)
Other	(10)	21
(Increase)/decrease in working capital:		
Stock	(256)	164
Debtors	(218)	(375)
Creditors	625	(46)
	1,200	204
Exceptional items (see Note 7)	(1,000)	(266)
Extraordinary closure costs (see Note 7)	–	(45)
	200	(107)

29 Purchase and Disposal of Subsidiary Undertakings

The aggregate fair value balance sheet of subsidiary undertakings acquired during the year is as follows:

	1992 £m	1991 £m
Fair value of net assets acquired		
Fixed assets	4	33
Non-cash equivalent working capital	(4)	19
Cash and cash equivalent current liabilities	–	(31)
Provisions for liabilities and charges	–	(41)
	–	(20)
Goodwill	1	34
	1	14
Consideration satisfied by		
Cash	1	14

The net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings is as follows:

	1992 £m	1991 £m
Cash consideration paid	(1)	(14)
Cash and cash equivalent current liabilities acquired	–	(31)
	(1)	(45)

The aggregate balance sheet of subsidiary undertakings disposed of during the year is as follows:

	1992 £m	1991 £m
Net assets disposed of		
Fixed assets	9	2
Non-cash equivalent working capital	12	(1)
Cash and cash equivalent current liabilities	–	(1)
Provisions for liabilities and charges	(3)	–
	18	–
Loss on disposal	(1)	–
	17	–
Consideration received		
Cash	12	–
Other	5	–
	17	–

The net inflow of cash and cash equivalents in respect of the disposal of subsidiary undertakings is as follows:

	1992 £m	1991 £m
Cash consideration received	12	–
Cash and cash equivalent current liabilities disposed of	–	1
	12	1

30 Sale of Non-Cash Equivalent Current Assets

	1992 £m	1991 £m	Sale of non-cash equivalent current assets £m
Non-cash equivalent current asset investments:			
Fixed interest Government securities	–	18	18
Commercial paper and repurchase agreements	–	18	18
Term deposits with banks and building societies	21	105	84
Other securities	38	34	(4)
	59	175	116

31 Analysis of Changes in Finance During the Year

	Share capital and premium £m	Minority interests £m	Non-cash equivalent loans and overdrafts £m	Total finance £m
At 1st January, 1992	872	267	1,234	2,373
Net cash inflow from financing	–	16	304	320
Share of loss for the year	–	(41)	–	(41)
Purchase of minority interests	–	(4)	–	(4)
Capital reduction	(750)	–	–	(750)
At 31st December, 1992	122	238	1,538	1,898

32 Net Increase in Cash and Cash Equivalents

	1992 £m	1991 £m	Increase/(decrease) £m
Cash at bank and in hand	382	181	201
Cash equivalent current assets/(liabilities) included within:			
Commercial paper and repurchase agreements	174	270	(96)
Term deposits with banks and building societies	1,021	910	111
Other securities	1	137	(136)
Bank loans and overdrafts due within one year	(190)	(116)	(74)
	1,388	1,382	6

33 Net Increase in Net Debt

	1992 £m	1991 £m
Operating cash flows		
Operating (loss)/profit	(81)	215
Exceptional items	(1,000)	(266)
Extraordinary item	–	(45)
Movement in provisions for liabilities and charges (excluding deferred tax)	769	(54)
Net capital expenditure	(410)	(568)
Depreciation	331	306
Customer stage payments	(66)	(956)
Other working capital items	441	496
	(16)	(872)
Other sources and applications		
Net interest paid	(100)	(16)
Net tax and dividends paid	(124)	(132)
Other items (1991 includes proceeds from rights issue)	20	435
Net increase in net debt	(220)	(585)

Auditors' Report

Report of the Auditors to the members of British Aerospace Public Limited Company.

We have audited the Accounts on pages 22 to 45 in accordance with Auditing Standards.

In our opinion the Accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1992 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

Chartered Accountants

Registered Auditors

London

23rd February, 1993

Subsidiaries and Investments

	Country of Incorporation
Airbus Industrie GIE (20%)	France
Arab British Dynamics Co (30%)	Egypt
Arlington Property Developments Ltd	UK
Arlington Securities Plc	UK
Asia Pacific Training and Simulation Ltd (63%)	Singapore
Avro International Aerospace Ltd (50%)	UK
BAe Finance BV	Holland
BAeSEMA Ltd (50%)	UK
Ballast Nedam BV	Holland
Ballast Nedam Civil Engineering Ltd	UK
Ballast Nedam Construction Ltd	UK
British Aerospace Australia (Holdings) Ltd	Australia
British Aerospace Australia Ltd	Australia
British Aerospace Airbus Ltd	UK
British Aerospace (Canada) Ltd	Canada
British Aerospace (Consultancy Services) Ltd	UK
British Aerospace Defence Ltd	UK
British Aerospace Flying College Ltd	UK
British Aerospace Inc	USA
Asia Pacific Space and Communications Ltd (44%)	USA
Land Rover North America Inc	USA
Reflectone Inc (53%)	USA
British Aerospace International Ltd	UK
British Aerospace (Liverpool Airport) Ltd	UK
Liverpool Airport plc (76%)+	UK
British Aerospace Regional Aircraft Ltd	UK
British Aerospace Simulation Ltd	UK

	Country of Incorporation
British Aerospace Space Systems Ltd	UK
National Remote Sensing Centre Ltd (56%)	UK
British Aerospace (Systems and Equipment) Ltd	UK
Corporate Jets Ltd	UK
Eurofighter Jagdflugzeug GmbH (33%)	Germany
Hutchison Telecommunications (UK) Ltd (30%)	UK
Jetstream Holdings Ltd	UK
Jetstream Aircraft Ltd	UK
Kelsey Instruments Ltd (49%)	UK
Nanoquest Defence Products Ltd	UK
Panavia Aircraft GmbH (42.5%)	Germany
Royal Ordnance plc	UK
Royal Ordnance Speciality Metals (ROSM) Ltd	UK
Heckler & Koch GmbH	Germany
Muiden Chemie International BV	Holland
Rover Group Holdings plc	UK
Rover Group Ltd (80%)	UK
Honda of the UK Manufacturing Ltd (20%)	UK
Rover Finance Holdings Ltd (49.9%)	UK
UGC Ltd (20%)	UK
RWT Ltd	UK
Satcom International GIE (50%)	France
SEPECAT SA (50%)	France
Singapore British Engineering Pte Ltd (40%)	Singapore
Spitfire Insurance Ltd	Isle of Man
Steinheil Optronik GmbH	Germany
The Burwood House Group Plc (50%)+	UK

+Percentage holding indicates percentage of voting shares and not the percentage of issued share capital.

The above list does not represent a full list of subsidiaries and investments. All holdings represent 100% of ordinary share capital, except where otherwise stated. Holdings held via subsidiaries are indicated by indentation.

Five Year Summary

	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
Profit and Loss Account					
Sales					
Defence	4,003	4,266	4,635	3,844	3,160
Commercial aircraft	1,465	1,667	1,579	1,395	998
Motor vehicles	3,704	3,744	3,785	3,430	3,224*
Property development	88	291	46	141	67
Construction	792	781	674	406	390
Other businesses and headquarters	332	363	302	240	167
Intra-group	(407)	(550)	(481)	(371)	(254)
	9,977	10,562	10,540	9,085	7,752*

*Includes pre-acquisition sales of £2,046m at Rover.

	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
(Loss)/profit before interest					
Defence	352	371	247	234	176
Commercial aircraft	(337)	(37)	14	(12)	(94)
Motor vehicles	(49)	(52)	65	73	71†
Property development	(2)	(24)	(8)	29	23
Construction	14	28	19	23	19
Other businesses and headquarters	(53)	(74)	(50)	(15)	75
	(75)	212	287	332	270†

†Includes pre-acquisition profits of £21m at Rover. These profits are excluded from the analysis below.

	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
Operating (loss)/profit	(81)	215	284	320	237
Associated undertakings	6	(3)	3	12	12
(Loss)/profit before interest	(75)	212	287	332	249
Interest	(126)	(58)	113	(39)	10
(Loss)/profit before tax on ordinary activities	(201)	154	400	293	259
Exceptional items	(1,000)	(266)	(24)	40	—
Tax	272	(26)	(98)	(95)	(88)
Extraordinary item	–	(45)	—	—	—
(Loss)/profit after tax	(929)	(183)	278	238	171
Balance Sheet					
Fixed assets	3,688	3,073	3,425	3,063	2,604
Stocks	3,448	3,151	3,274	2,805	2,347
Creditors less debtors	(3,479)	(3,210)	(3,746)	(3,572)	(2,168)
Net (debt)/cash *excludes cash on customers' account*	(257)	(37)	548	1,003	185
Provisions for liabilities and charges	(1,382)	(613)	(645)	(799)	(741)
Capital and reserves	2,018	2,364	2,856	2,500	2,227
Minority interests	(238)	(267)	(322)	(120)	(29)
Shareholders' funds	1,780	2,097	2,534	2,380	2,198
Cash on customers' account	166	360	163	139	30
Other Information					
(Loss)/earnings per share:					
before exceptional items	(42.1)p	49.8p	96.7p	62.4p	61.1p
after exceptional items	(240.9)p	(38.1)p	91.4p	81.6p	61.1p
Dividend per ordinary share	7.0p	25.0p	25.0p	22.7p	20.6p
Employee numbers at year end	102,500	115,700	129,100	125,600	131,600
Depreciation charge for the year	331	306	311	280	221
Capital expenditure *including leased assets*	487	700	647	843	447
Sales per year end employee	£97,300	£91,300	£81,600	£72,300	£58,900

The above has been restated to reflect the presentational changes set out in the Introduction to the Accounts on page 21.

Shareholder Information

Analysis of Share Register at 31st December, 1992	Ordinary shares of 10p				Preference shares of 25p			
	Accounts		Shares		Accounts		Shares	
	Number '000	%	Number million	%	Number '000	%	Number million	%
By category of shareholder								
Individuals	86.0	87.1	28.1	7.4	5.0	53.9	46.5	17.2
Banks	0.5	0.5	0.5	0.2	—	0.2	0.3	0.1
Nominee companies	4.4	4.4	282.8	74.9	2.2	23.4	178.9	66.3
Insurance and pension funds	0.1	0.1	27.5	7.3	0.1	0.6	8.0	2.9
Other	7.9	7.9	38.5	10.2	2.1	21.9	36.4	13.5
	98.9	100.0	377.4	100.0	9.4	100.0	270.1	100.0
By size of holding								
1–999	87.6	88.6	15.7	4.2	0.1	1.6	0.1	-
1,000–9,999	10.0	10.1	20.4	5.4	7.3	77.9	31.5	11.7
10,000–99,999	0.9	0.9	26.7	7.1	1.7	18.0	30.4	11.3
100,000–999,999	0.3	0.3	100.4	26.6	0.2	1.9	53.7	19.9
1,000,000 and over	0.1	0.1	214.2	56.7	0.1	0.6	154.4	57.1
	98.9	100.0	377.4	100.0	9.4	100.0	270.1	100.0

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Registration Number 1470151 (Registered in England & Wales)

Financial Calendar

Financial year end	31st December
1992 final ordinary dividend payable	1st June, 1993
1993 half yearly preference dividend payable	1st July, 1993
1993 interim results announcement	September 1993
1993 interim ordinary dividend payable	November 1993
1993 half yearly preference dividend payable	3rd January, 1994
1993 full year results: preliminary announcement	February 1994
report and accounts	March 1994
1993 final ordinary dividend payable	June 1994

Annual General Meeting

The thirteenth Annual General Meeting of British Aerospace Public Limited Company will be held at the Royal Lancaster Hotel, London on Tuesday 27th April, 1993 at 2.30pm. The Notice of Meeting, together with explanatory notes, is being circulated to shareholders with this Report.

In the 1991 Annual Report the term 'Delta Airlines subsidiary' was used in a caption to a Business Express artist's impression. Business Express is not a subsidiary of Delta Airlines, but does operate subsidiary services, acting as a connector or feeder airline.