

Registered No: 02524595

British Mediterranean Airways Limited

Annual Report and Accounts
For the year ended 31 December 2020



British Mediterranean Airways Limited

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British Mediterranean Airways Limited

Corporate information

Director
S. Davies

Company secretary
A. Fleming

Registered office
Waterside
PO Box 365
Speedbird Way
Harmondsworth
UB7 0GB

British Mediterranean Airways Limited

Director's Report

Registered No. 02524595

The Director presents her report and the audited Annual Report and Accounts ('financial statements') of British Mediterranean Airways Limited (the 'Company') for the year ended 31 December 2020.

The Company has taken the exemption under s414B of the Companies Act 2006 to not prepare a Strategic Report.

Principal activities and future developments

The Company is a non-trading company. Certain obligations give rise to expenses which are paid by a fellow group company. The Director does not expect any changes in the Company's activity in the foreseeable future.

Directors

The sole Director of the Company during the year ended 31 December 2020 was S Davies. The Director's Report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

Results and dividends

The profit after tax for the year amounted to £385,000 (2019: £1,500,000). The Director does not recommend the payment of a dividend (2019: £nil).

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 Director has a reasonable expectation that the Company has sufficient liquidity for the foreseeable future and accordingly the Director has 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 Director of the Company considers there is also a material uncertainty over 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.

Directors' and Officers' liability insurance

The ultimate parent company of the Group, International Consolidated Airlines Group S.A ('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.

Political contributions

During the year, the Company made no political contributions (2019: £nil).

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.

British Mediterranean Airways Limited
Director's Report (continued)

Registered No. 02524595

Director's statement as to disclosure of information

The Director confirms that:

- to the best of the Director's knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps she might reasonably be expected to have taken in order to make herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

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



Director
S. Davies
28 June 2021

British Mediterranean Airways Limited

Statement of Director's responsibilities

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has 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 Director 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 these financial statements, the Director is 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 FRS101 '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 Director is 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.

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

Opinion

We have audited the financial statements of British Mediterranean Airways Limited (the 'Company') for the year ended 31 December 2020 which the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 10, 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. 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 the provisions available for small entities 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 Director 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 Director is responsible for the other information contained within the annual report.

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.

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 course of 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 themselves. 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.

Independent auditor's report to the members of British Mediterranean Airways Limited (continued)

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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's Report has 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 Director's 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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the Director was not entitled to take advantage of the small companies exemptions in preparing the Director's report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the Statement of Director's responsibilities set out on page 5, the Director is 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 Director determines 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 Director is 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 Director either intends to liquidate the Company or to cease operations, or has 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.

Independent auditor's report to the members of British Mediterranean Airways Limited (continued)

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

Our approach was as follows:

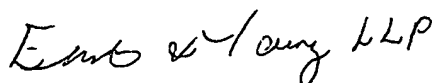
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice) and the relevant tax compliance regulations, principally 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 including the General Data Protection Regulation.
- 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 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.



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

British Mediterranean Airways Limited

Income Statement

For the year ended 31 December 2020

£000	Note	2020	2019
Other income		385	1,500
Profit before taxation		385	1,500
Taxation	5	-	-
Profit for the financial year		385	1,500

The notes on pages 12 to 16 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 2020 (2019: £nil) other than the profit amounting to £385,000 (2019: £1,500,000). Therefore, no separate statement of other comprehensive income has been presented.

British Mediterranean Airways Limited

Balance Sheet

As at 31 December 2020

£000	Note	2020	2019
Current assets			
Debtors: amounts falling due within one year	6	7	7
Total current assets		<u>7</u>	<u>7</u>
Creditors: amounts falling due within one year	7	<u>(1,157)</u>	<u>(1,542)</u>
Net liabilities		<u>(1,150)</u>	<u>(1,535)</u>
Capital and reserves			
Called up share capital	8	17,291	17,291
Share premium		29,674	29,674
Profit and loss account		<u>(48,115)</u>	<u>(48,500)</u>
Total shareholders' funds		<u>(1,150)</u>	<u>(1,535)</u>

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

The Director acknowledges her 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 9 to 16 were approved by the Board of Directors on 28 June 2021 and signed on its behalf by:



S Davies
Director
28 June 2021

British Mediterranean Airways Limited
Statement of Changes in Equity
For the year ended 31 December 2020

For the year ended 31 December 2020

£000	Called up share capital	Share premium	Profit and loss account	Total shareholders' funds
Balance at 1 January 2020	17,291	29,674	(48,500)	(1,535)
Profit for the year	-	-	385	385
At 31 December 2020	17,291	29,674	(48,115)	(1,150)

For the year ended 31 December 2019

£000	Called up share capital	Share premium	Profit and loss account	Total shareholders' funds
Balance at 1 January 2019	17,291	29,674	(50,000)	(3,035)
Profit for the year	-	-	1,500	1,500
At 31 December 2019	17,291	29,674	(48,500)	(1,535)

British Mediterranean Airways Limited

Notes to the financial statements

1. Authorisation of financial statements

The financial statements of the Company for the year ended 31 December 2020 were authorised for issue by the Director on 28 June 2021 and the Balance Sheet was signed by S Davies. British Mediterranean Airways Limited is a private company limited by shares and 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.

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 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 British Airways Plc ('BA') whose accounts 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:
 - i. Paragraph 79(a)(iv) of IAS 1;
 - ii. Paragraph 73 (e) of IAS 16 Property, Plant and Equipment; and
 - iii. Paragraph 118(e) of IAS 38 Intangible Assets,
- b) the requirements of paragraphs 10(d), 10(f), 16, 38A-38D, 40A-40S, 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 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*,
- e) 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;
- f) 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*,
- g) the requirements of IFRS 7 *Financial Instruments: Disclosures*,
- h) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*, and
- i) 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*.

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 Director has a reasonable expectation that the Company has sufficient liquidity for the foreseeable future and accordingly the Director has 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 Director notes 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 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

British Mediterranean Airways Limited

Notes to the financial statements (continued)

2. Accounting policies (continued)

Going concern (continued)

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, the Directors are actively pursuing a range of financing options, including securing additional long-term financial 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.

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 the timing of recovery from the COVID-19 pandemic, capacity operated, impact 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, the sources of additional funding are expected to include securing additional long term financial facilities.

However, BA's ability to obtain 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 Director of the Company consider this also represents a material uncertainty over 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.

2.2 Summary of significant accounting policies

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.

Creditors

Creditors are recognised initially at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

British Mediterranean Airways Limited

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

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.

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that were effective for the year ended 31 December 2020, have had a material impact on the Company.

3. Auditor's remuneration

Audit fees for the Company of £5,000 (2019: £3,671) are borne by BA.

4. Director's emoluments

The Director received no remuneration for their services to the Company in the year ended 31 December 2020 (2019: £nil).

The Director qualified for a defined contribution scheme in the current and preceding year, provided by BA. Full disclosure of this scheme is made in the financial statements of BA.

The Director participated in IAG's Long Term Incentive Schemes in the current and preceding year. No awards were vested in the current or preceding year.

No loans or transactions were outstanding with the Director of the Company at the end of the year, which need to be disclosed in accordance with the requirements of s412 and 413 of the Companies Act 2006.

There were no employees in the current or preceding year.

British Mediterranean Airways Limited

Notes to the financial statements (continued)

5. Tax

a) Tax on profit on ordinary activities

Tax charge in the Income Statement:

£000	2020	2019
Current tax		
UK corporation tax on profits for the current period	-	-

b) Reconciliation of the total tax charge in the Income Statement

The total tax charge is calculated at the standard rate of UK corporation tax. The tax charge on the profit (2019: profit) for the year ended 31 December 2020 is lower than (2019: lower than) the expected tax charge at the UK rate and the differences to the UK rate are explained below.

£000	2020	2019
Accounting profit before tax	385	1,500
Tax calculated at the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(73)	(285)
Effects of:		
Permanent differences	73	285
Total tax charge in the Income Statement	-	-

c) 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. The UK corporation tax rate will increase to 25% (effective 1 April 2023) as published in Finance (No.2) Bill 2021 although as at the date of this report, this has not been substantively enacted.

6. Debtors: amounts falling due within one year

£000	2020	2019
Amounts owed by group undertakings	7	7

Amounts owed by group undertakings at 31 December 2020 and 31 December 2019 of £34,655,000 have been stated net of a provision of £34,648,000. Amounts due from group undertakings are unsecured, repayable on demand and do not bear interest.

7. Creditors: amounts falling due within one year

£000	2020	2019
Amounts owed to group undertakings	42	42
Other creditors	1,115	1,500
	1,157	1,542

Amounts due to group undertakings are unsecured, repayable on demand and do not bear interest.

British Mediterranean Airways Limited

Notes to the financial statements (continued)

8. Share capital

£000	2020	2019
Allotted, called up and fully paid:		
51,946,991 ordinary shares of 20 pence each	10,389	10,389
7,340,726 deferred shares of 80 pence each	5,873	5,873
5,142,752 preferred ordinary shares of 20 pence each	1,029	1,029
	17,291	17,291

Ordinary share capital

Each fully paid ordinary share entitles the holder to one vote. Residual distributable income and any return of assets by liquidation shall be distributed amongst the members in proportion to the number of ordinary shares held by them.

Deferred shares

The deferred shares do not entitle their holders to receive notice of, attend or vote at any general meeting of the Company. The holders of the deferred shares are not entitled to any participation in the profits of the Company. The holders of the deferred shares shall on a liquidation or other return of capital except on conversion or redemption or purchase by the Company of any of its shares only be entitled to participate in the assets of the Company after the holders of every other class of shares shall have received the sum of £1 million in respect of each share.

Preferred shares

Each preferred ordinary share entitles the holder to exercise one thousand times the number of votes that the same number of ordinary shares would entitle that person to exercise. On any distribution of profits by the Company and on return of assets by liquidation the holder of a preferred ordinary share shall obtain a share of the distribution equal to one thousand times the share that would be obtained by the holder of an ordinary share.

9. 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 wholly owned group undertakings.

10. Ultimate parent undertaking

The Company has some external minority shareholders but is a majority owned subsidiary of British Midland Limited, a company registered in England and Wales.

British Midland Limited holds 89% of the ordinary share capital, 100% of the preferred ordinary share capital, and none of the deferred share capital, of the Company. 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 the Company.

As at 31 December 2020, 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.