

Registered No: 554278

British Airways Holidays Limited

Annual Report and Financial Statements

For the year ended 31 December 2021



British Airways Holidays Limited

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British Airways Holidays Limited
Corporate information

DIRECTORS

C M Bentley
C L Lacy
D Roberts
K Slinger

COMPANY SECRETARY

K Bailey

INDEPENDENT AUDITOR

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

BANKER

Deutsche Bank AG
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EC2N 4DA

SOLICITOR

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REGISTERED OFFICE

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UB7 0GB

British Airways Holidays Limited

Strategic report

PRINCIPAL ACTIVITIES 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.

RESULTS AND DIVIDENDS

On 27 January 2021, the UK government announced new rules for travel, where unless there was a legally permitted reason to do so, travel abroad for holidays and other leisure purposes was not allowed. On 7 May 2021, the Transport Secretary outlined the Government's plan to allow international travel to re-start with a new Global Travel Taskforce traffic light system. Over the summer period the traffic light system was expanded to include categories such as "green watchlist" and "amber plus", alongside evolving restrictions worldwide creating complexity and uncertainty for customers that resulted in a continued subdued demand over the reporting period. The loss after tax for the year amounted to £198,000 (2020: profit £3,496,000). The Company did not pay a dividend during the year (2020: £nil).

KEY PERFORMANCE INDICATORS

The results for the Company show sales of £340,528,000 (2020: £249,659,000) and a loss before tax of £552,000 (2020: profit £4,251,000). During the year 0.5 million products were sold (2020: 0.4 million). The Company has been impacted by the COVID-19 pandemic, many governments placed significant restrictions on the movement of people and on travel across international borders.

FUTURE DEVELOPMENTS

The Company continues to develop its selling functionality to improve sales. The Directors do not expect any changes in the Company's activity in the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is significantly affected by the level of operating activity of BA, please refer to BA Plc's principal risks and uncertainties in the BA Plc Annual Report and Accounts for the year ended 31 December 2021 which can be found on the website www.iagshares.com.

The Company is subject to world events such as pandemics, terrorist attacks, civil unrest and security concerns affecting the whole travel industry and is affected by fiscal policy, the economic cycle and the uncertainty relating to Brexit affecting consumer spend and confidence. In addition, competition from other travel companies poses a key business 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. The Company works closely with BA Plc Treasury who seek to reduce foreign currency exposure using derivatives.

Robust processes are in place at the Company to continually identify financial risks and opportunities and these are built into the monthly management accounts and forecasting processes, together with a detailed review of quantitative and qualitative performance indicators.

British Airways Holidays Limited

Strategic report

SECTION 172 STATEMENT

During 2021, the Board acted in a way it considers, in good faith, would most likely promote the success of British Airways Holidays Limited for the benefit of its members based on information available to them at the time. The following disclosure describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Customers	
Why it is important to engage and what matters to them?	<p>Customers are central to the success of British Airways Holidays and engagement enables the Company to understand and drive product and service initiatives that will deliver the greatest value to the customer.</p> <p>If BA Holidays is unable to meet the expectations of customers and does not engage effectively to maintain their emotional attachment to the brand, then the brand will be eroded and market share lost.</p> <p>British Airways Holidays encourages loyalty from customers through the acquisition of points from Avios Group (AGL) Limited which are issued to Executive Club members when they purchase British Airways Holidays products. Customers value the benefits associated with the loyalty scheme, for example access to lounges and the ease of redeeming the points.</p> <p>Customers continue to value safety, reliability, value for money and a seamless and unique customer experience throughout their journey from booking to completion of their holiday. This has become more important than ever during the COVID-19 crisis.</p> <p>There is a growing trend in ethical and sustainability concerns being a factor in consumer choices.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>The Board and British Airways Holidays' Senior Management Team receive regular updates regarding customer relationships, development and engagement, including results of customer feedback surveys, net promoter score and complaints data.</p> <p>During 2021, British Airways Holidays continued to engage directly with customers more than before the pandemic, managing the ongoing and unprecedented volume of refunds, re-bookings and repatriations. The Management Team constantly reviewed the Company's approach to customer contact, with a re-trained workforce diverted from 'business as usual' activities to ensure that customer service was maintained against an exceptionally difficult backdrop. The market leading Customer promise, focusing on safety, consumer protection, value, flexibility and customer service to provide reassurance to the customer and give them the confidence to book with us, which was launched in 2020, remained in place throughout 2021.</p>
Suppliers	
Why it is important to engage and what matters to them?	<p>The Company's suppliers are fundamental to ensuring that the Company meets the high standards of conduct that customers and other key stakeholders expect. Suppliers are an extension of the Company, sometimes representing the brand and enabling the Company to run uninterrupted operations. Key suppliers include IAG airlines and oneworld partners, hotels, car rental suppliers and ground handling companies.</p> <p>Suppliers value operational stability ensuring predictable demand, transparency and integrity in all business dealings and timely settlement avoiding liquidity concerns.</p>

British Airways Holidays Limited

Strategic report

How management and/or Directors engaged and what was the impact of the engagement?	<p>Active supplier management including contingency planning is in place and the British Airways Holidays Board receives updates regarding material developments in key supplier relationships. The British Airways Holidays Destination Team manages supplier engagement with the IAG airlines (BA and Iberia), hotels, car rental suppliers and ground handling companies. All suppliers are contractually held to certain standards; from GDPR compliance, through Modern Slavery and best practice in rate and availability of product, aligning with the IAG code of conduct.</p> <p>In 2021, dialogue with suppliers was more important than ever, to ensure their continued confidence in British Airways Holidays partnership, business performance and liquidity, including demonstrating that we would continue settling payments in a timely manner, as some competitors in our industry failed to do so.</p> <p>As part of the initiatives to preserve liquidity we also continued to work with suppliers to reduce the impact of customer cancellations and agreed new contracts with less punitive cancellation terms.</p> <p>We also needed to work together to ensure that the products and facilities we were promoting, against a backdrop of ever-changing circumstances, remained an accurate reflection of the service customers would receive, requiring the introduction of new processes and communications.</p>
Workforce	
Why it is important to engage and what matters to them?	<p>British Airways Holidays' long-term success is predicated on the commitment of the workforce to the Company's purpose and demonstrating British Airways Holidays' values on a daily basis. To maintain a competitive advantage and meet the growing demands of the holiday sector, the workforce needs to be adaptive and have a constantly evolving skill base.</p> <p>Engagement with the workforce is essential to ensure the Company fosters an environment that the workforce is motivated to work in and that best supports their wellbeing.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>The British Airways Holiday Senior Management Team engages with and invests in the workforce, maintaining low turnover rates.</p> <p>Colleagues are provided with information that is of concern to them, including business and financial performance updates, which are provided by the Managing Director and Senior Management Team, at monthly 'stand up' business update forums, on the Company intranet and via email. Colleagues are encouraged to share their views on all matters with senior management. A recognition programme is also in place and received high engagement from across the Company's workforce.</p> <p>Given the significant impact of COVID-19 on the Company, British Airways Holidays continued to make use of the Government furlough scheme to reduce redundancies that would otherwise have been required. Workload requirements were reviewed monthly and furlough consultations took place individually with each colleague. Support for furlough was positive with 100% opt in from all colleagues.</p> <p>Communication has been key in these uncertain times and more frequent communications have been adopted to ensure transparency and confidence in company initiatives and priorities and to provide a forum for colleague feedback. Increased team meetings and one to one sessions have also been encouraged across the Company. Resources are also available to colleagues to support mental health and positive wellbeing, which has been particularly important throughout the pandemic with colleagues on furlough and working from home.</p> <p>In Oct 2021 we returned to the office in a restricted and carefully coordinated approach that saw our people combine working from home with at least 1 day in the office. This was phase 1 of a longer-term trial where phase 2 would increase office days to a maximum of 3 (role dependent). The approach followed detailed collaboration by management, representing the interests of the business and our people.</p>
Investors	
Why it is important to engage and what matters to them?	<p>Continued access to capital is of vital importance to the long-term success of the Company. The key investor of the Company is the parent company British Airways Plc and ultimately IAG.</p> <p>For British Airways and IAG, return on invested capital and operating margins are important as value is created by generating strong sustainable results that translate into dividends and share price appreciation. In addition to these financial measures, operating within the Group's policies and maintaining and enhancing brand and reputation are also important.</p>

British Airways Holidays Limited

Strategic report

How management and/or Directors engaged and what was the impact of the engagement?	<p>The Managing Director is included in the parent company senior leadership communication forums, ensuring corporate objectives and initiatives can be implemented and adapted within British Airways Holidays. The Company provides monthly financial performance results and forecasts to the parent company's Commercial and Finance functions, for review and consolidation.</p> <p>In 2021, BA Holidays worked closely with British Airways to ensure policies related to the pandemic continued to be closely aligned where appropriate to ensure consistency of message and cost management.</p> <p>At Board meetings, the Directors, including those appointed by British Airways, review the Company's operational and financial performance, strategy and business plans, and risks and opportunities. Challenges are made and actions taken when necessary for management implementation.</p>
Communities and environment	
Why it is important to engage and what matters to them?	<p>The communities in which the Company operates require it to adopt a socially responsible approach and protect the environment.</p> <p>Sustainability is crucial, and communities expect the Company to provide means to minimise the effect of holiday travel on the environment from reduced or offsetting carbon emissions to minimising the negative impacts of travel on destinations.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>BA Holidays continues to support charitable giving through Flying Start and the St Catherine's hospice in Crawley. British Airways Holidays customers also contribute to the British Airways Group's Flying Start in flight collections.</p> <p>The Company's culture and commitment to corporate responsibility continues to grow. Tackling the effect of aviation on the climate requires a multi-faceted response and the Company, together with British Airways, is committed to this. Sustainability is embedded into the BA Group's business plans that are reviewed and approved by the BA Board and IAG. The Board's Corporate Responsibility Committee sets and approves the Company's corporate responsibility strategy and monitors progress on key initiatives.</p> <p>As part of a long-term commitment to end 'exploitative tourism' that sees wild animals kept in captivity, British Airways Holidays has a partnership with international wildlife charity Born Free which promotes animal welfare.</p>
Pension trustees	
Why it is important to engage and what matters to them?	<p>As described in note 19 of the annual report and accounts the Company sponsors a funded defined benefit pension plan, the British Airways Holidays Limited Retirement Benefit Scheme which a significant number of current and former employees are members of. This scheme was closed to future accrual with effect from 1 April 2019. The Pension Trustees are concerned with the Company's covenant and the funding levels and deficit recovery plans of the defined benefit scheme, to ensure the scheme is able to meet its obligations in the future and the financial stability of the Company.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>Senior management form part of the Trustee board. Senior management met with the trustees during the year to discuss transfer valuation criteria.</p> <p>The statement of contributions agreed following the 2019 valuation came into effect from the 1st of January 2021.</p>

British Airways Holidays Limited

Strategic report

Principal decisions

Principal decisions are those that are material to the Company and significant to any of the key stakeholder groups. In making the principal decisions outlined in the section 172 statement, the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company. The principal decisions taken during the year included:

Employee cost

As a result of the ongoing decline in the number of customers taking trips, compared to pre-pandemic levels, BA Holidays continued its participation in the Government's Job Retention Scheme (with up to 70% of employees on furlough or part time furlough) to protect as many jobs as possible. Following colleague consultation, 100% opt in for furlough was achieved. There were no redundancies in 2021.

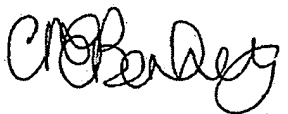
Re-deployment of Workforce to Mitigate Customer Impact

Given the unprecedented impact on our customers and our Operations Team, management continually reviewed business and operational priorities so that they could balance the use of furlough alongside the retraining and redeployment of available workforce to support the operational effort, whilst also maintaining key "business as usual" functions.

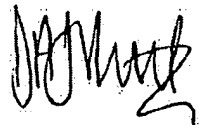
Hybrid Working

In Oct 2021 we returned to the office in a restricted and carefully coordinated approach that saw our people combine working from home with at least 1 day in the office. This was phase 1 of a longer-term trial where phase 2 would increase office days to a maximum of 3 (role dependent). The approach followed detailed collaboration by management, representing the interests of the business and our people.

The strategic report is approved by the Board and signed on its behalf by:



Claire Bentley
Managing Director
30 June 2022



Duncan Roberts
Commercial Director
30 June 2022

British Airways Holidays Limited

Directors' report

The Directors present their report and the audited financial statements of British Airways Holidays Limited ("the Company") for the year ended 31 December 2021.

GOING CONCERN

The Company has received confirmation from its parent company, British Airways Plc ('BA'), that it will provide financial support to the Company should it be required for a period of 12 months from the date of approval of these financial statements. Having made an assessment of the ability of BA to provide such support if required, the Directors have a reasonable expectation that the Company has sufficient liquidity for the foreseeable future and accordingly the Directors have adopted the going concern basis in preparing the financial statements for the year ended 31 December 2021.

However, the Company's financial position is significantly affected by the level of operating activity of BA. The Directors note the publication on 02 March 2022 of BA's consolidated financial statements for the year ended 31 December 2021 in which a material uncertainty in relation to going concern was disclosed.

As a consequence of the above information and having made appropriate enquiries of the Directors of British Airways Plc on its current financial position, the Directors of the Company consider there is also a material uncertainty over the level of the Company's operating activities and BA's ability to provide financial support to the Company and this could cast significant doubt upon the Company ability to continue as a going concern.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of approval of the financial statements were as follows:

C M Bentley
C L Lacy
J Smith (resigned 15 June 2022)
D Roberts
K Slinger
A Brem (resigned 30 June 2021)

COMPANY SECRETARY

K Bailey

EMPLOYEE INVOLVEMENT

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

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job. Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

POLITICAL DONATIONS

During the period, the Company made no political donations (31 December 2020: £nil).

LIABILITY INSURANCE

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

AUDITOR

In accordance with Section 489 of the Companies Act 2006, resolutions concerning the appointment of the auditor, KPMG LLP and authorising the Directors to set their remuneration will be proposed at the next Annual General Meeting of British Airways Plc.

British Airways Holidays Limited

Directors' report

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

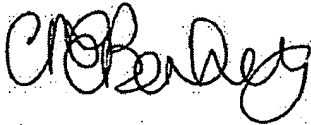
The Directors who were members of the Board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of the information.

INFORMATION INCLUDED IN THE STRATEGIC REPORT

Financial risk management objectives and the exposure to financial risks and future developments are disclosed in the Strategic Report, in accordance with Section 414C (11) of the Companies Act 2006.

By order of the Board



.....
Director
C M Bentley
30 June 2022

British Airways Holidays Limited

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

British Airways Holidays Limited

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

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

Opinion

We have audited the financial statements of British Airways Holidays Limited ("the Company") for the year ended 31 December 2021 which comprise the statement of other comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that a number of factors are beyond the International Consolidated Airlines Group S.A.'s control and, should a more severe scenario come about than those envisaged, the Group would need to obtain the necessary additional financing or in a scenario where the parent company was unable to provide sufficient financial support to the Company needed then that could affect the Company's ability to continue as a going concern. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company, or to cease its operations, and as they have concluded that the company's financial position means that this is realistic for at least the period to 30 June 2023 ("the going concern period"). As stated above, they have also concluded that there is a material uncertainty related to going concern.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate and we found the going concern disclosure in note 1 to be acceptable.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors including their short and long-term incentive plans.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a

British Airways Holidays Limited

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

position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because the nature of services tendered are high volume and low value, which have limited complexity in relation to the recognition principles of IFRS 15. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, UK civil authority regulations and association of British travel agents regulations, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 covered in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion thereon.

British Airways Holidays Limited

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

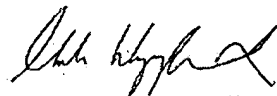
As explained more fully in the Statement of Director's Responsibility set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The purpose of our audit work and to whom we owe our responsibilities

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.



Mark Wrigglesworth (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
30 June 2022

British Airways Holidays Limited

Income statement

For the year ended 31 December 2021

£000	Note	2021	2020
Turnover	3	340,528	249,659
Cost of sales		<u>(320,544)</u>	<u>(233,313)</u>
Gross profit		19,984	16,346
Administrative costs		(19,628)	(18,099)
Other operating income		<u>804</u>	<u>-</u>
Operating profit/(loss)		1,160	(1,753)
Interest receivable and similar income	7	49	157
Interest payable and similar charges	7	(588)	(587)
Realised (losses)/gains on derivatives not qualifying for hedge accounting		(430)	8,609
Unrealised losses on derivatives not qualifying for hedge accounting		<u>(743)</u>	<u>(2,175)</u>
Loss before taxation		(552)	4,251
Tax on ordinary activities	8	<u>354</u>	<u>(755)</u>
Loss for the financial year		<u>(198)</u>	<u>3,496</u>

The above results are all in respect of continuing operations.

British Airways Holidays Limited

Statement of other comprehensive income

For the year ended 31 December 2021

£000	Note	2021	2020
(Loss)/profit for the year		(198)	3,496
Other comprehensive income:			
<i>Items that cannot be reclassified to profit or loss:</i>			
Actuarial gains/(losses) on defined benefit pension plans	19	5,900	(5,861)
Tax on items relating to components of other comprehensive income	8	105	1,658
Total other comprehensive loss		6,005	(4,203)
Total comprehensive income/(loss) for the year		5,807	(707)

British Airways Holidays Limited

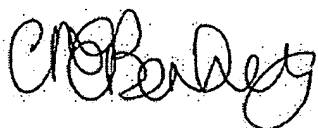
Notes to the financial statements

Balance sheet

As at 31 December 2021

£000	Note	2021	2020
Fixed assets			
Intangible assets	11	9,627	11,788
Tangible assets	10	94	172
Right of use asset	16	825	1,141
Investments	13	2	2
Total fixed assets		10,548	13,103
Current assets			
Debtors	14	326,045	223,251
Cash at bank and in hand		2,629	14,790
Total current assets		328,674	238,041
Creditors: amounts falling due within one year	15	(204,678)	(114,658)
Net current assets		123,996	123,383
Total assets less current liabilities		134,544	136,486
Creditors: amounts falling due after one year	16	(509)	(890)
Provision for liabilities	17	(213)	(202)
Net pension liability	19	(22,948)	(30,327)
Net assets		110,874	105,067
Capital and reserves			
Called up share capital	18	9,835	9,835
Profit and loss account		101,039	95,232
		110,874	105,067

The financial statements on pages 9 to 34 were approved by the Board of Directors on 30 June 2022 and signed on its behalf by:



C M Bentley
Director

Date 30 June 2022
Registered No. 554278

British Airways Holidays Limited
Notes to the financial statements (continued)

Statement of changes in equity

For the year ended 31 December 2021

£000's	<u>Issued capital</u>	<u>Profit and loss account</u>	<u>Total shareholders' equity</u>
Balance at 1 January 2021	9,835	95,232	105,067
Loss for the year	-	(198)	(198)
<u>Other comprehensive income for the year</u>			
Actuarial gain on pension (net of tax)	-	6,005	6,005
Total comprehensive loss for the year	-	5,807	5,807
At 31 December 2021	<u>9,835</u>	<u>101,039</u>	<u>110,874</u>

For the year ended 31 December 2020

£000's	<u>Issued capital</u>	<u>Profit and loss account</u>	<u>Total shareholders' equity</u>
Balance at 1 January 2020	9,835	95,939	105,774
Profit for the year	-	3,496	3,496
<u>Other comprehensive income for the year</u>			
Actuarial loss on pension (net of tax)	-	(4,203)	(4,203)
Total comprehensive income for the year	-	(707)	(707)
At 31 December 2020	<u>9,835</u>	<u>95,232</u>	<u>105,067</u>

British Airways Holidays Limited

Notes to the financial statements (continued)

Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 30 June 2021 and the balance sheet was signed on the Board's behalf by CM Bentley. British Airways Holidays Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The principal accounting policies adopted by the Company are set out in note 2.

1. Accounting policies

Basis of preparation

These financial statements were prepared in accordance with FRS 101 and in accordance with the Companies Act 2006.

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

- a) The requirements in paragraph 38 in IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - a. Paragraph 79(a)(iv) of IAS 1;
 - b. Paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - c. Paragraph 118(e) of IAS 38 Intangible Assets; and
- b) The requirements of paragraph 10(d), 10(f), 16, 38A-38D, 40A-40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements.
- c) the requirements of IAS 7 Statement of Cash Flows,
- d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- e) the requirements of paragraphs 17 and 18 of IAS 24 Related Party Disclosures,
- f) the requirements of 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,
- g) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers,
- h) the requirements of paragraphs 130(f)(ii), 130(f)(iii) 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets,
- i) the requirements of IFRS 7 Financial Instruments: Disclosures,
- j) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,

These financial statements contain information about British Airways Holidays Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken the exemption from preparing consolidated financial statements in section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of International Consolidated Airlines Group S.A. ("IAG") which prepared publicly available consolidated financial statements.

Going concern

The Directors have reviewed the Company's financial outlook in various ways to ensure an informed decision has been made to assess the going concern of the Company.

The Directors have prepared cash flow forecasts for a period in excess of 12 months from the date of approval of these financial statements, which indicate that the Company will have sufficient liquidity to meet its liabilities as they fall due for that period. In the event of reasonably possible downside scenarios including delays in capacity recovery and further short-term restrictions imposed by national governments in respect of freedom of movement and travel, the Company will have sufficient liquidity to meet its liabilities as they fall due for that period through implementing mitigating actions.

In the event of reasonably possible downside scenarios, and if the Company is unable to implement mitigating actions, the Directors have received confirmation from its parent company, British Airways Plc, that it will provide financial support to the Company should it be required for a period of at least 12 months from the date of approval of the financial statements. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Company's operations and financial position are significantly affected by the level of future operating activity of British Airways Plc, which is part of International Consolidated Airlines Group S.A. (the Group). The economic uncertainty of the COVID-19 pandemic and the fragmented and varied responses from governments have had a significant impact on the Group's

British Airways Holidays Limited

Notes to the financial statements (continued)

results and cash flows. The Directors note the publication on 3 March 2022 of the Group's consolidated financial statements for the year ended 31 December 2021 in which a material uncertainty in relation to going concern was disclosed.

As disclosed in those consolidated financial statements, given the economic uncertainty of the COVID-19 pandemic, the Group has modelled three scenarios referred to as the Base Case along with the Downside Case and the Downside Lockdown Case both of which consider delays in capacity recovery over the Base Case and are considered to be severe but plausible downside scenarios. The Group has also modelled further deteriorations in capacity operated and yield and mitigating actions including reductions in operating and capital expenditure. The Group expects to be able to continue to secure financing for future aircraft deliveries in all scenarios.

Having reviewed the Base Case, Downside Case, Downside Lockdown Case and additional sensitivities, the Directors of the Group have therefore a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern period and hence continue to adopt the going concern basis in preparing the consolidated financial statements.

However, due to the uncertainty created by COVID-19, there are a number of significant factors that are outside of the control of the Group, including: the status and impact of the pandemic worldwide; the emergence of new variants of the virus and potential resurgence of existing strains of the virus; the speed at which vaccines deploy worldwide; the efficacy of those vaccines; the availability of medicines to combat the impact of the virus and the restrictions imposed by national governments in respect of the freedom of movement and travel. The Group, therefore, is not able to provide certainty that there could not be a more severe downside scenario than those it has considered, including the sensitivities in relation to the timing of recovery from the Covid-19 pandemic, capacity operated, impact on yield, cost mitigations achieved and the availability of aircraft financing to offset capital expenditure. If a more severe scenario was to occur, the Group will need to secure sufficient additional funding. Sources of additional funding are expected to include the renegotiation of existing financing arrangements and securing additional long term financial facilities. The Group's ability to obtain additional external funding in the event of a more severe downside scenario represents a material uncertainty that could cast significant doubt upon the Group's ability to continue as a going concern and therefore, to continue to realise its assets and discharge its liabilities in the normal course of business.

Based on all these combined considerations the Directors have a reasonable expectation that the Company has sufficient liquidity for the going concern period, being at least 12 months from the date of approval of these financial statements, and accordingly the Directors have adopted the going concern basis in preparing the financial statements for the year ended 31 December 2021.

The Directors consider that in a severe downside scenario where the Company is unable to implement alternative mitigating actions, and the Group's operations were significantly affected by a lack of additional funding and there is an inability for the Group to implement alternative mitigating actions, meaning that British Airways are unable to provide sufficient financial support to the Company, there may be significant doubt upon the Company's ability to continue as a going concern and therefore, to continue to realise its assets and discharge its liabilities in the normal course of business.

The Company's financial statements for the year to 31 December 2021 do not include the adjustments that would result if the Company was unable to continue as a going concern.

New standards not yet effective

The following amendments and interpretations apply for the first time in the year ended 31 December 2021, but do not have an impact on the financial statements of the Company:

- COVID-19 related rent concessions beyond 30 June 2021 – Amendments to IFRS 16 Leases; and
- Interest rate benchmark reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 effective for periods beginning on or after 1 January 2021.

British Airways Holidays Limited

Notes to the financial statements (continued)

2. Accounting policies (continued)

Summary of significant accounting policies

Turnover

Turnover comprises the invoiced value of services supplied by the Company for holiday arrangements. Performance obligations associated to holiday arrangements are fulfilled over time. Bookings are paid for in advance of transportation and are recognised as sales in advance of travel in current liabilities until the performance obligations associated with the booking have been fulfilled.

Property, plant and equipment

Provision is made for the depreciation of all property and equipment. Equipment is depreciated over a period of four years.

Leases

The Company leases various properties and equipment. The lease terms of these assets are consistent with the determined useful economic life of similar assets within property, plant and equipment.

Right of use (ROU) assets

At the lease commencement date a right of use asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs. In addition, at the lease commencement date a ROU asset will incorporate unavoidable restoration costs to return the asset to its original condition, for which a corresponding amount is recognised within Provisions.

The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments, less any lease incentives receivable; amounts expected to be payable by the Company under residual value guarantees; the exercise price of a purchase option if the Company is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option; and payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the fair value of the leased asset and any initial indirect costs of the lessor. If that rate cannot be determined, the Company's incremental borrowing rate is used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The carrying amount of lease liabilities is remeasured if there is a modification of the lease contract, a re-assessment of the lease terms (specifically in regard to assumptions regarding extension and termination options) and changes in variable lease payments that are based on an index or a rate.

Intangible assets software

The cost to purchase or develop computer software that is separable from an item of related hardware is capitalised separately and amortised on a straight-line basis generally over a period not exceeding five years with certain specific software developments amortised over a period of up to ten years.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits 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 Airways Holidays Limited

Notes to the financial statements (continued)

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Grants that compensate the Group for expenses incurred are recognised in the income statement as other operating income on a systematic basis in the periods in which the expenses are recognised.

Debtors

Trade and other debtors are stated at amortised cost less provisions for expected credit losses. The simplified approach, based on the calculation and recognition of lifetime expected credit losses, is applied to trade and other debtors.

Employee benefits

Pension benefits are presented in these financial statements in accordance with IAS 19 Employee Benefits.

The Company has both a defined benefit and a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of the plan assets are deducted. The discount rate is the yield at the balance sheet date on AA-rated corporate bonds that have durations approximating those of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the net obligation calculation results in an asset to the Company, recognition of an asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). The cost of administering the Company's defined benefit pension plan is recognised within the income statement, whilst the cost of managing the plan investments is treated as part of the return on plan assets.

The fair value of scheme assets is based on market price information and, in the case of quoted securities, is the published bid price.

Current service costs are recognised within operating expenses in the period in which they arise. Past service costs are recognised at the earlier of the plan amendment or curtailment occurring and when the Company recognises the related restructuring costs or termination benefits. The net interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest and other expenses related to the defined benefit plans are recognised in the income statement. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding interest) and the return on plan assets (excluding interest), are recognised immediately in the statement of other comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent periods.

British Airways Holidays Limited

Notes to the financial statements (continued)

2. 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 present liability in respect of a past event and where the amount of the obligation can be reliably estimated and where it is considered probable that an outflow of economic resources will be required to settle the obligation. Other employee related provisions are recognised for direct expenditures of business reorganisation such as severance payments (restructuring provisions) where plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been undertaken at the balance sheet date. If the effect is material, expected future cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost in the Income statement.

Foreign currencies

The Company's financial statements are presented in sterling, which is also the Company's functional currency. 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.

Financial instruments

In accordance with IFRS 9 '*Financial Instruments*', financial instruments are recorded initially at fair value. Subsequent remeasurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition.

Derivative financial instruments

The Company enters into derivatives in the form of foreign exchange forward contracts with BA to manage its exposure to foreign exchange rate risk. The contracts are initially recognised at fair value at the date the contracts are entered into and are subsequently measured at fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately. The fair value is measured using the market value of instruments with similar terms and conditions at the balance sheet date using forward pricing models, including consideration of the Company's and the counterparty's credit risk.

Investments

Investments are recorded at the lower of cost and net realisable value. The carrying value of investments are reviewed for impairment on an annual basis or when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of financial assets

At each balance sheet date, the Group recognises provisions for expected credit losses on financial assets measured at amortised cost, based on 12-month or lifetime losses depending on whether there has been a significant increase in credit risk since initial recognition. The simplified approach, based on the calculation and recognition of lifetime expected credit losses, is applied to contracts that have a maturity of one year or less, including trade receivables.

British Airways Holidays Limited

Notes to the financial statements (continued)

2. Accounting policies (continued)

When determining whether there has been a significant increase in credit risk since initial recognition and when estimating the expected credit loss, the Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. Such forward-looking information takes into consideration the forecast economic conditions expected to impact the outstanding balances at the balance sheet date. A financial asset is written off when there is no reasonable expectation of recovery, such as the customer having filed for liquidation.

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. Critical accounting judgements and key sources of estimation uncertainty 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.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that affect the current year or have a significant risk of causing a material adjustment within the next financial year are as follows:

Pensions and other post-retirement benefits

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to significant uncertainty. These assumptions are based on each scheme's specific factors and are reviewed by management at the end of each year. Any difference between these assumptions and the actual outcome will affect future net assets and net income. The assumptions as of 31 December 2021 are set out in note 19.

Revenue recognition

The company issued vouchers to customers for holiday cancellations resulting from COVID-19 travel restrictions and flight cancellations. Due to the significant level of flight cancellations arising from COVID-19 there remains insufficient historical data by which to reliably estimate the amount of these vouchers that will not be used prior to expiry and accordingly, the Company is unable to estimate with a sufficiently high degree of probability that there will not be a significant reversal of revenue in the future. As such, consistent with the approach taken at 31 December 2020, the Company does not recognise revenue arising from those vouchers issued due to COVID-19 related cancellations until either the voucher is redeemed or it expires.

Critical accounting judgements

The directors consider that there are no critical accounting judgements.

3. Turnover

£000	2021	2020
Turnover (from tour operations)	340,528	243,703
Management fee from Overseas Air Travel Limited	-	5,956
Total Turnover	340,528	249,659

British Airways Holidays Limited

Notes to the financial statements (continued)

4. Operating profit

Profit on ordinary activities before interest and taxation is arrived at after charging:

Depreciation and amortisation:

£000	2021	2020
Depreciation of owned assets	78	82
Depreciation of right of use asset	372	327
Amortisation of intangible assets	3,716	4,190
Depreciation and amortisation	4,166	4,599

Exchange differences:

£000	2021	2020
Foreign exchange (gains)/losses recognised in the income statement	304	(1,705)

5. Auditor's remuneration

The Company has taken the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of its ultimate parent IAG. The Company paid the following amounts to its auditor in respect of the audit of the financial statements.

£000	2021	2020
Fees payable to the auditor for audit of the statutory accounts	110	95

6. Employee costs and numbers

a) Staff costs

The average number of employees in the Company during the period was 250 (full time equivalents: 234), 2020 average number of employees 275 (full time equivalents: 259).

£000	2021	2020
Wages and salaries	9,541	8,444
Social security costs	891	881
Pension costs	938	902
	11,370	10,227

b) Directors' emoluments

£000	2021	2020
Salary and benefits	335	310

Two Directors (2020: two) received remuneration from the Company during the year ended 31 December 2021.

The other Directors of the Company were employed and remunerated during the period by BA in respect of their 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 was £nil for the year ended 31 December 2021 (2020: £nil).

During the year, five Directors (2020: four) participated in a defined contribution scheme of BA. Full disclosure of the scheme is included in the financial statements of BA, which can be found on the website www.iagshares.com.

British Airways Holidays Limited

Notes to the financial statements (continued)

At 31 December 2021, 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, six Directors (2020: four) participated in IAG's Long Term Incentive Schemes and awards vested for two Directors (2020: one) in the form of IAG shares.

No other transactions (other than the ones already disclosed above) 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.

Compensation for loss of office is paid in accordance with the Executive Director's service and the contract is terminable on 12 months' notice.

7. Interest receivable and payable

£000	2021	2020
Interest receivable and similar income		
Interest receivable from parent company	45	157
Other Interest receivable	4	-
	49	157
Interest payable and similar charges		
Net finance expense relating to pensions	(521)	(512)
Finance expense relating to lease	(67)	(75)
	(588)	(587)

8. Tax

a) Tax on profit on ordinary activities

Tax charge in the income statement and the statement of other comprehensive income

For the year ended 31 December 2021

	Income statement £000	Other comprehensive income £000	Total £000
Current tax			
UK corporation tax – current year	(230)	(302)	(532)
Movement in respect of prior years	(120)	-	(120)
Total current tax	(350)	(302)	(652)
Deferred tax			
Movement in respect of current year	144	1,423	1,567
Movement in respect of prior years	7	-	7
Effect of corporation tax rate change	(155)	(1,226)	(1,381)
Total deferred tax	(4)	197	193
Total tax	(354)	(105)	(459)

Current tax in other comprehensive income all relates to employee benefit plans.

Within tax in other comprehensive income is a tax credit of £105,000 (2020: tax credit of £1,658,000) that cannot be classified to the income statement.

For the year ended 31 December 2020

	Income statement £000	Other comprehensive income £000	Total £000
Current tax			
UK corporation tax – current year	457	(525)	(68)
Adjustment in respect of prior years	470	-	470
Total current tax	927	(525)	402
Deferred tax			
Movement in respect of current year	370	(589)	(219)
Movement in respect of prior years	(364)	-	(364)
Effect of corporation tax rate change	(178)	(544)	(722)

British Airways Holidays Limited

Notes to the financial statements (continued)

Total deferred tax	(172)	(1,133)	(1,305)
Total tax	755	(1,658)	(903)

8. Tax (continued)

b) Deferred tax

Deferred tax asset	Opening balance £000	Income statement £000	Other comprehensive income £000	Closing balance £000
For the year ended 31 December 2021				
Fixed assets	507	162	-	669
Foreign currency derivatives not qualifying for hedge accounting	414	(272)	-	142
Employee defined benefit plans	5,762	-	(197)	5,565
Employee related provision	399	114	-	513
Total deferred tax	7,082	4	(197)	6,889

c) Reconciliation of the total tax charge in the income statement

The tax credit is calculated at the standard rate of UK corporation tax. The tax credit on the loss for the year ended 31 December 2021 is higher than the expected tax credit at the UK rate. The Company's effective tax rate is 64.1% (2020: 17.8%) and the differences to the UK rate are explained below:

	2021 £000	2020 £000
Accounting profit before tax	(552)	4,251
Tax calculated at the standard rate of corporation tax in the UK of 19% (2020: 19%)	(105)	808
Effects of:		
Non-deductible expenses	19	19
Adjustment in respect of prior years	(113)	106
Effect of tax rate changes	(155)	(178)
Tax charge in the income statement	(354)	755

d) Factors that may affect future tax charges

On 03 March 2021, the UK Chancellor announced that legislation would be introduced in the Finance Bill 2021 to set the main rate of corporation tax at 25% from April 2023. On 24 May 2021, the Finance Bill was substantively enacted, which has led to the remeasurement of deferred tax balances and will increase the Group's future current tax charge accordingly. As a result of the remeasurement of deferred tax balances in the Company, a credit of £155,000 is recorded in the Income Statement and a credit of £1,226,000 is recorded in statement of Other Comprehensive Income.

9. Dividends

The Company did not pay a dividend during the year (2020: £nil).

British Airways Holidays Limited
Notes to the financial statements (continued)

10. Tangible assets

£000	Office & computer equipment
Cost:	
Balance 1 January 2021	2,560
Additions	-
At 31 December 2021	2,560
Depreciation:	
Balance 1 January 2021	(2,388)
Charge for the period	(78)
At 31 December 2021	(2,466)
Net book amounts:	
At 31 December 2021	94
At 31 December 2020	172

11. Intangible assets

£000	Software	Assets under construction	Total
Cost:			
Balance 1 January 2021	34,287	3,989	38,276
Additions	-	1,555	1,555
Transfers	1,175	(1,175)	-
At 31 December 2021	35,462	4,369	39,831
Depreciation:			
Balance 1 January 2021	(26,488)	-	(26,488)
Charge for the period	(3,716)	-	(3,716)
At 31 December 2021	(30,204)	-	(30,204)
Net book amounts:			
At 31 December 2021	5,258	4,369	9,627
At 31 December 2020	7,799	3,989	11,788

12. Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £5,236,000 for Company commitments (2020: £899,000).

British Airways Holidays Limited

Notes to the financial statements (continued)

13. Investments

The Company has a subsidiary Overseas Air Travel Limited, which is registered in England and Wales (registered address Waterside, PO Box 365, Harmondsworth, UB7 OGB).

At 31 December 2021 and 31 December 2020, the Company's investment in Overseas Air Travel Limited was £1,999. At 31 December 2021 and 31 December 2020, 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 the Company to form part of its packages.

Entity	Holding	Country of incorporation	Equity interest	Nature of the business
Overseas Air Travel Limited	Ordinary shares	England	100%	Transport company

14. Debtors

£000	2021	2020
Trade debtors	1,065	3,682
Amount owed by parent undertaking	133,418	109,083
Tax debtor owed by parent undertaking	532	-
Amounts owed by group undertakings	134	1,376
Deferred tax assets	6,889	7,082
Other taxes	1,397	-
Prepayments and accrued income	182,200	102,028
Derivative financial instruments	410	-
	326,045	223,251

The amounts owed by parent undertaking, British Airways Plc, can be drawn upon at any time, without notice or penalties. The monies held accrue interest at commercial rates, based on the LIBOR one-month money market rate.

15. Creditors: amounts falling due within one year

£000	2021	2020
Lease liability	443	387
Trade creditors	37,614	14,657
Amounts owed to associated undertakings	378	78
Amounts owed to group undertakings	599	18
Corporation tax	437	258
Other taxes	-	6,813
Other creditors	52	40
Sales in advance of travel	157,167	85,888
Accruals and deferred income	6,835	4,344
Derivative financial instruments	1,153	2,175
	204,678	114,658

British Airways Holidays Limited

Notes to the financial statements (continued)

16. Leases

The Company has a lease contract for office accommodation used in the operation. The amounts recognised in the financial statements in relation to the lease are as follows:

(i) Amounts recognised in the statement of financial position

£000

Cost:

Balance at 1 January 2021	1,712
Adjustment	56
At 31 December 2021	1,768

Depreciation:

Balance at 1 January 2021	(571)
Charge for the period	(372)
At 31 December 2021	(943)

Net book amount:

At 1 January 2021	1,141
At 31 December 2021	825

Lease liability

Balance at 1 January 2021	1,277
Repayments	(392)
Interest expense	67
At 31 December 2021	952

(ii) Amounts recognised in the income statement

	2021	2020
Interest on lease liabilities	67	75
Depreciation	372	327

British Airways Holidays Limited

Notes to the financial statements (continued)

17. Provision for liabilities

£000	Dilapidation
Balance at 1 January 2021	202
Arising during the year	11
As at 31 December 2021	213

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

18. Share capital

	2021		2020	
	Shares	£000	Shares	£000
Allotted, called up and fully paid				
Ordinary £1 shares	9,834,768	9,835	9,834,768	9,835

19. Pension costs

Defined benefit:

The Company sponsors a funded defined benefit pension plan, the British Airways Limited Retirement Benefit Scheme (the "Scheme"). The Scheme is administered by a separate board of Trustees which is legally separate from the Company. The Trustees are composed of representatives of both the Company and members. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day-to-day administration of the benefits.

At 31 December 2021, the last funding valuation of the Scheme was carried out by a qualified actuary as at 1 April 2019. Since the Scheme was in deficit at the valuation date, the Company paid annual deficit reducing contributions of £2,000,000 to the Scheme in the year ended 31 December 2021. The Company will pay £3,276,000 to the Scheme in the year ending 31 December 2022 and £3,924,000 per annum from 1 January 2023 to 31 December 2027.

Additional contributions are due of:

- 20% of the Company profit before tax in excess of the target in the Company's Finance Plan for the financial year 31 December 2022, and 10% thereafter in respect of the Company's financial years ending up to 31 December 2027;
- 20% of the amount of any dividend paid by the Company during the period from 1 January 2022 to 31 December 2022, and 10% thereafter in respect of the Company's financial years ending up to 31 December 2027.

The results of the latest funding valuation at 1 April 2019 have been adjusted to the balance sheet date taking account of experience over the period since 1 April 2019, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

British Airways Holidays Limited

Notes to the financial statements (continued)

19. Pension costs (continued)

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 23 years reflecting the approximate split of the defined benefit obligation between deferred members (duration of 25 years) and current pensioners (duration of 15 years).

The principal assumptions used to calculate the liabilities under FRS 101 are set out below:

Main financial assumptions

	31 December 2021 % pa	31 December 2020 % pa
RPI inflation	3.0	2.7
CPI inflation	3.0	2.2
Pension increases (RPI max 5%)	3.0	2.7
Discount rate for Scheme liabilities	1.9	1.4

Main demographic assumptions

	31 December 2021 109% S3PxA Light	31 December 2020 109% S3PxA Light
Mortality base table		
Mortality improvement rates	Core CMI_2020 model with a long-term rate of 1.25% pa	Core CMI_2020 model with a long-term rate of 1.25% pa
Life expectancy for male currently aged 65	88.0	87.9
Life expectancy for female currently aged 65	89.5	89.4
Life expectancy at 65 for male currently aged 45	89.2	89.2
Life expectancy at 65 for female currently aged 45	90.9	90.8

Scheme asset allocation

	2021		2020	
	£000s	%	£000s	%
Diversified Growth Funds (DGF)	47,796	75.7	46,498	78.2
Liability Driven Investments (LDI)	13,922	22.0	12,034	20.2
Other	1,483	2.3	946	1.6
Total	63,201	100.0	59,478	100.0

None of the Scheme assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

Diversified Growth Funds - the objective of which is to generate capital appreciation, measured over the course of a complete economic and market cycle, through a diversified portfolio of investments including:

- Equities (including global, regional and emerging market shares);
- Fixed income securities (including investment grade bonds, high yield credit, government bonds, loans, asset backed securities and convertible bonds);
- Other marketable assets (including commodities, listed infrastructure, listed property and Real Estate Investment Trusts (REITS));
- Alternative investments (including hedge funds and active currency funds); and
- Cash.

Liability Driven Investments - refers to pooled, leveraged, nominal (fixed interest) and real (index-linked) gilt funds, the objective of which is to match changes in the value of the Scheme's liabilities caused by changes in long-term market interest rates and inflation expectations.

At the balance sheet date, the investment in "Other" assets represented the cash balance in the Scheme's bank account.

British Airways Holidays Limited
Notes to the financial statements (continued)

19. Pension costs (continued)

Reconciliation of funded status to balance sheet

£000	2021	2020
Fair value of assets	63,201	59,478
Present value of funded defined benefit obligations	(86,149)	(89,805)
Funded status	(22,948)	(30,327)

Amounts recognised in income statement

£000	2021	2020
Operating cost:		
Current service cost	-	-
Past service credit	-	-
Administration costs	110	-
Financing cost:		
Interest on net defined benefit liability	411	512
Pension expense recognised in profit and loss	521	512

Amounts recognised in other comprehensive income (OCI)

£000	2021	2020
Asset gains arising during the year	1,597	5,782
Liability gains/(losses) arising during the year	4,303	(11,643)
Total amount recognised in OCI	5,900	(5,861)

Changes to the present value of the defined benefit obligation during the year

£000	2021	2020
Opening defined benefit obligation (DBO)	89,805	77,446
Current service cost	-	-
Past service credit	-	-
Interest expense on DBO	1,253	1,541
Contributions by scheme members	-	-
Actuarial (gains)/losses on scheme liabilities	(4,303)	11,643
Net benefits paid out	(606)	(825)
Closing defined benefit obligation	86,149	89,805

Changes to the fair value of Scheme assets during the year

£000	2021	2020
Opening fair value of scheme assets	59,478	50,216
Interest income on scheme assets	842	1,029
Gain on scheme assets	1,597	5,782
Contributions by the employer	2,000	3,276
Administration costs	(110)	-
Net benefits paid out	(606)	(825)
Closing fair value of scheme assets	63,201	59,478
£000	2021	2020
Actual return on scheme assets		
Interest income on scheme assets	842	1,029
Gain on scheme assets	1,597	5,782
Actual return on scheme assets	2,439	6,811

British Airways Holidays Limited

Notes to the financial statements (continued)

19. Pension costs (continued)

Risks associated with the Scheme

The Scheme exposes the Company to a number of risks, the most significant of which are:

Asset volatility	The liabilities are calculated using a discount rate set with reference to high quality corporate bond yields; if assets underperform this yield, this will create a deficit. A significant proportion of invested assets are held in growth assets which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.
Changes in bond yields	A fall in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings within the DGF.
Inflation risk	A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in future expected inflation will also increase the deficit, at least in the short-term.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Sensitivity to key assumptions

The key assumptions used for FRS 101 are: discount rate, salary growth, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows.

£000	2021
Discount rate (increase of 0.1% pa)	(1,914)
Inflation assumption (increase of 0.1% pa)	606
Life expectancy (increase of 1 year)	4,407

Defined contribution:

The total cost to the Company for the year ended 31 December 2021 in respect of pension contributions to the British Airways Pension Plan was £938,000 (2020: £902,000).

20. Government grants and assistance

The Company has availed itself of government grants and assistance as follows:

The Coronavirus Job Retention Scheme ('CJRS')

The CJRS was implemented by the government of the United Kingdom from 1 March 2020 to 31 August 2020, where those employees designated as being 'furloughed workers' were eligible to have 80 per cent of their wage costs paid up to a maximum of £2,500 per month.

From 1 September 2020 to 30 September 2020, the level of eligibility reduced to 70 per cent of wage costs up to a maximum of £2,197.50 per month. From 1 October 2020 to 31 October 2020, the level of eligibility reduced to 60 per cent of wage costs and up to a maximum of £1,875 per month. Following the introduction of further lockdown restrictions in the United Kingdom in November 2020, the CJRS was extended from 1 November 2020 to 30 November 2020 and then further to 31 March 2021 and then further again to 30 September 2021 with the level of eligibility increased to 80 per cent of wage costs and a maximum of £2,500 per month through to the end of June 2021, after which the eligibility decreased down each month to 60 per cent of wage costs and a maximum of £1,875 per month by 30 September 2021, at which time the CJRS ended.

Such costs are paid by the government to the Company in arrears, but the Company was obliged to continue to pay the associated social security costs and employer pension contributions.

The Company received £804,000 from the CJRS in the year ended 31 December 2021. This amount is recorded in other operating income in the income statement.

21. Related party transactions

No loans or credits were outstanding with Directors or Officers of the Company as of 31 December 2021 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.

British Airways Holidays Limited

Notes to the financial statements (continued)

22. Ultimate parent company

As at 31 December 2021, the Company's immediate parent company was British Airways Plc, a company registered in England and Wales. As at 31 December 2021, the ultimate parent company and controlling party 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.

23. Post balance sheet events

There were no significant post balance sheet events.