

Registered No: 00464648

British Midland Airways Limited

Annual Report and Accounts
For the year ended 31 December 2017

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British Midland Airways Limited

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British Midland Airways Limited

Corporate information

DIRECTORS

S Davies
S Philcox

COMPANY SECRETARY

A Fleming

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED OFFICE

Waterside
PO Box 365
Harmondsworth
UB7 0GB

The Directors present their report and the audited financial statements of British Midland Airways Limited for the year ended 31 December 2017.

DIRECTORS

The Directors of the Company during the year ended 31 December 2017 were C. Denley, L. Embleton, S. Davies and S. Philcox.

C. Denley and L. Embleton resigned and S. Davies and S. Philcox were appointed as Directors of the Company on 25 April 2017.

RESULTS AND DIVIDENDS

The profit after tax for the year amounted to £2.3m (2016 restated: £2.3m). The Directors do not recommend the payment of a final dividend (2016: £nil).

GOING CONCERN

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. On the basis of their assessment of the Company's financial position, including the recoverability of the amounts owed by its parent company, British Airways Plc ("BA"), the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

POLITICAL CONTRIBUTIONS

During the year, the Company made no political contributions (2016: £nil).

EVENTS SINCE THE BALANCE SHEET DATE

Following the balance sheet date, the finance lease for one Airbus and the operating leases for three Airbus held by the Company at the year-end expired and were not renewed by the Company. One Airbus was retired and the remaining three Airbus were transferred to BA.

AUDITORS

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

British Midland Airways Limited

Directors' report (continued)

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 on page 1. 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 themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

By order of the Board



S Philcox
Director

Date 24/9/18

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Company, which is a wholly owned subsidiary undertaking of BA, leases two owned, five operating leased and one finance leased Airbus aircraft to BA under operating lease agreements and the Directors expect this to remain the activity of the Company for the remaining lease terms of the leased aircraft.

PRINCIPAL RISKS AND UNCERTAINTIES

Liquidity risk

The liabilities of the Company are settled on its behalf by its immediate parent entity, BA, as they fall due. Cash due on the realisation of assets recognised by the Company are collected by BA on behalf of the Company.

Currency risk

The Company is exposed to the impact of fluctuations in foreign exchange rates. The potential exposure is reviewed and monitored on a regular basis.

KEY PERFORMANCE INDICATORS

Given the nature of the Company's activities, the Directors consider that the use of key performance indicators is not necessary in the presentation of the results for the year.

FUTURE DEVELOPMENTS

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

By order of the Board



S Davies
Director

Date 24/9/18

British Midland Airways Limited

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 judgments and accounting 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.

Independent auditor's report to the members of British Midland Airways Limited

Opinion

We have audited the financial statements of British Midland Airways Limited for the year ended 31 December 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of British Midland Airways Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



J I Gordon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 September 2018

British Midland Airways Limited

Statement of Comprehensive Income

For the year ended 31 December 2017

£m	Note	2017	2016 (Restated)
Turnover	3	23.2	34.8
Cost of sales		<u>(15.9)</u>	<u>(27.9)</u>
Gross profit		7.3	6.9
Administrative expenses		<u>(4.4)</u>	<u>(3.9)</u>
Operating profit	4	2.9	3.0
Interest receivable and similar income	7	0.4	0.6
Interest payable and similar charges	7	<u>(0.3)</u>	<u>(0.6)</u>
Profit before taxation		3.0	3.0
Tax charge	8	<u>(0.7)</u>	<u>(0.7)</u>
Profit after taxation		2.3	2.3
Total comprehensive income for the period		2.3	2.3

The above results are all in respect of continuing operations.


British Midland Airways Limited

Balance Sheet

As at 31 December 2017

£m	Note	2017	2016 (Restated)
Fixed assets			
Tangible assets	9	12.4	15.9
Total fixed assets		12.4	15.9
Current assets			
Debtors	10	146.1	161.8
Cash at bank and in hand		-	0.6
Total current assets		146.1	162.4
Creditors: amounts falling due within one year	11	(84.9)	(88.0)
Net current assets		61.2	74.4
Total assets less current liabilities		73.6	90.3
Creditors: amounts falling due after more than one year	12	-	(0.8)
Provision for liabilities	14	(25.7)	(43.9)
Net assets		47.9	45.6
Capital and Reserves			
Called up share capital	15	13.1	13.1
Profit and loss account		34.8	32.5
		47.9	45.6

The financial statements on pages 8 to 20 were approved by the Board of Directors on 24 September 2018 and signed on its behalf by:


 S Philcox
 Director
 Date 24/9/18

British Midland Airways Limited

Statement of Changes in Equity

For the year ended 31 December 2017

£m	Called up share capital	Profit and loss account	Total shareholders' equity
At 1 January 2017	13.1	32.5	45.6
Profit for the year	-	2.3	2.3
Total comprehensive income for the year	-	2.3	2.3
At 31 December 2017	13.1	34.8	47.9

For the year ended 31 December 2016

£m	Called up share capital	Profit and loss account	Total shareholders' equity
At 1 January 2016 restated	13.1	30.2	43.3
Profit for the year restated	-	2.3	2.3
Total comprehensive income for the year restated	-	2.3	2.3
At 31 December 2016 restated	13.1	32.5	45.6

British Midland Airways Limited

Notes to the financial statements

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

The financial statements of British Midland Airways Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 24 September 2018 and the balance sheet was signed on the Board's behalf by S Philcox. British Midland Airways Limited is a private limited company, limited by shares, incorporated and domiciled in England and Wales.

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

2. Accounting Policies

2.1 Basis of preparation

These financial statements were prepared in accordance with FRS 101 and in accordance with the Companies Act 2006. The financial statements of this entity do not comply with all of the requirements of EU-adopted IFRS and therefore do not contain the unreserved statement of compliance set out in paragraph 3 of IFRS 1 First Time Adoption of International Financial Reporting Standards and paragraph 16 of IAS 1 Presentation of Financial Statements.

The Company's financial statements are presented in pound sterling and all values are rounded to the nearest million pounds (£m), except where indicated otherwise.

The comparative information has been restated to reflect the understated depreciation of a finance leased asset. This restatement reduced the profit for the year ended 31 December 2016 from £3.0m to £2.3m. It reduced the carrying value of fixed assets by £7.7m at 1 January 2016 and by £8.5m at 31 December 2016, and the deferred tax liability by £1.6m at 1 January 2016 and £1.7m at 31 December 2016. Retained earnings of the Company reduced by £6.1m at 1 January 2016 and £6.8m at 31 December 2016 respectively.

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 whose accounts include an equivalent disclosure of the following standards:

- a) the requirements of IFRS 7 *Financial Instruments: Disclosures*
- b) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*,
- c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*,
- d) the requirements of paragraphs 10(d), 10(f), 16, 38A-D, 40A-D and 134-136 of IAS 1 *Presentation of Financial Statements*;
- e) the requirements of IAS 7 *Statement of Cash Flows*;
- f) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- g) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- h) (i) 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; and
- i) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

British Midland Airways Limited

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies

Turnover

Turnover arising from the Company's continuing sublease activity is recognised for rentals receivable under operating leases in the period to which the rentals relate.

Revenue from the sale of frequent flyer points is deferred as a liability at the fair value of the points after an adjustment for breakage and is recognised as revenue on redemption of the points and provision of service to the participants to whom the points were issued.

Operating leases

Rentals paid or received under operating leases are charged or credited to the income statement on a straight line basis over the lease term.

Property, plant and equipment

Property, plant and equipment is held at cost. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis, over the economic life of the asset. Residual values, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis.

The carrying value is reviewed for impairment when there is an indicator for impairment such that the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of property, plant and equipment. An assessment as to whether impairment indicators exist is performed at each reporting date.

a Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits. Fleet assets owned, or held on finance lease, are depreciated at rates calculated to write down the cost to the estimated residual value at the end of their planned operational lives on a straight-line basis.

Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as rotatable spares purchased separately, are carried as property, plant and equipment and generally depreciate in line with the fleet to which they relate.

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the income statement on consumption or as incurred respectively.

b Leased assets

Where assets are financed through finance leases arrangements, under which substantially all the risks and rewards of ownership are transferred to the Company, the assets are treated as if they had been purchased outright. The amount included in the cost of property, plant and equipment represents the aggregate of the capital elements payable during the lease or hire purchase term. The corresponding obligation, reduced by the appropriate proportion of lease payments made, is included in borrowings.

The amount included in the cost of tangible fixed assets is depreciated on the basis described in the preceding paragraphs and the interest element of lease payments made is included in interest payable in the income statement.

Total minimum payments, measured at inception, under all other lease arrangements, known as operating leases, are charged to the income statement in equal annual amounts over the period of the lease.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand with any qualifying financial institution repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

British Midland Airways Limited

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Provisions for periodic overhaul costs and lease handback costs of operating leased aircraft are established such as to spread the cost of maintenance over the period of the lease with reference to the number of hours flown or other relevant basis.

Routine maintenance is expensed as incurred. All provisions including those relating to the maintenance of the leased fleet are escalated to reflect expected cost rates at the point of expenditure.

Foreign currencies

Transactions in foreign currencies are initially recorded in the Company's functional currency, pound sterling, by applying the spot exchange rate ruling at the date of the transaction. Monetary foreign currency balances are translated into sterling at the rates ruling at the balance sheet date. All profits or losses arising on translation are dealt with through the income statement.

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 Company 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.

British Midland Airways Limited

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

a Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method if the time value of money is insignificant. This category of financial assets includes trade and other receivables. Interest income on trade and other receivables is recognised as interest accrues using the effective interest method.

b Financial liabilities measured at amortised cost

Long-term borrowings are recorded at amortised cost.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative impact on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset carried at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it has been settled, sold, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts are recognised in the income statement.

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.

a Residual values and useful lives of assets

The Company exercises judgment to determine useful lives and residual values of property, plant and equipment. The assets are depreciated down to their residual values over their estimated useful lives. Further details are provided in note 9.

3. Turnover

Turnover from continuing operations comprises revenue from leasing activities with BA and the redemption of frequent flyer points and is generated solely in the United Kingdom.

British Midland Airways Limited

Notes to the financial statements (continued)

4. Operating Profit

Operating profit is arrived at after charging:

Depreciation of fixed assets:

£m	2017	2016 (Restated)
Depreciation		
- owned assets	2.1	2.0
- finance leased assets	1.4	1.5
	3.5	3.5

Operating lease costs:

£m	2017	2016
Minimum lease rentals:		
Hire of aircraft under operating leases	15.9	23.5
	15.9	23.5

5. Auditor's remuneration

The Company's auditor Ernst & Young LLP received remuneration of £37,500 (2016: £37,500) in respect of audit services provided to the Company, which was borne wholly by BA.

6. Employee costs and director emoluments

The Directors received no remuneration for their services to the Company in the year ended 31 December 2017 (2016: £nil).

One of the Directors qualified for a defined benefit pension scheme (2016: one) but opted to receive cash in lieu. Three Directors qualified for a defined contribution scheme provided by BA (2016: two). Full disclosure of the schemes is made in the financial statements of BA.

During the year, four Directors (2016: three) participated in IAG's Long Term Incentive Scheme, the IAG Performance Share Plan ("IPSP") and two Directors participated in IAG's Incentive Award Deferral Plan ("IADP") (2016: three). During the year, awards vested for two Directors (2016: three) in the form of IAG shares under the IPSP and awards vested for two Directors (2016: three) under IADP.

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 s412 and 413 of the Companies Act 2006.

There were no employees in the current or prior year.

British Midland Airways Limited

Notes to the financial statements (continued)

7. Interest receivable and payable

£m	2017	2016
Interest payable and similar charges		
On finance leases	(0.3)	(0.6)
	(0.3)	(0.6)

£m	2017	2016
Interest receivable and similar income		
Interest receivable from parent company	0.4	0.6
	0.4	0.6

8. Tax

a) Tax on profit on ordinary activities

Tax charge in the Statement of Comprehensive Income:

£m	2017	2016 (Restated)
Current tax		
Movement in respect of current year	1.0	0.9
Movement in respect of prior years	-	0.2
Total current tax	1.0	1.1
Deferred tax		
Movement in respect of current year	(0.4)	(0.3)
Movement in respect of prior year	-	-
Rate change	0.1	(0.1)
Total deferred tax	(0.3)	(0.4)
Total Tax	0.7	0.7

b) Detailed deferred tax

The deferred tax included in the balance sheet and the movement in the liability is as follows:

£m	Opening balance (Restated)	Movement in respect of prior years	Movement in respect of current year	Rate change	Closing balance
Property, plant and equipment	(0.6)	-	0.4	(0.1)	(0.3)
Total deferred tax	(0.6)	-	0.4	(0.1)	(0.3)

British Midland Airways Limited

Notes to the financial statements (continued)

8. Tax (continued)

c) Reconciliation of the total tax charge in the Statement of Comprehensive Income

The total charge is calculated at the standard rate of UK corporation tax. The tax charge (2016: charge) on the profit (2016: profit) for the year ended 31 December 2017 is equal to (2016: higher than) the expected tax charge at the UK rate. The Company's effective tax rate is 25% (2016 restated: 22%) and the differences to the UK rate are explained below:

£m	2017	2016 (Restated)
Profit before tax	3.0	3.0
Tax calculated at the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	0.6	0.6
Effects of:		
Adjustments in respect of prior years	-	0.2
Effects of tax rate changes	0.1	(0.1)
Total tax charge for the year (note 8(a))	0.7	0.7

d) Factors that may affect 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. The deferred tax on temporary differences as at 31 December 2017 has been calculated at the rate applicable to the year in which the temporary differences are expected to reverse.

9. Tangible assets

£m	Fleet Owned	Fleet Leased (Restated)	Total (Restated)
Cost:			
At 1 January 2017 and 31 December 2017	23.6	15.9	39.5
Depreciation:			
Balance 1 January 2017	9.3	14.3	23.6
Charge for the period	2.1	1.4	3.5
At 31 December 2017	11.4	15.7	27.1
Net book amounts:			
At 31 December 2017	12.2	0.2	12.4
At 31 December 2016	14.3	1.6	15.9

Fleet is depreciated over 23 years or the length of the finance lease where shorter, after making allowance for estimated residual values.

Owned aircraft at 31 December 2017 are leased to BA under operating leases.

10. Debtors

£m	2017	2016
Amount owed by parent company	125.3	134.4
Prepayments and accrued income	20.6	27.2
Other debtors	0.2	0.2
At 31 December	146.1	161.8

British Midland Airways Limited

Notes to the financial statements (continued)

11. Creditors: amounts falling due within one year

£m	2017	2016
Obligation under finance lease	0.3	2.9
Amounts due to group undertakings	82.8	82.8
Accruals and deferred income	0.9	1.3
Corporation tax	0.9	1.0
At 31 December	84.9	88.0

12. Creditors: amounts falling due after more than one year

£m	2017	2016
Obligation under finance lease	-	0.8
At 31 December	-	0.8

a) Obligations under finance leases

The Company uses finance leases principally to acquire aircraft. These leases have both renewal options and purchase options. These are at the option of the Company. Future minimum lease payments under finance leases are as follows:

£m	2017	2016
Future minimum payments due:		
Within one year	0.3	3.2
After more than one year but within five years	-	0.8
	0.3	4.0
Less: finance charges	-	(0.3)
Present value of minimum lease and hire purchase payments	0.3	3.7
Present value of minimum lease and hire purchase payments is analysed as follows:		
Within one year	0.3	2.9
After more than one year but within five years	-	0.8
As at 31 December	0.3	3.7

13. Operating Leases

The Company has entered into commercial leases on certain aircraft. Certain leases contain options for renewal.

a) Fleet

The aggregate payments, for which there are commitments under operating leases fall due as follows:

£m	2017	2016
Within one year	6.3	15.9
Between one and five years	0.4	7.8
Over five years	-	-
At 31 December	6.7	23.7

British Midland Airways Limited

Notes to the financial statements (continued)

14. Provision for liabilities

	Dilapidations	Handback	Deferred tax (restated)	Other	Total
Balance at 1 January 2017	0.7	42.5	0.6	0.1	43.9
Arising during the year	0.1	1.2	-	-	1.3
Utilised	-	(1.4)	(0.3)	(0.1)	(1.8)
Transferred on assignment of lease	-	(15.8)	-	-	(15.8)
Foreign exchange retranslation	-	(1.9)	-	-	(1.9)
As at 31 December	0.8	24.6	0.3	-	25.7

Dilapidations

The terms of certain leased property contracts have committed the Company to dilapidations at the end of the relevant lease terms. All leases are due to expire by 2022.

Handback

This provision is for lessor handback compensation in respect of operating leased aircraft. The handback provision will be utilised against costs incurred to return the aircraft at the standard required by the lease contract to the lessor. All leases are due to expire by 2019.

15. Share capital

	2017		2016	
	Shares (m)	£m	Shares (m)	£m
Allotted, called up and fully paid				
Ordinary £1 shares	13.1	13.1	13.1	13.1
	13.1	13.1	13.1	13.1

16. Related party transactions

No loans were outstanding with Directors or officers of the Company as of 31 December 2017 or arose during the year that needed to be disclosed in accordance with the requirements of Sections 412 and 413 of the Companies Act 2006.

During the prior year there were the following transactions with Avios Group Limited (AGL) which managed the Diamond Club on behalf of BMI until November 2016.

£m	2017	2016
Purchases	-	4.4
Amounts owed to fellow group undertaking	-	(2.5)

17. Post balance sheet event

Following the balance sheet date, the finance lease for one Airbus and the operating leases for three Airbus held by the Company at the year-end expired and were not renewed by the Company. One Airbus was retired and the remaining three Airbus were transferred to BA.

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Notes to the financial statements (continued)

18. Ultimate parent undertaking

The Company's immediate parent undertaking as at 31 December 2017 was British Airways Plc, a company registered in England and Wales. As at 31 December 2017, 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 is a member, IAG was the largest undertaking preparing group financial statements and British Airways Plc was 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.