

British Airways Holidays Limited

Report and Financial Statements

31 March 2009



British Airways Holidays Limited

Registered No. 554278

Directors

C M Bentley	
P V Gaffey	(resigned 31 December 2008)
T A Hall	(resigned 8 September 2008)
R N Hayes	(resigned 8 September 2008)
M Waldner	(resigned 31 December 2008)
A G Crawley	
K E Whitton	(appointed 8 September 2008, resigned 31 December 2008)
S D Talling-Smith	(appointed 8 September 2008)

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 2009.

Results and dividends

The loss for the year after taxation amounts to £400,000 (2008 – profit of £7,089,000). The directors do not recommend a dividend for the year (2008 – £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 £53,202,000 (2008 – £64,987,000) and a pre-tax profit of £579,000 (2008 – £7,265,000).

During the year, sales were made to 214,371 passengers (2008 – 275,407 passengers).

Future outlook

With the investment in system functionality, the company has launched the selling of “dynamic packages”, with individual land and air components being priced together as one package. We will continue to develop this functionality to improve sales.

Directors

The directors of the company during the year ended 31 March 2009 are as listed on page 1.

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

Supplier 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 2009, the company had an average of 58 days purchases outstanding in trade creditors (2008 – 56 days).

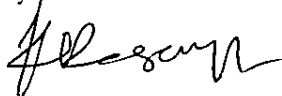
Directors' statement as to disclosure of information to auditors

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



K K Dosanjh
Secretary

25 August 2009

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 2009 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 20. 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 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 judgements 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 2009 and of the group's loss 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

25 August 2009

Group profit and loss account

for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Turnover	2	53,202	64,987
Cost of sales		(54,436)	(59,866)
Gross (loss)/profit	3	(1,234)	5,121
Interest receivable and similar income	6	1,813	2,206
Other finance charges	14	–	(62)
Gross profit before tax on ordinary activities		579	7,265
Tax on profit on ordinary activities	7	(979)	(176)
Loss after tax on ordinary activities		(400)	7,089
Loss for the financial year		(400)	7,089

The above results are all in respect of continuing operations.

Group statement of total recognised gains and losses

for the year ended 31 March 2009

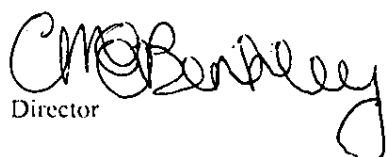
	2009 £000	2008 £000
<i>(Loss)/profit for the financial year</i>	(400)	7,089
Actuarial (loss)/gain relating to pensions	(5,655)	3,078
Deferred tax effect of actuarial (loss)/gain	1,583	(923)
<i>Total gains and losses relating to the year</i>	<u>(4,472)</u>	<u>9,244</u>

Group balance sheet

at 31 March 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible fixed assets	9	242	283
Current assets			
Stocks	11	11	9
Debtors	12	2,851	1,979
Intra group balance with parent undertaking		41,384	47,011
Cash at bank		531	486
		44,777	49,485
Creditors: amounts falling due within one year	13	(16,078)	(20,235)
Net current assets		28,699	29,250
Total assets less current liabilities		28,941	29,533
Net pension liability	14	(5,622)	(1,742)
		23,319	27,791
Capital and reserves			
Called up share capital	15	9,835	9,835
Profit and loss account	16	13,484	17,956
		23,319	27,791

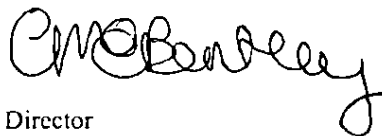
The financial statements were approved by the Board of directors on 25 August 2009 and signed on behalf of the Board.


Director

Company balance sheet

at 31 March 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible fixed assets	9	242	283
Investments	10	2	2
		<u>244</u>	<u>285</u>
Current assets			
Stocks	11	11	9
Debtors	12	2,851	1,979
Intra group balance with parent undertaking		41,384	47,011
Cash at bank		531	486
		<u>44,777</u>	<u>49,485</u>
Creditors: amounts falling due within one year	13	(16,080)	(20,237)
Net current assets		<u>28,697</u>	<u>29,248</u>
Total assets less current liabilities		<u>28,941</u>	<u>29,533</u>
Net pension liability	14	(5,622)	(1,742)
		<u>23,319</u>	<u>27,791</u>
Capital and reserves			
Called up share capital	15	9,835	9,835
Profit and loss account	16	13,484	17,956
		<u>23,319</u>	<u>27,791</u>



Director

Notes to the financial statements

at 31 March 2009

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 2009 as permitted by section 230 of the Companies Act 1985.

Statement of cash flows

No statement of cash flows has been provided under the provisions of FRS 1, 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.

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. Cost is determined on a first-in, first-out basis.

Revenue recognition

Revenue from the sale of holidays is recognised on the date of departure.

Interest income is recognised as interest accrues issuing the effective interest method.

Cost of sales

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

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.

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.

Notes to the financial statements

at 31 March 2009

1. Accounting policies (continued)

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.

Employee benefits

The group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plans is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

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.

Notes to the financial statements

at 31 March 2009

3. Gross (loss)/profit

This is stated after charging:

	2009 £000	2008 £000
Depreciation of tangible fixed assets	107	237
Auditors' remuneration – audit services	55	53
– non-audit services	8	8
Operating lease rentals (land and buildings)	233	233

The company also pays fees to Ernst & Young LLP in respect of audit fees for the British Airways Holidays Limited Retirement Scheme of £6,000 (2008 – £8,000).

4. Directors' remuneration

	2009 £000	2008 £000
Emoluments	169	168

One director (2008 – 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 14).

During the year four directors exercised 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 180 (2008 – 167). The aggregate payroll costs for employees were as follows:

	2009 £000	2008 £000
Wages and salaries	5,465	5,358
Social security costs	467	449
Other pension costs	359	530
	6,291	6,337

6. Interest receivable and similar income

	2009 £000	2008 £000
Interest receivable from parent undertaking	1,806	2,206
Interest income on pensions (note 14)	7	–
	1,813	2,206

Notes to the financial statements

at 31 March 2009

7. Tax on profit on ordinary activities

(a) Analysis of charge for the year

	2009 £000	2008 £000
<i>Current tax:</i>		
UK corporation tax	—	—
Prior year adjustment	853	—
	<u>853</u>	<u>—</u>
<i>Deferred tax:</i>		
Accelerated capital allowances	43	52
Pension charge	74	59
Other timing differences	—	(4)
Corporation tax rate change effect	—	68
Prior year adjustment	9	—
	<u>126</u>	<u>175</u>
Tax charge on profit on ordinary activities	<u>979</u>	<u>175</u>

(b) Factors affecting tax charge for the year

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

	2009 £000	2008 £000
Profit on ordinary activities before tax	579	7,265
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 – 30%)	162	2,180
<i>Effects of:</i>		
Accelerated capital allowances	(43)	(52)
Expenses not deductible for tax	2	—
Other timing differences	—	4
Pension charge	(74)	(59)
Group relief received for no consideration	(47)	(2,073)
Prior year adjustment	853	—
Current tax charge for the year	<u>853</u>	<u>—</u>

Notes to the financial statements

at 31 March 2009

7. Tax on profit on ordinary activities (continued)

(c) Deferred tax

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

	<i>Group and Company</i>	
	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Decelerated capital allowances	223	266
Other timing differences	4	13
	<u>227</u>	<u>279</u>

8. Profit attributable to members of the parent undertaking

The loss dealt with in the financial statements of the parent undertaking is £400,000 (2008 – profit of £7,089,000).

9. Tangible fixed assets

<i>Group and company</i>	<i>Office and computer equipment</i>
	<i>£000</i>
Cost	
At 1 April 2008	2,309
Additions	66
At 31 March 2009	<u>2,375</u>
Depreciation:	
At 1 April 2008	2,026
Provided during the year	107
At 31 March 2009	<u>2,133</u>
Net book value:	
At 31 March 2009	<u>242</u>
At 31 March 2008	<u>283</u>

10. Investments

The company has a wholly owned subsidiary Overseas Air Travel Limited, which is registered in England and Wales. Overseas Air Travel Limited recommenced trading on 1 April 2009.

Notes to the financial statements

at 31 March 2009

11. Stocks

	<i>Group and Company</i>	
	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Consumable stores	11	9

12. Debtors

	<i>Group and Company</i>	
	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	224	496
Other debtors	23	342
Prepayments and accrued income	2,377	862
Deferred taxation	227	279
	<u>2,851</u>	<u>1,979</u>

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade creditors	5,684	6,583	5,684	6,583
Amount due to subsidiary undertaking	—	—	2	2
Other taxes and social security	14	—	14	—
Other creditors	110	232	110	232
Sales in advance of travel	9,596	12,310	9,596	12,310
Accruals	674	1,110	674	1,110
	<u>16,078</u>	<u>20,235</u>	<u>16,080</u>	<u>20,237</u>

Notes to the financial statements

at 31 March 2009

14. Net pension liability

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 2009 by a qualified independent actuary.

Reconciliation of the present value of the defined benefit obligation

	2009	2008
	£000	£000
At the beginning of the year	18,070	21,135
Service cost	359	530
Interest cost	1,203	1,135
Contributions by members	167	121
Actuarial loss/(gain) on plan liabilities	1,521	(4,720)
Benefits paid	(240)	(130)
At the end of the year	21,080	18,070

Analysis of the defined benefit obligation

	2009	2008
	£000	£000
Present value of funded defined benefit obligation	21,080	18,070

Reconciliation of fair value of plan assets

	2009	2008
	£000	£000
At the beginning of the year	15,650	15,440
Expected return on plan assets	1,210	1,073
Actuarial loss on plan assets	(4,134)	(1,642)
Contributions by the company	618	788
Contributions by members	167	121
Benefits paid	(240)	(130)
At the end of the year	13,271	15,650

Amounts to be recognised in the balance sheet

	2009	2008
	£000	£000
Present value of funded obligation	21,080	18,070
Fair value of scheme assets	(13,271)	(15,650)
Deficit	7,809	2,420
Related deferred tax asset	(2,187)	(678)
Net liability in balance sheet	5,622	1,742

Notes to the financial statements

at 31 March 2009

14. Net pension liability (continued)

Amounts recognised in the profit and loss account

	2009 £000	2008 £000
Current service cost	359	530
Total charged to operating profit	359	530
Amounts included in (other income)/other finance charge:		
Interest on obligation	1,203	1,135
Expected return on plan assets	(1,210)	(1,073)
	(7)	62
Total recognised in the profit and loss account	352	592

Total amount recognised in the statement of total recognised gains and losses (STRGL)

	2009 £000	2008 £000
Actuarial (loss)/gain	(5,655)	3,078
Actuarial (loss)/gain recognised in STRGL	(5,655)	3,078

Cumulative amount of actuarial gains and losses recognised in STRGL

	2009 £000	2008 £000
Cumulative (loss)/gain recognised in STRGL	(5,148)	507

Plan assets	2009 £000	2009 %	2008 £000	2008 %
Equities	8,243	62%	10,735	68%
Gilts and bonds	4,529	34%	3,696	24%
Property	466	4%	633	4%
Other	33	0%	587	4%
Total plan assets	13,271	100%	15,650	100%

Notes to the financial statements

at 31 March 2009

14. Net pension liability (continued)

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on equities is the sum of inflation, the dividend yield, economic growth and investment expenses. The return on gilts and bonds is the current market yield on long term gilts and bonds. The expected return on property is based on our analysis of historic returns and forecasts from City analysts and non-City agencies. The expected return on other assets is the current inflation assumption.

	2009 £000	2008 £000
Actual return on plan assets	(2,924)	(569)
	<u>2009</u> %	<u>2008</u> %
Principal actuarial assumptions at the balance sheet date		
Discount rate	5.80	6.60
Expected return on plan assets at the end of the year	7.00	7.60
Rate of increase in salaries	4.90	5.50
Price inflation	2.90	3.50
Pension increases – Pension accrued before 1 September 2003	5.00	5.00
– Pension accrued after 1 September 2003	2.90	3.30

History of assets, liabilities and actuarial gains and losses

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of defined benefit obligation	(21,080)	(18,070)	(21,135)	(21,444)	(17,751)
Fair value of assets	13,271	15,650	15,440	13,344	10,129
Deficit	(7,809)	(2,420)	(5,695)	(8,100)	(7,622)
Experience gain/(loss) on plan liabilities					
Amount (£000)	1,521	412	–	(108)	(616)
Percentage of the present value of the plan liabilities	7%	2%	–	(1%)	(3%)
Difference between the expected and actual return on plan assets					
Amount (£000)	(4,134)	1,642	120	(1,780)	(274)
Percentage of the present value of the plan assets	(31%)	10%	1%	(13%)	(3%)

The employer's best estimate of contributions to be paid to the plan by the company next year is £1,192,000.

2.

Notes to the financial statements

at 31 March 2009

19. Commitments**Operating lease commitments**

At 31 March 2009 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire in two to five years	259	–

20. 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.