

BRITANNIA AIRWAYS LIMITED

COMPANY REGISTRATION NUMBER: 444359

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 2000



Britannia Airways Limited

Directors' Report

The directors present their report together with the audited financial statements of the Company for the year ended 31 December 2000.

Results and Dividends

The Company's profit before tax for the year was £31.4 million (1999: £54.4 million). The directors recommend no final dividend (1999: £35.0 million), making a total dividend for the year of £34 million (1999: £43.0 million).

Principal Activity and Review of the Business

The Company's principal activity during the year continued to be the operation of a charter airline.

The number of passengers carried in 2000 were 8.0 million and the trading results have been satisfactory.

As at the year end, the fleet operated by the Company comprised eighteen Boeing 757s, thirteen Boeing 767s and two Boeing 737s.

Disabled Employees

The policy of the Company is to give full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Whenever possible the Company continues to employ those employees who have become disabled. The Company makes appropriate arrangements for the training and career development of all disabled employees.

Employee Involvement

The policy of the Company is to ensure that employees are kept well informed by way of briefings, staff reports, newsletters and notices describing the activities and performance of group undertakings.

Charitable and Political Donations

Charitable donations made during the year amounted to £3,000 (1999: £11,000). No political donations were made.

Policy on Payments to Suppliers

The Company is responsible for agreeing the terms and conditions under which business transactions with their suppliers, are conducted. It is Company policy that payments to suppliers are made in accordance with these terms and conditions, provided that the supplier is also complying with all relevant terms and conditions.

Suppliers payments days at 31 December 2000 were 31.9 (1999: 28.8).

Britannia Airways Limited

Directors' Report (Continued)

Directors and Directors' Interests in Shares

The directors of the Company at 31 December 2000 were as follows:-

M Boyle
D Marsh
J Millns (appointed 21 Feb 2000)
B Newton
R G Parker-Eaton OBE
C Sharples
F Stratford (appointed 27 March 2000)
S Woods

In addition to those listed above the following directors resigned during the year: P Bradley (resigned 31 January 2000), M Frith (resigned 3 March 2000), R S Smith (resigned 27 March 2000), R D Burnell (resigned 17 June 2000), R J Manley (resigned 31 December 2000) and P Buckingham (resigned 31 December 2000).

No director had any interest in the shares of the Company or the Group at 31st December 2000.

I Andrew and A K Hatton were appointed as directors on 1 January 2001.

Auditors

A resolution in accordance with section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually was passed on 30 December 1996. Accordingly, PricewaterhouseCoopers shall be deemed reappointed as auditors.

By Order of the Board



R Strongman
Company Secretary

29th June 2001

London Luton Airport
Luton, Bedfordshire, LU2 9ND

Britannia Airways Limited

Statement of Directors' Responsibility **In Relation to Financial Statements**

The following statement, which should be read in conjunction with the auditors' statement of responsibilities set out on page 4, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required, in accordance with accounting principles generally accepted in the United Kingdom, to prepare financial statements for each financial year which 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.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Company, and which 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 for taking reasonable steps to prevent and detect fraud and other irregularities.

Britannia Airways Limited

Auditors' Report to the Members of Britannia Airways Limited

We have audited the financial statements on pages 5 to 24.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

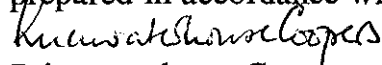
Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the Company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6NN

29th June 2001

Britannia Airways Limited

Profit and Loss Account

For the Year Ended 31 December 2000

	<u>Notes</u>	<u>2000</u> £000s	<u>1999</u> (Restated) £000s
Turnover – Continuing Operations	3	805,493	781,049
Cost of Sales		(487,842)	(443,656)
Gross Profit		317,651	337,393
Administrative Expenses		(302,591)	(291,382)
Operating Profit	4	15,060	46,011
Profit on Disposal of Fixed Assets	5	4,109	4,583
Income from shares in group undertakings		11,000	-
Net Interest Receivable	7	1,240	3,781
Profit on Ordinary Activities before Taxation		31,409	54,375
Tax on Profit on Ordinary Activities	8	(14,061)	(11,751)
Profit on Ordinary Activities after Taxation		17,348	42,624
Dividends Payable	9	(34,000)	(43,000)
Retained Loss for the year	19	(16,652)	(376)

Britannia Airways Limited

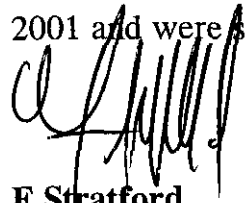
Statement of Total Recognised Gains and Losses
For the Year Ended 31 December 2000

	<u>Notes</u>	<u>2000</u> £000s	<u>1999</u> (Restated) £000s
Profit for the financial year		17,348 -----	42,624 -----
Prior year adjustment	13	(911) -----	(1,054) -----
Total gains recognised since last annual report		5,437 -----	41,570 -----

Britannia Airways Limited**Balance Sheet at 31 December 2000**

	<u>Notes</u>	<u>2000</u> £000s	<u>1999</u> (Restated) £000s
Fixed Assets			
Tangible Assets	10	225,594	233,395
Investments	11	2,419	7,468
		-----	-----
		228,013	240,863
		-----	-----
Current Assets			
Stocks	12	25,813	23,506
Debtors:			
- amounts falling due within one year	13	177,842	162,341
- amounts falling due after more than one year	13	3,202	3,252
		-----	-----
		181,044	165,593
		-----	-----
Cash at bank and in hand		383	5,742
		-----	-----
Total Current Assets		207,240	194,841
Creditors - Amounts falling due within one year	14	(188,164)	(204,591)
		-----	-----
Net Current Assets/ (Liabilities)		19,076	(9,750)
		-----	-----
Total Assets less Current Liabilities		247,089	231,113
Creditors - Amounts falling due after more than one year	15	(85,309)	(51,260)
Provisions for Liabilities and Charges	18	(34,470)	(35,891)
		-----	-----
		127,310	143,962
		-----	-----
Capital and Reserves			
Called up share capital - Equity	19	118,615	118,615
Profit & Loss Account	19	8,695	25,347
		-----	-----
Shareholder's Funds	20	127,310	143,962
		-----	-----

The financial statements on pages 5 to 24 were approved by the Board of Directors on 29th June 2001 and were signed on its behalf by:



F Stratford
Director

Britannia Airways Limited

Notes to the Accounts - 31 December 2000

1) Accounting Policies

The principal accounting policies of the Group are summarised below. These policies have been applied consistently throughout the current and preceding years with the exception of policy changes prescribed by the ultimate parent company Preussag AG.

Basis of preparation

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

Turnover

Turnover represents the aggregate value of revenue receivable from chartering aircraft and related sales.

Fixed assets and depreciation

Fixed assets are recorded at cost and are depreciated on a straight line basis over their estimated useful lives:

Aircraft and spares: 12 - 18 years to a 20% residual value. (Previously 15 - 20 years to a 10% residual).

Buildings: up to a maximum of 50 years.

Short leaseholds: over period of lease.

Machinery and equipment: 3 - 10 years.

The basis for depreciation of aircraft and spares and land and buildings have been changed from previous financial statements to coincide with the parent company Preussag AG. The financial impact is shown in Note 10.

Aircraft overhaul and maintenance provision

Provision is made for major overhauls of leased engines and landing gear as a consequence of the legal obligation arising under the terms of the leases, and is accrued on a basis of the number of hours flown.

The cost of major overhauls of owned engines and landing gear is capitalised and amortised over the planned period to the next overhaul.

Leased assets

Assets held under finance leases are included in fixed assets. The interest element of lease payments is charged to the profit and loss account in proportion to the outstanding finance lease obligation. All other leases are regarded as operating leases and are charged to the profit and loss account as incurred.

Britannia Airways Limited

Notes to the Accounts - 31 December 2000

1) Accounting Policies (Continued)

Stock

Stock is stated at the lower of cost and net realisable value.

Debtors falling due after more than one year

The policy for the treatment of debtors falling due after one year has been changed from the previous financial statements, to coincide with those of the ultimate parent company, Preussag AG. Loans and deposits not bearing interest are discounted to their net present value. The financial impact is shown in Note 13.

Pensions

The cost of providing pensions, including past service costs, is charged to the profit and loss account over the periods benefiting from the employees' services. Variations from the regular cost are allocated by equal instalments over the average remaining service of current employees.

Foreign currency translation

Assets and liabilities expressed in currencies other than pounds sterling are translated at year end rates of exchange. To the extent that foreign currency denominated assets and liabilities are covered by forward exchange contracts, these are translated at the appropriate contract rate.

Differences arising from changes in exchange rates are included in trading profits, except those which relate to advance payments for aircraft subsequently subject to operating leases. These exchange differences are amortised over the initial lease periods.

Aircraft deferred income

Deferred income represents the unamortised element of:

- (i) certain aircraft manufacturer credits relating to new aircraft which are included in earnings over five to ten years from the date of delivery.
- (ii) the net present valued benefits arising on the financing of finance leased aircraft, where the lease obligation is defeased immediately, which are included in earnings over a primary lease period of between ten and fifteen years.
- (iii) fees received from support agreements in respect of operating leased aircraft, which are included in earnings over a lease period of up to ten years.

Britannia Airways Limited

Notes to the Accounts - 31 December 2000

1) Accounting Policies (Continued)

Deferred taxation

Provision is made for taxation on timing differences between profits stated in the financial statements and profits computed for taxation purposes if there is a reasonable probability that such taxation will become payable in the foreseeable future.

Investments

Investments in subsidiary undertakings are stated at cost less provisions for permanent diminution in value.

2) Cash Flow Statement and Related Party Disclosures

The Company is a wholly-owned subsidiary of Thomson Travel Group (Holdings) Limited and is included in the consolidated financial statements of Thomson Travel Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Thomson Travel Group plc.

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

3) Segmental Analysis

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Turnover - Group Companies	703,606	674,184
- Other Companies	101,887	106,865
	<hr/>	<hr/>
	805,493	781,049
	<hr/>	<hr/>

All profits arise in the UK and total net assets are located in the UK.

4) Operating Profit

Operating Profit is stated after charging/(crediting):

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Depreciation and amounts written off tangible fixed assets	38,506	18,082
Hire of Plant and Equipment	1,153	1,006
Operating lease rentals for aircraft	117,482	119,939
Auditors' remuneration:-		
Audit fees	50	50
Other fees	185	68
Aircraft sub-lease income	(22,100)	(15,402)

The change in the estimated useful lines has resulted in an additional charge of £8.0m in the year. Impairment in the value of fixed assets identified in the year is £5.5m (See note 10). Both of these Costs are included in the charge for depreciation shown above.

5) Disposal of Fixed Assets and Subsidiaries

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Profit on disposal of tangible fixed assets	9,158	3,083
Profit on disposal of investments	-	1,500
Write down of investment in subsidiaries (note 11)	(5,049)	-
	<hr/>	<hr/>
	4,109	4,583
	<hr/>	<hr/>

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

6) Directors' and Employees' Emoluments

- (1) (i) The average number of persons employed by the Company during the year was as follows:

	<u>2000</u>	<u>1999</u>
	<u>Number</u>	<u>Number</u>
United Kingdom	3,453	3,542

- (ii) Employee costs during the year amounted to:

	<u>2000</u>	<u>1999</u>
	<u>£000s</u>	<u>£000s</u>
Wages & salaries	91,306	93,438
Social security costs	9,930	10,188
Other pension costs	14,453	13,340
	<u>115,689</u>	<u>116,966</u>

- (2) The details of directors' emoluments are as follows:

	<u>2000</u>	<u>1999</u>
	<u>£000s</u>	<u>£000s</u>
Aggregate emoluments	1,036	1,198
Compensation paid to former directors	490	212
Aggregate pension contribution	131	112

Retirement benefits are accruing to 6 directors under a defined contribution pension scheme (1999: 7) and 1 director under a defined benefit scheme (1999: 1).

Ten directors exercised share options in the year and made a gain, including the highest paid director

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

6) Directors' and Employees' Emoluments (Continued)

The emoluments, excluding pension contributions, relating to the highest paid director are:

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Aggregate emoluments	154	152
Pension contributions	15	11

7) Interest receivable

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Interest receivable from:		
Third parties	684	2,966
Group undertakings	6,655	2,300
	<hr/>	<hr/>
	7,339	5,266
 Interest payable on:		
Hire purchase and finance lease agreements	(5,161)	(426)
Interest payable to group undertakings	(1,059)	(986)
Third parties	(3)	(145)
	<hr/>	<hr/>
	(6,223)	(1,557)
 Discounting of Debtors:		
Movement for the year	124	72
	<hr/>	<hr/>
 Net Interest receivable	1,240	3,781
	<hr/>	<hr/>

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

8) Taxation

The charge for taxation based on the profit for the year at 30% (1999: 30.25%) comprises:

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Current year:		
Group Relief	14,211	7,610
Adjustments relating to prior years:		
Corporation Tax	(150)	6,174
Group relief	-	(2,033)
	<u>14,061</u>	<u>11,751</u>

9) Dividends Paid and Proposed

	<u>2000</u>		<u>1999</u>	
	<u>Per Share</u>	£000's	<u>Per Share</u>	£000's
Interim Dividend	28.664p	34,000	6.745p	8,000
Final Dividend	-	-	29.507p	35,000
	<u>28.664p</u>	<u>34,000</u>	<u>36.252p</u>	<u>43,000</u>

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

10) Tangible Assets

	Leasehold Land and Buildings	Aircraft and Spares	Payments In Advance	Fixtures, Equipment and Motor Vehicles	Total
	£000s	£000s	£000s	£000s	£000s
Cost:					
At 1 January 2000	22,286	197,434	30,959	84,035	334,714
Additions	77	69,166	10,011	4,194	83,448
Reclassification	-	31,017	(30,007)	-	1,010
Disposals	-	(50,839)	-	(10,527)	(61,366)
At 31 December 2000	22,363	246,778	10,963	77,702	357,806
Depreciation:					
At 1 January 2000	6,124	41,183	-	54,012	101,319
Charge for the year	4291	22,880	-	11,335	38,506
Disposals	-	(2,610)	-	(5,003)	(7,613)
At 31 December 2000	10,415	61,453	-	60,344	132,212
Net Book Amount					
At 31 December 2000	11,948	185,325	10,963	17,358	225,594
At 31 December 1999	16,162	156,251	30,959	30,023	233,395

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

10) Tangible Assets (Continued)

The net book value of leasehold land and buildings comprises:

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Long leaseholds	9,178	9,358
Short leaseholds	6,599	6,804
	<u>15,777</u>	<u>16,162</u>

Capital commitments comprise:	<u>2000</u>	<u>1999</u>
	£000s	£000s
Capital expenditure contracted but not provided	<u>59,800</u>	<u>61,648</u>

At 31st December 2000, capital expenditure contracted was in respect of two Boeing 737-800 aircraft (net of progress payments already made) due for delivery in 2002.

Legal fees of £1.0m relating to aircraft acquisition are now reclassified from creditors and included in tangible fixed assets.

The charge relating to the impairment in the value of fixed assets identified in the year is £13.5m, which is included in the depreciation charge above. Both costs are set out below:

	<u>Impairment</u>	<u>Depreciation</u>	<u>Total</u>
	£000s	£000s	£000s
Land and buildings	3,539	290	3,829
Aircraft	1,571	3,801	5,372
Fixtures and equipment	369	3,883	4,252
Total Fixed assets	<u>5,479</u>	<u>7,974</u>	<u>13,453</u>

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

11) Investments

	<u>2000</u>	<u>1999</u>
	<u>£000s</u>	<u>£000s</u>
Investment in subsidiary undertakings	2,202	7,251
Other Investments	217	217
	<u>2,419</u>	<u>7,468</u>

During the year the investments in Orion Airways Limited and Airlink International Limited were written down to reflect their net asset value. The total write down was £5,000,000 and £49,000 respectively.

Investment in subsidiary undertakings

The following companies are wholly owned subsidiary undertakings of the Company and were involved in supporting the operations of the charter airline. They are registered in England and Wales, with the exception of Britannia Airways GmbH, which is incorporated in the Federal Republic of Germany.

Airlink International Limited

Skylease Limited *

Skymead Leasing Limited

Skymead Limited *

Skymead Maintenance Limited

Orion Airways Limited

Britannia Airways (Catering) Limited

Britannia Airways GmbH

* - These companies were dormant in 2000.

Group accounts have not been prepared because the Company is a wholly owned subsidiary undertaking of another Company incorporated in the European Union. (See note 22).

In the opinion of the directors, the value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

12) Stocks

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Raw materials and consumables	25,596	22,930
Finished goods	217	576
	-----	-----
	25,813	23,506
	-----	-----

13) Debtors

	<u>2000</u>	<u>1999</u>
	£000s	(Restated) £000s
Amounts falling due within one year:		
Trade debtors	505	1,353
Amounts owed by subsidiary undertakings	648	22,867
Amounts owed by fellow group undertakings	161,588	112,641
Other debtors	4,975	7,422
Prepayments and accrued income	10,126	18,058
	-----	-----
	177,842	162,341
	-----	-----
Amounts falling due after more than one year:		
Lease Deposits	3,989	4,163
Less discount to present value	(787)	(911)
	-----	-----
	3,202	3,252
	-----	-----

Long term debtors of a low or non-interest bearing nature are now discounted. This has resulted in an increase in income of £124,000 in 2000 (1999: increase £72,000). Net assets for earlier periods were adversely affected by £983,000. There are no tax implications of these changes.

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

14) Creditors

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Amounts falling due within one year:		
Loans (see Note 16)	3,635	1,717
Trade creditors	44,143	37,171
Amounts owed to subsidiary undertakings	4,471	13,014
Amounts owed to fellow group undertakings	82,400	88,064
Taxation & social security	3,000	2,786
Corporation tax	2,326	4,360
Group relief	21,821	7,610
Accruals	19,104	9,730
Deferred income	5,722	
Other creditors	1,542	1,709
Proposed final dividend	-	35,000
	-----	-----
	188,164	204,591
	-----	-----

15) Creditors

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Amounts falling due after more than one year:		
Loans (see Note 16)	74,180	37,775
Deferred income	11,129	13,485
	-----	-----
	85,309	51,260
	-----	-----

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

16) Loans

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Repayable by instalments:		
Instalments due within one year	3,635	1,717
Instalments due between two and five years	16,709	10,173
Instalments due after more than five years	57,471	27,602
	-----	-----
Total loans	77,815	39,492
	-----	-----

The loan relates to a mortgage arrangement on two Boeing 767 aircraft included within fixed assets. Interest is payable at a variable rate of LIBOR +0.5% and the mortgage is repayable by 2012.

17) Operating Lease Commitments

At 31 December 2000, the Company had annual operating lease commitments which expire as follows:

	<u>2000</u>	<u>1999</u>
	£000s	£000s
Aircraft, Plant and Equipment		
Operating Lease Commitments which expire:		
Within one year	4,218	7,621
Between two and five years	42,209	62,066
After five years	70,760	44,262
	-----	-----
	117,187	113,949
	-----	-----

Land and Buildings

Operating Lease Commitments which expire:

Within one year	-	208
Between two and five years	479	53
After five years	737	891
	-----	-----
	1,216	1,152
	-----	-----

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

18) Provisions for Liabilities and Charges	<u>2000</u>
	£000s
Maintenance Provision:	
At 1 January 2000	35,891
Provided during the year	23,265
Expenditure during the year	(24,686)

At 31 December 2000	34,470

The aircraft overhaul and maintenance provision represents the expected cost of maintaining the Company's leased aircraft and spares. Exact determination of the value and timing of the related expenditure is not possible, but is based upon past experience of the length of time between, and cost of, overhauls.

Deferred Tax:

No provision has been made for deferred tax. The potential liability which would have arisen if deferred tax had been provided for on all timing differences is shown below:

	<u>Potential Liability</u>
	£000s
<u>2000</u>	
Accelerated capital allowances	26,726
Other timing differences	(3,832)

	22,894

 <u>1999</u>	
Accelerated capital allowances	30,675
Other timing differences	(4,660)

	26,015

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

19) Capital and Reserves	<u>2000</u>	<u>1999</u>
	£000s	£000s
i) <u>Share Capital</u>		
Authorised:		
150,000,000 Ordinary Shares of £1 each	150,000	150,000
	-----	-----
Issued and fully paid:		
118,615,001 Ordinary Shares of £1 each	118,615	118,615
	-----	-----
ii) <u>Reserves (Restated)</u>		
At 1 January 2000	26,258	
Restatement of opening balance	(911)	

As restated	25,347	
Loss for the financial year	(16,652)	

At 31 December 2000	8,695	

20) Reconciliation of movements in equity shareholder's funds	<u>2000</u>	<u>1999</u>
	£000s	(Restated) £000s
Restated equity shareholder's funds (Originally £144,873,000 before deducting prior year adjustment of £911,000)	143,962	144,338
Profit on ordinary activities after taxation	17,348	42,624
Dividends payable	(34,000)	(43,000)
	-----	-----
Net reduction in Shareholder's Funds	(16,652)	(376)
	-----	-----
Equity shareholder's funds at 31 December	127,310	143,962
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Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

21) Pensions

The Company operates a funded pension scheme providing pension benefits to its employees based on final pensionable salary. The Britannia Airways Limited Superannuation and Life Assurance Scheme (Britannia Scheme) is a defined benefits scheme for Britannia's Pilots.

All other employees are entitled to join the Thomson Travel Group Pension Scheme (TTGPS) which is a defined contribution scheme. Scheme assets are held in separate trustee-administered funds.

The particulars of the actuarial valuation of the TTGPS are set out in the financial statements of Thomson Travel Group plc (TTG).

Pension costs are assessed in accordance with the advice of a qualified actuary using the aggregate method, with all schemes having been actuarially assessed within 1 year prior to the balance sheet date.

With regard to the defined benefit scheme, the market value of scheme assets at the balance sheet date was £319.6 million and covered 97% of projected scheme liabilities. The latest actuarial valuation was performed on 31 March 2000.

The main long term assumptions were:-

Rate of investment return	6.5% per annum
Rate of increase in pensionable salaries	5.5% per annum
Rate of increase in pensions in payment	
- Pre 1997 members	5% per annum
- Post 1997 members	2.5% per annum
Allowance for withdrawals	Nil
Rate of increase in dividends	3.75% per annum

Britannia Airways Limited

Notes to the Accounts - 31 December 2000 (Continued)

22) Ultimate Parent Undertaking

Within the meaning of the Companies Act 1985 Preussag AG is regarded by the directors of the company as being the company's ultimate parent company. Within the meaning of the said Act Preussag AG is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member and Thomson Travel Group plc is the parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the company is a member. Preussag AG is incorporated under the laws of Germany. Thomson Travel Group plc ("TTG") is registered in England and Wales.

Copies of Preussag's accounts are available from: Investor Relations, Preussag AG Karl-Wiechert-Allee 4, D-30625 Hanover or on the Preussag website address: www.preussag.de

Copies of TTG's accounts are available from the Company Secretary, Thomson Travel Group, Greater London House, Hampstead Road, London NW1 7SD.