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British Airways Holidays Limited

Report and Financial Statements

31 March 2010

THURSDAY



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COMPANIES HOUSE

British Airways Holidays Limited

Directors

C M Bentley
A G Crawley
D Maizey
I Milne
R Boyle

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 2010.

Results and dividends

The Group profit for the year after taxation amounts to £5,401,000 (2009 – loss of £400,000) The directors do not recommend a dividend for the year (2009 – £nil).

Principal risks and uncertainties

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

Key performance indicators

The results for the Group show sales of £97,301,000 (2009 – £53,202,000) and a pre-tax profit of £5,613,000 (2009 – profit of £579,000)

During the year 639,681 products were sold (2009 – 611,048)

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

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

Directors

The directors who served the Company during the year and appointed subsequently were as follows

C M Bentley	
A G Crawley	
S D Talling-Smith	(resigned 27 July 2009)
D Maizey	(appointed 27 July 2009)
I Milne	(appointed 27 July 2009)
R Boyle	(appointed 27 July 2009)

Going concern

No material uncertainties that cast significant doubt about the ability of the Group to continue as a going concern have been identified by the directors. On the basis of their assessment of the Group's financial position, the Company's directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

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 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

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 2010, the Company had an average of 66 days purchases outstanding in trade creditors (2009 – 58 days)

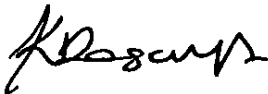
Disclosure of information to the auditors

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 Group's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

The Company's auditors Ernst and Young LLP will automatically continue in office in accordance with the terms of their appointment, as per section 487 of the Companies Act 2006

By order of the Board



K K Dosanjh
Secretary

Date 16 August 2010

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and 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). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these 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 UK 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 that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of British Airways Holidays Limited

We have audited the Group and parent Company financial statements of British Airways Holidays Limited for the year ended 31 March 2010 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Accounting (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of British Airways Holidays Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Kathryn Barrow (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

Date 20 August 2010

Group profit and loss account

for the year ended 31 March 2010

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
Turnover	2	97,301	53,202
Cost of sales		(91,670)	(54,436)
Gross profit/(loss)	3	5,631	(1,234)
Interest (payable)/receivable and similar (charges)/income	6	(18)	1,813
Profit on ordinary activities before taxation	3	5,613	579
Tax	7	(212)	(979)
Profit/(loss) for the financial year	15	5,401	(400)

The above results are all in respect of continuing operations

Group statement of total recognised gains and losses
for the year ended 31 March 2010

	2010	2009
	£000	£000
<i>Profit/(loss) for the financial year</i>	5,401	(400)
Actuarial gain/(loss) relating to pensions	839	(5,655)
Deferred tax effect on actuarial gain/(loss)	(235)	1,583
<i>Total gains and losses relating to the year</i>	<u>6,005</u>	<u>(4,472)</u>

Group balance sheet

at 31 March 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible fixed assets	9	702	242
Current assets			
Stocks	11	9	11
Debtors	12	20,163	2,851
Intra Group balance with parent undertaking		52,259	41,384
Cash at bank		488	531
Creditors, amounts falling due within one year	13	72,919 (39,661)	44,777 (16,078)
Net current assets		33,258	28,699
Total assets less current liabilities		33,960	28,941
Net pension liability	16	(4,636)	(5,622)
		29,324	23,319
Capital and reserves			
Called up share capital	14	9,835	9,835
Profit and loss account	15	19,489	13,484
Shareholders' funds	15	29,324	23,319

The financial statements were approved by the Board of directors on 16 August 2010 and signed on behalf of the Board

Director



Claire Bentley

Date

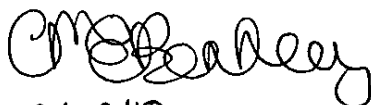
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Company balance sheet

at 31 March 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible fixed assets	9	702	242
Investments	10	2	2
		<u>704</u>	<u>244</u>
Current assets			
Stocks	11	9	11
Debtors	12	3,100	2,851
Intra Group balance with parent undertaking		52,422	41,384
Cash at bank		488	531
		<u>56,019</u>	<u>44,777</u>
Creditors: amounts falling due within one year	13	(23,651)	(16,080)
Net current assets		<u>32,368</u>	<u>28,697</u>
Total assets less current liabilities		<u>33,072</u>	<u>28,941</u>
Net pension liability	16	(4,636)	(5,622)
		<u>28,436</u>	<u>23,319</u>
Capital and reserves			
Called up share capital	14	9,835	9,835
Profit and loss account	15	18,601	13,484
Shareholders' funds	15	<u>28,436</u>	<u>23,319</u>

Director



Claire Burrey

Date

16/08/10

Notes to the financial statements

at 31 March 2010

1. Accounting policies

Going concern

After making enquiries, the directors have reasonable expectations that the Group Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

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.

Group financial statements

The Group financial statements consolidate the financial statements of British Airways Holidays Limited and its wholly owned subsidiary, Overseas Air Travel Limited. No Company profit and loss account is presented for British Airways Holidays Limited for the year ended 31 March 2010 as permitted by section 408 of the Companies Act 2006.

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.

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

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed asset investments

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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 using the effective interest method.

Cost of sales

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

Marketing expenditure and brochure costs

Marketing expenditure and brochure costs are written off as incurred.

Notes to the financial statements

at 31 March 2010

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a 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 substantively enacted at the balance sheet date

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

Employee benefits

The Group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The defined benefit pension scheme was closed to new members on the 5th of January 2010.

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.

Notes to the financial statements

at 31 March 2010

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 director's disclosure of this information would be seriously prejudicial to the interests of the Group

3. Profit on ordinary activities before taxation

This is stated after charging

	2010	2009
	£000	£000
Depreciation of tangible fixed assets	105	107
Auditors' remuneration – audit services	55	55
– 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 £7,000 (2009 – £6,000)

4. Directors' emoluments

	2010	2009
	£000	£000
Emoluments	149	169

One director (2009 – 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 (note 16)

None of the Directors had any direct interest in any shares of the Company. However, in accordance with Schedule 5 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, four directors participate in the Long Term Incentive Schemes of British Airways Plc, the parent undertaking, including The Long Term Incentive Plan 1996 (LTIPs) and The British Airways Performance Share Plan 2005 (PSP)

During the year one director exercised rights under the LTIPs

Notes to the financial statements

at 31 March 2010

5. Staff costs

The aggregate payroll costs for employees were as follows

	2010 £000	2009 £000
Wages and salaries	5,260	5,465
Social security costs	415	467
Other pension costs	415	359
	<u>6,090</u>	<u>6,291</u>

The average number of employees in the Group during the year, including directors was 169 (2009 – 180)

6. Interest receivable/(payable) and similar (charges)/income

	2010 £000	2009 £000
Interest receivable from parent undertaking	246	1,806
Interest (charge)/income on pensions (note 16)	(264)	7
	<u>(18)</u>	<u>1,813</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2010 £000	2009 £000
<i>Current tax</i>		
UK corporation tax on the profit for the year	–	–
Prior year adjustment	–	853
Total current tax (note 7(b))	<u>–</u>	<u>853</u>
<i>Deferred tax</i>		
Accelerated capital allowances	60	43
Pension charge	149	74
Prior year adjustment	3	9
Total deferred tax	<u>212</u>	<u>126</u>
Tax on profit on ordinary activities	<u>212</u>	<u>979</u>

Notes to the financial statements

at 31 March 2010

7. Tax (continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before tax	5,613	579
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 – 28%)	1,572	162
<i>Effects of</i>		
Accelerated capital allowances	(60)	(43)
Expenses not deductible for tax	1	2
Pension charge	(149)	(74)
Group relief received for no consideration	(1,364)	(47)
Prior year adjustment	–	853
Current tax for the year (note 7(a))	–	853

(c) Deferred tax

The deferred tax included in the balance sheet, is as follows

	<i>Group and Company</i>	
	2010 £000	2009 £000
Included in debtors (note 12)	164	227
Included in defined benefit pension liability (note 16)	1,803	2,187
	1,967	2,414
Decelerated capital allowances	164	223
Other timing differences	–	4
Pension costs	1,803	2,187
	1,967	2,414

Notes to the financial statements

at 31 March 2010

7. Tax (continued)

(c) Deferred tax (continued)

	<i>£000</i>
At 1 April 2009 including deferred tax on defined benefit pension liability	2,414
Deferred tax in Group profit and loss account	(212)
Amount charged to statement of total recognised gains and losses	(235)
At 31 March 2010 including deferred tax on defined benefit pension liability	<u>1,967</u>

The Chancellor announced at the 2010 Emergency Budget on 22 June 2010 that starting from 1 April 2011, the rate of Corporation Tax will be reduced by one per cent for each of the next four years reaching 24% by 2014. In addition the rate of Capital Allowances will be reduced from April 2012. For Plant & Machinery in the general pool, rates will fall to 18% (from 20%) and for long term assets to 8% (from 10%). These measures have not been substantively enacted at the balance sheet date and hence the figures within these financial statements are calculated in accordance with the existing rates. The effect on the Company of the reduction in tax rate to 24% would be to reduce the deferred tax asset by £281k.

8. Profit attributable to members of the parent undertaking

The profit dealt with in the financial statements of the parent undertaking is £4,513,000 (2009 – loss of £400,000)

9. Tangible fixed assets

Group and Company

	<i>Office and computer equipment £000</i>
Cost	
At 1 April 2010	2,375
Additions	565
At 31 March 2010	<u>2,940</u>
Depreciation	
At 1 April 2009	2,133
Provided during the year	105
At 31 March 2010	<u>2,238</u>
Net book value	
At 31 March 2010	<u>702</u>
At 1 April 2009	<u>242</u>

Notes to the financial statements

at 31 March 2010

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.

11. Stocks

	<i>Group and Company</i>	
	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Consumable stores	9	11

12. Debtors

<i>Group</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	1,246	224
Other debtors	6	23
Prepayments and accrued income	18,747	2,377
Deferred taxation	164	227
	<u>20,163</u>	<u>2,851</u>
<i>Company</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	1,246	224
Other debtors	6	23
Prepayments and accrued income	1,685	2,377
Deferred taxation	163	227
	<u>3,100</u>	<u>2,851</u>

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade creditors	7,571	5,684	7,571	5,684
Amount due to subsidiary undertaking	—	—	912	2
Other taxes and social security	284	14	284	14
Other creditors	132	110	132	110
Sales in advance of travel	31,027	9,596	14,105	9,596
Accruals	647	674	647	674
	<u>39,661</u>	<u>16,078</u>	<u>23,651</u>	<u>16,080</u>

Notes to the financial statements

at 31 March 2010

14. Issued share capital

	2010	2010	2009	2009
<i>Allotted, called up and fully paid</i>	<i>No</i>	<i>£000</i>	<i>No</i>	<i>£000</i>
Ordinary shares of £1 each	9,835,000	9,835	9,835,000	9,835

15. Reconciliation of shareholders' funds and movements on reserves

Group

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 April 2008	9,835	17,956	27,791
Loss for the year	–	(400)	(400)
Actuarial loss on pensions (net of tax)	–	(4,072)	(4,072)
At 1 April 2009	9,835	13,484	23,319
Profit for the year	–	5,401	5,401
Actuarial gain on pensions (net of tax)	–	604	604
At 31 March 2010	9,835	19,489	29,324

Company

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 April 2008	9,835	17,956	27,791
Loss for the year	–	(400)	(400)
Actuarial loss on pensions (net of tax)	–	(4,072)	(4,072)
At 1 April 2009	9,835	13,484	23,319
Profit for the year	–	4,513	4,513
Actuarial gain on pensions (net of tax)	–	604	604
At 31 March 2010	9,835	18,601	28,436

Notes to the financial statements

at 31 March 2010

16. Pensions

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 2010 by a qualified independent actuary

Reconciliation of the present value of the defined benefit obligation

	2010 £000	2009 £000
At the beginning of the year	21,080	18,070
Service cost	415	359
Interest cost	1,231	1,203
Contributions by members	151	167
Actuarial loss on plan liabilities	3,316	1,521
Benefits paid	(283)	(240)
At the end of the year	25,910	21,080

Analysis of the defined benefit obligation

	2010 £000	2009 £000
Present value of funded defined benefit obligation	25,910	21,080

Reconciliation of fair value of plan assets.

	2010 £000	2009 £000
At the beginning of the year	13,271	15,650
Expected return on plan assets	967	1,210
Actuarial gain/(loss) on plan assets	4,155	(4,134)
Contributions by the Company	1,210	618
Contributions by members	151	167
Benefits paid	(283)	(240)
At the end of the year	19,471	13,271

Notes to the financial statements

at 31 March 2010

16. Pensions (continued)

Amounts to be recognised in the balance sheet

	2010 £000	2009 £000
Present value of funded obligation	25,910	21,080
Fair value of scheme assets	(19,471)	(13,271)
Deficit	6,439	7,809
Related deferred tax asset	(1,803)	(2,187)
Net liability in balance sheet	4,636	5,622

Amounts recognised in the profit and loss account

	2010 £000	2009 £000
Current service cost	415	359
Total charged to operating profit	415	359
Amounts included in (other income)/other finance charge		
Interest on obligation	1,231	1,203
Expected return on plan assets	(967)	(1,210)
	264	(7)
Total recognised in the profit and loss account	679	352

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

	2010 £000	2009 £000
Actuarial gain/(loss)	839	(5,655)
Actuarial gain/(loss) recognised in STRGL	839	(5,655)
Cumulative amount of actuarial gains and losses recognised in STRGL		

	2010 £000	2009 £000
Cumulative loss recognised in STRGL	(4,309)	(5,148)

Notes to the financial statements

at 31 March 2010

16. Pensions (continued)

<i>Plan assets</i>	<i>2010</i> <i>£000</i>	<i>2010</i> <i>%</i>	<i>2009</i> <i>£000</i>	<i>2009</i> <i>%</i>
Equities	16,154	83	8,243	62
Gilts and bonds	2,835	15	4,529	34
Property	476	2	466	4
Other	6	-	33	-
Total plan assets	19,471	100	13,271	100

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.

	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
Actual return on plan assets	5,122	(2,924)

	<i>2010</i> <i>%</i>	<i>2009</i> <i>%</i>
Principal actuarial assumptions at the balance sheet date		
Discount rate	5.80	5.80
Expected return on plan assets at the end of the year	7.60	7.00
Rate of increase in salaries	5.70	4.90
Price inflation	3.70	2.90
Pension increases		
- Pension accrued before 1 September 2003	5.00	5.00
- Pension accrued after 1 September 2003	3.70	2.90
Mortality		
- Pre retirement	AM92/AF92	AM92/AF92
- Post retirement	115% of PNMA00/ PNFA00 with 1992 medium cohort projection based on year of birth	115% of PNMA00/ PNFA00 with 1992 medium cohort projection based on year of birth

The assumed life expectancy on retirement at age 65 is:

Retiring today	- Male	85.8	85.7
	- Female	88.1	88.0
Retiring in 20 years	- Male	86.9	86.9
	- Female	89.1	89.1

Notes to the financial statements

at 31 March 2010

16. Pensions (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on scheme liabilities</i>
Discount rate	Increase/decrease by 1%	Decrease/increase by 23%/32%
Rate of inflation	Increase/decrease by 1%	Increase/decrease by 17%/14%
Rate of salary growth	Increase/decrease by 1%	increase/decrease by 6%/5%
Rate of mortality	100% of PNMA00/PNFA00 with 1992 medium cohort projection based on year of birth	Decrease by 3%

History of assets, liabilities and actuarial gains and losses

	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Present value of defined benefit obligation	(25,910)	(21,080)	(18,070)	(21,135)	(21,444)
Fair value of assets	19,471	13,271	15,650	15,440	13,344
Deficit	(6,439)	(7,809)	(2,420)	(5,695)	(8,100)
Experience gain/(loss) on plan liabilities					
Amount (£000)	3,316	1,521	412	–	(108)
Percentage of the present value of the plan liabilities	13%	7%	2%	–	(1%)
Difference between the expected and actual return on plan assets					
Amount (£000)	4,155	(4,134)	1,642	120	(1,780)
Percentage of the present value of the plan assets	21%	(31%)	10%	1%	(13%)

The employer's best estimate of contributions to be paid to the plan by the Company next year is £1,208,000

Notes to the financial statements

at 31 March 2010

17. Other financial commitments

At 31 March 2010 the Group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire		
In two to five years	129	259

18. 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

19. Directors loans and transactions

No other transactions (other than the ones already disclosed above) or loans were outstanding with the Directors of the Company at the end of the year, which need to be disclosed in accordance with the requirements of section 412 and 413 of the Companies Act 2006

20. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party 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