

Registered No: 02107441

British Midland Limited

Annual Report and Accounts
For the year ended 31 December 2019



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British Midland Limited

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British Midland Limited

Corporate information

Directors

S. Davies

S. Philcox

Company secretary

A. Fleming

Registered office

Waterside

PO Box 365

Speedbird Way

Harmondsworth

UB7 0GB

British Midland Limited

Directors' Report

Registered No: 02107441

The Directors present their unaudited Annual Report and Accounts ('financial statements') of British Midland 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 principal activity of the Company is to act as a holding company. The Company did not trade during the current or preceding period.

Directors

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

S. Davies

S. Philcox

Results and dividends

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

The ultimate parent company of the Group, 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 period, the Company made no political contributions (2018: £nil).

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 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 judgments and accounting 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 the going concern basis, unless they consider it 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 Midland Limited
Income Statement
For the year ended 31 December 2019

£000	2019	2018
Result before taxation	-	-
Taxation	-	-
Result for the financial year	-	-

The notes on pages 8 to 12 form part of these financial statements.

The above results are all in respect of continuing operations.

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

British Midland Limited

Balance sheet

As at 31 December 2019

£000	Note	2019	2018
Non-current assets			
Investment in subsidiaries	5	-	-
Current assets			
Debtors: amounts falling due within one year	6	-	-
Total assets		-	-
Capital and reserves			
Called up share capital	7	16,281	16,281
Profit and loss account		(16,281)	(16,281)
Total shareholders' funds		-	-

For the financial year in question the Company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant 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 12 were approved by the Board of Directors on 29 September 2020 and signed on its behalf by:



S. Philcox
Director
29 September 2020

British Midland 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	16,281	(16,281)	-
Result for the year	-	-	-
At 31 December 2019	16,281	(16,281)	-

For the year ended 31 December 2018

£000	Called up share capital	Profit and loss account	Total shareholders' funds
Balance at 1 January 2018	16,281	(16,281)	-
Result for the year	-	-	-
At 31 December 2018	16,281	(16,281)	-

British Midland Limited

Notes to the financial statements

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 2020 and the Balance Sheet was signed on the Board's behalf by S. Philcox. British Midland Limited is limited by shares and is incorporated and domiciled in England and Wales.

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

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of BA. The consolidated results of IAG and BA can be found on the website www.iagshares.com. The address of IAG's and BA's registered office is Waterside, PO Box 365, Speedbird Way, Harmondsworth, UB7 0GB.

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.

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 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), 10(f), 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 Midland Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

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's 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.

Dormant status

The Company was dormant (within the meaning of Section 480 of the Companies Act 2006) throughout the year ended 31 December 2019. The Company has not traded during the period. During the period the Company received no income and incurred no expenditure and therefore made neither profit nor loss.

2.2 Summary of significant accounting policies

Investment in subsidiaries

Investment in subsidiaries are recorded at cost less provision for impairment. The carrying value of investments is reviewed for impairment on an annual basis or when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

British Midland Limited

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

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.

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.

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.

It is considered there are no key accounting estimates and judgements which have had a material effect on the financial statements this year.

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 480 of the Companies Act 2006 relating to dormant companies. 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 these schemes 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: none).

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.

British Midland Limited

Notes to the financial statements (continued)

4. Directors emoluments (continued)

There were no employees in the current or prior year.

5. Investment in subsidiaries

£000	2019	2018
Cost at the beginning and end of the year	395,773	395,773
Provisions at the beginning and end of the year	(395,773)	(395,773)
Net book value at the beginning and end of the year	-	-

The Company has the following interests in the ordinary share capital of its subsidiary undertaking:

	% owned (ordinary share capital)	Country of incorporation	Nature of the business
British Midland Airways Limited	100	England and Wales	Aircraft Lessor
British Mediterranean Airways Limited	89	England and Wales	Non-trading

The Company also holds 100% of the preferred ordinary share capital, and none of the deferred share capital, of British Mediterranean Airways Limited. The voting rights for the preferred ordinary shares are 1,000 times greater per share than the ordinary shares. The deferred shares do not carry any voting rights and the holders of deferred shares are not entitled to any participation in the profits of the Company. This in effect gives British Midland Limited 99% control of British Mediterranean Airways Limited.

6. Debtors: amounts falling due within one year

Amounts owed by group undertakings of £45,624,000 (2018: £45,624,000) are stated net of a provision of £45,624,000 (2018: £45,624,000).

Amounts owed by group undertakings represent debtors arising from intercompany trading activities which are unsecured, interest free and payable on demand.

7. Share capital

	Shares	2019 £000	Shares	2018 £000
Allotted, called up and fully paid				
Ordinary shares of 25p each	65,125,293	16,281	65,125,293	16,281

8. 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.

British Midland Limited

Notes to the financial statements (continued)

9. 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.