

# British Airways Holidays Limited

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Registered No. 554278

## **DIRECTORS**

P White (Chairman)  
C M Gurassa  
R Heape  
C Peal  
D R Brewin  
D A Moss  
A Popovich

## **SECRETARY**

P H Jarvis

## **AUDITORS**

Ernst & Young  
Becket House  
1 Lambeth Palace Road  
London SE1 7EU

## **BANKERS**

Barclays Bank PLC  
90/92 High Street  
Crawley  
West Sussex RH10 1BP

## **SOLICITORS**

Mason Bond  
King Charles House  
King Charles Croft  
Leeds LS1 6LA

## **REGISTERED OFFICE**

Waterside  
PO Box 365  
Harmondsworth UB7 0GB



# British Airways Holidays Limited

## DIRECTORS' REPORT

The directors present their report and company accounts for the year ended 31 March 1998.

### RESULTS AND DIVIDENDS

Group profit before tax for the year amounts to £8,973,000 (1997 – £8,917,000). The net profit after taxation for the year amounts to £6,063,000 (1997 – £6,606,000). The directors do not recommend the payment of a dividend.

### PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The group's main activity is that of tour operators, with a wholly owned subsidiary company Overseas Air Travel Limited, whose business is that of a seat wholesaler.

Turnover has increased to £231,597,000 (1997 – £209,459,000) in the year and the directors believe that this trend will continue.

Further business development will focus on accelerating the growth of the business and continuing to improve the quality and distribution of the product.

### FIXED ASSETS

The movements on fixed assets in the year are shown in note 9.

### DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 March 1998 were as follows:

P White	(Chairman)
C M Gurassa	
R Heape	
M Gayler	(resigned 28 April 1998)
C Peal	(appointed 28 April 1998)
D R Brewin	
D A Moss	
A Popovich	(appointed 1 May 1997)

None of the directors had any beneficial interest in the shares of the company either at 31 March 1997 or 31 March 1998.

The directors' interests in the share capital of British Airways Plc, the ultimate parent undertaking, were as follows:

	<i>Subject to no restrictions</i>		<i>Ordinary shares of 25p Subject to restrictions</i>		<i>Options Executive and SAYE share schemes</i>	
	<i>31 March 1998</i>	<i>1 April 1997</i>	<i>31 March 1998</i>	<i>1 April 1997</i>	<i>31 March 1998</i>	<i>1 April 1997</i>
P White	436	436	2,624	1,451	6,172	36,758
R Heape	–	–	1,084	–	–	–
D R Brewin	1,302	1,302	2,763	1,618	54,552	54,086
C M Gurassa	2,377	1,831	4,258	3,493	107,571	107,012
M Gayler	–	–	1,147	627	–	–
D A Moss	43	43	–	–	470	–
A Popovich	–	–	665	–	5,157	5,157

# British Airways Holidays Limited

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## DIRECTORS' REPORT

### DISABLED EMPLOYEES

The group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

With regard to existing employees and those who have become disabled during the year, the group has continued to examine ways and means of providing continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

### EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the group has been continued through the newsletter in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees are encouraged directly to participate in the success of the business through the group's Profit Sharing Scheme.

### PAYMENT POLICY

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

The number of days' purchases in creditors as at 31 March 1998 in respect of the company is calculated as 33 (1997 - 35) days. (Calculation basis as defined by The Companies Act 1985.)

### YEAR 2000

In line with the policy of the ultimate parent undertaking, the group have in place a structured and systematic programme to identify potential Year 2000 risks to its systems and to take action where necessary.

### AUDITORS

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

On behalf of the board

Director



## British Airways Holidays Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS**  
to the members of British Airways Holidays Limited

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention, and on the basis of the accounting policies set out on pages 10 and 11.

**Respective responsibilities of directors and auditors**

As described on page 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

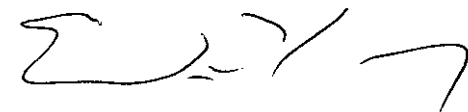
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to be 'EY' followed by a stylized flourish.

Ernst & Young  
Registered Auditor  
London

29.9.98

# British Airways Holidays Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 March 1998

	<i>Notes</i>	<i>1998 £000</i>	<i>1997 £000</i>
<b>TURNOVER</b>	2	231,597	209,459
Cost of sales		222,783	199,716
<b>GROSS PROFIT</b>		8,814	9,743
Administrative expenses		(5,132)	(4,847)
<b>OPERATING PROFIT</b>	3	3,682	4,896
Other income	6	5,291	4,021
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		8,973	8,917
Tax on profit on ordinary activities	7	(2,910)	(2,311)
<b>PROFIT FOR THE YEAR</b>		6,063	6,606
<b>STATEMENT OF RETAINED PROFITS</b>			
Balance at 1 April 1997		25,274	18,668
Retained profit for the year		6,063	6,606
Balance at 31 March 1998		31,337	25,274

A statement of total recognised gains and losses has not been included as there were no recognised gains or losses for the current or previous financial year other than those already dealt with in the profit and loss account.

## British Airways Holidays Limited

### RECONCILIATION OF SHAREHOLDER'S FUNDS for the year ended 31 March 1998

	<i>Group 1998 £000</i>	<i>Group 1997 £000</i>
Retained profit for the year	6,063	6,606
Shareholder's funds at 1 April	35,109	28,503
Shareholder's funds at 31 March	<u>41,172</u>	<u>35,109</u>

# British Airways Holidays Limited

## GROUP BALANCE SHEET at 31 March 1998

	Notes	1998 £000	1997 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	1,102	914
<b>CURRENT ASSETS</b>			
Stocks	11	383	279
Debtors	12	28,411	22,093
Short-term deposit with parent undertaking		72,578	69,891
Cash at bank and in hand		7,444	5,656
		108,816	97,919
<b>CREDITORS: amounts falling due within one year</b>	13	(68,746)	(63,724)
<b>NET CURRENT ASSETS</b>		40,070	34,195
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		41,172	35,109
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	9,835	9,835
Profit and loss account		31,337	25,274
		41,172	35,109

  
Chairman 29/9/98

# British Airways Holidays Limited

## BALANCE SHEET

at 31 March 1998

	Notes	1998 £000	1997 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	1,102	914
Investments	10	2	2
		<u>1,104</u>	<u>916</u>
<b>CURRENT ASSETS</b>			
Stocks	11	383	279
Debtors	12	28,196	22,093
Short-term deposit with parent undertaking		72,578	69,891
Cash at bank and in hand		7,444	5,656
		<u>108,601</u>	<u>97,919</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(72,912)</u>	<u>(66,251)</u>
<b>NET CURRENT ASSETS</b>		<u>35,689</u>	<u>31,668</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>36,793</u>	<u>32,584</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	9,835	9,835
Profit and loss account		26,958	22,749
		<u>36,793</u>	<u>32,584</u>

  
Chairman 29/9/98

# British Airways Holidays Limited

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## NOTES TO THE ACCOUNTS at 31 March 1998

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

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

#### *Basis of consolidation*

The group accounts consolidate the accounts of British Airways Holidays Limited and its subsidiary, Overseas Air Travel Limited. No profit and loss account is presented for British Airways Holidays Limited for the year ended 31 March 1998 as permitted by section 230 Companies Act 1985.

#### *Depreciation of tangible fixed assets*

The cost of tangible fixed assets is written off by equal annual instalments over their estimated useful lives as follows:

Office equipment	–	7 years
Computer equipment	–	3 years
Communications equipment	–	6 years
Motor vehicles	–	4 years

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. In general, cost is determined on a first-in, first-out basis.

#### *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on short-term timing differences and all other material timing differences to the extent that it is probable that the liabilities will crystallise.

#### *Marketing expenditure and brochure costs*

Marketing expenditure and brochure costs are written off as incurred.

#### *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All gains and losses on translation of foreign currency balances and transactions are dealt with as part of operating profit.

#### *Pensions*

The group operates a defined benefit scheme.

In respect of the defined benefit pension scheme, contributions to the pension fund are made on the basis of independent actuarial advice and charged to the profit and loss account, so as to spread the cost over the remaining service lives of the employees.

#### *Cost of sales*

All costs directly or indirectly associated with providing a product or service to the customer are classed as cost of sales.

# British Airways Holidays Limited

## NOTES TO THE ACCOUNTS

at 31 March 1998

### 1. ACCOUNTING POLICIES (continued)

#### *Flight only turnover*

Flight only turnover is accounted for net, representing fees received from British Airways Plc for administering flight only sales via some travel agents.

#### *Cash flow statement*

No cash flow statement has been provided under the provisions of FRS1, as the group is a wholly owned subsidiary undertaking of a European Union registered parent undertaking.

#### *Operating lease costs*

Amounts payable in respect of assets held under operating leases are charged directly to the profit and loss account.

### 2. TURNOVER

Turnover comprises the invoiced value excluding VAT of services supplied by the group for flight and holiday arrangements.

In the opinion of the directors, there is only one class of business which is tour operating.

Further segmental analysis required under SSAP 25 has not been disclosed as in the opinion of the directors disclosure of this information would be seriously prejudicial to the interests of the group.

### 3. OPERATING PROFIT

This is stated after charging:

	1998 £000	1997 £000
Depreciation of tangible fixed assets	452	230
Auditors' remuneration – audit services	50	35
Directors' emoluments, including pension contributions (see note 4)	231	191
Hire of plant and equipment	235	202
Operating lease payments (land and buildings)	808	688

### 4. DIRECTORS' REMUNERATION

	1998 £000	1997 £000
Fees	—	—
Other emoluments	231	191
	<u>231</u>	<u>191</u>

The amounts in respect of the highest paid directors are as follows:

	1998 £000	1997 £000
Emoluments	152	130
Pension	<u>12</u>	<u>7</u>

# British Airways Holidays Limited

## NOTES TO THE ACCOUNTS

at 31 March 1998

### 4. DIRECTORS' REMUNERATION (continued)

One director qualifies for The British Airways Holidays Retirement Benefit Scheme. All of the other directors qualify for a defined benefit scheme funded by the company's parent undertaking.

During the year one director exercised his rights under the British Airways Executive Share Option Scheme.

### 5. EMPLOYEE COSTS AND NUMBER

The average number of employees in the group during the year, including directors was 572(1997 – 486). The aggregate payroll costs for employees were as follows:

	1998 £000	1997 £000
Wages and salaries	9,916	9,272
Social security costs	816	673
Other pension costs	362	185
	<u>11,094</u>	<u>10,130</u>

The pension cost increased substantially in 1998 compared to 1997 due to increased membership of the scheme.

### 6. OTHER INCOME

	1998 £000	1997 £000
Interest receivable – group	5,291	4,008
– third parties	–	27
Loss on disposal of fixed assets	–	(14)
	<u>5,291</u>	<u>4,021</u>

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £000	1997 £000
UK Corporation tax at 31% (1997 – 33%)	–	2,312
Payment for group relief at 31% (1997 – 33%)	2,704	680
Prior year adjustments	206	(681)
	<u>2,910</u>	<u>2,311</u>

There is no potential deferred tax provision (1997 – £nil).

### 8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £4,209,000 (1997 – £4,178,000).

# British Airways Holidays Limited

## NOTES TO THE ACCOUNTS at 31 March 1998

### 9. TANGIBLE FIXED ASSETS

*Group and Company*

	<i>Motor vehicles £000</i>	<i>Office and computer equipment £000</i>	<i>Total £000</i>
Cost or valuation:			
At 1 April 1997	16	1,589	1,605
Acquisitions	—	640	640
At 31 March 1998	16	2,229	2,245
Depreciation:			
At 1 April 1997	(16)	(675)	(691)
Provided during the year	—	(452)	(452)
At 31 March 1998	(16)	(1,127)	(1,143)
Net book value:			
At 31 March 1998	—	1,102	1,102
At 31 March 1997	—	914	914

### 10. INVESTMENTS

The company has a wholly owned subsidiary, Overseas Air Travel Limited, which is registered in England and Wales and whose business is that of a seat wholesaler. The company owns 100% of the ordinary shares of Overseas Air Travel Limited.

### 11. STOCKS

*Group and Company*

	<i>1998 £000</i>	<i>1997 £000</i>
Consumable stores	383	279

### 12. DEBTORS

	<i>1998 £000</i>	<i>Group 1997 £000</i>	<i>1998 £000</i>	<i>Company 1997 £000</i>
Trade debtors	14,541	11,971	14,541	11,971
Other debtors	90	14	90	14
Amounts owed from fellow subsidiary undertakings	215	—	—	—
Prepayments and accrued income	12,629	9,291	12,629	9,291
Other taxation	936	817	936	817
	28,411	22,093	28,196	22,093

# British Airways Holidays Limited

## NOTES TO THE ACCOUNTS

at 31 March 1998

### 13. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Sales in advance of travel	37,660	29,587	37,660	29,587
Trade creditors	20,158	19,217	20,158	19,217
Amount due to parent undertaking	4,449	4,682	4,234	4,682
Amount due to fellow subsidiary undertakings	417	340	417	340
Amount due to subsidiary undertaking	—	—	5,215	3,770
Accruals	3,139	6,587	3,139	6,587
Corporation tax	2,918	3,306	2,084	2,063
Other taxation	5	5	5	5
	<u>68,746</u>	<u>63,724</u>	<u>72,912</u>	<u>66,251</u>

### 14. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	10,000	10,000	9,835	9,835

### 15. CONTINGENT LIABILITIES

The company, together with British Airways Plc and Overseas Air Travel Limited, has given a bond for £2,227,500 to the Federation of Tour Operators (1997 – £1,550,000) and to the Civil Aviation Authority of £37,453,000 (1997 – £18,825,000).

### 16. COMMITMENTS

#### *Operating lease commitments*

At 31 March 1998 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and Buildings</i>	
	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one year	<u>854</u>	<u>808</u>

#### *Forward currency contracts*

The company has entered into forward contracts to purchase foreign currencies in order to meet future expenditure amounting to £67,237,030 (1997 – £45,823,915). Those contracts expiring within one year amount to £50,269,257 (1997 – £45,823,915), while those expiring in two years amount to £16,967,773 (1997 – £nil).

## British Airways Holidays Limited

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### NOTES TO THE ACCOUNTS at 31 March 1998

#### 17. PENSION COMMITMENTS

The group operates a pension scheme for the employees of the company.

The British Airways Holidays Retirement Benefit scheme, a defined benefit pension scheme operated by Morgan Grenfell Asset Management is funded by the payment of contributions to a separately administered trust fund.

The pension cost of the scheme is determined with the advice of a qualified actuary on the basis of triennial valuations. The most recent valuation was carried out as at 1 April 1996 using the Projected Unit method with the following main assumption:

Rate of investment return	9%
Rate of salary increases	7%

At the valuation date the market value of the assets of the scheme was £2,029,122 and the funding level at that date was 110% of the benefits that had accrued to members, after allowing for future increases in their earnings, on an ongoing basis.

The pension expense for the year ended 31 March 1998 is shown in note 5. Unpaid contributions outstanding at the year end are £215,162.

#### 18. RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemption in (paragraph 3 (c) of) FRS 8 from disclosing transactions with related parties that are part of the British Airways group or investees of the group.

#### 19. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is British Airways Plc, registered in England and Wales.

The smallest and largest company of undertakings for which company accounts are drawn up and of which the company is a member is British Airways Plc. Copies of British Airways Plc's accounts can be obtained from Waterside, PO Box 365, Harmondsworth, UB7 0GB.