

Registered No: 554278

British Airways Holidays Limited

Annual Report and Financial Statements

For the year ended 31 December 2020



British Airways Holidays Limited

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British Airways Holidays Limited
Corporate information

DIRECTORS

C M Bentley
A Brem
C L Lacy
J Smith
D Roberts
K Slinger

COMPANY SECRETARY

K Bailey

AUDITOR

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London
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BANKERS

Deutsche Bank AG
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SOLICITORS

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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

The profit after tax for the year amounted to £3,496,000 (2019: £35,240,000). The Company did not pay a dividend during the year (2019: £nil).

KEY PERFORMANCE INDICATORS

The results for the Company show sales of £249,659,000 (2019: £952,062,000) and a profit before tax of £4,251,000 (2019: £43,668,000). During the year 0.4 million products were sold (2019: 1.7 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 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 2020, 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 2020, British Airways Holidays engaged directly with customers more than ever before managing an unprecedented volume of refunds, re-bookings and repatriations. The Management Team reviewed the Company's approach to customer contact, re-trained a significant proportion of the workforce and diverted them from 'business as usual' activities to ensure that customer service was maintained against an exceptionally difficult backdrop. We also developed our 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.</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>
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 2020, dialogue with suppliers was even 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 worked 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>

British Airways Holidays Limited

Strategic report

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 has made use of the Government furlough scheme to reduce redundancies that would otherwise have been required. Workload requirements are reviewed monthly and furlough consultations take place individually with each colleague. Support for furlough has been positive with 100% opt in from all colleagues. We also implemented pay reductions for several months, which were also 100% supported by colleagues. Regrettably a small number of redundancies were made in areas where the volume of work reduced and will not return in the medium term, which was also undertaken following a thorough consultation with those affected.</p> <p>Communication has been key in these uncertain times and more frequent communications have been adopted with online updates taking place fortnightly 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>
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>
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 2020, BA Holidays worked closely with British Airways to ensure policies related to the pandemic were 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 operate in a socially responsible manner 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>

British Airways Holidays Limited

Strategic report

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 the Company's financial performance and updated forecasts and thus approach to pensions.</p> <p>Following the most recent scheme valuation which showed the deficit had grown, the Company engaged with the Scheme trustees and agreed a recovery plan that satisfied both the Company and the trustees.</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:

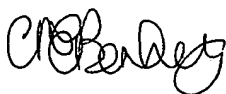
Employee cost reduction

As a result of the significant decline in the number of customers taking trips, BA Holidays undertook a cost reduction programme in 2020. As well as deferring capital spend on technical developments and the withdrawal of marketing activity, employee costs were also reviewed to better reflect operational requirements. This included participation in the Government's Job Retention Scheme (with up to 70% of employees on furlough or part time furlough) and the implementation of pay reductions and some redundancies. The Board considered the impact these initiatives would have on colleagues and its priority was to protect as many jobs as possible and to mitigate redundancies through meaningful consultation. Following colleague consultation, 100% opt in for furlough and pay reductions was achieved and all redundancy leavers accepted settlement agreements.

BA Holidays Limited Pension Scheme funding commitments

As outlined in the strategic report, BA Holidays reached agreement with the BA Holidays Limited Pension Scheme trustees to extend the timeline for the scheme to reach a fully funded position by one year and nine months, better reflecting affordability given the pandemic pressure on the Company financial position. The plan reduced Deficit Repair Contributions in 2020 and 2021, equating to a saving of £5.9 million, however this extension has resulted in an increase overall of £1.1 million.

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



Claire Bentley
Managing Director
28 June 2021



Duncan Roberts
Commercial Director
28 June 2021

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 2020.

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 2020.

However, the Company's financial position is significantly affected by the level of operating activity of BA. The Directors note the publication on 4 March 2021 of BA's consolidated financial statements for the year ended 31 December 2020 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. Refer to note 2.1 for further information.

Post balance sheet events

There were no significant post balance sheet events.

DIRECTORS

The Directors of the Company during the year ended 31 December 2020 and up to the date of approval of the financial statements were as follows:

C M Bentley
A Brem
C L Lacy
J Smith
D Roberts
K Slinger (appointed 19 May 2020)

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 2019: £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

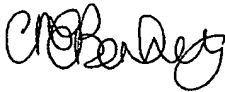
The Directors who were members of the Board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- 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
28 June 2021

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

Opinion

We have audited the financial statements of British Airways Holidays Limited for the year ended 31 December 2020 which comprise the income statement, statement of 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Material uncertainty in relation to going concern

We draw attention to note 2.1 of the financial statements, which describe that the Company's financial position is significantly affected by the level of operating activity of its parent company, British Airways Plc ('BA'). BA has disclosed it may require additional funds above those contractually committed should the impact of COVID-19 be more severe than the BA Directors' expectations. As set out in note 2.1, this condition indicates that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

British Airways Holidays Limited

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

- the directors' report and the strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice) and the relevant tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being the General Data Protection Regulation, those laws and regulations relating health and safety and employee matters and specific regulations as set out by the Civil Aviation Authority.
- We understood how the Company is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and internal audit. We corroborated our enquiries through our review of board minutes and by understanding the entity level controls implemented by those charged with governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We assessed the programmes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address

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

each identified fraud risk to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: enquiries of management, legal counsel and internal audit; and journal entry testing with a focus on manual journals or unusual transactions based on our understanding of the business.

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

Use of our report

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

Ernst & Young LLP

J I Gordon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 June 2021

British Airways Holidays Limited

Income statement

For the year ended 31 December 2020

£000	Note	2020	2019
Turnover	3	249,659	952,062
Cost of sales		<u>(233,313)</u>	<u>(885,961)</u>
Gross profit		16,346	66,101
Administrative costs		<u>(18,099)</u>	<u>(19,534)</u>
Operating (loss)/profit		(1,753)	46,567
Interest receivable and similar income	7	157	666
Interest payable and similar charges	7	(587)	(646)
Realised gains on derivatives not qualifying for hedge accounting		8,609	720
Unrealised losses on derivatives not qualifying for hedge accounting		<u>(2,175)</u>	<u>(3,639)</u>
Profit before taxation		4,251	43,668
Tax charge on ordinary activities	8	<u>(755)</u>	<u>(8,428)</u>
Profit for the financial year		<u>3,496</u>	<u>35,240</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 2020

£000	Note	2020	2019
Profit for the year		3,496	35,240
Other comprehensive income:			
<i>Items that cannot be reclassified to profit or loss:</i>			
Actuarial losses on defined benefit pension plans	19	(5,861)	(10,862)
Tax on items relating to components of other comprehensive income	8	1,658	2,004
Total other comprehensive loss		(4,203)	(8,858)
Total comprehensive (loss)/income for the year		(707)	26,382

British Airways Holidays Limited


Notes to the financial statements

Balance sheet

As at 31 December 2020

£000	Note	2020	2019
Fixed assets			
Intangible assets	11	11,788	12,719
Tangible assets	10	172	210
Right of use asset	16	1,141	1,587
Investments	13	2	2
Total fixed assets		13,103	14,518
Current assets			
Debtors	14	223,251	318,486
Cash at bank and in hand		14,790	1,800
Total current assets		238,041	320,286
Creditors: amounts falling due within one year	15	(114,658)	(200,246)
Net current assets		123,383	120,040
Total assets less current liabilities		136,486	134,558
Creditors: amounts falling due after one year	16	(890)	(1,364)
Provision for liabilities	17	(202)	(190)
Net pension liability	19	(30,327)	(27,230)
Net assets		105,067	105,774
Capital and reserves			
Called up share capital	18	9,835	9,835
Profit and loss account		95,232	95,939
		105,067	105,774

The financial statements on pages 9 to 28 were approved by the Board of Directors on 28 June 2021 and signed on its behalf by:



C M Bentley
Director

Date 28 June 2021
Registered No. 554278

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

Statement of changes in equity

For the year ended 31 December 2020

£000's	Issued capital	Profit and loss account	Total shareholders' equity
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 loss for the year	-	(707)	(707)
At 31 December 2020	9,835	95,232	105,067

For the year ended 31 December 2019

£000's	Issued capital	Profit and loss account	Total shareholders' equity
Balance at 1 January 2019	9,835	69,557	79,392
Profit for the year	-	35,240	35,240
<u>Other comprehensive income for the year</u>			
Actuarial loss on pension (net of tax)	-	(8,858)	(8,858)
Total comprehensive income for the year	-	26,382	26,382
At 31 December 2019	9,835	95,939	105,774

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 2020 were authorised for issue by the Board of Directors on 28 June 2021 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 and domiciled 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 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 2020.

However, the Company's financial position is significantly affected by the level of operating activity of BA. The Directors note the publication on 4 March 2021 of BA's consolidated financial statements for the year ended ended 31 December 2020 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, BA modelled the impact of mitigating actions to offset further deteriorations in demand and capacity, including reductions in operating expenditure and capital expenditure. BA expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions, including asset disposals, it would pursue in the event of adverse liquidity experience.

Furthermore, to add resilience to the liquidity position of BA, including for the period beyond the next 12 months, the Directors of BA are actively pursuing a range of financing options, including securing additional long term financing facilities. The Directors of BA have a reasonable expectation that BA has sufficient liquidity to continue in operational existence for the foreseeable future and hence adopted the going concern basis in preparing the consolidated financial statements.

British Airways Holidays Limited

Notes to the financial statements (continued)

However, due to the uncertainty created by COVID-19 there are a number of significant factors that are outside of the control of BA, 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 availability of vaccines worldwide, together with the speed at which they are deployed; the efficacy of those vaccines; and the restrictions imposed by national governments in respect of the freedom of movement and travel. BA, 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 timing of recovery from the COVID-19 pandemic, capacity operated, impact on yield, cost mitigations achievable and the availability of aircraft financing to offset capital expenditure. In the event that a more severe scenario were to occur, the Group will need to secure additional funding. As set out above, sources of additional funding are expected to include the [renegotiation of existing financing arrangements and] securing additional long term financial facilities.

However, BA's ability to obtain additional this additional funding in the event of a more severe downside scenario represents a material uncertainty that could cast significant doubt upon BA's ability to continue as a going concern.

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 this also represents 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.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

New standards adopted by the Company

The following amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group:

- Amendments to references to conceptual framework in IFRS standards;
- Definition of a business (amendments to IFRS 3);
- Definition of material (amendments to IAS 1 and IAS 8); and
- Interest Rate Benchmark Reform – Amendments to IFRS 9 'Financial instruments', IAS 39 'Financial instruments: Recognition and measurement' and IFRS 7 'Financial instruments: Disclosures', which conclude on phase one of the IASB's work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

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.

Tangible fixed assets

Tangible fixed assets are held at cost. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis, over the economic life of the asset. The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of fixed assets.

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 tangible assets.

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; and restoration costs to return the asset to its original condition.

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. 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.

Intangible assets

Intangible assets are held at cost and are amortised on a straight-line basis over their economic life. The cost of purchase or development of computer software that is separable from an item of related hardware is capitalised separately and amortised over a period not exceeding four years on a straight-line basis.

Cash and cash equivalents

Cash and cash equivalents include 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.

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

British Airways Holidays Limited

Notes to the financial statements (continued)

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-rate 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 provided for when the services are received, 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.

Government assistance

Given the significant reduction in operations that have occurred during 2020, the Company has made use of the Government's Coronavirus Job Retention Scheme. This has led to an amount of £829,000 being received in government assistance, recorded net within Employee costs. Further information is given in note 20.

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 future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Restructuring provisions are made for direct expenditures of a business reorganisation where the 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.

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.

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.

Key accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if these are also affected. The estimates and assumptions that have a significant risk of causing a material adjustment within the next financial year are discussed below.

British Airways Holidays Limited

Notes to the financial statements (continued)

2. Accounting policies (continued)

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 2020 are set out in note 19.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

3. Turnover

The Company's operations are managed as a single business. The Leadership Team makes resource allocation decisions based on the IAG network and destination yield management. The objective in making resource allocation decisions is to optimise financial results. The primary financial information reviewed by the Leadership Team is based on the results of the Company. Based on the way the Company manages its operating business, and the manner in which resource allocation decisions are made, the Company has only one reportable segment for financial reporting purposes, being the results of the Company's tour operations.

£000	2020	2019
Turnover (from tour operations)	243,703	915,143
Management fee from Overseas Air Travel Limited	5,956	36,919
Total Turnover	249,659	952,062

4. Operating profit

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

Depreciation and amortisation:

£000	2020	2019
Depreciation of owned assets	82	91
Depreciation of right of use asset	327	244
Amortisation of intangible assets	4,190	4,415
Depreciation and amortisation	4,599	4,750

Exchange differences:

£000	2020	2019
Foreign exchange (gains)/losses recognised in the income statement	(1,705)	2,269

British Airways Holidays Limited

Notes to the financial statements (continued)

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	2020	2019
Fees payable to the auditor for audit of the statutory accounts	95	100

6. Employee costs and numbers

a) Staff costs

The average number of employees in the Company during the period was 275 (full time equivalents: 259), 2019 average number of employees 280 (full time equivalents: 264).

£000	2020	2019
Wages and salaries	8,444	11,989
Social security costs	881	1,003
Pension costs	902	1,271
Past service credit	-	(6,444)
	10,227	7,819

b) Directors' emoluments

£000	2020	2019
Salary and benefits	310	595

Two Directors (2019: two) received remuneration from the Company during the year ended 31 December 2020.

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 2020 (2019: £nil).

During the year, four Directors (2019: 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 2020, 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, four Directors (2019: six) participated in IAG's Long Term Incentive Schemes and awards vested for one Director (2019: 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)

7. Interest receivable and payable

£000	2020	2019
Interest receivable and similar income		
Interest receivable from parent company	157	666
Interest payable and similar charges		
Net finance expense relating to pensions	(512)	(555)
Finance expense relating to lease	(75)	(91)
	(587)	(646)

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 2020

	Income statement £000	Other comprehensive income £000	Total £000
Current tax			
UK corporation tax – current year	457	(525)	(68)
Movement 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)
Total deferred tax	(172)	(1,133)	(1,305)
Total tax	755	(1,658)	(903)

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

Within tax in other comprehensive income is a tax credit of £1,658,000 (2019: tax credit of £2,004,000) that cannot be classified to the income statement.

For the year ended 31 December 2019

	Income statement £000	Other comprehensive income £000	Total £000
Current tax			
UK corporation tax – current year	9,463	(1,738)	7,725
Adjustment in respect of prior years	669	-	669
Total current tax	10,132	(1,738)	8,394
Deferred tax			
Movement in respect of current year	(599)	-	(599)
Movement in respect of prior years	(1,165)	(326)	(1,491)
Effect of corporation tax rate change	60	60	120
Total deferred tax	(1,704)	(266)	(1,970)
Total tax	8,428	(2,004)	6,424

British Airways Holidays Limited

Notes to the financial statements (continued)

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 2020				
Fixed assets	529	(22)	-	507
Foreign currency derivatives not qualifying for hedge accounting	619	(205)	-	414
Employee defined benefit plans	4,629	-	1,133	5,762
Employee related provision	-	399	-	399
Total deferred tax	5,777	172	1,133	7,082

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 2020 is lower than the expected tax charge at the UK rate. The Company's effective tax rate is 17.8% (2019: 19.3%) and the differences to the UK rate are explained below:

	2020 £000	2019 £000
Accounting profit before tax	4,251	43,668
Tax calculated at the standard rate of corporation tax in the UK of 19% (2019 19%)	808	8,297
Effects of:		
Non-deductible expenses	19	1
Adjustment in respect of prior years	106	70
Effect of tax rate changes	(178)	60
Tax charge in the income statement	755	8,428

d) Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This reduction from 19% to 17% was reversed in the Finance Act 2020. This has generated deferred tax opening balance rate changes and will increase the Company's future UK current tax charge accordingly.

The UK corporation tax rate will increase to 25% (effective 1 April 2023) as published in Finance (No.2) Bill 2021. As the rate had not been substantively enacted at the date of this report, the deferred tax on temporary differences as at 31 December 2020 has been calculated at the 19% rate. The deferred tax asset calculated at a rate of 25% would have been approximately £2,200,000 more than the amount included in the balance sheet at 31 December 2020.

British Airways Holidays Limited

Notes to the financial statements (continued)

9. Dividends

The Company did not pay a dividend during the year (2019: £nil).

10. Tangible assets

£000	Office & computer equipment
Cost:	
Balance 1 January 2020	2,516
Additions	44
At 31 December 2020	2,560
Depreciation:	
Balance 1 January 2020	(2,306)
Charge for the period	(82)
At 31 December 2020	(2,388)
Net book amounts:	
At 31 December 2020	172
At 31 December 2019	210

11. Intangible assets

£000	Software	Assets under construction	Total
Cost:			
Balance 1 January 2020	31,770	3,247	35,017
Additions	-	3,286	3,286
Transfers	2,517	(2,544)	(27)
At 31 December 2020	34,287	3,989	38,276
Depreciation:			
Balance 1 January 2020	(22,298)	-	(22,298)
Charge for the period	(4,190)	-	(4,190)
At 31 December 2020	(26,488)	-	(26,488)
Net book amounts:			
At 31 December 2020	7,799	3,989	11,788
At 31 December 2019	9,472	3,247	12,719

12. Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £899,000 for Company commitments (2019: £5,430,000).

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 2020 and 31 December 2019, the Company's investment in Overseas Air Travel Limited was £1,999. At 31 December 2020 and 31 December 2019, 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	2020	2019
Trade debtors	3,682	10,341
Other debtors	-	5
Amount owed by parent undertaking	109,083	104,637
Amounts owed by group undertakings	1,376	1,863
Deferred tax assets	7,082	5,777
Prepayments and accrued income	102,028	195,863
	223,251	318,486

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	2020	2019
Lease liability	387	401
Trade creditors	14,657	29,264
Amounts owed to associated undertakings	78	536
Amounts owed to group undertakings	18	26
Corporation tax	258	7,606
Other taxes	6,813	6,166
Other creditors	40	26
Sales in advance of travel	85,888	146,208
Accruals and deferred income	4,344	6,374
Derivative financial instruments	2,175	3,639
	114,658	200,246

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 2020	1,831
Adjustment	(119)
At 31 December 2020	1,712

Depreciation:

Balance at 1 January 2020	(244)
Charge for the period	(327)
At 31 December 2020	(571)

Net book amount:

At 1 January 2020	1,587
At 31 December 2020	1,141

Lease liability

Balance at 1 January 2020	1,765
Repayments	(563)
Interest expense	75
At 31 December 2020	1,277

(ii) Amounts recognised in the income statement

	2020	2019
Interest on lease liabilities	75	91
Depreciation	327	244

British Airways Holidays Limited

Notes to the financial statements (continued)

17. Provision for liabilities

£000	Dilapidation
Balance at 1 January 2020	190
Arising during the year	12
As at 31 December	202

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

	2020		2019	
	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 2020, 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 £3,276,000 to the Scheme in the year ended 31 December 2020. The Company will pay £2,000,000 to the Scheme in the year ending 31 December 2021, £2,376,000 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 years ending 31 December 2021 and 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 2021 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 24 years reflecting the approximate split of the defined benefit obligation between deferred members (duration of 26 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 2020 % pa	31 December 2019 % pa
RPI inflation	2.7	2.8
CPI inflation	2.2	2.1
Pension increases (RPI max 5%)	2.7	2.8
Discount rate for Scheme liabilities	1.4	2.0

Main demographic assumptions

	31 December 2020 109% S3PxA Light	31 December 2019 109% S3PxA Light
Mortality base table		
Mortality improvement rates	Core CMI_2019 model with a long term rate of 1.25% pa	Core CMI_2019 model with a long term rate of 1.25% pa
Life expectancy for male currently aged 65	87.9	87.8
Life expectancy for female currently aged 65	89.4	89.2
Life expectancy at 65 for male currently aged 45	89.2	89.0
Life expectancy at 65 for female currently aged 45	90.8	90.6

Scheme asset allocation

	2020		2019	
	£000s	%	£000s	%
Diversified Growth Funds (DGF)	46,498	78.2	41,109	81.9
Liability Driven Investments (LDI)	12,034	20.2	8,619	17.2
Other	946	1.6	488	0.9
Total	59,478	100.0	50,216	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	2020	2019
Fair value of assets	59,478	50,216
Present value of funded defined benefit obligations	(89,805)	(77,446)
Funded status	(30,327)	(27,230)

Amounts recognised in income statement

£000	2020	2019
Operating cost:		
Current service cost	-	372
Past service credit	-	(6,444)
Financing cost:		
Interest on net defined benefit liability	512	555
Pension expense recognised in profit and loss	512	(5,517)

Amounts recognised in other comprehensive income (OCI)

£000	2020	2019
Asset gains arising during the year	5,782	3,802
Liability losses arising during the year	(11,643)	(14,664)
Total amount recognised in OCI	(5,861)	(10,862)

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

£000	2020	2019
Opening defined benefit obligation (DBO)	77,446	68,301
Current service cost	-	372
Past service credit	-	(6,444)
Interest expense on DBO	1,541	1,771
Contributions by scheme members	-	3
Actuarial losses on scheme liabilities	11,643	14,664
Net benefits paid out	(825)	(1,221)
Closing defined benefit obligation	89,805	77,446

Changes to the fair value of Scheme assets during the year

£000	2020	2019
Opening fair value of scheme assets	50,216	42,787
Interest income on scheme assets	1,029	1,216
Gain on scheme assets	5,782	3,802
Contributions by the employer	3,276	3,629
Contributions by scheme members	-	3
Net benefits paid out	(825)	(1,221)
Closing fair value of scheme assets	59,478	50,216

£000	2020	2019
Actual return on scheme assets		
Interest income on scheme assets	1,029	1,216
Gain on scheme assets	5,782	3,802
Actual return on scheme assets	6,811	5,018

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.

		Present value of funded defined benefit obligations
		2020
£000		
Current figures		89,805
Following a 0.1% pa increase in the discount rate	Change	(2,109)
	New value	87,696
Following a 0.1% pa increase in the inflation assumption (with consequential changes in dependent assumptions)	Change	983
	New value	90,788
Following a one year increase in life expectancy	Change	4,799
	New value	94,604

Defined contribution:

The total cost to the Company for the year ended 31 December 2020 in respect of pension contributions to the British Airways Pension Plan was £902,000 (2019: £900,000).

20. Government grants and assistance

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

The Coronavirus Job Retention Scheme ('CJRS') – recognised net within employee costs

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 eligibility reduced to 70 per cent of wage costs and 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 31 December 2020 with the level of eligibility increased to 80 per cent of wage costs and a maximum of £2,500 per month.

Such costs are paid by the government to the Company in arrears. The government of the United Kingdom also paid associated social security cost until 31 July 2020. Since 1 August 2020, the Company was obliged to continue to pay the associated social security costs and employer pension contributions.

The Company received £829,000 from the CJRS in the year ended 31 December 2020. This amount is recorded in Employee costs in the income statement.

British Airways Holidays Limited

Notes to the financial statements (continued)

21. Related party transactions

No loans or credits were outstanding with Directors or Officers of the Company as of 31 December 2020 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 undertaking

As at 31 December 2020, the Company's immediate parent undertaking was British Airways Plc, a company registered in England and Wales. As at 31 December 2020, the ultimate parent undertaking of the Company was International Consolidated Airlines Group S.A. ('IAG'), which is incorporated in Spain. Of the group of which the Company is a member, IAG was the largest undertaking preparing group financial statements and British Airways Plc was the smallest undertaking preparing group financial statements.

Copies of the consolidated financial statements of IAG and British Airways Plc can be found on the website www.iagshares.com.

23. Post balance sheet events

There were no significant post balance sheet events.