

Registered No: 590083

British Airways Associated Companies Limited

Annual Report and Accounts
For the year ended 31 December 2016

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BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

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BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Corporate Information

Directors

S. Philcox

A. Fleming

Company secretary

L. Straver

Registered office

Waterside

PO Box 365

Harmondsworth

UB7 0GB

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Directors' Report

The Directors present their report and the unaudited accounts of British Airways Associated Companies Limited (the "Company") for the year ended 31 December 2016. The Company has taken the exemption under s414B of the Companies Act 2006 to not prepare a Strategic Report.

Directors

The Directors of the Company during the year ended 31 December 2016 were K. Williams, R. L. French and A. Fleming. K. Williams resigned as Director of the Company on 31 March 2016. R. L. French resigned as a Director and S Philcox was appointed as a Director on 31 March 2017.

Principal activities

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc ("BA"), acts primarily as a holding company for investments.

Principal risk and uncertainties

The Company is not exposed to significant risks and uncertainties as its primary purpose is to act as a holding company for investments.

Results and dividends

The profit after tax for the year amounted to £168,000 (2015: £207,000). The Directors do not recommend the payment of a final dividend (2015: £nil).

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 contributions

During the year, the Company made no political contributions (2015: £nil).

Liability insurance

The ultimate parent, International Consolidated Airlines Group S.A. ("IAG"), holds a Directors' and Officers' liability insurance policy covering the Directors and Officers of the IAG Group.

Directors' statement as to disclosure of information

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, each of these Directors confirms that:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with s476 of the Companies Act 2006; and
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the accounts.

The Directors' Report was approved by the board and signed on its behalf by;



Secretary

L. Straver

25 September 2017

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' 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). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Income statement and statement of comprehensive income

For the year ended 31 December 2016

		<u>2016</u> <u>£000</u>	<u>2015</u> <u>£000</u>
	Note		
Interest receivable	5	<u>210</u>	<u>260</u>
Profit on ordinary activities before tax		210	260
Tax	6	<u>(42)</u>	<u>(53)</u>
Profit after tax		<u>168</u>	<u>207</u>

All amounts relate to continuing operations. There were no gains or losses (2015: £nil) other than the profit amounting to £168,000 in the year ended 31 December 2016 (2015: profit of £207,000).

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Balance sheet

As at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Available for sale investment	7	-	-
Current assets			
Debtors	8	51,656	51,446
Total current assets		<u>51,656</u>	<u>51,446</u>
Creditors: amounts falling due within one year	9	<u>(95)</u>	<u>(53)</u>
Net assets		<u>51,561</u>	<u>51,393</u>
Capital and reserves			
Called up share capital	10	173,425	173,425
Profit and loss account		<u>(121,864)</u>	<u>(122,032)</u>
Total equity		<u>51,561</u>	<u>51,393</u>

For the financial year in question the Company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

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



S. Philcox
Director

Date: 25 September 2017

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Statement of changes in equity

For the year ended 31 December 2016

	Called up share capital £000	Profit and loss account £000	Total £000
At 31 December 2014	173,425	(122,239)	51,186
Profit after tax	-	207	207
At 31 December 2015	173,425	(122,032)	51,393
Profit after tax	-	168	168
At 31 December 2016	173,425	(121,864)	51,561

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Notes to the financial statements

1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of the Company for the year ended 31 December 2016 were authorised for issue by the board of directors on 25 September 2017 and the balance sheet was signed on the board's behalf by S Philcox. British Airways Associated Companies Limited is incorporated and domiciled in England.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

These financial statements have been prepared on a historical cost convention except for available-for-sale financial assets that are measured at fair value.

The Company's financial statements are presented in pounds sterling, which is the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000), except where indicated otherwise.

FRS 101 allows companies to take advantage of certain disclosure exemptions. As allowed under the standard, the disclosure exemptions under paragraph 8 to 9 of FRS 101 have been applied as the Company is a wholly owned subsidiary undertaking of British Airways Plc ("BA") whose accounts include an equivalent disclosure, where required, of the following standards:

- a) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*,
- b) the requirements of IAS 7 *Statement of Cash Flows*,
- c) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*,
- d) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member,
- e) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*,
- f) the requirements of IFRS 7 *Financial Instruments: Disclosures*, and
- g) the requirements of paragraph D13(a) of IFRS 1 *First Time Adoption of International Financial Reporting Standards*.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity and other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary timing differences are not provided for;

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Notes to the financial statements *(continued)*

2 Accounting policies (continued)

Taxation (continued)

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- Differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised or that the Company has determined it is appropriate to recognise the deferred tax asset as it is recoverable due to the fact that the Company is part of a UK group for group relief purposes.

Financial instruments

In accordance with IAS 39 'Financial Instruments - Recognition and Measurement', financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at each period end except for those financial instruments measured at fair value through the income statement.

a) Debtors

Debtors are stated at cost less allowances made for doubtful receivables, which approximates fair value given the short dated nature of these assets. A provision for impairment of receivables (allowance for doubtful receivables) is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable

b) Interest receivable

Interest income on debtors is recognised as interest accrues using the effective interest method.

c) Available for sale financial assets

Other investments (other than interests in associates) are designated as available for sale financial assets and are recorded at fair value. Any change in the fair value is reported in equity until the investment is sold, when the cumulative amount recognised in equity is recognised in the income statement. In the case of equity securities classified as available for sale investments, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence exists for available for sale financial assets, the cumulative gain or loss previously reported in equity is included in the income statement.

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Notes to the financial statements *(continued)*

2 Accounting policies (continued)

Key accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances.

Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if these are also affected. The estimates and assumptions that have a significant risk of causing a material adjustment within the next financial year are discussed below.

3 Audit exemption

The company is not required to have their annual accounts audited, in accordance with s475 of the Companies Act 2006, and has decided to take advantage of this exemption this year. Therefore, no amounts have been paid for the audit of statutory accounts during the year (2015: £nil).

4 Directors' remuneration

The Directors received no remuneration for their services to the Company for the year ended 31 December 2016 (2015: £nil).

None of the Directors qualified for a defined benefit pension scheme (2015: none) and one Director qualified for a defined contribution pension scheme (2015: one) provided by the Company's parent undertaking during the year. Full disclosure regarding these schemes is made in the financial statements of BA. Two of the Directors (2015: two) qualified for a defined contribution pension provided by the Company's ultimate parent undertaking and one Director opted to take cash in lieu (2015: one). Full disclosure of this is made in the financial statements of IAG.

During the year, three Directors (2015: three) participated in IAG's Long Term Incentive Scheme, the IAG Performance Share Plan ('IPSP') and three Directors (2015: three) participated in IAG's Incentive Award Deferral Plan ('IADP'). During the year, three awards (2015: three) vested for the Directors in the form of IAG shares under the IPSP and three awards (2015: one) vested for the Directors under the IADP.

No other transactions or loans 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 s412 and s413 of the Companies Act 2006.

There were no employees of the Company during the year (2015: nil).

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Notes to the financial statements *(continued)*

5 Interest receivable

	2016 £000	2015 £000
Interest receivable from parent undertaking	<u>210</u>	<u>260</u>

6 Tax

(a) Tax on profit on ordinary activities

Tax charge in the income statement

	2016 £000	2015 £000
<i>Current tax</i>		
Movement in respect of current year	42	53
Total current tax	<u>42</u>	<u>53</u>

(b) Reconciliation of the total tax charge in the income statement

The total tax charge is calculated at the standard rate of UK corporation tax. The tax charge on the profit for the year to 31 December 2016 is equal to (2015: equal to) the expected tax charge at the UK rate. The Company's effective tax rate is 20% (2015: 20.25) and the differences to the UK rate are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	210	260
Tax calculated at the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	42	53
Total tax charge for the year	<u>42</u>	<u>53</u>

(c) Factors affecting future tax charges

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Notes to the financial statements *(continued)*

7 Available for sale investment

The net book value of available for sale investments is £nil (2015: £nil). The full cost of £8,000 has been provided for in full.

Equity interests at 31 December 2016 comprise investments in the following companies:

Name of Company	Activity	Country of Incorporation	Proportion of Equity	Type of Holding
BA Call Centre India Private Limited	Call centre operations	India	0.01%	Ordinary
The Galileo Company (Unlimited)	Investment holding company	England	0.24%	Ordinary

8 Debtors

	2016 £000	2015 £000
Amounts owed by parent undertaking	<u>51,656</u>	<u>51,446</u>

The amounts owed by the parent undertaking are interest bearing. As at 31 December 2016 the balance attracted interest at a rate of LIBOR (31 December 2015: LIBOR).

9 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Corporation tax liability	<u>95</u>	<u>53</u>

10 Share capital

	2016	2015
	Number	Number
Allotted, called up and fully paid up Ordinary shares of £1.00 each	<u>173,425,000</u>	<u>173,425,000</u>
	£000	£000
Balance at year end	<u>173,425</u>	<u>173,425</u>

11 Related parties

As the Company is a wholly owned subsidiary of BA, the Company has taken advantage of the exemption in FRS 101 not to disclose related party transactions with fellow wholly owned Group undertakings.

BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Notes to the financial statements *(continued)*

12 Parent undertaking and controlling party

The Company's immediate parent undertaking as at 31 December 2016 was British Airways Plc, a company registered in England.

As at 31 December 2016, the ultimate parent undertaking of the Company was International Consolidated Airlines Group S.A (IAG) which is incorporated in Spain. Of the Group of which the Company was a member, IAG is the largest undertaking preparing group financial statements and British Airways Plc is the smallest undertaking preparing Group financial statements.

Copies of the consolidated financial statements of IAG and British Airways Plc can be found on the website www.iagshares.com.