

DIRECTORS' REPORT AND ACCOUNTS

TELEFLIGHT LIMITED

31 MARCH 2009

Company Number 3918190

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TELEFLIGHT LIMITED

Directors: Steve Priest
Alyson Carswell
Neil Evans (appointed 1 January 2009)
Klaus Gossler (appointed 1 January 2009)
Carlos Carbonell-Bamford (appointed 24 February 2009)

Robert Hall (resigned 25 April 2008)
Mary Waldner (resigned 31 December 2008)
Oliver King (resigned 31 December 2008)
Frances Taylor (resigned 31 December 2008)

Secretary: Kulbinder Dosanjh
Registered Office: Waterside, PO Box 365
Harmondsworth UB7 0GB

The Directors present their report and the audited accounts for the year ended 31 March 2009.

RESULTS AND DIVIDENDS

The loss after tax amounted to \$12,691 (2008: Profit \$1,429,444). The Directors did not propose or pay a dividend for the year (2008:\$ nil).

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc (BA), continues to play an integral role in British Airways' commercial activities in the Americas. This business is the largest BA call centre in the Americas, responding to customer inquiries originating from the USA, Canada and the Caribbean. Over the past year, some calls from Latin America were also routed to Jacksonville, and from July 2009, the Company began handling all of the calls. Nearly 330 individuals are employed to support the business activities for an operation that runs from 07:00 - 01:00, seven days a week, 365 days a year. The Company handles all selling and servicing calls for the BA Executive Club and OnBusiness program, British Airways Holidays, Travel Trade, as well as enquiries from the general public. In 2009, calls formerly routed to the outsourced call centre operation, Precision Response Corporation (PRC) in Margate, Florida were brought in to Jacksonville, and in January 2009, all web-support calls were in-sourced to Jacksonville from the PRC operation in India.

The Company handled 2.4 million calls at an average handling time of 7.1 minutes per call, which resulted in a total of 17.1 million call minutes and \$19.5 million total turnover.

For the financial year ended 31 March 2009, highlights included a continued decline in staff attrition, finishing off the year with a record low attrition rate of 16.3% (2008: 29.4%). Service level targets were achieved and the results from the new global Call Centre Customer Satisfaction Survey showed the Jacksonville office is leading all other BA global call centres in terms of overall customer satisfaction. For the second year running, the Company also achieved record high results on the internal "Speak-up" staff survey with a 92% response rate and satisfaction scores of over 90% on key questions related to local management. The headcount as at 31 March 2009 consisted of 329 employees (2008: 348).

In response to the severe downturn in the business, the Company launched a voluntary leave program, which resulted in manpower savings of nearly 30 Full-Time Equivalents over the second half of the year. In January 2009, the Company achieved ratification of a new three-

TELEFLIGHT LIMITED

year union contract with the IAMAW union, resulting in reductions in paid sick-time and increases in employee contributions for the cost of medical insurance.

FUTURE OUTLOOK

In May 2009 the Company began and will continue the emphasis on excellence in customer service with the re-launch of the internal Quality program and the introduction of a dedicated Premium Team focused on providing exceptional service for its most valuable customers. To support BA, during the current unprecedented business crisis, the Company will be looking to take advantage of every opportunity to further improve productivity, drive revenue and reduce people costs. A management team reorganisation during the summer of 2009 resulted in a management manpower reduction of 14% and the voluntary unpaid leave program has continued to be exploited. The introduction of Dynamic Packaging took place in April 2009. This new system provides an enhanced offering to our customers looking to buy BA Holidays products and enhanced functionality for our agents in order to increase the level of sales. A number of system issues delayed full implementation until May and various "work-arounds" were required during and after the launch. This has resulted in minimal impact on the operation, as the call volume for BA Holidays continues to decline.

PRINCIPAL RISKS AND UNCERTAINTIES

In April 2009, recruitment was finalised for a group 14 agents to support the transition of Latin America calls to Jacksonville from ACS, an outsourced supplier located in Brazil. These agents were recruited for specific language skills in order to service calls from customers speaking Spanish or Portuguese, during specific operational hours. As the Jacksonville union contract covers only one job classification, after these agents complete nine-months of employment they have a contractual right and requirement to bid for shifts from among the larger workforce. There is a risk in terms of our ability to effectively service these calls, unless we are able to reach an agreement with the union that allows us to establish specific shifts based on language skills. Historically, the union has been open to such an arrangement for airport staff, but there is currently no BA precedent for such an agreement in the call centres.

In previous year's reports it was highlighted that employee retention was a significant risk. However, staff attrition has continued the decline that started in 2006, and with the impact from the economic downturn in the Jacksonville area, the rolling annualised attrition rate has dipped below 10%. With the major focus on quality and customer service, there is some risk of decreases in agent productivity. A key focus will be on reducing call handling times whilst maintaining focus on customer service.

The Jacksonville region is susceptible to hurricanes and severe weather activity, especially during the period between July and October. The consolidation of virtually all of the Americas call centre activity at one location does present some risks. A robust Business Continuity Plan is in place, covering the facilities, employees and loss of systems.

ENVIRONMENTAL POLICY

The Company is committed to British Airways corporate environmental policies and works constructively with those concerned for the environment, including, Liberty Property Management, the building landlord. In cooperation with Liberty, in the past two years the Company has taken various steps to reduce paper usage, improve energy efficiency and promote recycling for paper, glass, metal and plastic materials. A group of managers and staff established a local "Green Committee," which meets monthly to discuss and promote environmental awareness.

TELEFLIGHT LIMITED

POLITICAL AND CHARITABLE DONATIONS

During the past year, the Company made no political or charitable contributions (2008: \$Nil). Voluntary staff fund raising activities were conducted to support a variety of worthy causes and organisations.

LIABILITY INSURANCE

The ultimate parent undertaking, British Airways Plc, holds a Directors' and Officers' liability insurance policy covering the Directors and Officers of its subsidiary undertakings.

EMPLOYMENT POLICY

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Company seeks to keep its employees informed on all matters affecting them and on the progress of the Company. It encourages the active support of the trades unions in representing the Company's employees and in the building of a relationship between the Company, its employees and the trades unions based on openness and mutual trust. Employees participate directly in the success of the business through the profit sharing schemes of British Airways Plc and are encouraged to invest in shares of British Airways Plc.

AUDITORS

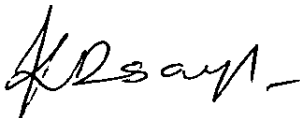
The Company has passed elective resolutions in accordance with the provisions of sections 386(1) and 379(A) of the Companies Act 1985 and Ernst & Young LLP will automatically continue in office as the Company's auditors.

DIRECTORS STAMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed at the beginning of this report. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms 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 steps a Director might reasonably be expected to have taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

BY ORDER OF THE BOARD



Kulbinder Dosanjh
SECRETARY

TELEFLIGHT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANNCIAL STATEMENTS

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). 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 profit or loss of the Company 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 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

TELEFLIGHT LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF TELEFLIGHT LIMITED

We have audited the Company's financial statements for the year ended 31 March 2009, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. 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) as 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 implication 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 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.

TELEFLIGHT 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 Company's affairs as at 31 March 2009 and of its 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

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TELEFLIGHT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 \$	2008 \$ <i>Restated</i>
Turnover	1	19,546,201	21,494,561
Cost of sales		<u>(20,258,239)</u>	<u>(20,078,717)</u>
Operating (loss)/profit	2	(712,038)	1,415,844
Interest receivable	5	773,594	457,045
Interest payable	6	<u>-</u>	<u>(253,466)</u>
Profit on ordinary activities before taxation		61,556	1,619,423
Tax on loss on ordinary activities	7	<u>(74,247)</u>	<u>(189,979)</u>
(Loss)/profit on ordinary activities after taxation		(12,691)	1,429,444
(Loss)/profit for the financial year	13	<u>(12,691)</u>	<u>1,429,444</u>

Turnover and operating (loss)/profit are derived entirely from continuing operations.
There are no recognised gains or losses other than the loss amounting to \$12,691 in the year ended 31 March 2009
and the profit amounting to \$1,429,444 in the year ended 31 March 2008.

TELEFLIGHT LIMITED

BALANCE SHEET

As At 31 March 2009

	Note	2009 \$	2008 \$
FIXED ASSETS			
Tangible sssets	8	1,107,469	1,663,754
		<u>1,107,469</u>	<u>1,663,754</u>
CURRENT ASSETS			
Deferred tax asset	7	398,132	472,379
Debtors	9	9,051,703	8,677,706
Cash		983	0
		<u>9,450,818</u>	<u>9,150,085</u>
Creditors: Amounts falling due within one year	10	(727,077)	(889,942)
NET CURRENT ASSETS		<u>8,723,741</u>	<u>8,260,143</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,831,210	9,923,897
CREDITORS:AMOUNTS FALLING DUE AFTER ONE YEAR	11	(106,478)	(186,474)
NET ASSETS		<u>9,724,732</u>	<u>9,737,423</u>
CAPITAL AND RESERVES			
Called up share capital	12	6,000,000	6,000,000
Profit and loss account	13	3,724,732	3,737,423
NET ASSETS		<u>9,724,732</u>	<u>9,737,423</u>

The financial statements were approved by the Board of Directors and signed on 14 December 2009 on behalf of the Board:

Director



TELEFLIGHT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009

1 ACCOUNTING POLICIES

Accounting convention:

The accounts are prepared under the historical cost convention and in accordance with all applicable United Kingdom accounting standards.
The accounting policies adopted by the Company are set out below and are consistent with those of the previous year.

Cash flow statement

Under the provisions of FRS1 (revised), the Company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking.

Tangible fixed assets:

Tangible fixed assets are stated at cost. Depreciation is calculated to write off the cost, less estimated residual value, on the straight line basis.
Property is depreciated over its expected useful life subject to a maximum of 50 years.
Equipment is depreciated over periods ranging from three to 20 years, according to the type of equipment.

Foreign currencies:

The financial statements are denominated in US dollars (\$) which is the functional currency of the Company.

The sterling to dollar exchange rate as at 31 March 2009 was 1.43 (2008: 1.99) and the average rate for the year ended 31 March 2009 was 1.75 (2008: 2.01).

Turnover:

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.
Turnover is attributable to one continuing activity, the handling of British Airways customer reservation and servicing calls and relates solely to the North American and Caribbean geographical market.

Deferred tax:

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.

Medical liabilities:

The Company recognises an accrual for liabilities incurred but not yet claimed under the Company's medical benefits arrangements. This accrual is based on the historical experience of claims rates.

Operating leases:

The rental under an operating lease is charged to the profit and loss account on a straight line basis over the lease term.

Interest-bearing loans and borrowings:

All interest-bearing loans and borrowings are initially recorded at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of debts of the period.
Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Presentation of foreign exchange gains and losses

In the current year financial statements, exchange gains and losses on amounts owed by the parent company have been shown as financing items rather than within cost of sales. Prior year amounts have been restated accordingly.

2 OPERATING (LOSS)/PROFIT

Operating profit is arrived after charging:

	2009	2008
	\$	\$
Depreciation of tangible fixed assets:		
Owned assets	12,832	43,372
Leased assets	545,036	602,310
Operating lease rentals:		
Land and Buildings	1,363,367	1,294,673

The auditor's remuneration of \$28,000, for the audit of the Company has been borne by British Airways Plc for the year ended 31 March 2009 (2008: \$28,000).

3 DIRECTORS' REMUNERATION

The Directors received no remuneration or other emoluments from the Company during the year ended 31 March 2009 (2008: £nil).

4 EMPLOYEE COSTS AND NUMBERS

	2009	2008
	\$	\$
Wages and salaries	11,110,005	11,296,790
Social security costs	4,433,683	3,653,037
Other pension costs	254,160	247,717
	<u>15,797,847</u>	<u>15,197,544</u>

TELEFLIGHT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009

	<u>2009</u>	<u>2008</u>
The monthly average number of employees during the year:	<u>315</u>	<u>327</u>
5 INTEREST RECEIVABLE		
	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>Restated</u> <u>\$</u>
Interest on loans to parent or subsidiary undertakings	362,940	457,045
Foreign exchange rate gains on amount owed by parent undertaking	410,654	
	<u>773,594</u>	<u>457,045</u>
6 INTEREST PAYABLE		
	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>Restated</u> <u>\$</u>
Foreign exchange rate losses on amount owed by parent undertaking	-	(253,466)
7 TAXATION		
	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>\$</u>
Analysis of tax charge for the year		
Current tax:		
United Kingdom corporation tax	-	-
Deferred tax:		
Accelerated capital allowances	74,247	156,238
Rate change effect on closing balances through the profit and loss account	-	33,741
	<u>74,247</u>	<u>189,979</u>
<u>Factors affecting tax for the year</u>		
The current tax charge for the period is less than the profit at the standard rate of corporation tax in the UK of 28% (2008: 30%)		
The differences are explained below.		
	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>\$</u>
Profit on ordinary activities before tax	61,556	1,619,423
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	(17,236)	485,827
Effects of:		
Expenses not deductible for tax purposes	102,249	121,064
Timing differences:		
Depreciation less than capital allowances	(74,247)	(156,238)
Free group relief from group members	(10,766)	(450,653)
Current tax charge for the year as above	-	-
Deferred tax asset:		
	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>\$</u>
Accelerated capital allowances	(398,132)	(472,379)
	<u>(398,132)</u>	<u>(472,379)</u>
Asset at start of period	(472,379)	(662,358)
Profit and loss charge for the period	74,247	156,238
Rate change effect on closing balances through the profit and loss account	-	33,741
Provision at end of period	<u>(398,132)</u>	<u>(472,379)</u>

TELEFLIGHT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009

8 TANGIBLE FIXED ASSETS

	Land and Buildings	Equipment	Total 2009	Total 2008
	\$	\$	\$	\$
Cost:				
Balance at 1 April	5,246,923	6,688,276	11,935,199	11,894,332
Additions:	1,583	-	1,583	40,867
Balance at 31 March	5,248,506	6,688,276	11,936,782	11,935,199
Depreciation:				
Balance at 1 April	3,617,587	6,653,858	10,271,445	9,625,763
Charge for the year	545,036	12,832	557,868	645,682
Balance at 31 March	4,162,623	6,666,690	10,829,313	10,271,445
Net book amounts:				
31 March 2009	1,085,883	21,586	1,107,469	
31 March 2008	1,629,336	34,418		1,663,754
Owned assets	-	21,586	21,586	34,418
Leased assets	1,085,883	-	1,085,883	1,629,336
	1,085,883	21,586	1,107,469	1,663,754

The net book amount of land and buildings comprises:

Short leasehold	1,085,883	1,629,336
	1,085,883	1,629,336

9 DEBTORS

	2009	2008
	\$	\$
Amount owed by parent undertaking	8,840,325	8,498,138
Amount owed by group undertakings	71,059	65,280
Prepayments and accrued income	140,319	114,288
	9,051,703	8,677,706

Interest accrues on parent and group undertakings at an average interest rate of 4.23%.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	\$	\$
Bank overdraft	3,214	545
Other creditors	562,290	480,553
Accruals	161,573	408,844
	727,077	889,942
	2009	2008
	\$	\$

11 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

Other creditors	106,478	186,474
	106,478	186,474

12 SHARE CAPITAL

	2009 No.	2009 \$	2008 No.	2008 \$
Authorised:				
At 31 March	7,228,916	7,228,916	7,228,916	7,228,916
Allotted, called up and fully paid:				
At 31 March	6,000,000	6,000,000	6,000,000	6,000,000

TELEFLIGHT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009

**13 RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES**

	Called up share capital \$	Profit and loss account \$	Total \$
At 31 March 2007	6,000,000	2,307,979	8,307,979
Profit for the year	-	1,429,444	1,429,444
At 31 March 2008	6,000,000	3,737,423.22	9,737,423
Profit for the year	-	(12,691)	(12,691)
At 31 March 2009	6,000,000	3,724,732	9,724,732

14 PENSION COMMITMENTS

Employees are members of the Teleflight Limited Defined Contribution Savings Plan, the assets and liabilities of which are held outside of the Company. Employer's contributions charged in the accounts were \$254,160 (2008: \$247,717).

15 OPERATING LEASE COMMITMENTS

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

	Land and buildings 2009 \$	Land and buildings 2008 \$
<i>Amounts payable within one year relate to commitments expiring as follows:</i>		
Within One Year	1,424,272	1,378,949
Between 2-5 Years	1,465,450	2,889,722

16 RELATED PARTIES

The Company has taken advantage of the exemption in FRS8 not to disclose related party transactions as 90 per cent or more of the voting rights are controlled within the Group.

17 PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is British Airways Plc.

The Company is a wholly owned subsidiary undertaking of British Airways Plc, a Company incorporated in England. Copies of the group accounts of British Airways Plc, which include the Company, can be obtained by writing to the Secretary, British Airways Plc, Waterside, PO Box 365, Harmondsworth UB7 0GB.