

British Airways Holidays Limited

Registered No. 554278

DIRECTORS

D A Moss (Chairman)
R N Haynes
R Heape
D R Brewin
A Popovich
D Thompson

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
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King Charles Croft
Leeds LS1 6LA

REGISTERED OFFICE

Waterside
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ERNST & YOUNG



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COMPANIES HOUSE

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British Airways Holidays Limited

DIRECTORS' REPORT

The directors present their report and company accounts for the year ended 31 March 2000.

RESULTS AND DIVIDENDS

Group profit before tax for the year amounts to £4,055,000 (1999 – £8,260,000). The net profit after taxation for the year amounts to £4,055,000 (1999 – £8,260,000). 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 decreased to £230,093,000 (1999 – £251,292,000) in the year.

Further business development will focus on growing 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 2000 were as listed on page 1.

None of the directors had any beneficial interest in the shares of the company either at 31 March 1999 or 31 March 2000.

Mr R Harris was appointed a director on 9 September 1999 and resigned on 21 February 2000.

Mr C Peal was appointed a director on 28 April 1999 and resigned on 31 March 2000.

Mr C Gurrassa resigned as a director on 1 October 1999.

Mr D Thompson was appointed a director on 21 February 2000.

Mr R Nicholas was appointed a director on 23 June 1999.

Mr R Hayes was appointed a director on 23 June 1999.

Mr T Livett was appointed a director on 23 June 1999 and resigned on 9 September 1999.

British Airways Holidays Limited

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

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 2000</i>	<i>1 April 1999 or date of appointment</i>	<i>31 March 2000</i>	<i>1 April 1999 or date of appointment</i>	<i>31 March 2000</i>	<i>1 April 1999 or date of appointment</i>
R Heape	59	—	1,273	1,273	25,380	—
D R Brewin	—	1,523	—	2,542	—	54,552
D A Moss	43	43	—	—	66,247	470
A Popovich	—	—	665	665	30,695	5,157
R Hayes	4,807	—	1,598	—	18,884	—
D Thompson	—	—	—	—	12,005	—

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 2000 in respect of the company is calculated as 34 (1999 – 39 days). (Calculation basis as defined by The Companies Act 1985.)

British Airways Holidays Limited

DIRECTORS' REPORT

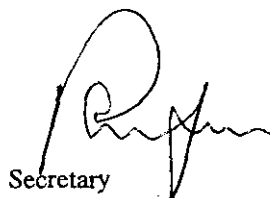
YEAR 2000

The company is a subsidiary of British Airways Plc and was included in the British Airways Group programme addressing the impact of the Year 2000. The British Airways Group has continued to operate successfully over the millennium period with no disruption to operations. Details of the costs incurred in relation to the readiness programme can be found in report and accounts of British Airways Plc, which can be obtained from Waterside, PO Box 365, Hamondsworth, UB7 0GB.

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



Secretary

 ERNST & YOUNG

British Airways Holidays Limited

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; 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 7 to 16, which have been prepared under the historical cost convention, and on the basis of the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

26-9-00

British Airways Holidays Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 March 2000

	Notes	2000 £000	1999 £000
TURNOVER	2	230,093	251,292
Cost of sales		227,507	243,252
GROSS PROFIT		2,586	8,040
Administrative expenses		(4,051)	(5,612)
OPERATING (LOSS)/PROFIT	3	(1,465)	2,428
Other income	6	5,520	5,832
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,055	8,260
Tax on profit on ordinary activities	7	—	—
PROFIT FOR THE YEAR		4,055	8,260
STATEMENT OF RETAINED PROFITS			
Balance at 1 April		39,593	31,333
Retained profit for the year		4,055	8,260
Balance at 31 March		43,648	39,593

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 2000

	<i>Group 2000 £000</i>	<i>Group 1999 £000</i>
Retained profit for the year	4,055	8,260
Shareholder's funds at 1 April	49,428	41,168
Shareholder's funds at 31 March	<u>53,483</u>	<u>49,428</u>

British Airways Holidays Limited

GROUP BALANCE SHEET

at 31 March 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Tangible assets	9	1,894	1,830
CURRENT ASSETS			
Stocks	11	887	500
Debtors	12	16,826	16,509
Short-term deposit with parent undertaking		90,729	86,363
Cash at bank and in hand		8,765	8,605
		117,207	111,977
CREDITORS: amounts falling due within one year	13	(65,618)	(64,379)
NET CURRENT ASSETS		51,589	47,598
TOTAL ASSETS LESS CURRENT LIABILITIES		53,483	49,428
CAPITAL AND RESERVES			
Called up share capital	14	9,835	9,835
Profit and loss account		43,648	39,593
		53,483	49,428

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Chairman

18/9/00



British Airways Holidays Limited

BALANCE SHEET at 31 March 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Tangible assets	9	1,894	1,830
Investments	10	2	2
		<u>1,896</u>	<u>1,832</u>
CURRENT ASSETS			
Stocks	11	887	500
Debtors	12	16,826	16,509
Short-term deposit with parent undertaking		90,729	86,363
Cash at bank and in hand		8,765	8,607
		<u>117,207</u>	<u>111,979</u>
CREDITORS: amounts falling due within one year	13	(70,719)	(69,212)
		<u>46,488</u>	<u>42,767</u>
NET CURRENT ASSETS			
		<u>48,384</u>	<u>44,599</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>48,384</u>	<u>44,599</u>
CAPITAL AND RESERVES			
Called up share capital	14	9,835	9,835
Profit and loss account		38,549	34,764
		<u>48,384</u>	<u>44,599</u>

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Chairman

18/9/00

British Airways Holidays Limited

NOTES TO THE ACCOUNTS

at 31 March 2000

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 2000 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 2000

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/(crediting):

	2000 £000	1999 £000
Depreciation of tangible fixed assets	816	675
Auditors' remuneration – audit services	47	46
Directors' emoluments, including pension contributions (see note 4)	114	114
Hire of plant and equipment	237	231
Operating lease payments (land and buildings)	1,012	910
Operating exceptional item	–	(1,656)
	<u> </u>	<u> </u>

During 1999, £1,656,000 was refunded by Customs & Excise relating to VAT overpaid under the Tour Operators Margin Scheme for the period April 1994 to March 1999.

4. DIRECTORS' REMUNERATION

	2000 £000	1999 £000
Fees	–	–
Other emoluments	114	114
	<u>114</u>	<u>114</u>

British Airways Holidays Limited

NOTES TO THE ACCOUNTS

at 31 March 2000

4. DIRECTORS' REMUNERATION (continued)

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

	2000 £000	1999 £000
Emoluments	101	101
Pension	13	13

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 no directors exercised their 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 643 (1999 – 714). The aggregate payroll costs for employees were as follows:

	2000 £000	1999 £000
Wages and salaries	11,186	11,455
Social security costs	904	1,074
Other pension costs	564	536
	12,654	13,065

The pension cost has continued to increase in 2000 compared to 1999 due to increased membership of the scheme.

6. OTHER INCOME

	2000 £000	1999 £000
Interest receivable – group	5,520	5,832

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £000	1999 £000
UK Corporation tax at 30% (1999 – 31%)	–	–
Payment for group relief at 30% (1999 – 31%)	–	–
	–	–

There is no potential deferred tax provision (1999 – £nil).

There is no tax charge for the current year. Taxable profits will be sheltered in full by group relief from the parent undertaking, for which no payment is to be made.

British Airways Holidays Limited

NOTES TO THE ACCOUNTS

at 31 March 2000

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The retained profit for the year dealt with in the accounts of the parent undertaking was £3,789,000 (1999 – £7,806,000).

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 1999	16	3,632	3,648
Acquisitions	13	867	880
At 31 March 2000	29	4,499	4,528
Depreciation:			
At 1 April 1999	(16)	(1,802)	(1,818)
Provided during the year	(3)	(813)	(816)
At 31 March 2000	(19)	(2,615)	(2,634)
Net book value:			
At 31 March 2000	10	1,884	1,894
At 31 March 1999	–	1,830	1,830

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>2000 £000</i>	<i>1999 £000</i>
Consumable stores	887	500

British Airways Holidays Limited

NOTES TO THE ACCOUNTS

at 31 March 2000

12. DEBTORS

	2000	Group	2000	Company
	£000	1999	£000	1999
		£000		£000
Trade debtors	7,169	6,572	7,169	6,572
Other debtors	40	18	40	18
Amounts due from parent undertaking	–	2,163	–	2,163
Prepayments and accrued income	9,379	6,797	9,379	6,797
Other taxation	238	959	238	959
	<u>16,826</u>	<u>16,509</u>	<u>16,826</u>	<u>16,509</u>

13. CREDITORS: amounts falling due within one year

	2000	Group	2000	Company
	£000	1999	£000	1999
		£000		£000
Sales in advance of travel	38,594	35,270	38,594	35,270
Trade creditors	21,123	26,123	21,123	26,123
Amount due to parent undertaking	1,511	–	1,511	–
Amount due to fellow subsidiary undertakings	1,263	44	1,263	44
Amount due to subsidiary undertaking	–	–	5,101	4,837
Accruals	2,817	2,727	2,817	2,727
Corporation tax	100	215	100	215
Other creditors	210	–	210	–
	<u>65,618</u>	<u>64,379</u>	<u>70,719</u>	<u>69,216</u>

14. SHARE CAPITAL

	2000	Authorised	Allotted, called up and fully paid	
	£000	1999	2000	1999
		£000	£000	£000
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 £5,697,000 to the Federation of Tour Operators (1999 – £1,790,100) and to the Civil Aviation Authority for £36,729,460 (1999 – £37,453,000).

British Airways Holidays Limited

NOTES TO THE ACCOUNTS

at 31 March 2000

16. COMMITMENTS

Operating lease commitments

At 31 March 2000 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and Buildings</i>	
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one year	1,012	910

Forward currency contracts

The company has entered into forward contracts to purchase foreign currencies in order to meet future expenditure amounting to £46,046,452 (1999 – £42,881,825). All of the contracts expire within one year.

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 2000 is shown in note 5. Unpaid contributions outstanding at the year end are £184,717.

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 group of undertakings for which 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.