

Registered No: 590083

# British Airways Associated Companies Limited

Annual Report and Accounts  
For the year ended 31 December 2018



# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

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# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

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## 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

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The Directors present their report and the unaudited accounts of British Airways Associated Companies Limited (the "Company") for the year ended 31 December 2018. The Company has taken the exemption under section 414B of the Companies Act 2006 to not prepare a Strategic Report.

## **Directors**

The Directors of the Company during the year ended 31 December 2018 and up to date of approval of financial statements were A. Fleming and S. Philcox.

## **Principal activities and future developments**

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc ("BA"), acts primarily as a holding company for investments. The Directors do not expect any changes in the Company's activity in the foreseeable future.

## **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 £342,000 (2017: £166,000). The Directors do not recommend the payment of a final dividend (2017: £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 (2017: £nil).

## **Directors' and Officers' liability insurance**

The ultimate parent company of the group, International Consolidated Airlines Group S.A ("IAG"), purchases insurance against Directors' and Officers' Liability as permitted by the Companies Act 2006 for the benefit of the Directors and Officers of its subsidiary undertakings.

## **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable UK 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, comprising FRS 101 "Reduced Disclosure Framework", 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 of the profit or loss for that period.

In preparing those 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; and
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless they consider that to be inappropriate.

# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

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## Directors' Report (continued)

Registered No: 590083

### Statement of Directors' responsibilities (continued)

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.

### 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 section 476 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;



S. Philcox  
Director  
20 June 2019

## BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

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### Income statement

For the year ended 31 December 2018

		2018 £000	2017 £000
	Note		
Interest receivable	5	<u>312</u>	<u>154</u>
<b>Profit before tax</b>		<b>312</b>	<b>154</b>
Taxation	6	<u>30</u>	<u>12</u>
<b>Profit for the financial year</b>		<b>342</b>	<b>166</b>

The above results are all in respect of continuing operations. There is no other comprehensive income (2017: £nil) other than the profit amounting to £342,000 (2017: £166,000) in the year ended 31 December 2018. Therefore, no separate statement of comprehensive income has been presented.

# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

## Balance sheet

As at 31 December 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Equity investment	7	-	-
<b>Current assets</b>			
Trade and other receivables	8	52,122	51,810
		<b>52,122</b>	<b>51,810</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(53)</b>	<b>(83)</b>
<b>Net assets</b>		<b>52,069</b>	<b>51,727</b>
<b>Capital and reserves</b>			
Called up share capital	10	173,425	173,425
Profit and loss account		<b>(121,356)</b>	<b>(121,698)</b>
<b>Total shareholders' funds</b>		<b>52,069</b>	<b>51,727</b>

For the financial year in question the Company was entitled to exemption from audit under section 479a of the Companies Act 2006 relating to subsidiary companies.

No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

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 financial statements on pages 5-12 were approved by the Board of Directors and signed on its behalf by:



S. Philcox  
Director  
20 June 2019

## BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

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### Statement of changes in equity

For the year ended 31 December 2018

£000's	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
Balance at 1 January 2018	173,425	(121,698)	51,727
Profit for the financial year	-	342	342
<b>At 31 December 2018</b>	<b>173,425</b>	<b>(121,356)</b>	<b>52,069</b>

For the year ended 31 December 2017

£000's	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
Balance at 1 January 2017	173,425	(121,864)	51,561
Profit for the financial year	-	166	166
<b>At 31 December 2017</b>	<b>173,425</b>	<b>(121,698)</b>	<b>51,727</b>



# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

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## Notes to the financial statements

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

The financial statements of British Airways Associated Companies Limited (the "Company") for the year ended 31 December 2018 were authorised for issue by the board of directors on 20 June 2019 and the balance sheet was signed on the board's behalf by S. Philcox. British Airways Associated Companies Limited is a private limited company and is incorporated and domiciled in England and Wales.

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 equity investments 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 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;
- e) the requirements of IFRS 7 *Financial Instruments: Disclosures*; and
- f) the requirements of paragraphs 10(d), 16, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*.

### 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

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## 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 IFRS 9 'Financial Instruments', 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 Company determines the classification at initial recognition.

##### a) Trade and other receivables

Trade and other receivables are stated at amortised cost less allowances made for expected credit losses which approximates fair value given the short dated nature of these assets. A provision for expected credit losses (*allowance for doubtful receivables*) is established based on the calculation and recognition of lifetime expected credit losses.

##### b) Interest receivable

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

##### c) Equity investments

Equity investments are non-derivative financial assets which include unlisted investments, excluding interests in associates. On initial recognition, these equity investments are irrevocably designated as measured at fair value through other comprehensive income. They are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income (OCI) with no recycling of these gains and losses to the income statement when the investment is sold.

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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.

#### New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2018, have had a material impact on the Company. British Airways plc adopted IFRS 9 on 1 January 2018, and it was assessed that there was no impact of this standard on the Company.

### 3 Audit exemption

The company is not required to have their annual accounts audited, in accordance with section 479A of the Companies Act 2006 relating to subsidiary companies, 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 (2017: £nil).

### 4 Directors' remuneration

The Directors received no remuneration for their services to the Company for the year ended 31 December 2018 (2017: £nil).

Two Directors qualified for a defined contribution pension scheme (2017: two) provided by the Company's parent undertaking during the year. Full disclosure of this scheme is made in the financial statements of BA.

During the year, two Directors (2017: three) participated in IAG's Long Term Incentive Scheme, the IAG Performance Share Plan ('IPSP') and two Directors (2017: two) participated in IAG's Incentive Award Deferral Plan ('IADP'). During the year, awards vested for one Director (2017: two) in the form of IAG shares under the IPSP and awards vested for one Director (2017: two) 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 section 412 and section 413 of the Companies Act 2006.

There were no employees of the Company during the year (2017: nil).

### 5 Interest receivable

	2018 £000	2017 £000
Interest receivable from parent undertaking	<u>312</u>	<u>154</u>

# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

## Notes to the financial statements *(continued)*

### 6 Tax

#### (a) Tax on profit

Tax credit in the income statement

	2018 £000	2017 £000
Current tax		
<i>Movement in respect of current year</i>	-	30
<i>Movement in respect of prior years</i>	(30)	(42)
<b>Total current tax</b>	<b>(30)</b>	<b>(12)</b>
<b>Total tax credit</b>	<b>(30)</b>	<b>(12)</b>

#### (b) Reconciliation of the total tax credit in the income statement

The tax charge is calculated at the standard rate of UK corporation tax. The tax charge on the profit for the year to 31 December 2018 lower than (2017: lower than) the expected tax charge at the UK rate. The Company's effective tax rate is -9.5% (2017: -7.8%) and the differences to the UK rate are explained below:

	2018 £000	2017 £000
Profit before tax	312	154
Tax calculated at the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	59	30
Effects of:		
Adjustments in respects of prior years	(30)	(42)
Group relief claim	(59)	-
<b>Tax credit in the income statement</b>	<b>(30)</b>	<b>(12)</b>

#### (c) Factors affecting future tax charges

The main rate of corporation tax applicable from 1 April 2020 is reducing from 19 per cent to 17 per cent. This will reduce the company's future current tax charge.

### 7 Equity investments

The net book value of equity investments is £nil (2017: £nil). The full cost of £8,000 has been provided for in full.

Equity interests at 31 December 2018 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

# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

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## Notes to the financial statements *(continued)*

### 8 Trade and other receivables

	2018 £000	2017 £000
Amounts owed by parent undertakings	<u>52,122</u>	<u>51,810</u>

The amounts owed by the parent undertakings are interest bearing at the rate of one month average GBP LIBOR (2017: one month GBP LIBOR) and are repayable on demand.

### 9 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Corporation tax liability	<u>53</u>	<u>83</u>

### 10 Share capital

	2018	2017
	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 31 December	<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.

### 12 Parent undertaking and controlling party

The Company's immediate parent undertaking as at 31 December 2018 was British Airways Plc, a company registered in England.

As at 31 December 2018, 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](http://www.iagshares.com).