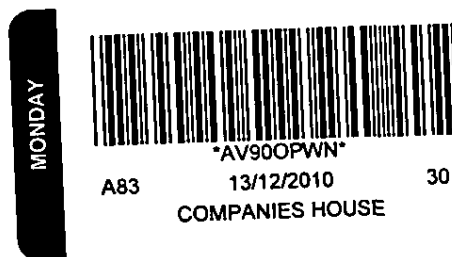


3109109

# **British Airways Interior Engineering Limited**

## **Report and Financial Statements**

31 March 2010



# British Airways Interior Engineering Limited

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Registered No 03109109

## **Directors**

G Copeland

W Kelly

I Jago

R Crew

A Kerswill

## **Secretary**

C Hibbs

## **Auditors**

Ernst & Young LLP

The Paragon

Counterslip

Bristol

BS1 6BX

## **Bankers**

Barclays Bank plc

Cardiff Business Centre

PO Box 674

121 Queen Street

Cardiff

CF1 4XU

## **Registered Office**

Waterside

PO Box 365

Harmondsworth

UB7 0GB

## Directors' report

Registered No: 03109109

The directors present their report and the audited financial statements for the year ended 31 March 2010

### Results and dividends

The profit for the year after taxation amounted to £835,000 (2009 £373,000)

The directors do not propose to pay a final dividend (2009 £nil)

### Principal activity and business review

The company is a wholly owned subsidiary of British Airways Plc and operates as part of the British Airways Plc Group (The Group)

The company's principal activity is the refurbishment of British Airways interior products such as passenger seats, crew chairs, and other aircraft cabin products such as safety slides, life vests, and survival packs, as well as cutting carpets to fit all British Airways aircraft. This activity takes place in a dedicated facility in South Wales.

The company will continue to invest in developing its product range of interior product items found on British Airways aircraft as well as overhauling safety products such as slides and life vests. The directors regard this investment as necessary for continuing success in the medium to long term future.

The directors are not aware, at the date of this report, of any further changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 8, the company's sales have increased by 2% over the prior year. Profit after tax has also increased resulting from improved cost control.

The balance sheet on page 9 of the financial statements shows that the company's financial position at the year end was consistent, in terms of net assets, with the prior year. Details of amounts due from the parent company are shown in note 10 on page 14.

There have been no political or charitable donations made over £2,000. There have been no significant events post the balance sheet date.

The British Airways Group manages its engineering operations on a departmental basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance, or position of the business. The performance of the engineering department of British Airways Plc, which includes this company, is discussed in the Group's annual report which does not form part of this report.

### Principal risks and uncertainties

Competitive pressure in the airline industry could result in a downturn in the demand for air travel and hence engineering maintenance, repair, and overhaul services. The company manages this risk by providing added value services to its parent company and main customers, by always demonstrating a flexible attitude to change, fast response times when meeting customer requests, and by maintaining strong relationships with key areas within the British Airways Group.

The company's sales are generated in the UK and therefore are not exposed to the movement in exchange rates. Where purchases are made in foreign currencies for aircraft spares or subcontracting, the group's treasury function manages this risk at a group level. This subsidiary uses the British Airways Group Purchase Ledger Payment System (POPL) to pay its suppliers.

The company is a wholly owned company of British Airways Plc. The subsidiary has no third party debt.

Group risks are discussed in the Group's annual report which does not form part of this report.

## Directors' report (continued)

### Environment

The British Airways Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The company operates in accordance with Group policies, which are described in the Group's annual report which does not form part of this report. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

### Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 12.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

### Future developments

It is the company's intention to continue to provide an aircraft refurbishment service to British Airways plc and other airline operators.

### Directors

The directors who held office during the year, and to the date of this report were:

G Copeland

W Kelly

I Jago (appointed 27<sup>th</sup> May 2009)

R Crew (appointed 21<sup>st</sup> May 2010)

A Kerswill (appointed 21<sup>st</sup> May 2010)

R Mehta (resigned 27<sup>th</sup> May 2010)

### Liability policy

The holding company, British Airways Plc, holds a directors and officers liability policy which covers the directors and officers of its subsidiary undertakings.

### Creditor payment policy and practice

It is the company's policy that payments to all suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. Creditor payment policy is net monthly. The company had 8 days of purchases outstanding at 31 March 2010 (2009: 12 days) based on the average daily amount invoiced by suppliers, during the year.

### Auditors

An elective resolution has been passed in accordance with Section 487(2), Companies Act 2006, that the company dispense with the obligation to appoint auditors annually.

## Directors' report (continued)

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirm that

- to the best of each director's knowledge and belief, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



C Hibbs  
Secretary

Date 23rd November 2010

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable UK law and UK generally Accepted Accounting Practice

The directors are required to prepare financial statements each year, which they are satisfied give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 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 2006. 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 shareholders of British Airways Interior Engineering Limited**

We have audited the company's financial statements for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 18. This 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 of 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 5, 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 the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing practices Board's (APB'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 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 shareholders of British Airways Interior Engineering Limited (continued)

### **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*

Jane Barwell (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

Date *8 December 2010*



## Profit and loss account

for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
<b>Turnover</b>	2	21,239	20,815
Cost of sales		(18,192)	(18,156)
<b>Gross profit</b>		3,047	2,659
Administration costs		(2,221)	(2,221)
<b>Profit on ordinary activities before interest and tax</b>	3	826	438
Interest receivable	6	3	-
Interest payable	6	-	(22)
<b>Profit on ordinary activities before taxation</b>		829	416
Taxation	7	6	(43)
<b>Profit on ordinary activities after taxation</b>	14	835	373

## Statement of total recognised gains and losses

for the year ended 31 March 2010

There have been no recognised gains or losses in the year other than the profit after taxation of £835,000 (2009 £373,000) All profits and losses above are attributable to continuing operations

## Balance sheet

at 31 March 2010

	Notes	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	8	240	305
<b>Current assets</b>			
Stocks	9	628	1,153
Debtors	10	1,389	121
Cash at bank and in hand		2	2
		2,019	1,276
<b>Creditors</b> amounts falling due within one year	11	(84)	(235)
<b>Net current assets</b>		1,935	1,041
<b>Total assets less current liabilities</b>		2,175	1,346
<b>Provisions for liabilities and charges</b>			
Deferred taxation	12	(4)	(10)
<b>Net assets</b>		2,171	1,336
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Profit and loss account	14	2,171	1,336
<b>Equity shareholders' funds</b>		2,171	1,336

Approved by the Board



G Copeland  
Director

Date 23/11/10

## Notes to the financial statements

at 31 March 2010

### 1. Accounting policies

#### *Accounting convention*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected life, as follows -

Plant and machinery and computer equipment	-	Over 4 - 10 years
Leasehold buildings	-	Over 10 years

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value, cost being direct materials and labour plus attributable overheads based on a normal level of activity

#### *Deferred tax*

Full provision is made for deferred taxation 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 taxation 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 the tax rates and laws enacted or substantially enacted at the balance sheet date

#### *Foreign currencies*

Transactions denoted in foreign currencies occurring during the course of the year are translated into sterling at the rates of exchange prevailing at the dates of these transactions. All exchange differences are included in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the balance sheet date

#### *Pension benefits*

Retirement benefits are payable through New Airways Pension Scheme, a separately funded pension scheme operated by British Airways Plc. Contributions to the pension scheme 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

Further details of the pension scheme are given in the financial statements of British Airways Plc

#### *Cash flow statement*

The company has taken advantage of FRS1 (Revised) and not prepared its own cash flow statement

#### *Leasing commitments*

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

## Notes to the financial statements

at 31 March 2010

### 2. Turnover and segmental analysis

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover for the year has arisen wholly in the United Kingdom, and all relates to one continuing activity, the repair and overhaul of aeroplane interiors.

### 3. Profit on ordinary activities before interest and taxation

This is stated after charging/(crediting)

	2010 £000	2009 £000
Depreciation	65	65
Auditors' remuneration - audit services	10	14
	<u>75</u>	<u>79</u>

### 4. Directors' remuneration

	2010 £000	2009 £000
Directors' emoluments	104	104
	<u>104</u>	<u>104</u>
	2010 No	2009 No
Members of defined benefits scheme	5	3
Directors who are entitled to shares under Long Term Incentive Plans	5	3
	<u>10</u>	<u>6</u>

The emolument information given above is for the single on site director only. The remaining directors are remunerated by fellow group companies. The directors' services to the company do not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 March 2010 and 31 March 2009.

None of the directors had any interest in any shares of British Airways Interior Engineering Ltd, in accordance with Schedule 5 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. Five 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).

## Notes to the financial statements

at 31 March 2010

### 5. Staff costs

	2010 £000	2009 £000
Wages and salaries	3,231	3,046
Social security costs	231	221
Other pension costs	361	349
	<u>3,823</u>	<u>3,616</u>

During the year the average number of staff employed under contracts of service was

	2010 No	2009 No
Production	146	137
Administration	9	10
	<u>155</u>	<u>147</u>

### 6. Interest

	2010 £000	2009 £000
Interest from parent undertaking	3	-
Interest payable to parent undertaking and others	-	22
	<u>3</u>	<u>22</u>

## Notes to the financial statements

at 31 March 2010

### 7. Taxation

Analysis of tax debit/(credit) for the year

	2010 £000	2009 £000
Current tax		
Tax charge for the year	-	-
<i>Deferred tax</i>		
Accelerated capital allowances	(6)	(3)
Abolition of IBA	-	17
Prior year adjustment	-	29
	<u>(6)</u>	<u>43</u>

#### **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 of 28% (2009 28%). The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before tax	829	416
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	232	116
<i>Effects of</i>		
Depreciation in excess of capital allowances	6	3
Free group relief from group members	(238)	(119)
Current tax charge for the year as above	<u>-</u>	<u>-</u>

## Notes to the financial statements

at 31 March 2010

### 8. Tangible fixed assets

	<i>Short leasehold buildings</i>	<i>Plant and machinery</i>	<i>Computer equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost</i>				
At 1 April 2009	1,374	366	87	1,827
At 31 March 2010	1,374	366	87	1,827
<i>Depreciation</i>				
At 1 April 2009	1,233	247	42	1,522
Charge for the year	27	21	17	65
At 31 March 2010	1,260	268	59	1,587
<i>Net book value</i>				
At 31 March 2010	114	98	28	240
At 1 April 2009	141	119	45	305

### 9. Stocks

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Work in progress	628	1,153

The difference between the purchase price or production cost of stocks and their replacement cost is not material

### 10. Debtors

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Amounts due from parent undertaking	1,290	-
Other debtors	99	121
	1,389	121

### 11. Creditors: amounts falling due within one year

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Amounts due to parent undertaking	-	108
Accruals and trade creditors	84	127
	84	235

## Notes to the financial statements

at 31 March 2010

### 12. Deferred taxation

The movements in the deferred tax account in the current and previous years are as follows

	2010 £000	2009 £000
At 1 April	10	(33)
Charge for the year (note 7)		
- profit and loss charge/(credit) for the current year	(6)	14
- profit and loss charge/(credit) for the prior year	-	29
At 31 March	4	10

Deferred taxation at 28% (2009 28%) has been fully recognised in the financial statements as follows

	2010 £000	2009 £000
Accelerated capital allowances	4	10

The UK corporation tax rate has been 28% since 1st April 2009

The Chancellor announced at the 2010 Emergency Budget on 22 June 2010 that starting from 1<sup>st</sup> 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.

### 13. Share capital

	<i>Allotted, called up and fully paid</i>	
	2010	2009
Ordinary shares of £1 each	£2	£2
No. of ordinary shares of £1 each	2	2



## Notes to the financial statements

at 31 March 2010

### 14. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 April 2008	-	963	963
Profit for the year	-	373	373
At 31 March 2009	-	1,336	1,336
Profit for the year	-	835	835
At 31 March 2010	-	2,171	2,171

### 15. Other financial commitments

	<i>2010 £000</i>	<i>2009 £000</i>
Within one year	430	430

### 16. Ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of British Airways Plc, a company registered in England and Wales, whose financial statements are available from the Investor Relations Department, British Airways Plc, Waterside, PO Box 365, Harmondsworth UB7 0GB. British Airways Plc is the immediate parent and controlling party.

### 17. Pension benefits

The company's employees are members of the British Airways New Airways Pension Scheme ("NAPS") which is closed to new members, and the British Airways Retirement Plan (BARP), which is a defined contribution scheme. The assets of these schemes are held in a separate trust administered fund. Benefits under NAPS are based upon final average pensionable pay reduced by an amount (the "abatment") not exceeding one and a half times the Government's lower earnings limit and are subject to retail price index increases up to a maximum of five per cent in any one year.

Pension contributions in the accounts were set during the March 2006 valuation of NAPS, at this date assets were £5,486 million, which represented 74% of the value of the benefits that had accrued to members after allowing for assumed increases in earnings.

The company is not able to identify its share of the assets and liabilities within the NAPS and BARP schemes on a consistent and reasonable basis. Disclosures concerning the assets and liabilities of the scheme can be found in the financial statements of British Airways Plc, the immediate parent company.

### 18. Related party disclosures

As the company is a subsidiary undertaking it has taken advantage of the exemption permitted by FRS 8 on Related Party Disclosures and not disclosed details of transactions with other group undertakings.