

Registered No: 554278

British Airways Holidays Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

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British Airways Holidays Limited

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British Airways Holidays Limited

Corporate information

DIRECTORS

C M Bentley
B C Gibbs (appointed 24 August 2022)
C L Lacy
D Roberts
K Slinger

COMPANY SECRETARY

K Bailey (appointed 10 August 2023)

INDEPENDENT AUDITOR

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

BANKER

Deutsche Bank AG
6 Bishopsgate
London
EC2N 4DA

SOLICITOR

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

REGISTERED OFFICE

Waterside
PO Box 365
Harmondsworth
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

The profit after tax for the year amounted to £60,245,000 (2021: loss £198,000). The Company did not pay a dividend during the year (2021: £nil).

KEY PERFORMANCE INDICATORS

The results for the Company show revenue of £1,078,767,000 (2021: £340,528,000) and a profit before tax of £63,974,000 (2021: loss £552,000). During the year 1.5 million products were sold (2021: 0.5 million). Following two years of turbulence as a result of the Covid 19 pandemic, results for 2022 recovered due to increased consumer demand and exceeded the pre-pandemic level of 2019 revenue: £915,143,000.

FUTURE DEVELOPMENTS

The Company continues to develop its selling functionality to improve sales. The Company, in February 2023, introduced the functionality to enable customers to use Avios to pay for bookings. 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 2022 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 and the economic cycle 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 enters into derivatives in the form of foreign exchange forward arrangements with BA Plc to manage its exposure to foreign exchange rate risk.

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 2022, 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 offer of Avios and Tier Points, the latter now includes a 'Double Tier Points' promotion in the UK market, 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 since 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 2022, British Airways Holidays continued to engage directly with customers more than before the COVID-19 crisis, managing the ongoing impact from the pandemic alongside the sustained increase in consumer demand experienced by the industry as a whole. The Management Team constantly reviewed the Company's approach to customer contact, and the market leading Customer Promise, which was launched in 2020, remained in place through the first half of the year as the business ramp up began. The growing consumer confidence and our ability to manage this ramp up saw our NPS improve throughout the year such that it ended the year at 32.8 vs target of 30.</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 integral part of the holiday experience offered to our mutual customers and are therefore an extension of the brand and enable 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>Since the COVID-19 pandemic, dialogue with suppliers is 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 during 2020 and 2021.</p> <p>As part of the initiatives to preserve liquidity we continued to work with suppliers to reduce the impact of customer cancellations through new contracts with less punitive cancellation terms.</p> <p>We also continue to work together to ensure that the products and facilities we are promoting, against a backdrop of improving circumstances, remain an accurate reflection of the service customers would receive.</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> <p>In early June 2023, British Airways Holidays Ltd was informed it was one of the companies impacted by Zellis' cybersecurity incident which occurred via Zellis' third-party supplier called MOVEit. Zellis provides payroll support services to hundreds of companies in the UK. The incident occurred due to a new and previously unknown vulnerability in a widely used MOVEit file transfer tool. British Airways Plc (on behalf of British Airways Holidays Ltd) took immediate action to report the incident to the Information Commissioner's Office (ICO), notify colleagues whose personal information had been compromised and continues to provide support and advice to colleagues, including access to a specialist service that helps detect possible misuse of personal information and provides identity monitoring support.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>The British Airways Holidays Senior Management Team regularly engages with and invests in the workforce. Engagement includes monthly 'verbal/stand-up' business update forums, delivered by the Managing Director and Senior Management Team, providing key business and financial performance information; the opportunity to raise questions via these updates, the Company intranet or directly with Senior Management; the publication and sharing of other business information and achievements via the Company intranet and email. Recognition and wellbeing programmes are in place and a regular colleague survey is carried out. The impact of these activities are high levels of engagement from colleagues in the various programmes in place; low turnover and very positive colleague survey results – the Pulse Survey in H2 achieved 74% engagement and the output placed British Airways Holidays in the upper quartile of the responding 2,000 plus companies worldwide.</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>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. Quarterly meetings of the IAG Board's Safety, Environment and Corporate Responsibility (SECR) Committee provide oversight of the Group's sustainability programme and a link between the operating company management committees, including BA and the IAG Board.</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> <p>A Sustainability Manager was appointed in 2022 with a remit to develop and deliver a holistic sustainability strategy for BAH that will align with and augment BA and IAG's strategies.</p>
Pension trustees	
Why it is important to engage and what matters to them?	<p>As described in note 20 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 focused on 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.</p> <p>The statement of contributions agreed following the 2022 valuation came into effect from the 30th of June 2023.</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:

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 redeployment of available workforce to support the operational effort with maintaining key “business as usual” functions. This redeployment of available workforce reduced as we progressed through H1, such that it was deemed no longer necessary from June 2022.

Hybrid Working

In October 2022, following a carefully monitored 6-month trial and detailed conversations with the workforce, management confirmed a non-contractual Hybrid Working Policy that represented the interests of the business and our people.

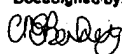
Sustainability Strategy

To ensure sustainability is established at the heart of our business and to define and deliver an agreed strategy via a robust roadmap, we appointed a Sustainability Manager, reporting to our Head of Strategy and Digital. A role, and department, that will work closely with the British Airways Sustainability team to ensure plans and activity complement and are consistent across the Group.


Strategic Review

In early 2022 a strategic review was undertaken to clarify the scale and opportunity for our next period of growth, by profiling our target audience and competitors. The output identified initiatives to further triple our business by 2030 with investment in a next generation Tour Operating platform a core dependency. Following this, a core BAH team, supported by external consultants, worked to define a set of requirements that enabled us to propose and cost a future re-platform solution that meets all the strategic objectives. This will be further pursued in 2023.

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

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Claire Bentley
Managing Director
11 September 2023

DocuSigned by:

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Duncan Roberts
Commercial Director
11 September 2023

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 2022.

GOING CONCERN

Having reviewed the Company's financial position and expected performance, including giving consideration to a severe but plausible downside scenario, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The removal of the material uncertainty arises from the reduction in uncertainty over the going concern period due to both the continued recovery subsequent to the COVID-19 pandemic and the strength of the Company's liquidity at 31 December 2022.

DIRECTORS

The Directors of the Company during the year ended 31 December 2022 and up to the date of approval of the financial statements were as follows:

C M Bentley
B C Gibbs (appointed 24 August 2022)
C L Lacy
M Patman (appointed 01 July 2022, resigned 28 February 2023)
J Smith (resigned 15 June 2022)
D Roberts
K Slinger

COMPANY SECRETARY

A Njunga (appointed 24 October 2022, resigned 10 August 2023)
K Bailey (resigned 31 July 2022, appointed 10 August 2023)

EMPLOYEE INVOLVEMENT

The Company engages with and keep colleagues up to date with regular verbal business updates delivered online. These take place every other month and all colleagues are invited. These include the ability to ask the Company's Leadership team questions (anonymously if wished), which are then answered in the same session. The Company provides an intranet site which contains business information and colleagues can ask questions of the Company's Leadership Team via a question board. The Company also asks colleagues for their views more formally via colleague surveys. In 2022 the Company ran the McKinsey Organisational Health Survey and received excellent results; the Company's results put the Company in the top quartile of thousands of organisations surveyed. The Company has an active Wellbeing programme. This includes awareness activity and training delivered by our Mental Health First Aid Team and colleague support sessions provided by our Menopause Peer Support Group. The Company has a colleague recognition programme which includes end of year and quarterly awards that are decided by both colleagues and the Leadership Team. The Company has a Diversity & Inclusion working group. This group is focusing on how the Company can do more to promote an inclusive and diverse working environment for all BAH colleagues.

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 2021: £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 Holidays Limited.

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 2. 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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

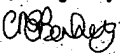
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

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 responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board

DocuSigned by:

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Director
C M Bentley

11 September 2023

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 2022 which comprise the income statement, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

Going concern

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. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for the period to 30 September 2024 ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

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 and management, 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.
-

British Airways Holidays Limited

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

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 considering 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 able 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 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, 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, UK civil aviation authority regulations and association of British travel agents regulations and certain aspects of company legislation recognizing 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.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports 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 strategic report and the directors' report 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 their statement set out on page 9, 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.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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.

DocuSigned by:



12 September 2023

Patrick Sherrington (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
11 September 2023

British Airways Holidays Limited

Income statement

For the year ended 31 December 2022

£000	Note	2022	2021
Turnover	3	1,078,767	340,528
Cost of sales		<u>(1,050,939)</u>	<u>(320,544)</u>
Gross profit		27,828	19,984
Administrative costs		(30,765)	(19,628)
Other operating income	4	<u>47,564</u>	<u>804</u>
Operating profit		44,627	1,160
Interest receivable and similar income	8	2,959	49
Interest payable and similar charges	8	(575)	(588)
Realised gains/(losses) on derivatives not qualifying for hedge accounting		16,961	(430)
Unrealised gains/(losses) on derivatives not qualifying for hedge accounting		<u>2</u>	<u>(743)</u>
Profit/(Loss) before taxation		63,974	(552)
Tax on ordinary activities	9	<u>(3,729)</u>	<u>354</u>
Profit/(Loss) for the financial year		<u>60,245</u>	<u>(198)</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 2022

£000	Note	2022	2021
Profit/(loss) for the year		60,245	(198)
Other comprehensive income:			
<i>Items that cannot be reclassified to profit or loss:</i>			
Actuarial gains on defined benefit pension plans	20	11,661	5,900
Tax on items relating to components of other comprehensive income	9	(2,908)	105
Total other comprehensive income		8,753	6,005
Total comprehensive income for the year		68,998	5,807

British Airways Holidays Limited

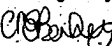
Notes to the financial statements

Balance sheet

As at 31 December 2022

£000	Note	2022	2021
Fixed assets			
Intangible assets	12	10,433	9,627
Tangible assets	11	37	94
Right of use asset	17	462	825
Investments	14	2	2
Total fixed assets		10,934	10,548
Current assets			
Debtors	15	423,996	326,045
Cash at bank and in hand		1,591	2,629
Total current assets		425,587	328,674
Creditors: amounts falling due within one year	16	(247,845)	(204,678)
Net current assets		177,742	123,996
Total assets less current liabilities		188,676	134,544
Creditors: amounts falling due after one year	17	(38)	(509)
Provision for liabilities	18	(225)	(213)
Net pension liability	20	(8,541)	(22,948)
Net assets		179,872	110,874
Capital and reserves			
Called up share capital	19	9,835	9,835
Profit and loss account		170,037	101,039
		179,872	110,874

The financial statements on pages 13 to 16 and the accompanying notes on pages 17 to 35 that form an integral part of the financial statements were approved by the Board of Directors on 11 September 2023 and signed on its behalf by:

DocuSigned by:

 0675581914DF4C0...

C M Bentley
 Director

Date 11 September 2023
 Registered No. 554278

British Airways Holidays Limited

Notes to the financial statements

Statement of changes in equity

For the year ended 31 December 2022

£000's	Issued capital	Profit and loss account	Total shareholders' equity
Balance at 1 January 2022	9,835	101,039	110,874
Profit for the year	-	60,245	60,245
<u>Other comprehensive income for the year</u>			
Actuarial gain on pension (net of tax)	-	8,753	8,753
Total comprehensive income for the year	-	68,998	68,998
At 31 December 2022	9,835	170,037	179,872

For the year ended 31 December 2021

£000's	Issued capital	Profit and loss account	Total shareholders' equity
Balance at 1 January 2021	9,835	95,232	105,067
Profit 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 income for the year	-	5,807	5,807
At 31 December 2021	9,835	101,039	110,874

British Airways Holidays Limited

Notes to the financial statements (continued)

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

The financial statements of the Company for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 11 September 2023 and the balance sheet was signed on the Board's behalf by C M 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.

2. Significant 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 IAS 7 Statement of Cash Flows,
- c) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- d) the requirements of paragraphs 17 and 18a of IAS 24 Related Party Disclosures,
- e) 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,
- f) 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,
- g) 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,
- h) the requirements of IFRS 7 Financial Instruments: Disclosures,
- i) 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

At 31 December 2022, the Company had net current assets of £177.7 million (31 December 2021 : £123.9 million).

In its assessment of going concern, the Company has modelled two scenarios referred to below as the Base Case and the Downside Case over the period to 30 September 2024 (the 'going concern' period). The Company's three-year business plan used in the creation of the Base Case, was prepared for and consolidated in the IAG Group Business Plan which was tabled and approved by the IAG Board in November 2022.

The business plan takes into account the Company's view on the anticipated continued recovery from the Covid-19 pandemic and the wider economic and geopolitical environment across the going concern period.

British Airways Holidays Limited is reliant on British Airways Plc's flight operations. The airline's overall capacity for 2022 reached 70.3% of that operated in 2019 and is expected to reach 92% in 2023. 2022 and 2023 are both significantly higher than the 28.3% of 2019 capacity that operated in 2021.

The Directors have also considered the Company's current level of trading as at 30 June 2023 with 2023 YTD revenue currently +23% versus 2022 and sales in advance of carriage currently + 15% versus 30 June 2022.

The Company has modelled the impact of a downside scenario over the period to September 2024. The Downside Case applies stress to the Base Case to model an adverse impact as the Company's capacity recovers represented by applying a 10% reduction in capacity over the going concern period. The Directors have also modelled the impact of a 16% increase in air costs on capacity for the going concern period. The Directors consider the Downside Case to be a severe but plausible scenario.

British Airways Holidays Limited

Notes to the financial statements (continued)

Having reviewed the Base Case, the Downside Case and additional sensitivities, the Directors have a reasonable expectation that the Company has sufficient liquidity to continue in operational existence and to continue to meet commitments as they fall due over the going concern period and hence continue to adopt the going concern basis in preparing the Company financial statements for year ended 31 December 2022. In adopting the going concern basis of accounting the Company financial statements have been prepared without the inclusion of a material uncertainty. The removal of the material uncertainty arises from the reduction in uncertainty over the going concern period due to both the continue recovery subsequent to the Covid-19 pandemic and the strength of the Company's Balance Sheet as at 31 December 2022.

New standards, amendments and interpretations effective in the year

The following amendments and interpretations apply for the first time in the year ended 31 December 2022, but do not have an impact on the financial statements of the Company:

- Property, plant and equipment: proceeds before intended use – amendments to IAS 16 effective for periods beginning on or after 1 January 2022;
- Reference to the Conceptual Framework – amendments to IFRS 3 effective for periods beginning on or after 1 January 2022;
- Onerous contracts – cost of fulfilling a contract - amendments to IAS 37 effective for periods beginning on or after 1 January 2022; and
- Annual improvements to IFRS standards 2018–2020 - effective for periods beginning on or after 1 January 2022.

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. Flight revenue is recognised on the date of departure with ancillary revenue recognised over the duration of the holiday arrangement. Cancellation revenue is recognised on the date of cancellation. 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.

Fixed assets

Tangible fixed assets are held at cost. The Company has a policy of not revaluing tangible fixed assets. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis 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.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified tangible asset for a period of time in exchange for consideration. The Company has elected not to apply such consideration where a contract relates to an intangible asset, such as for IT software, in which case payments associated with the contract are expensed as incurred. Leases are recognised as a ROU asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company.

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 the interest rate implicit in the lease 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.

British Airways Holidays Limited

Notes to the financial statements (continued)

2. Accounting policies (continued)

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the value by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use.

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.

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. Typically, 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 refund net of any relevant taxes 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. 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 arrangements with BA to manage its exposure to foreign exchange rate risk. The arrangements are requested monthly by the Company for the following 12 months. The arrangements are initially recognised at fair value at the date the arrangements are entered into and are subsequently measured at fair value at each balance sheet date. Movement in the fair value of such derivatives are recognised in the Income statement in the period in which they occur and are presented within Realised gains/(losses) on derivatives. 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. The Company has elected not to apply hedge accounting to these transactions.

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

At 31 December 2022 the Company recognised a net liability of £8.5 million in respect of employee benefit obligations. Further information on employee benefit obligations is disclosed in note 20. Employee benefit obligations are determined using the valuation requirements of IAS19. These valuations involve making assumptions about discount rates, 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. The assumptions relating to these schemes are disclosed in note 20. The Company determines the assumptions to be adopted in discussion with qualified actuaries. Any difference between these assumptions and the actual outcome will impact future net assets and total comprehensive income. The sensitivity to changes in pension assumptions is disclosed in note 20.

Critical accounting judgements

The directors consider that there are no critical accounting judgements.

British Airways Holidays Limited

Notes to the financial statements (continued)

3. Turnover

£000	2022	2021
Turnover (from tour operations)	1,078,767	340,528

Turnover recognised in 2022 relating to amounts included in Sales in Advance of Carriage as at 31 December 2021 amounted to £86,553,000 (2021 £8,445,000).

4. Operating income

£000	2022	2021
Government Job Retention Scheme	-	804
Management fee from subsidiary company	47,564	-
Total operating income	47,564	804

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 £nil (2021: £804,000) from the CJRS in the year ended 31 December 2022. This amount is recorded in other operating income in the income statement.

Management Fee from Overseas Air Travel Limited

This is the annual charge raised by the Company for management services provided to its subsidiary company.

5. Operating profit

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

Depreciation and amortisation:

£000	2022	2021
Depreciation of owned assets	39	78
Depreciation of right of use asset	327	372
Amortisation of intangible assets	2,824	3,716
Depreciation and amortisation	3,190	4,166

Exchange differences:

£000	2022	2021
Foreign exchange (gains)/losses recognised in the income statement	18,952	304

British Airways Holidays Limited

Notes to the financial statements (continued)

6. 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	2022	2021
Fees payable to the auditor for audit of the statutory accounts	242	110

7. Employee costs and numbers

a) Staff costs

The average number of employees in the Company during the period was 277 (full time equivalents: 259), 2021 average number of employees 250 (full time equivalents: 234).

£000	2022	2021
Wages and salaries	12,400	9,541
Social security costs	1,491	891
Pension costs	1,032	938
	14,923	11,370

b) Directors' emoluments

£000	2022	2021
Salary and benefits	681	335
Company pension contributions	65	60

Two Directors (2021: two) received remuneration from the Company during the year ended 31 December 2022.

The highest paid Director's emoluments were as follows:

£000	2022	2021
Salary and benefits	397	191
Company pension contributions	41	38

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 2022 (2021: £nil).

During the year, five Directors (2021: five) 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.

At 31 December 2022, 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 (2021: six) participated in IAG's Long Term Incentive Schemes and awards vested for two Directors (2021: two) 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.

British Airways Holidays Limited

Notes to the financial statements (continued)

8. Interest receivable and payable

£000	2022	2021
Interest receivable and similar income		
Interest receivable from parent company	2,959	45
Other Interest receivable	-	4
	<u>2,959</u>	<u>49</u>
Interest payable and similar charges		
Net finance expense relating to pensions	(530)	(521)
Finance expense relating to lease	(45)	(67)
	<u>(575)</u>	<u>(588)</u>

9. 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 2022

	Income statement £000	Other comprehensive income £000	Total £000
Current tax			
UK corporation tax – current year	5,520	(522)	4,998
Movement in respect of prior years	(2,549)	-	(2,549)
Total current tax	<u>2,971</u>	<u>(522)</u>	<u>2,449</u>
Deferred tax			
Movement in respect of current year	733	2,738	3,471
Movement in respect of prior years	5	(27)	(22)
Effect of corporation tax rate change	20	719	739
Total deferred tax	<u>758</u>	<u>3,430</u>	<u>4,188</u>
Total tax	<u>3,729</u>	<u>2,908</u>	<u>6,637</u>

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

Within tax in other comprehensive income is a tax charge of £2,908,000 (2021: tax credit of £105,000) that cannot be classified to the income statement.

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)
Adjustment in respect of prior years	(120)	-	(120)
Total current tax	<u>(350)</u>	<u>(302)</u>	<u>(652)</u>
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	<u>(4)</u>	<u>197</u>	<u>193</u>
Total tax	<u>(354)</u>	<u>(105)</u>	<u>(459)</u>

British Airways Holidays Limited

Notes to the financial statements (continued)

9. 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 2022				
Fixed assets	669	(103)	-	566
Foreign currency derivatives not qualifying for hedge accounting	142	(142)	-	-
Employee defined benefit plans	5,565	-	(3,430)	2,135
Employee related provision	513	(513)	-	-
Total deferred tax	6,889	(758)	(3,430)	2,701

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

The tax charge is calculated at the standard rate of UK corporation tax. The tax charge on the profit for the year ended 31 December 2022 is lower than the expected tax charge at the UK rate. The Company's effective tax rate is 5.8% (2021: 64.1%) and the differences to the UK rate are explained below:

	2022 £000	2021 £000
Accounting profit before tax	63,974	(552)
Tax calculated at the standard rate of corporation tax in the UK of 19% (2021 19%)	12,155	(105)
Effects of:		
Non-deductible expenses	4	19
Transfer Pricing adjustment	(5,906)	-
Adjustment in respect of prior years	(2,544)	(113)
Effect of tax rate changes	20	(155)
Tax charge in the income statement	3,729	(354)

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 charge of £20,000 is recorded in the Income Statement and a charge of £719,000 is recorded in the statement of Other Comprehensive Income.

10. Dividends

The Company did not pay a dividend during the year (2021: £nil).

British Airways Holidays Limited

Notes to the financial statements (continued)

11. Tangible assets

£000	Office & computer equipment
Cost:	
Balance 1 January 2022	2,560
Disposals	(18)
At 31 December 2022	2,542
Depreciation:	
Balance 1 January 2022	(2,466)
Charge for the period	(39)
At 31 December 2022	(2,505)
Net book amounts:	
At 31 December 2022	37
At 31 December 2021	94

12. Intangible assets

£000	Software	Assets under construction	Total
Cost:			
Balance 1 January 2022	35,462	4,369	39,831
Additions	-	3,630	3,630
Transfers	1,176	(1,176)	-
At 31 December 2022	36,638	6,823	43,461
Depreciation:			
Balance 1 January 2022	(30,204)	-	(30,204)
Charge for the period	(2,824)	-	(2,824)
At 31 December 2022	(33,028)	-	(33,028)
Net book amounts:			
At 31 December 2022	3,610	6,823	10,433
At 31 December 2021	5,258	4,369	9,627

No indicators of impairment have been identified.

13. Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £3,282,000 for Company commitments (2021: £5,236,000).

British Airways Holidays Limited

Notes to the financial statements (continued)

14. 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 2022 and 31 December 2021, the Company's investment in Overseas Air Travel Limited was £1,999. At 31 December 2022 and 31 December 2021, 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

15. Debtors

£000	2022	2021
Trade debtors	12,056	1,065
Amount owed by parent undertaking	204,276	133,418
Tax debtor owed by parent undertaking	-	532
Amounts owed by group undertakings	131	134
Corporation tax	872	-
Deferred tax assets	2,701	6,889
Other taxes	-	1,397
Prepayments and accrued income	201,370	182,200
Derivative financial instruments	2,589	410
	423,996	326,045

Amounts falling due in more than one year included above are:

£000	2022	2021
Trade debtors	9	5

The credit risk exposure on the Company's Trade debtors is set out below:

2022	0-75 days	76-365 days	>365 days	Total
Trade debtors	204,276	0	5	204,281
Expected credit loss rate	0.0%	0.5%	1%	
Net Trade debtors	204,276	0	0	204,276
2021	0-75 days	76-365 days	>365 days	Total
Trade debtors	133,415	5	9	133,429
Expected credit loss rate	0.0%	0.5%	1%	
Net Trade debtors	133,415	3	0	133,418

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. The Derivative financial instruments are all maturing within one year.

British Airways Holidays Limited

Notes to the financial statements (continued)

16. Creditors

£000	2022	2021
Lease liabilities	452	443
Trade creditors	40,228	37,614
Amounts owed to associated undertakings	537	378
Tax creditor owed to parent undertaking	3,379	-
Amounts owed to group undertakings	780	599
Corporation tax	-	437
Other taxes	8,662	-
Other creditors	56	52
Sales in advance of travel	178,520	157,167
Accruals and deferred income	12,644	6,835
Derivative financial instruments	2,587	1,153
	247,845	204,678

Amounts falling due in more than one year included above are:

£000	2022	2021
Trade creditors	1,000	-

17. 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 2022	1,768
Adjustment	(36)
At 31 December 2022	1,732

Depreciation:

Balance at 1 January 2022	(943)
Charge for the period	(327)
At 31 December 2022	(1,270)

Net book amount:

At 1 January 2022	825
At 31 December 2022	462

Lease liability

Balance at 1 January 2022	952
Repayments	(507)
Interest expense	45
At 31 December 2022	490

(ii) Amounts recognised in the income statement

	2022	2021
Interest on lease liabilities	45	67
Depreciation	327	372

British Airways Holidays Limited

Notes to the financial statements (continued)

18. Provision for liabilities

£000	Dilapidation
Balance at 1 January 2022	213
Arising during the year	12
As at 31 December 2022	225

Provision for dilapidation: A provision has been made to make good any changes made to the leased property during the period of the lease. This provision will be utilised by April 2024.

19. Share capital

	2022		2021	
	Shares	£000	Shares	£000
Allotted, called up and fully paid				
Ordinary £1 shares	9,834,768	9,835	9,834,768	9,835

British Airways Holidays Limited

Notes to the financial statements (continued)

20. Pension costs

Defined benefit:

The Company sponsors a funded defined benefit pension plan, the British Airways Holidays 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 2022, the most recently completed 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 £3,276,000 to the Scheme in the year ended 31 December 2022 in line with the agreed Schedule of Contributions.

At 31 December 2022 a subsequent funding valuation of the Scheme, as at 1 April 2022, was in progress. Initial results of the 01 April 2022 funding valuation were produced by the Scheme Actuary during the period. These results have been adjusted to the balance sheet date taking into account experience over the period since 1 April 2022, 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, based on these initial results.

The funding valuation of the Scheme as at 1 April 2022 was finalised by a qualified actuary on the 7th of July 2023, with a funding deficit of £25.7M calculated as at 1 April 2022. Following discussions with the Trustees and the Company and after allowing for some of the improvement in the funding position at 31 May 2023, it has been agreed that the Company will pay:

- A single contribution of £5,707,749 by 30 June 2023;
- The Company will pay annual deficit reducing contributions of £3,924,000 to the Scheme in the year ended 31 December 2023;
- The Company will pay £1,000,008 to the Scheme per annum from 1 January 2024 to 31 December 2026. There is provision in the Schedule of Contributions for these regular contributions to stop and re-start if an approximate quarterly funding update shows the Scheme to have a technical provisions surplus or deficit respectively;
- 10% of Net Profit before Tax (as set out in the profit and loss account in the audited statutory accounts for the relevant year) in excess of its Financial Plan (if any) in respect of the Company's financial years ending up to and including 31 December 2027. There is provision in the Schedule of Contributions for these profit-related contributions to be capped (subject to a minimum of zero) at the amount of the technical provisions deficit from the preceding 30 September approximate quarterly funding update;
- 10% of the amount of any dividend paid by the Company payable in the month in which the dividend is paid for any dividend paid during the period 1 July 2023 to 1 July 2028. There is provision in the Schedule of Contributions for these dividend-related contributions to be capped (subject to a minimum of zero) at the amount of the technical provisions deficit from the latest available approximate quarterly funding update at the date the dividend is paid;

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 19 years reflecting the approximate split of the defined benefit obligation between deferred members (duration of 21 years) and current pensioners (duration of 12 years).

British Airways Holidays Limited

Notes to the financial statements (continued)

20. Pension costs (continued)

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

Main financial assumptions

	31 December 2022 % pa	31 December 2021 % pa
RPI inflation	3.1	3.0
CPI inflation	2.6	3.0
Pension increases (RPI max 5%)	3.0	3.0
Discount rate for Scheme liabilities	4.7	1.9

Main demographic assumptions

	31 December 2022 113% S3PxA Light	31 December 2021 109% S3PxA Light
Mortality base table		
Mortality improvement rates	Core CMI_2021 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	87.8	88.0
Life expectancy for female currently aged 65	89.3	89.5
Life expectancy at 65 for male currently aged 45	89.0	89.2
Life expectancy at 65 for female currently aged 45	90.7	90.9

Scheme asset allocation

	2022		2021	
	£000s	%	£000s	%
Diversified Growth Funds (DGF)*	25,463	62.8	47,796	75.7
Liability Driven Investments (LDI)	14,081	34.7	13,922	22.0
Other	1,003	2.5	1,483	2.3
Total	40,547	100.0	63,201	100.0

All of the Scheme assets are unquoted.

British Airways Holidays Limited

Notes to the financial statements (continued)

20. Pension costs (continued)

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.

Reconciliation of funded status to balance sheet

£000	2022	2021
Fair value of assets	40,547	63,201
Present value of funded defined benefit obligations	(49,088)	(86,149)
Funded status	(8,541)	(22,948)

Amounts recognised in income statement

£000	2022	2021
Operating cost:		
Current service cost	-	-
Past service cost	-	-
Administration costs	125	110
Financing cost:		
Interest on net defined benefit liability	405	411
Pension expense recognised in profit and loss	530	521

Amounts recognised in other comprehensive income (OCI)

£000	2022	2021
Return on plan assets	(25,904)	1,597
Actuarial gains on scheme liabilities	37,565	4,303
Total amount recognised in OCI	11,661	5,900

British Airways Holidays Limited

Notes to the financial statements (continued)

20. Pension costs (continued)

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

£000	2022	2021
Opening defined benefit obligation (DBO)	86,149	89,805
Current service cost	-	-
Past service cost	-	-
Interest expense on DBO	1,626	1,253
Contributions by scheme members	-	-
Actuarial (gains)/losses on scheme liabilities arising from changes in financial assumptions	(43,186)	(4,494)
Actuarial (gains)/losses on scheme liabilities arising from changes in demographic assumptions	(201)	(5)
Actuarial (gains)/losses on scheme arising from experience	5,822	196
Net benefits paid out	(1,122)	(606)
Closing defined benefit obligation	49,088	86,149

Changes to the fair value of Scheme assets during the year

£000	2022	2021
Opening fair value of scheme assets	63,201	59,478
Interest income on scheme assets	1,221	842
Return on plan assets	(25,904)	1,597
Contributions by the employer*	3,276	2,000
Administration costs	(125)	(110)
Net benefits paid out	(1,122)	(606)
Closing fair value of scheme assets	40,547	63,201

£000	2022	2021
Actual return on scheme assets		
Interest income on scheme assets	1,221	842
(Loss)/gain on scheme assets	(25,904)	1,597
Actual return on scheme assets	(24,683)	2,439

* This was based on the Schedule of Contributions that was in force throughout 2022 and at the Balance Sheet date.

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 and liability driven investment (LDI) holdings.
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 Scheme's LDI matching assets provide some protection against changes in expected inflation, but the majority of DGF 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. The post-2030 alignment of the calculation of RPI inflation with CPIH inflation announced in November 2020 is expected to result in lower pension increases for Scheme members and has been allowed for in setting the RPI inflation assumption as at 31 December 2022.
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.

British Airways Holidays Limited

Notes to the financial statements (continued)

20. Pension costs (continued)

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	Change	New Value
Discount rate (decreased of 0.5% pa)	5,001	54,089
Deficit at 31 December 2022	(5,001)	(13,542)
Inflation assumption (increase of 0.5% pa)	2,396	51,484
Deficit at 31 December 2022	(2,396)	(10,937)
Life expectancy (increase of 1 year)	1,510	50,598
Deficit at 31 December 2022	(1,510)	(10,051)

Defined contribution:

The total cost to the Company for the year ended 31 December 2022 in respect of pension contributions to the British Airways Pension Plan was £1,032,000 (2021: £938,000).

21. Related party transactions

No loans or credits were outstanding with Directors or Officers of the Company as of 31 December 2022 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.

22. Ultimate parent company

As at 31 December 2022, the Company's immediate parent company was British Airways Plc, a company registered in England and Wales. As at 31 December 2022, 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

The triennial funding valuation of the British Airways Holidays Limited Retirement Benefit Scheme as at 1 April 2022 was signed by the Company on the 7th of July 2023. Please refer to the note 20 for further details. The signing of the valuation has been treated as a non-adjusting event for the accounts ending 31 December 2022.