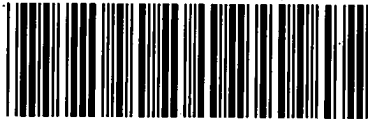


## British Airways Holidays Limited

Registered No. 554278

### Report and Financial Statements

31 December 2013

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COMPANIES HOUSE			

# British Airways Holidays Limited

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## **Directors**

C M Bentley  
A G Crawley  
R Tams  
J Mornement  
S K Dunham  
A J Newman

## **Secretary**

C K Adams

## **Auditors**

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

## **Bankers**

Deutsche Bank AG  
6 Bishopsgate  
London EC2N 4DA

## **Solicitors**

Mason Bond  
King Charles House  
King Charles Croft  
Leeds LS1 6LA

## **Registered Office**

Waterside  
PO Box 365  
Harmondsworth UB7 0GB

## Strategic Report

### Principal activity and review of business

British Airways Holidays Limited is a tour operator selling modular add-ons, such as hotel accommodation, car hire and other travel related products to support the sale of flight seats for British Airways Plc ("BA") worldwide, plus package holidays. The Company has a subsidiary, Overseas Air Travel Limited, which acts as a transport company that buys flight seats from BA and sells them to British Airways Holidays Limited to form part of its packages.

### Results and dividends

The Group profit for the year ended 31 December 2013, after taxation, amounts to £15,609,000 (2012 – profit of £11,261,000). The Company paid a dividend during the year of £9,000,000 (2012 – £31,000,000).

### Key performance indicators

The results for the Group show sales of £381,974,000 (2012 – £270,532,000) and a profit before tax of £15,526,000 (2012 – profit of £11,822,000). During the year 1,040,456 products were sold (2012 – 864,800).

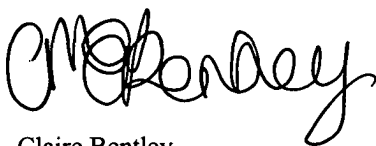
### Principal risks and uncertainties

The key business risks affecting the Company are world events that influence consumer travel such as terrorist attacks, volcanic ash disruptions and civil unrest amongst others; that are outside the control of the travel industry but have an impact on consumer behaviour. In addition, competition from other travel companies poses a key business risk.

### Future developments

With the investment in system functionality, the Company launched the selling of 'dynamic packages', with individual land and air components being priced together as one package. The Company continues to develop this functionality to improve sales.

Signed on behalf of the board of British Airways Holidays Limited



Claire Bentley  
Director

Date 28/4/14

## Directors Report

The Directors present their report and financial statements of the Company and its subsidiary undertaking (the "Group") for the year ended 31 December 2013.

### Going concern

No material uncertainties that cast significant doubt about the ability of the Group to continue as a going concern have been identified by the Directors. On the basis of their assessment of the Group's financial position, the Company's Directors have a reasonable expectation that the Group 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

The Directors who served the Company during the year were as follows:

C M Bentley  
A G Crawley  
J Mornement  
S K Dunham  
R Tams  
A J Newman  
A Swaffield (resigned 31 December 2013)

### Company Secretary

C K Adams was appointed as Company Secretary on 11 October 2013, replacing K K Dosanjh.

### Disabled employees

The Group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person. With regard to existing employees and those who have become disabled during the period, the Group has continued to examine ways and means of providing continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

### Employee involvement

During the year the policy of providing employees with information about the Group has been achieved through a weekly newsletter and the provision of a company intranet. Employees are encouraged to present their suggestions and views on the Group's performance through these forums.


### Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

The Group'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.

By order of the Board

  
Secretary  
Date 28 APRIL 2014

## Statement of directors' responsibilities

The Directors are responsible for preparing the annual 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 Group and the Company and of the profit or loss of the Group 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 Airways Holidays Limited**

We have audited the financial statements of British Airways Holidays Limited for the year ended 31 December 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# **Independent auditor's report**

**to the members of British Airways Holidays Limited**

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's 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.



JI Gordon (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London  
29 April 2014

## Group profit and loss account

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
<b>Turnover</b>	2	381,974	270,532
Net operating costs		(366,748)	(259,497)
<b>Operating profit before interest and taxation</b>		15,226	11,035
Interest receivable and similar income	6	300	787
<b>Profit on ordinary activities before taxation</b>	3	15,526	11,822
Tax	7	83	(561)
<b>Profit for the financial year</b>	16	15,609	11,261

The above results are all in respect of continuing operations.

The accounting policy and notes on pages 10 to 25 form part of these financial statements.

## Group statement of total recognised gains and losses

for the year ended 31 December 2013

	2013 £000	2012 £000
<b>Profit for the financial year</b>	15,609	11,261
Actuarial loss relating to pensions	(4,661)	(2,546)
Deferred tax effect on actuarial loss	1,077	624
Effect of corporation tax rate change in the year	(399)	(38)
<b>Total recognised gains relating to the year</b>	11,626	9,301



# Group balance sheet

at 31 December 2013

		2013	2012
	Notes	£000	£000
<b>Fixed assets</b>			
Tangible assets	9	4,799	3,540
<b>Current assets</b>			
Debtors	11	69,373	37,647
Amounts owed by group undertakings	12	42,937	43,570
Cash at Bank		653	–
		112,963	81,217
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	13	(84,162)	(57,626)
		28,801	23,591
<b>Net current assets</b>		33,600	27,131
<b>Total assets less current liabilities</b>			
Provisions for liabilities and charges	14	(197)	(263)
<b>Net pension liability</b>	17	(9,153)	(5,244)
		24,250	21,624
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	15	9,835	9,835
Profit and loss account	16	14,415	11,789
<b>Shareholders' funds</b>	16	24,250	21,624

The financial statements on page 7 to 25 were approved by the Board of Directors and signed on behalf of the Board by:

CLAIRE BENTLEY



Director

Date 28/4/14

Registered No. 554278

# Company balance sheet

at 31 December 2013

		2013	Restated 2012
	Notes	£000	£000
<b>Fixed assets</b>			
Tangible assets	9	4,799	3,540
Investments	10	2	2
		<u>4,801</u>	<u>3,542</u>
<b>Current assets</b>			
Debtors	11	70,269	38,053
Amounts owed by group undertakings	12	44,576	44,787
Cash at Bank		653	–
		<u>115,498</u>	<u>82,840</u>
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	13	(89,828)	(61,940)
		<u>25,670</u>	<u>20,900</u>
<b>Net current assets</b>		<u>30,471</u>	<u>24,442</u>
<b>Total assets less current liabilities</b>			
Provisions for liabilities and charges	14	(197)	(263)
<b>Net pension liability</b>	17	(9,153)	(5,244)
		<u>21,121</u>	<u>18,935</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	15	9,835	9,835
Profit and loss account	16	11,286	9,100
		<u>21,121</u>	<u>18,935</u>
<b>Shareholders' funds</b>	16	<u>21,121</u>	<u>18,935</u>

The financial statements on page 7 to 25 were approved by the Board of Directors and signed on behalf of the Board by:



Director

Date 28/4/14

Registered No. 554278

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies

#### *Basis of preparation*

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

The comparative Company balance sheet at 31 December 2012 has been restated to reflect the full value of the sales in advance of travel, including the flights purchased from a subsidiary company. This has increased sales in advance of travel by £32,106,000, increased amounts owed to subsidiary undertakings by £1,704,000, increased prepayments and accrued income by £34,328,000 and reduced amounts owed by subsidiary undertakings by £518,000. This adjustment had no impact on the net assets at 31 December 2012 or the profit for the year ended 31 December 2012.

#### *Group financial statements*

The Group financial statements consolidate the financial statements of British Airways Holidays Limited and its wholly owned subsidiary, Overseas Air Travel Limited. No Company profit and loss account is presented for British Airways Holidays Limited for the year ended 31 December 2013 as permitted by section 408 of the Companies Act 2006.

#### *Statement of cash flows*

No statement of cash flows has been provided under the provisions of FRS 1, as the Group is a wholly owned subsidiary undertaking of a parent undertaking whose publicly available group financial statements include the Company.

#### *Revenue recognition*

Revenue from the sale of holidays is recognised on the date of departure. Revenue from sale of holidays departing after year end is deferred.

#### *Interest income*

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

#### *Marketing expenditure and brochure costs*

Marketing expenditure and brochure costs are written off as incurred.

#### *Tangible fixed assets*

The cost of tangible fixed assets is written off by equal annual instalments over the estimated useful lives as follows:

Office equipment	–	15 years
Computer equipment	–	4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Investments*

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Provisions for liabilities and charges**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

#### **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All gains and losses on translation of foreign currency balances and transactions are dealt with as part of operating profit.

#### **Operating leases**

Amounts payable in respect of assets held under operating leases are charged directly to the profit and loss account on a straight-line basis over the lease term.

#### **Employee benefits**

##### **Defined benefit scheme**

The Group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

# Notes to the financial statements

at 31 December 2013

## 1. Accounting policies (continued)

### *Employee benefits (continued)*

#### *Defined contribution scheme*

Contributions to the defined contribution scheme are recognised in the profit and loss account in the period in which they become payable.

## 2. Turnover

Turnover comprises the invoiced value excluding VAT of services supplied by the Group for holiday arrangements.

In the opinion of the Directors, there is only one class of business which is tour operating.

## 3. Operating expenses

	2013 £000	2012 £000
Cost of sales	349,654	245,393
Administrative expenses	17,094	14,104
	<u>366,748</u>	<u>259,497</u>

Operating profit before interest and taxation is stated after charging:

	2013 £000	2012 £000
Auditor's remuneration – audit services	70	73
– non-audit services	13	13
Depreciation of tangible fixed assets	1,419	874
Operating lease rentals – land and buildings	191	170
	<u></u>	<u></u>

The Company also pays fees to Ernst & Young LLP in respect of audit fees for the British Airways Holidays Limited Retirement Scheme of £8,755 (2012 – £8,500).

## 4. Directors' remuneration

	2013 £000	2012 £000
Emoluments, including benefits in kind	205	205

One Director (31 December 2012: one) received remuneration from the Company during the year ended 31 December 2013 and qualified for The British Airways Holidays Retirement Benefit Scheme.

Some of the Directors of the Company were employed and remunerated during the period by BA. One Director was employed and remunerated by IAG in respect of his services to the Group as a whole. The qualifying services provided to the Company by these Directors were incidental compared to their main roles, therefore their remuneration amount relating to the Company is £nil for the year ended 31 December 2013 (31 December 2012: £nil).

## Notes to the financial statements

at 31 December 2013

During the year, four Directors (31 December 2012: five) participated in a defined benefit scheme provided by BA. Further details of the defined benefit scheme can be found in the financial statements of BA. In addition, one Director participated in the defined contribution scheme of IAG.

At 31 December 2013, none of the Directors held any direct interest in any shares of the Company. However, in accordance with Schedule 5 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, during the year, five Directors (31 December 2012: five) participated in the Long Term Incentive Schemes of BA, the immediate parent undertaking, including The Long Term Incentive Plan 1996 (LTIPs) and The British Airways Performance Share Plan 2005 (PSP). Six Directors (31 December 2012: six) also participated in IAG's Long Term Incentive Scheme called the IAG Performance Share Plan (IPSP).

During the year none of the Directors (31 December 2012: none) exercised their rights under the British Airways Share Option Plans or in the form of IAG shares under the Long Term Incentive Schemes of BA (31 December 2012: three).

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 413 of the Companies Act 2006.

### 5. Staff costs

	2013	2012
	£000	£000
Wages and salaries	7,246	7,105
Social security costs	706	701
Other pension costs	784	709
	<u>8,736</u>	<u>8,515</u>

The monthly average number of employees in the Group during the year, including Directors was 211 (2012 – 198).

## Notes to the financial statements

at 31 December 2013

### 6. Interest receivable and similar income

	2013	2012
	£000	£000
Interest receivable from parent undertaking	218	446
Interest income on pensions (note 17)	82	341
	<u>300</u>	<u>787</u>

### 7. Tax

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2013	2012
	£000	£000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	—	—
Total current tax (note 7(b))	<u>—</u>	<u>—</u>
<i>Deferred tax:</i>		
Accelerated capital allowances	(58)	(3)
Pension charge	—	464
Prior year adjustment	3	—
Rate change effect	(28)	100
Total deferred tax (note 7(c))	<u>(83)</u>	<u>561</u>
Tax on profit on ordinary activities	<u>(83)</u>	<u>561</u>

#### (b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013	2012
	£000	£000
Profit on ordinary activities before tax	15,526	11,822
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	<u>3,610</u>	<u>2,896</u>
<i>Effects of:</i>		
Accelerated capital allowances	58	3
Expenses not deductible for tax	—	2
Pension charge	—	(464)
Group relief received for no consideration	(3,668)	(2,437)
Current tax for the year (note 7(a))	<u>—</u>	<u>—</u>

## Notes to the financial statements

at 31 December 2013

### 7. Tax (continued)

#### (c) Deferred tax

The deferred tax included in the balance sheet, is as follows:

	<i>Group and Company</i>	
	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Included in debtors (note 11)	106	68
Included in defined benefit pension liability (note 17)	2,288	1,565
	<u>2,394</u>	<u>1,633</u>
Decelerated capital allowances	106	68
Pension costs	2,288	1,565
	<u>2,394</u>	<u>1,633</u>
		<i>£000</i>
At 1 January 2013 including deferred tax on defined benefit pension liability		1,633
Deferred tax in group profit and loss account		83
Amount charged to statement of total recognised gains and losses		678
At 31 December 2013 including deferred tax on defined benefit pension liability		<u>2,394</u>

#### (d) Factors which may affect future tax charges

The main rate of UK corporation tax rate was reduced from 24% to 23% effective from 1 April 2013. Further reductions in the UK corporation tax rate were substantively enacted in the year (21% is to take effect on 1 April 2014 and 20% on 1 April 2015). The provision for deferred tax on timing differences as at 31 December 2013 is calculated at 20%. The difference from the application of 20% instead of 23% for the three month period to 31 March 2014 and 21% for the twelve month period to 31 March 2015 is not expected to be material.

### 8. Profit attributable to members of the parent undertaking

The profit dealt with in the financial statements of the parent undertaking is £15,169,000 (2012 – profit of £11,060,000).



## Notes to the financial statements

at 31 December 2013

### 9. Tangible fixed assets

*Group and Company*

Year ended 31 December 2013	Office and computer equipment	Assets under construction	Total
Cost:			
At 1 January 2013	6,573	869	7,442
Additions	2,043	635	2,678
Transfers	659	(659)	-
At 31 December 2013	9,275	845	10,120
Depreciation:			
At 1 January 2013	3,902	-	3,902
Provided during the year	1,419	-	1,419
At 31 December 2013	5,321	-	5,321
Net book value:			
At 31 December 2013	3,954	845	4,799
At 1 January 2013	2,671	869	3,540

Assets under construction are system developments to increase the Company's selling functionality.

### 10. Investments

The Company has a subsidiary Overseas Air Travel Limited, which is registered in England and Wales.

At 31 December 2013 and 31 December 2012, the Company's investment in Overseas Air Travel Limited was £1,999. At 31 December 2013 and 31 December 2012, the Company owned 1,999 ordinary shares of £1 each and BA owned 1 ordinary share of £1.

Overseas Air Travel Limited acts as a transport company that buys flight seats from BA and sells them to British Airways Holidays Limited to form part of its packages.

## Notes to the financial statements

at 31 December 2013

### 11. Debtors

#### *Group*

	2013	2012
	£000	£000
Trade debtors	3,267	2,462
Other debtors	16	14
Other taxes and social security	485	230
Prepayments and accrued income	65,499	34,873
Deferred taxation	106	68
	<u>69,373</u>	<u>37,647</u>

#### *Company*

	2013	Restated 2012
	£000	£000
Trade debtors	3,267	2,462
Other debtors	16	14
Prepayments and accrued income	66,880	35,509
Deferred taxation	106	68
	<u>70,269</u>	<u>38,053</u>

## Notes to the financial statements

at 31 December 2013

### 12. Amounts owed by group undertakings

#### Group

	2013 £000	2012 £000
Amounts owed by parent undertaking	42,937	43,506
Amounts owed by other group undertakings	-	64
	<u>42,937</u>	<u>43,570</u>

#### Company

	2013 £000	Restated 2012 £000
Amounts owed by parent undertaking	44,576	44,724
Amounts owed by other group undertakings	-	63
	<u>44,576</u>	<u>44,787</u>

### 13. Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	2013	Restated 2012
	£000	£000	£000	£000
Trade creditors	14,676	11,237	14,676	11,237
Amounts owed to subsidiary undertakings	-	-	2,250	1,704
Other taxes and social security	-	-	3,416	2,610
Other creditors	12	95	12	95
Sales in advance of travel	67,107	44,243	67,107	44,243
Accruals	2,367	1,887	2,367	1,887
Bank overdraft	-	164	-	164
	<u>84,162</u>	<u>57,626</u>	<u>89,828</u>	<u>61,940</u>

## Notes to the financial statements

at 31 December 2013

### 14. Provisions for liabilities

	<i>Provision for Dilapidation</i>	<i>Provision for chargebacks</i>	<i>Provision for uninvoiced costs</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£'000</i>	<i>£000</i>
At 1 January 2013	81	50	132	263
Arising during the year	44	72	–	116
Release of unused amounts	–	(29)	–	(29)
Utilised	–	(21)	(132)	(153)
At 31 December 2013	125	72	–	197

Provision for dilapidation: A provision has been made to make good any changes made to the leased property during the period of the lease.

Provision for chargebacks: a provision has been made for credit card chargebacks which the Group may receive in 2014 relating to 2013. The Group expects the provision to be utilised by the end of 2014.

### 15. Issued share capital

		<i>2013</i>		<i>2012</i>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	9,834,768	9,835	9,834,768	9,835

### 16. Reconciliation of shareholders' funds and movements on reserves

*Group*

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 January 2012	9,835	33,488	43,323
Profit for the year	–	11,261	11,261
Actuarial loss on pensions (net of tax)	–	(1,960)	(1,960)
Dividends paid	–	(31,000)	(31,000)
At 1 January 2013	9,835	11,789	21,624
Profit for the year	–	15,609	15,609
Actuarial loss on pensions (net of tax)	–	(3,983)	(3,983)
Dividends paid	–	(9,000)	(9,000)
At 31 December 2013	9,835	14,415	24,250

## Notes to the financial statements

at 31 December 2013

### 16. Reconciliation of shareholders' funds and movements on reserves (continued)

<i>Company</i>	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 January 2012	9,835	31,000	40,835
Profit for the year	–	11,060	11,060
Actuarial loss on pensions (net of tax)	–	(1,960)	(1,960)
Dividends paid	–	(31,000)	(31,000)
At 1 January 2013	9,835	9,100	18,935
Profit for the year	–	15,169	15,169
Actuarial loss on pensions (net of tax)	–	(3,983)	(3,983)
Dividends paid	–	(9,000)	(9,000)
At 31 December 2013	9,835	11,286	21,121

### 17. Pensions

British Airways Holidays Limited operates a funded defined benefit pension scheme, the British Airways Holidays Limited Retirement Benefit Scheme, in the United Kingdom.

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method.

A full actuarial valuation was carried out as at 1 April 2010 and updated to 31 December 2013 by a qualified independent actuary.

The Group also participates in a defined contribution scheme, the British Airways Retirement Plan. The total cost to the Group for the year ended 31 December 2013 in respect of pension contributions was £160,000 (2012 – £150,000).

Reconciliation of the present value of the defined benefit obligation:

	<i>2013 £000</i>	<i>2012 £000</i>
At 1 January	33,504	28,668
Service cost	624	559
Interest cost	1,585	1,413
Contributions by members	163	175
Actuarial loss on plan liabilities	5,197	3,095
Benefits paid	(338)	(406)
At 31 December	40,735	33,504

# Notes to the financial statements

at 31 December 2013

## 17. Pensions (continued)

Analysis of the defined benefit obligation:

	2013 £000	2012 £000
Present value of funded defined benefit obligation	40,735	33,504

Reconciliation of fair value of plan assets:

	2013 £000	2012 £000
At 1 January	26,695	22,509
Expected return on plan assets	1,667	1,754
Actuarial gain on plan assets	536	549
Contributions by the Company	571	2,114
Contributions by members	163	175
Benefits paid	(338)	(406)
At 31 December	29,294	26,695

Amounts to be recognised in the balance sheet:

	2013 £000	2012 £000
Present value of funded obligation	40,735	33,504
Fair value of scheme assets	(29,294)	(26,695)
Deficit	11,441	6,809
Related deferred tax asset	(2,288)	(1,565)
Net liability in balance sheet	9,153	5,244

Amounts recognised in the profit and loss account:

	2013 £000	2012 £000
Current service cost	624	559
Total charged to operating profit	624	559
Amounts included in (other income)/other finance charge:		
Interest on obligation	1,585	1,413
Expected return on plan assets	(1,667)	(1,754)
	(82)	(341)
Total recognised in the profit and loss account	542	218

## Notes to the financial statements

at 31 December 2013

### 17. Pensions (continued)

Total amount recognised in the statement of total recognised gains and losses (STRGL):

	2013 £000	2012 £000
Actuarial loss recognised in STRGL	(4,661)	(2,546)

Cumulative amount of actuarial gains and losses recognised in STRGL:

	2013 £000	2012 £000
Cumulative loss recognised in STRGL	(12,933)	(8,272)

Plan assets

	2013 £000	2013 %	2012 £000	2012 %
Equities + Diversified growth fund	29,225	100	16,804	63
Gilts and bonds	—	—	6,423	24
Other	69	—	3,468	13
Total plan assets	29,294	100	26,695	100

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on equities is the sum of inflation, the dividend yield, economic growth and investment expenses. The return on gilts and bonds is the current market yield on long term gilts and bonds. The expected return on property is based on our analysis of historic returns and forecasts from City analysts and non-City agencies. The expected return on other assets is the current inflation assumption.

	2013 £000	2012 £000
Actual return on plan assets	2,203	2,303

## Notes to the financial statements

at 31 December 2013

### 17. Pensions (continued)

		2013 %	2012 %
Principal actuarial assumptions at the balance sheet date:			
Discount rate		4.5	4.7
Expected return on plan assets at the end of the period		7.0	6.2
Rate of increase in salaries		4.25	4.1
Price inflation		3.5	3.1
Pension increases	– Pension accrued before 1 September 2003	5.0	5.0
	– Pension accrued after 1 September 2003	3.30	3.0
Mortality	– Pre retirement	S1PMA_L/S1PFA_L	SNMA/SINFA
	– Post retirement	tables with a 108% loading for males and females, CMI 2013 projections with a long term rate of improvement of 1.0%	tables with a 105% loading for males and females, CMI 2009 projections with a long term rate of improvement of 1.0%

The assumed life expectancy on retirement at age 65 is:

Retiring today	– Male	87.9	86.5
	– Female	89.2	87.6
Retiring in 20 years	– Male	89.1	87.8
	– Female	90.6	89.2

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on scheme liabilities</i>
Discount rate	Increase/decrease by 1%	Decrease/increase by 22%/30%
Rate of pension increase	Increase/decrease by 1%	Increase/decrease by 10%/8%
Rate of salary growth	Increase/decrease by 1%	increase/decrease by 6%/5%
Rate of mortality	1 year increase in life expectancy	Increase by 4%



## Notes to the financial statements

at 31 December 2013

### 17. Pensions (continued)

History of assets, liabilities and actuarial gains and losses:

	31 December 2013 £000	31 December 2012 £000	31 December 2011 £000	31 December 2010 £000	31 March 2010 £000
Present value of defined benefit obligation	(40,735)	(33,504)	(28,668)	(25,030)	(25,910)
Fair value of assets	29,294	26,695	22,509	21,746	19,471
Deficit	(11,441)	(6,809)	(6,159)	(3,284)	(6,439)
Experience gain/(loss) on plan liabilities					
Amount (£000)	(1,319)	(192)	(308)	602	3,316
Percentage of the present value of the plan liabilities	(3%)	(1%)	(1%)	2%	13%
Difference between the expected and actual return on plan assets					
Amount (£000)	536	549	(2,046)	280	4,155
Percentage of the present value of the plan assets	2%	2%	(9)%	1%	21%

The employers' best estimate of contributions to be paid to the plan by the Company next year is £780,000.

### 18. Other financial commitments

At 31 December 2013 the Group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	2013	2012
	£000	£000
Operating leases which expire:		
Within one year	-	-
Greater than five years	228	228

### 19. Related party transactions

The Group has taken advantage of the exemption in FRS 8 not to disclose related party transactions as the Group is wholly owned by, and controlled within the British Airways Group; full related party disclosures are provided in the Group financial statements of that company.

## Notes to the financial statements

at 31 December 2013

### 20. Ultimate parent undertaking

The Company's immediate parent undertaking as at 31 December 2013 was BA, a company registered in England and Wales.

As at 31 December 2013, 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 was the largest undertaking preparing group financial statements and BA was the smallest undertaking.

Copies of the consolidated financial statements of BA and IAG can be found on the website [www.iagshares.com](http://www.iagshares.com).