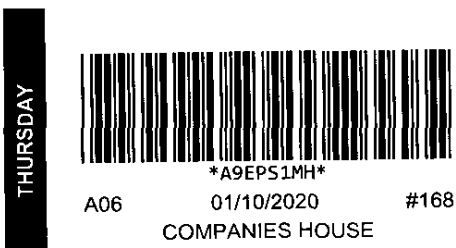


Registered No: 590083

# British Airways Associated Companies Limited

Annual Report and Accounts  
For the year ended 31 December 2019



# British Airways Associated Companies Limited

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# **British Airways Associated Companies Limited**

## **Corporate information**

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### **Directors**

S. Philcox

A. Fleming

### **Registered office**

Waterside

PO Box 365

Harmondsworth

UB7 0GB

# **British Airways Associated Companies Limited** Registered No: 590083

## **Directors' Report**

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The Directors present their unaudited Annual Report and Accounts ('financial statements') of British Airways Associated Companies Limited (the 'Company') for the year ended 31 December 2019.

The Company has taken the exemption under section 414B of the Companies Act 2006 to not prepare a Strategic Report.

### **Principal activities**

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc ('BA'), acts primarily as a holding company for investments.

### **Directors**

The Directors of the Company during the year ended 31 December 2019 and up to date of approval of the financial statements were as follows:

A. Fleming  
S. Philcox

### **Results and dividends**

The profit after tax for the year amounted to £375,000 (2018: £342,000). The Directors do not recommend the payment of a final dividend (2018: £nil).

### **Going concern**

In light of the COVID-19 pandemic, the Directors have prepared updated cash flow forecasts for the period to 31 December 2021. Based on these forecasts 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 2019.

However, the Company's operations are significantly affected by the level of operating activity of its ultimate parent company of the Group, International Consolidated Airlines Group S.A. ('IAG'). While the Directors have received confirmation that the Group will support the Company for a period of at least 12 months from the date of approval of these financial statements, the Directors note the publication on 31 July 2020 of the Group's condensed consolidated interim financial statements for the six-month period to 30 June 2020 in which a material uncertainty in relation to going concern was disclosed.

As a consequence, the Directors of the Company consider there is also a material uncertainty over the level of the Company's operating activities and the Group'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 for further information.

### **Directors' and Officers' liability insurance**

IAG purchases insurance against Directors' and Officers' liability as permitted by the Companies Act 2006 for the benefit of the Directors and Officers of its subsidiary undertakings.

### **Post balance sheet events**

Subsequent to the balance sheet date, the Company has been impacted by the outbreak and escalation of COVID-19. Refer to the Impact of COVID-19 section of the strategic report for further details.

Management has also evaluated the potential impact of COVID-19 on the valuation of its assets and concluded that there has been no material change from the balance sheet date.

### **Political contributions**

During the year, the Company made no political contributions (2018: £nil).

# **British Airways Associated Companies Limited** Registered No: 590083

## **Directors' Report (continued)**

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### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable UK 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, comprising FRS 101 'Reduced Disclosure Framework' 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 of the profit or loss for that period.

In preparing those 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, comprising FRS 101 'Reduced Disclosure Framework', have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless they consider that to be 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.

### **Directors' statement as to disclosure of information**

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, each of these Directors confirms that:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006; and
- the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the accounts.

The Directors' Report was approved by the Board and signed on its behalf by:



S. Philcox  
Director  
29 September 2020

## British Airways Associated Companies Limited

### Income Statement

For the year ended 31 December 2019

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£000	Note	2019	2018
Interest receivable and similar income	5	375	312
<b>Profit before tax</b>		<b>375</b>	<b>312</b>
Taxation	6	-	30
<b>Profit for the financial year</b>		<b>375</b>	<b>342</b>

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The above results are all in respect of continuing operations.

There is no other comprehensive income (2018: £nil) other than the profit amounting to £375,000 in the year ended 31 December 2019 (2018: £342,000). Therefore, no separate statement of comprehensive income has been presented.

# British Airways Associated Companies Limited

## Balance Sheet

As at 31 December 2019

£000	Note	2019	2018
<b>Fixed assets</b>			
Equity investment	7	-	-
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	52,444	52,122
		<b>52,444</b>	52,122
<b>Creditors: amounts falling due within one year</b>	9	-	(53)
<b>Net assets</b>		<b>52,444</b>	52,069
<b>Capital and reserves</b>			
Called up share capital	10	173,425	173,425
Profit and loss account		(120,981)	(121,356)
<b>Total shareholders' funds</b>		<b>52,444</b>	52,069

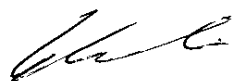
For the financial year in question the Company was entitled to exemption from audit under section 479a of the Companies Act 2006 relating to subsidiary companies.

The financial statements have been prepared in accordance with the special provisions relating to small companies within section 414 of the Companies Act 2006.

No members have required the Company to obtain an audit in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and for the preparation of accounts.

The financial statements on pages 5 to 13 were approved by the Board of Directors on 29 September 2020 and signed on its behalf by:



S. Philcox  
Director  
29 September 2020

# British Airways Associated Companies Limited

## Statement of Changes in Equity

For the year ended 31 December 2019

For the year ended 31 December 2019

£000	Called up share capital	Profit and loss account	Total shareholders' funds
Balance at 1 January 2019	173,425	(121,356)	52,069
Profit for the financial year	-	375	375
<b>At 31 December 2019</b>	<b>173,425</b>	<b>(120,981)</b>	<b>52,444</b>

For the year ended 31 December 2018

£000	Called up share capital	Profit and loss account	Total shareholders' funds
Balance at 1 January 2018	173,425	(121,698)	51,727
Profit for the financial year	-	342	342
<b>At 31 December 2018</b>	<b>173,425</b>	<b>(121,356)</b>	<b>52,069</b>



# British Airways Associated Companies Limited

## Notes to the financial statements

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### 1. Authorisation of financial statements

The financial statements of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 29 September 2019 and the Balance Sheet was signed on the Board's behalf by S. Philcox. British Airways Associated Companies Limited is a private limited company and is incorporated and domiciled in England and Wales.

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

### 2. Accounting policies

#### 2.1 Basis of preparation and statement of compliance with FRS 101

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' and in accordance with the Companies Act 2006. These financial statements have been prepared under the historical cost convention except for equity investments that are measured at fair value.

The Company's financial statements are presented in pounds sterling, which is the Company's functional currency, and all values are rounded to the nearest thousand pounds (£000), except where indicated otherwise.

FRS 101 allows companies to take advantage of certain disclosure exemptions. As allowed under the standard, the disclosure exemptions under paragraph 8 to 9 of FRS 101 'Reduced Disclosure Framework' have been applied as the Company is a wholly owned subsidiary undertaking of BA whose accounts include an equivalent disclosure, where required, of the following standards:

- a) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- b) the requirements of IAS 7 *Statement of Cash Flows*;
- c) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- d) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a Group provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- e) the requirements of IFRS 7 *Financial Instruments: Disclosures*; and
- f) the requirements of paragraphs 10(d), 16, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*.

#### Going concern

In light of the COVID-19 pandemic, the Directors have prepared updated cash flow forecasts for the period to 31 December 2021. Based on these forecasts 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 2019.

However, the Company's operations are significantly affected by the level of operating activity of its parent company, British Airways plc ('the Parent') and its ultimate parent company, IAG ('the Group'). While the Directors have received confirmation that the Parent and the Group will support the Company for a period of at least 12 months from the date of approval of these financial statements, the Directors note the publication on 31 July 2020 of the Parent and the Group's condensed consolidated interim financial statements for the six-month period to 30 June 2020 in which a material uncertainty in relation to going concern was disclosed.

As disclosed in those condensed consolidated interim financial statements, given the economic uncertainty of the COVID-19 pandemic, the Parent and the Group have modelled the impact of mitigating actions to offset further deteriorations in demand and capacity, including reductions in operating expenditure and capital expenditure. The Parent and the Group expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions it would pursue in the event of adverse liquidity experience.

# British Airways Associated Companies Limited

## Notes to the financial statements (continued)

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### 2.1 Basis of preparation and statement of compliance with FRS 101 (continued)

#### Going concern (continued)

Furthermore, to add resilience to the liquidity position of the Group, including for the period beyond the next 12 months, the Directors of the Group have resolved to undertake a Rights Issue during the second half of 2020 for an amount of up to €2.75 billion, which is expected to be fully covered by underwriting and irrevocable commitments. The Rights Issue was approved at the Group's Annual General Meeting on 8 September 2020 and is expected to be completed by the end of September.

The Directors of the Group have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence for the foreseeable future and hence adopted the going concern basis in preparing the condensed consolidated interim financial statements.

Due to the uncertainty created by COVID-19 and potential for future waves of the pandemic and the impact on travel restrictions and demand, the Parent and the Group are not able to provide certainty that there could not be more severe downside scenarios than those it has considered, including the stresses it has considered in relation to factors such as the impact on yield, capacity operated, cost mitigations achieved and fuel price variations. Whilst such scenarios are not considered likely, in the event that such a scenario were to occur the Parent and the Group will likely need to secure additional funding over and above that which is contractually committed. Sources of additional funding are expected to include regular financing arrangements for aircraft, an extension of the CCFF commercial paper until March 2022, and the Rights Issue referred to above.

However, if such funding were not secured against aircraft, the UK Government withdrew its CCFF programme or if the Rights Issue was not approved and executed as anticipated, the occurrence of a more severe downside scenario and the Parent and the Group's ability to then obtain additional funding represents a material uncertainty that could cast significant doubt upon the Parent and the Group's ability to continue as a going concern.

As a consequence, the Directors of the Company consider this also represents a material uncertainty over the level of the Company's operating activities and the Group'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.

### 2.2 Summary of significant accounting policies

#### Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity and other comprehensive income.

Current taxation credit is calculated using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary timing differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- Differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

# British Airways Associated Companies Limited

## Notes to the financial statements (continued)

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### 2.2 Summary of significant accounting policies (continued)

#### Taxation (continued)

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised or that the Company has determined it is appropriate to recognise the deferred tax asset as it is recoverable due to the fact that the Company is part of a UK group for group relief purposes.

#### Financial instruments

In accordance with IFRS 9 'Financial Instruments', financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Company determines the classification at initial recognition. A financial asset or liability is generally derecognised when the contract that gives rise to it has been settled, sold, cancelled or has expired.

#### Debtors

Debtors are stated at amortised cost less allowances made for expected credit losses which approximates fair value given the short term nature of these assets. A provision for expected credit losses (allowance for doubtful debtors) is established based on the calculation and recognition of lifetime expected credit losses.

#### Interest receivable

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

#### Equity investments

Equity investments are non-derivative financial assets which include unlisted investments, excluding interests in associates. On initial recognition, these equity investments are irrevocably designated as measured at fair value through other comprehensive income. They are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income with no recycling of these gains and losses to the income statement when the investment is sold.

#### Profit and loss reserves

Profit and loss reserves represents the cumulative profit and losses and net distributions to shareholders.

#### Share capital

Ordinary shares are classified as equity.

# British Airways Associated Companies Limited

## Notes to the financial statements (continued)

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### 2. Accounting policies (continued)

#### 2.2 Summary of significant accounting policies (continued)

##### 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.

Following adoption of IFRS 9 and the associated necessary accounting policy, the impact of introducing an expected credit loss model has been reviewed on the Company's debtor provisioning. It was determined that there have been no material impacts on the Company's financial statements.

##### New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2019, have had a material impact on the Company.

### 3. Audit exemption

The Company is not required to have audited annual accounts, in accordance with section 479a of the Companies Act 2006 relating to subsidiary companies, and has decided to take advantage of this exemption this year. BA has provided parent guarantee over section 479c of the Companies Act 2006. Therefore, no amounts have been paid for the audit of the financial statements during the year (2018: £nil).

### 4. Directors' emoluments

None of the Directors of the Company received any remuneration during the year in respect for their services to the Company (2018: £nil).

Two Directors accrued benefits under a defined contribution pension scheme (2018: two), provided by the Company's parent undertaking during the year. Full disclosure of this scheme is made in the financial statements of BA.

Two Directors (2018: two) participated in IAG's Long Term Incentive Schemes and none exercised awards during the year (2018: one).

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 period, which need to be disclosed in accordance with the requirements of section 412 and 413 of the Companies Act 2006.

There were no employees of the Company during the year (2018: nil).

### 5. Interest receivable and similar income

£000	2019	2018
Interest receivable from group undertakings	375	312

## British Airways Associated Companies Limited

### Notes to the financial statements (continued)

#### 6. Taxation

##### (a) Tax on profit

Tax result/ (credit) in the Income Statement

	2019 £000	2018 £000
Current tax		
<i>Movement in respect of prior years</i>	-	(30)
<b>Total current tax result/ (credit)</b>	-	(30)
<b>Total tax result/ (credit)</b>	-	(30)

##### (b) Reconciliation of the total tax result/ (credit) in the Income Statement

The tax result is calculated at the standard rate of UK corporation tax. The tax result on the profit for the year to 31 December 2019 is lower (2018: lower) than the expected tax charge at the UK rate. The Company's effective tax rate is 0% (2018: -9.5%) and the differences to the UK rate are explained below:

	2019 £000	2018 £000
Profit before tax	375	312
Tax calculated at the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	71	59
Effects of:		
Adjustments in respects of prior years	-	(30)
Group relief claim	(71)	(59)
<b>Tax result/ (credit) in the Income Statement</b>	-	(30)

##### (c) Factors affecting future tax charges

In the UK, at 31 December 2019, the enacted corporation tax rate effective 1 April 2020 was 17%. In the Finance Bill 2020, the UK government legislated that the rate would remain at 19% on 1 April 2020.

#### 7. Equity investments

The net book value of equity investments is £nil (2018: £nil). The full cost of £8,000 has been provided for in full.

Equity interests at 31 December 2019 comprise investments in the following companies:

Name of Company	Activity	Country of Incorporation	Proportion of Equity	Type of Holding
BA Call Centre India Private Limited	Call centre operations	India	0.01%	Ordinary
The Galileo Company (Unlimited)	Investment holding company	England	0.24%	Ordinary

# British Airways Associated Companies Limited

## Notes to the financial statements (continued)

### 8. Debtors: amounts falling due within one year

£000	2019	2018
Amounts owed by group undertakings	52,444	52,122

Amounts owed by group undertakings are unsecured and are repayable on demand. The interest is calculated at a rate of one month average GBP LIBOR (2018: one month average GBP LIBOR).

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

£000	2019	2018
Corporation tax liability	-	53

### 10. Share capital

	No.	2019 £000	No.	2018 £000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1.00 each	173,425,000	173,425	173,425,000	173,425

### 11. Related party transactions

As the Company is a wholly owned subsidiary of BA, the Company has taken advantage of the exemption in FRS 101 not to disclose related party transactions with fellow wholly owned group undertakings.

### 12. Post balance sheet events

Subsequent to the balance sheet date, the Company has been impacted by the outbreak and escalation of COVID-19. From late February, as the virus spread across the globe, many governments placed significant restrictions on the movement of people and on travel across international borders.

The Directors continue to monitor and review the Company's cash flow forecasts regularly and will continue to take any necessary actions to support the Company's financial position.

Management has also evaluated the potential impact of COVID-19 on the valuation of its assets and concluded that there has been no material change from the balance sheet date.

### 13. Ultimate parent undertaking

The Company's immediate parent undertaking as at 31 December 2019 was BA, a company registered in England and Wales.

As at 31 December 2019, the ultimate parent undertaking of the Company was IAG, which is incorporated in Spain. Of the Group which the Company is a member, IAG was the largest undertaking preparing group financial statements and BA was the smallest undertaking preparing group financial statements.

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