

DIRECTORS' REPORT AND ACCOUNTS
BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

31 March 2010

Company Number 590083

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BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Company Number 590083

DIRECTORS' REPORT

Directors. A K. Buchanan
K. Williams
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 2010

DIRECTORS

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

RESULTS AND DIVIDENDS

The profit after tax amounted to £307,000 (2009 £3,908,000) The Directors do not recommend the payment of a final dividend (2009 £nil)

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc, forms an integral part of British Airways' activity, primarily as a holding company for investments of the British Airways Group

The Directors do not expect any changes in the Company's activity in the foreseeable future

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the Company made no political or charitable contributions (2009 £nil)

EVENTS SINCE THE BALANCE SHEET DATE

There were no material post balance sheet events

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 undertaking

AUDITORS

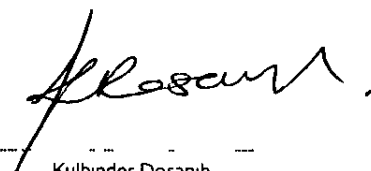
The Company's auditors Ernst and Young LLP, will automatically continue in office in accordance with the terms of their appointment, as per section 487 of the Companies Act 2006

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

BY ORDER OF THE BOARD



Kulbinder Dosanjh
Secretary

10 December 2010

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
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 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 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 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 MEMBERS OF BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

We have audited the financial statements of British Airways Associated Companies Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 14. 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 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 auditor's 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 2, 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 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.

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 *13 December 2010*

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2010

	Note	2010 £000's	2009 £000's
Dividend income		-	113
Profit on disposal of investment	4	-	2,284
Interest receivable from parent undertaking	5	307	2,144
Profit on ordinary activities before tax		307	4,541
Tax on profit on ordinary activities	6	-	(633)
Profit for the financial year		307	3,908

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no gains or losses other than the profit amounting to £307 000 in the year ended 31 March 2010 (2009: £3,908,000)

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

BALANCE SHEET

As at 31 March 2010

	Note	2010 £000's	2009 £000's
FIXED ASSETS			
Investments	7	-	-
CURRENT ASSETS			
Debtors	8	49,831	50,157
CREDITORS			
Amounts falling due with one year	9	-	(633)
TOTAL NET ASSETS		49,831	49,524
CAPITAL AND RESERVES			
Called up share capital	10	173,425	173,425
Profit and loss account	11	(123,594)	(123,901)
TOTAL EQUITY AND LIABILITIES		49,831	49,524

The accounts were approved by the Board of Directors and signed on behalf of the Board

Keith Williams
Director

10 December 2010

Date

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

NOTES TO THE ACCOUNTS

31 March 2010

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with all applicable United Kingdom accounting standards

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

Provisions for the diminution in value of the cost of investments in subsidiary undertakings and associated undertakings are based on the net realisable value of the investments

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. There is no retranslation of fixed asset investments

Monetary assets and liabilities denominated in currencies other than sterling are translated to sterling 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 provisions of FRS 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement, as 90% or more of the voting rights are controlled within the Group

Deferred tax

Deferred tax is recognised in respect of 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 substantively enacted at the balance sheet date

Interest income

Interest income is recognised as interest accrues using the effective interest method

2 AUDITORS' REMUNERATION

The auditor's remuneration of £6,000 (2009 £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 (2009 £nil). The emoluments for services to the British Airways Group are borne by British Airways Plc, the Company's parent undertaking.

All of the Directors qualify for a defined benefit pension scheme provided by the Company's parent undertaking. There were no employees of the Company during the year (2009 nil)

4 PROFIT ON DISPOSAL OF INVESTMENT

	2010 £000's	2009 £000's
Profit on disposal of investment in Air Mauritius	-	2,284
	<u>-</u>	<u>2,284</u>

5 INTEREST RECEIVED

	2010 £000's	2009 £000's
Interest received from parent undertaking	307	2,144
	<u>307</u>	<u>2,144</u>

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

NOTES TO THE ACCOUNTS

31 March 2010

(Continued)

6 TAX

Profit & Loss Account	2010	2009
(a) Analysis of charge/(credit) for the year	£000's	£000's
Current Tax		
UK tax	-	-
Prior year adjustments	-	633
TOTAL	-	633

(b) Factors affecting tax charge/(credit) 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%
The differences are explained below

	2010	2009
	£000's	£000's
Profit on ordinary activities before tax	<u>307</u>	<u>4,541</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28%	86	1,271
Effects of		
Non taxable income and expenses not deductible for tax purposes	-	(639)
Timing differences		
Free group relief from group members	(86)	(632)
Prior year adjustment	-	633
Current tax charge for the year as above	-	633

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.

7 INVESTMENTS

	2010	2009
	£000's	£000's
Cost at 1 April	-	933
Disposals	-	(933)
Net book value at 31 March	-	-

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

NOTES TO THE ACCOUNTS

31 March 2010

(Continued)

8 DEBTORS

	2010	2009
	£000's	£000's
Amounts owed by parent undertaking	<u>49,831</u>	<u>50,157</u>
	49,831	50,157

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£000's	£000's
UK tax payable	<u>-</u>	<u>633</u>
	-	633

10 SHARE CAPITAL

	2010	2009
	£000's	£000's
Allotted, called up and fully paid up Ordinary shares of £1.00 each		
Balance at 31 March	<u>173,425</u>	<u>173,425</u>

11 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital	Profit & loss account	Total
	£000's	£000's	£000's
At 31 March 2008	173,425	(127,809)	45,616
Profit after tax	<u>-</u>	<u>3,908</u>	<u>3,908</u>
At 31 March 2009	173,425	(123,901)	49,524
Profit after tax	<u>-</u>	<u>307</u>	<u>307</u>
At 31 March 2010	<u>173,425</u>	<u>(123,594)</u>	<u>49,831</u>

12 DIRECTORS LOANS AND TRANSACTIONS

No loans or transactions 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

13 RELATED PARTIES

The Company has taken advantage of the exemption in FRS 8 not to disclose related party transactions as the Company is wholly owned by, and controlled within the Group

14 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