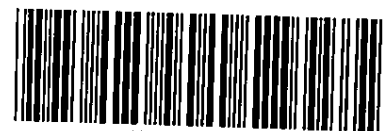


**DIRECTORS' REPORT AND ACCOUNTS**  
**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**MARCH 31, 2009**  
Company Number 590083

WEDNESDAY



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COMPANIES HOUSE

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**DIRECTORS' REPORT**

Directors: A K Buchanan  
K Williams

Secretary: Kulbinder Dosanjh

Registered office: Waterside, PO Box  
Harmondsworth UB7 0GB

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

**DIRECTORS**

The Directors of the Company during the year were A K Buchanan and K Williams.

**RESULTS AND DIVIDENDS**

The profit after tax for the year amounted to £3,908,258 (2008: £2,567,976).

The Directors do not recommend payment of a dividend (2008: £Nil).

**PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS**

The Company is a wholly owned subsidiary undertaking of British Airways Plc. During the year its principal activities were controlling and managing investments in other airlines and related services. The Company intends to continue to act as an investment controlling and management Company.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year, the Company made no political or charitable contributions (2008: £Nil).

**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.

**POST BALANCE SHEET EVENTS**

There are no material post balance sheet events.

**AUDITORS**

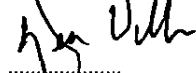
The Company has passed elective resolutions in accordance with the provisions of sections 386(1) and 379(A) of the Companies Act 1985 and Ernst & Young LLP will automatically continue in office as the Company's auditors.

**DIRECTORS' 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 above. 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 himself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

ON BEHALF OF THE BOARD



.....  
DIRECTOR

DATE

4 December 2009.

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**STATEMENT OF DIRECTORS RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS**

The Directors are responsible for preparing the 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;
- 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 AUDITOR'S REPORT TO THE MEMBERS OF BRITISH AIRWAYS  
ASSOCIATED COMPANIES LIMITED**

We have audited the Company's financial statements for the year ended March 31, 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 13. 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 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.

**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 March 31, 2009 and of its results 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

4 DECEMBER 2009

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	Note	2009 £	2008 £
<b>Operating Profit</b>	2	-	-
Dividend income		113,000	-
Interest receivable from parent undertaking		2,144,359	2,567,976
Profit on disposal of investments	4	2,284,192	-
<b>Profit on ordinary activities before taxation</b>		<u>4,541,551</u>	<u>2,567,976</u>
Taxation	5	(633,293)	-
<b>Profit for the financial year</b>	10	<u>3,908,258</u>	<u>2,567,976</u>

There are no recognised gains or losses other than the profits amounting to £3,908,258 in the year ended March 31, 2009 and £2,567,976 in the year ended March 31, 2008.

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**BALANCE SHEET  
AS AT MARCH 31, 2009**

	Note	2009 £	2008 £
<b>FIXED ASSETS</b>			
Investments	6	-	932,975
<b>CURRENT ASSETS</b>			
Debtors:			
Amounts owed by parent undertaking		50,156,914	44,682,388
Creditors: amounts falling due within one year	7	(633,293)	-
<b>TOTAL ASSETS LESS CURRENT ASSETS AND LIABILITIES</b>		<b>49,523,621</b>	<b>45,615,363</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	173,425,273	173,425,273
Profit and loss account	10	(123,901,652)	(127,809,910)
		<b>49,523,621</b>	<b>45,615,363</b>

The financial statements were approved by the Board of Directors on 4 December 2009 and signed on behalf of the Board:

Director 

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED MARCH 31, 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.

As the Company is a wholly owned subsidiary undertaking of a company incorporated in England, group accounts have not been prepared.

**Investments:**

Fixed asset investments are stated at cost unless, in the opinion of the Directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

**Foreign currencies:**

Normal trading activities denominated in foreign currencies are recorded in sterling at actual rates of exchange as at the date of the transaction. Monetary assets and liabilities denominated in currencies other than sterling are translated to sterling at rates of exchange ruling at the end of the financial year. All currency gains and losses arising are included in the profit and loss account.

**Cash flow statement:**

Under the requirements of Financial Reporting Standard 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement, as 90 per cent or more of the voting rights are controlled within the group.

**2 OPERATING PROFIT**

The auditor's remuneration of £6,000 (2008: £6,000), for the audit of the Company accounts, has been borne by British Airways Plc.

**3 DIRECTORS' REMUNERATION**

The Directors did not receive remuneration for their services to the Company during the year. The Directors qualify for a defined benefit pension scheme funded by the Company's parent undertaking. The emoluments of the Directors are borne by the group company (British Airways Plc). There were no employees during the year (2008: none).

**4 PROFIT ON SALE OF FIXED ASSETS AND INVESTMENTS**

2009	2008
£	£

Profit on disposal of investment in Air Mauritius

2,284,192	-
£	£

**5 TAXATION**

2009	2008
£	£

**a) Analysis of debit for the year**

**Current Tax:**

United Kingdom corporation tax

-	-
£	£

Less: relief for overseas tax

-	-
£	£

UK tax

-	-
£	£

Prior year adjustments

633,293	-
633,293	-
£	£

**b) Factors affecting tax charge for the year**

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:

2009	2008
£	£

Profit on ordinary activities before tax

4,541,551	2,567,976
£	£

Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)

1,271,634	770,393
£	£

Profit on disposal on investment: non taxable

(639,574)	-
£	£

Timing differences:

Free group relief from group members

(632,061)	(770,393)
£	£

Prior year adjustment

633,293	-
£	£

Current tax charge for the year as above

633,293	-
£	£

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

**6 INVESTMENTS**

Listed investments	2009	2008
	£	£
<i>Cost</i>		
At April 1 2008	932,975	932,975
Disposal	(932,975)	-
Net book value at March 31, 2009	<u>-</u>	<u>932,975</u>

**7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2009	2008
	£	£
Corporation tax	<u>633,293</u>	<u>-</u>

**8 DISPOSAL OF INVESTMENTS**

In June 2008 the Company disposed of its entire holdings in Air Mauritius Limited and Air Mauritius Holdings Limited for £3,217,167 (after transactions costs), resulting in a pre tax profit on disposal of £2,284,192.

	2009	2008
	£	£
Sales proceeds	3,217,167	-
Cost of investment	(932,975)	-
Profit on disposal	<u>2,284,192</u>	<u>-</u>

**9 SHARE CAPITAL**

	2009	2008
	No.	£
Authorised:		
Increase approved by shareholders	200,000,000	200,000,000
	<u>200,000,000</u>	<u>200,000,000</u>
Allotted, called up and fully paid:		
Issued during the year	173,425,273	173,425,273
Balance at March 31, 2009	<u>173,425,273</u>	<u>173,425,273</u>



**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**  
**FOR THE YEAR ENDED MARCH 31, 2009**

**10 RECONCILIATION OF SHAREHOLDERS' FUNDS  
AND MOVEMENTS OF RESERVES**

	<u>Called up share capital</u>	<u>Profit &amp; loss account</u>	<u>Total</u>
	£	£	£
At March 31, 2007	173,425,273	(130,377,886)	43,047,387
Profit for the year	-	2,567,976	2,567,976
At March 31, 2008	173,425,273	(127,809,910)	45,615,363
Profit for the year	-	3,908,258	3,908,258
At March 31, 2009	173,425,273	(123,901,652)	49,523,621

**11 DIRECTORS' LOANS AND TRANSACTIONS**

No loans or transactions were outstanding with Directors of the Company at the end of the year which need to be disclosed in accordance with the requirements of Schedule 6 to the Companies Act 1985.

**12 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.

**13 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.