

554278

British Airways Holidays Limited

Report and Financial Statements

31 March 2008

THURSDAY



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08/01/2009

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COMPANIES HOUSE

Registered No. 554278

Directors

C M Bentley

P V Gaffey

T A Hall (resigned 8th September 2008)

R N Hayes (resigned 8th September 2008)

M Waldner

A G Crawley

Secretary

K K Dosanjh

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

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

Directors' report

The directors present their report and financial statements for the year ended 31 March 2008.

Results and dividends

Profit for the year amounts to £7,089,000 (2007 – £8,097,000). The directors did not pay a dividend during the year (2007 – £nil).

Principal activity and review of business

British Airways Holidays is a tour operator, selling modular add-ons, such as hotel accommodation, car hire and other travel related products to support the sale of flight seats for British Airways Plc worldwide, plus package holidays from the UK.

Principal risks and uncertainties

The key business risks affecting the company are world events that influence consumer travel and competition from other travel companies.

Key performance indicators

The results for the company show sales of £64,987,000 (2007 – £69,085,000) and a pre-tax profit of £7,265,000 (2007 – £8,350,000).

During the year-ended 31 March 2008, sales were made to 275,407 passengers (2007 – 307,040 passengers).

Future outlook

Further IT development is planned to improve selling capability to grow the business.

Directors

The directors of the company during the year ended 31 March 2008 were as listed on page 1. Katherine Whitton and Simon Talling-Smith were appointed as directors on 8th September 2008.

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 achieved through a weekly newsletter and the provision of a company intranet. Employees are encouraged to present their suggestions and views on the group's performance through these forums.

Directors' report

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. It is the company's policy to ensure that suppliers are made aware of the company's terms of payment.

At 31 March 2008, the company had an average of 56 days purchases outstanding in trade creditors (2007 – 45 days).

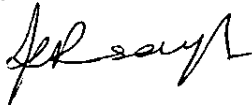
Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Having passed elective resolutions in accordance with the provisions of sections 386(1) and 379(A) of the Companies Act 1985, Ernst & Young LLP will automatically continue in office as the group's auditors, unless a resolution is passed under s393 of the Act to the effect that their appointment be brought to an end.

By order of the Board



Secretary

17 September 2008

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom generally accepted accounting practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 financial statements, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of British Airways Holidays Limited

We have audited the group and parent company financial statements (the "financial statements") of British Airways Holidays Limited for the year ended 31 March 2008 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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 financial statements.

Independent auditors' report

to the members of British Airways Holidays Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

17 SEPTEMBER 2008

Group profit and loss account

for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Turnover	2	64,987	69,085
Cost of sales		(59,866)	(62,162)
Gross Profit	3	5,121	6,923
Interest receivable	6	2,206	1,542
Other finance charge	15	(62)	(115)
Gross Profit before tax on ordinary activities		7,265	8,350
Tax on profit on ordinary activities	7	(176)	(253)
Profit after tax on ordinary activities		7,089	8,097
Profit for the financial year		7,089	8,097

Group statement of total recognised gains and losses

for the year ended 31 March 2008

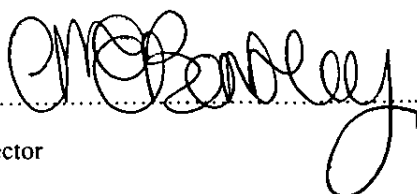
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
<i>Profit for the financial year</i>	7,089	8,097
Actuarial gain relating to pensions	3,078	1,893
Tax impact of actuarial gain	(923)	(568)
<i>Total gains and losses relating to the year</i>	<u>9,244</u>	<u>9,422</u>

Group balance sheet

at 31 March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	10	283	384
Current assets			
Stock	12	9	13
Debtors	13	1,979	1,611
Intra group balance with parent undertaking		47,011	39,186
Cash at bank		486	1,465
		49,485	42,275
Creditors: amounts falling due within one year	14	(20,235)	(20,126)
Net current assets		29,250	22,149
Total assets less current liabilities		29,533	22,533
Net pension liability	15	(1,742)	(3,986)
		27,791	18,547
Capital and reserves			
Called up share capital	17	9,835	9,835
Profit and loss account	17	17,956	8,712
		27,791	18,547

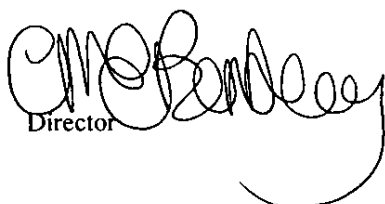
The financial statements were approved by the Board of Directors on 17 September 2008 and signed on behalf of the Board


Director

Company balance sheet

at 31 March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	10	283	384
Investments		2	2
		<u>285</u>	<u>386</u>
Current assets			
Stock	12	9	13
Debtors	13	1,979	1,611
Intra group balance with parent undertaking		47,011	39,186
Cash at bank		486	1,465
		<u>49,485</u>	<u>42,275</u>
Creditors: amounts falling due within one year	14	(20,237)	(20,128)
Net current assets		<u>29,248</u>	<u>22,147</u>
Total assets less current liabilities		<u>29,533</u>	<u>22,533</u>
Net pension deficit	15	(1,742)	(3,986)
		<u>27,791</u>	<u>18,547</u>
Capital and reserves			
Called up share capital	17	9,835	9,835
Profit and loss account	17	17,956	8,712
		<u>27,791</u>	<u>18,547</u>


Director

Notes to the financial statements

at 31 March 2008

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. All accounting policies are consistent with the prior year and are set out below.

Basis of consolidation

The group financial statements consolidate the financial statements of British Airways Holidays Limited and its subsidiary, Overseas Air Travel Limited. No company profit and loss account is presented for British Airways Holidays Limited for the year ended 31 March 2008 as permitted by section 230 of the Companies Act 1985.

Depreciation of tangible fixed assets

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

Office equipment	–	15 years
Computer equipment	–	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.

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.

Deferred taxation

Full provision is made for deferred tax on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised where the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Cost of sales

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

Statement of cash flows

No statement of cash flows has been provided under the provisions of FRS1, as the group is a wholly owned subsidiary undertaking of a European Union registered parent undertaking in whose financial statements the group's results are included.

Notes to the financial statements

at 31 March 2008

1. Accounting policies (continued)

Operating lease costs

Amounts payable in respect of assets held under operating leases are charged directly to the profit and loss account on a straight line basis over the lease term.

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 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. Gross Profit

This is stated after charging:

	2008 £000	2007 £000
Depreciation of tangible fixed assets	237	211
Auditors' remuneration – audit services	61	58
Operating lease payments (land and buildings)	233	220

4. Directors' remuneration

	2008 £000	2007 £000
Emoluments	168	162

One director (2007 – one) 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 (see note 19).

Notes to the financial statements

at 31 March 2008

5. Employee costs and number

The average number of employees in the group during the year, including directors was 167 (2007 – 170).
The aggregate payroll costs for employees were as follows:

	2008	2007
	£000	£000
Wages and salaries	5,358	4,991
Social security costs	449	412
Other pension costs	530	613
	<u>6,337</u>	<u>6,016</u>

6. Interest receivable and similar income

	2008	2007
	£000	£000
Group interest receivable from parent undertaking	2,206	1,542
	<u>2,206</u>	<u>1,542</u>

7. Tax on Profit on ordinary activities

(a) Analysis of charge/(credit) for the year

	2008	2007
	£000	£000
Current tax:		
Tax charge/(credit) for the year	–	–
Deferred tax:		
Accelerated capital allowances	52	88
Pension charge	59	153
Other timing differences	(4)	12
Corporation tax rate change effect	68	–
	<u>175</u>	<u>253</u>

Notes to the financial statements

at 31 March 2008

7. Tax on Profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The current tax charge for the year is less than the profit at the standard rate of corporation tax in the UK 30%. The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before tax	7,265	8,350
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007 – 30%)	2,180	2,505
<i>Effects of:</i>		
Accelerated capital allowances	(52)	(88)
Other timing differences	4	(12)
Pension charge	(59)	(153)
Group relief	(2,073)	(2,254)
Expenses not deductible for tax	–	2
Current tax charge for the year as above	–	–

(c) Deferred tax

The deferred tax debtor (excluding pensions), due greater than one year, is analysed as follows:

	<i>Group and company</i>	
	2008 £000	2007 £000
Decelerated capital allowances	266	338
Other timing differences	13	9
	279	347

(d) Factors affecting future tax charges

The UK corporation tax rate reduced from 30% to 28% from 1 April 2008

Notes to the financial statements

at 31 March 2008

8. Profit attributable to members of the parent undertaking

The profit dealt with in the financial statements of the parent undertaking is £7,089,000 (2007 – profit of £8,097,000).

9. Dividends and other appropriations

No dividend is proposed (2007 – £nil).

10. Tangible fixed assets

Group and company

*Office and
computer
equipment
£000*

Cost	
At 1 April 2007	2,173
Additions	136
	<hr/>
At 31 March 2008	2,309
	<hr/>
Depreciation:	
At 1 April 2007	1,789
Provided during the year	237
	<hr/>
At 31 March 2008	2,026
	<hr/>
Net book value:	
At 31 March 2008	283
	<hr/>
At 31 March 2007	384
	<hr/>

11. Investments

The company has a wholly owned subsidiary Overseas Air Travel Limited, which is registered in England and Wales. It has not traded since 30 April 2001.

12. Stocks

Group and company

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Consumable stores	9	13
	<hr/>	<hr/>

Notes to the financial statements

at 31 March 2008

13. Debtors

	<i>Group and company</i>	
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	496	243
Other debtors	342	1
Prepayments and accrued income	862	1,020
Deferred taxation	279	347
	<u>1,979</u>	<u>1,611</u>

14. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade creditors	6,583	5,555	6,583	5,555
Amount due to subsidiary undertaking	—	—	2	2
Intra group balance with fellow subsidiary undertakings	—	15	—	15
Other taxes and social security	—	66	—	66
Other creditors	232	6	232	6
Sales in advance of travel	12,310	13,743	12,310	13,743
Accruals	1,110	741	1,110	741
	<u>20,235</u>	<u>20,126</u>	<u>20,237</u>	<u>20,128</u>

Notes to the financial statements

at 31 March 2008

15. Pension obligations

British Airways Holidays Limited operates a funded defined benefit pension scheme, the British Airways Holidays Limited Retirement Benefit Scheme, in the United Kingdom.

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method.

A full actuarial valuation was carried out as at 1 April 2007 and updated to 31 March 2008 by a qualified independent actuary.

The total pension cost for the year ended 31 March 2008 was £592,000 (2007 – £728,000) and as at 31 March 2008, the net balance sheet liability was £1,742,000 (2007 – £3,986,000).

The agreed company contribution rate with effect from 1 April 2007 for the group is 24.7% of pensionable salaries.

The following disclosures are required in accordance with FRS 17 'Retirement benefits'.

	2008 %	2007 %	2006 %
Inflation	3.5	3.0	3.0
Rate of increase in salaries	5.5	5.0	5.0
Rate of increase to pensions in payment accrued before 1 September 2003	5.0	5.0	5.0
Rate of increase to pensions in payment accrued after 1 September 2003	3.3	2.8	2.8
Rate of increase in deferred pension	3.5	3.0	3.0
Discount rate	6.6	5.3	5.0

Market values of the scheme's assets at 31 March 2008 were:

	2008 £000	2007 £000	2006 £000
Equities	11,368	11,156	9,935
Bonds	3,696	3,684	3,393
Others	587	600	16
	<u>15,651</u>	<u>15,440</u>	<u>13,344</u>

Notes to the financial statements

at 31 March 2008

15. Pension obligations (continued)

Expected rate of return per annum:

	2008 %	2007 %	2006 %
Equities	8.5	7.8	8.0
Bonds	5.8	5.0	4.5
Others	3.5	3.0	3.0
		2008 £000	2007 £000
Current service cost		530	613
Total charged to operating profit		530	613
Amounts charged to other finance charge:			
Interest on pension scheme liabilities		1,135	1,088
Expected return on assets in the pension scheme		(1,073)	(973)
		62	115
Total profit and loss charge before adjustment for tax		592	728
		2008 £000	2007 £000
Differences between actual and expected returns on assets		1,642	120
Experience loss on liabilities		412	-
Gains on change of assumptions		(5,132)	(2,013)
Total gains recognised in the statement of total recognised gains and losses before adjustment for tax		(3,078)	(1,893)

Notes to the financial statements

at 31 March 2008

15. Pension obligations (continued)

The following amounts for the year ended 31 March 2008 were measured in accordance with the requirements of FRS 17:

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Loss/(gain) on scheme assets:					
Amount (£000)	1,642	120	(1,780)	(274)	(561)
Percentage of scheme assets at year end	10%	1%	(13%)	(3%)	(6%)
Experience loss/(gain) on scheme liabilities:					
Amount (£000)	412	—	(108)	(616)	(227)
Percentage of scheme liabilities at year end	2%	—	(1%)	(3%)	(1%)
Total actuarial gain/(loss) recognised in statement of total recognised gains and losses:					
Amount (£000)	(3,078)	(1,893)	443	(354)	378
Percentage of scheme liabilities at year end	(17%)	(9%)	2%	(2%)	2%
				2008 £000	2007 £000
Total market value of assets				15,651	15,440
Present value of liabilities				(18,070)	(21,135)
Deficit				(2,420)	(5,695)
Related deferred tax asset				678	1,709
Net pension liability				(1,742)	(3,986)

Analysis of the movement in deficit in the scheme during the year:

	2008 £000	2007 £000
Deficit before impact of deferred tax at 1 April 2007	5,695	8,100
Contributions paid	(789)	(1,240)
Current service cost	530	613
Other finance charge	62	115
Actuarial gain	(3,078)	(1,893)
Deficit before impact of deferred tax at 31 March 2008	2,420	5,695

16. Authorised and issued share capital

	2008 £000	2007 £000
Authorised		
Ordinary shares of £1 each	10,000	10,000

Notes to the financial statements

at 31 March 2008

	2008 No.	2008 £000	2007 No.	2007 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	9,834,768	9,835	9,834,768	9,835

17. Reconciliation of shareholders' funds and movements on reserves

Group and Company

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 April 2006	9,835	(710)	9,125
Profit for the year	–	8,097	8,097
Actuarial gain on pensions (net of tax)	–	1,325	1,325
At 31 March 2007	9,835	8,712	18,547
Profit for the year	–	7,089	7,089
Actuarial gain on pensions (net of tax)	–	2,155	2,155
At 31 March 2008	9,835	17,956	27,791

18. Contingent liabilities

The company, together with British Airways Plc, has given a bond for £13,091,000 (2007 – £12,331,000) to the Federation of Tour Operators (FTO Bond). The company together with British Airways Plc has given a bond for £8,579,000 (2007 – £11,849,000) to the Civil Aviation Authority (ATOL Bond). Where the Civil Aviation Authority (CAA) or the FTO have reasonable grounds to believe that the company cannot carry out its obligations to its customers, it may serve on the company a demand for the value of the bonds to enable the CAA or FTO to reimburse and compensate the customers of the company.

Notes to the financial statements

at 31 March 2008

19. Related party transactions

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

20. Commitments

Operating lease commitments

At 31 March 2008 the group had no annual commitments under non-cancellable operating leases.

21. Ultimate parent undertaking and controlling party

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

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