

# British Airways Avionic Engineering Limited

## Annual Report and Accounts

For the year ended 31 December 2021

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## **British Airways Avionic Engineering Limited**

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## **British Airways Avionic Engineering Limited**

### **Company information**

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#### **Directors**

S. Davies  
J. Mahoney  
L. Street  
A. Caine  
B. Parcell

#### **Bankers**

Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
London  
EC2N 2DB

#### **Registered Office**

Waterside  
PO Box 365  
Harmondsworth  
UB7 0GB

## British Airways Avionic Engineering Limited Strategic Report

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The Directors present their Strategic Report for the year ended 31 December 2021. British Airways Avionic Engineering Limited (the "Company") is a wholly owned subsidiary of British Airways Plc ("BA").

### Review of the business

The Company's principal activity is the provision of repair, modification and overhaul services to both BA and other customers for avionic, galley and interior products. This activity takes place in a dedicated facility in South Wales.

The Company's revenue decreased by 43.3% (2020: 57.8% decrease) in comparison to the prior year whilst loss after taxation decreased by £829,000 (35.5%) to a loss of £1,509,000. The reduction of loss was driven by a decrease in costs.

The Company will continue to invest in maintaining its capability to repair and overhaul avionic units and galley equipment found on British Airways aircraft, while also leveraging opportunities for efficiencies. The Directors regard these actions as necessary for continuing success in the medium to long term future.

The Directors are not aware, at the date of this report, of any further changes in the Company's activities in the next year.

### Principal risks and uncertainties

Competitive pressures and global events could impact the airline industry and result in a downturn in the demand for air travel and engineering repair and overhaul services. The Company manages this risk by providing added value services to its parent company and main customers, by always demonstrating a flexible attitude to change, and by providing fast response times when meeting any requests for additional or enhanced services.

The Company's sales are all generated in the UK and therefore its sales are not exposed to the movement in exchange rates. Where purchases are made in foreign currencies for aircraft spares, British Airways Group's (the 'Group') treasury function takes out contracts to manage this risk at a Group level.

The Company has no third party debt.

Group risks are discussed in the Group's annual report which does not form part of this report.

### Key performance indicators

BA manages its engineering operations on a departmental basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance, or position of the business. The performance of the engineering department is key to the overall performance of BA which is discussed in the Group's annual report, which does not form part of this report.

### Future developments

The Directors do not expect any changes in the Company's activity in the foreseeable future. However, to improve efficiency and reduce overhead costs, the Company intends to relocate its operations from its current facility to the estate of another BA subsidiary, British Airways Maintenance Cardiff Limited. This move is planned to occur within the next 12 months.

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



S. Davies  
Director

26 September 2022

## **British Airways Avionic Engineering Limited**

### **Directors' Report**

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The Directors present their report and financial statements for British Airways Avionic Engineering Limited for the year ended 31 December 2021.

#### **Directors**

The Directors who held office during the year, and to the date of this report were:

S. Davies  
M. Grant-Stevens (resigned 1 October 2021)  
J. Mahoney  
W. Armstrong (resigned 1 May 2022)  
L. Street  
A. Caine  
B. Parcell (appointed 1 May 2022)

#### **Results and dividends**

The loss for the year after taxation amounted to £1,509,000 (2020: £2,338,000 loss). The Directors do not propose to pay a final dividend (2020: £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 assessed the intention and 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 2021.

The Company's financial position is significantly affected by the level of operating activity of BA. The Directors note the publication of BA's condensed consolidated interim financial statements for the six-month period ended 30 June 2022, which concluded there was a reasonable expectation that BA has sufficient liquidity to continue in operational existence over the going concern period through to 31 December 2023, and hence continue to adopt the going concern basis. The inclusion of a material uncertainty for BA, in place since the beginning of the COVID-19 pandemic, was removed for BA's condensed consolidated interim financial statements for the six-month period ended 30 June 2022, as a result of the reduction in uncertainty over the going concern period, due to both the continued recovery subsequent to the COVID-19 pandemic and the strength of BA's liquidity at 30 June 2022.

As a consequence of the above information and having made appropriate enquiries of the Directors of BA on its current financial position, the Directors of the Company consider there is also sufficient liquidity to continue in operational existence over the going concern period and have removed the inclusion of a material uncertainty.

#### **Post balance sheet events**

There have been no significant events post the balance sheet date.

#### **Corporate responsibility**

As the Company matures, sustainability and responsibility have never been more important. During the year, the Company continued to develop and embed best practice in corporate governance, socially responsible management and environmental sustainability. In doing this, stretching corporate responsibility targets have been set and are monitored regularly in order to contribute to the achievement of the Group's targets.

#### **Directors' and Officer's 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.

#### **Employee involvement**

The motivation and commitment of its employees are major contributors to the Company's long-term prospects. Internal communications systematically provide employees with information on matters of

## **British Airways Avionic Engineering Limited**

### **Director's Report (continued)**

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#### **Employee involvement (continued)**

concern to them. The Company seeks the ongoing involvement of employees through its employee consultative forum. These forums meet regularly, attended by representatives from the management team and employee representatives, to discuss issues affecting employees on a day-to-day and longer-term basis including Company policies, working arrangements and business initiatives.

#### **Disabled employees**

The Company gives full consideration to applications for employment from disabled persons where the 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.*

The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and updates. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

#### **Political donations**

During the year, the Company made no political contributions (2020: Nil).

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

The Directors are responsible for preparing the Strategic Report, 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, 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 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;
- 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.

#### **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 4. Having made enquiries of fellow Directors, each of these Directors confirm 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 Companies Act 2006 with respect to accounting records and the preparation of the accounts.

**British Airways Avionic Engineering Limited**  
**Director's Report (continued)**

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



S. Davies

Director

26 September 2022

**British Airways Avionic Engineering Limited**  
**Income Statement**  
For the year ended 31 December 2021

£000	Note	2021	2020
Turnover	4	7,393	13,035
Cost of sales		(7,700)	(11,956)
<b>Gross (loss)/profit</b>		<b>(307)</b>	<b>1,081</b>
Administration costs		(2,234)	(3,719)
Other income		188	1,441
<b>Operating loss before exceptional items</b>		<b>(2,353)</b>	<b>(1,197)</b>
Exceptional items		-	(2,331)
<b>Operating loss after exceptional items</b>	5	<b>(2,353)</b>	<b>(3,528)</b>
Interest receivable and similar income	8	8	32
Interest payable		(99)	(127)
Profit on disposal		543	-
<b>Loss before taxation</b>		<b>(1,902)</b>	<b>(3,622)</b>
Taxation credit	9	393	1,284
<b>Loss after taxation</b>		<b>(1,509)</b>	<b>(2,338)</b>

The notes on pages 10 to 19 form part of these financial statements.

The above results are all in respect of continuing operations.

There is no other comprehensive income (2020: Nil) other than the loss amounting to £1,509,000 (2020: £2,338,000) in the year ended 31 December 2021. Therefore, no separate statement of comprehensive income has been presented.



**British Airways Avionic Engineering Limited**  
**Balance Sheet**  
As at 31 December 2021

E000	Note	2021	2020
<b>Fixed assets</b>			
Tangible assets	10	229	442
Right-of-use assets	11	567	1,928
		<u>796</u>	<u>2,370</u>
<b>Current assets</b>			
Stocks	12	72	156
Debtors	13	16,066	15,790
<b>Total current assets</b>		<u>16,138</u>	<u>15,946</u>
<b>Creditors: amounts falling due within one year</b>	14	(1,885)	(2,305)
<b>Net current assets</b>		<u>14,253</u>	<u>13,641</u>
<b>Total assets less current liabilities</b>		<b>15,049</b>	<b>16,011</b>
<b>Creditors: amounts falling due after more than one year</b>	15	(757)	(1,491)
<b>Provision for liabilities</b>	16	(1,280)	-
<b>Net assets</b>		<u>13,012</u>	<u>14,520</u>
<b>Capital and reserves</b>			
Called up share capital	17	5,000	5,000
Profit and loss account		8,012	9,520
<b>Total equity</b>		<u>13,012</u>	<u>14,520</u>

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.

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

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

The financial statements on pages 7 to 19 were approved by the Board of Directors and signed on its behalf by:



S. Davies

Director

26 September 2022

Registered No: 2775232

**British Airways Avionic Engineering Limited**  
**Statement of Changes in Equity**  
For the year ended 31 December 2021

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For the year ended 31 December 2021

£000	Called up share capital	Profit and loss account	Total shareholders' funds
Balance at 1 January 2021	5,000	9,520	14,520
Loss for the year	-	(1,509)	(1,509)
<b>At 31 December 2021</b>	<b>5,000</b>	<b>8,012</b>	<b>13,012</b>

For the year ended 31 December 2020

£000	Called up share capital	Profit and loss account	Total shareholders' funds
Balance at 1 January 2020	5,000	11,858	16,858
Loss for the year	-	(2,338)	(2,338)
<b>At 31 December 2020</b>	<b>5,000</b>	<b>9,520</b>	<b>14,520</b>

# British Airways Avionic Engineering Limited

## Notes to the financial statements

For the year ended 31 December 2021

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

The financial statements of British Airways Avionic Engineering Limited for the year ended 31 December 2021 were authorised for issue by the Board of Directors on the 26 September 2022 and the Balance Sheet was signed on the Board's behalf by S. Davies. British Airways Avionic Engineering Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales.

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

### 2 Accounting policies

#### 2.1 Basis of preparation

These financial statements have been prepared in accordance with FRS 101 *Reduced Disclosure Framework* and the Companies Act 2006. These financial statements have been prepared under the historical cost convention.

The Company's financial statements are presented in pound 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 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 assessed the intention and 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 2021.

The Company's financial position is significantly affected by the level of operating activity of BA. The Directors note the publication of BA's condensed consolidated interim financial statements for the six-month period ended 30 June 2022, which concluded there was a reasonable expectation that BA has sufficient liquidity to continue in operational existence over the going concern period through to 31 December 2023, and hence continue to adopt the going concern basis. The inclusion of a material uncertainty for BA, in place since the beginning of the COVID-19 pandemic, was removed for BA's condensed consolidated interim financial statements for the six-month period ended 30 June 2022, as a

**British Airways Avionic Engineering Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2021

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**2 Accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**Going concern (continued)**

result of the reduction in uncertainty over the going concern period, due to both the continued recovery subsequent to the COVID-19 pandemic and the strength of BA's liquidity at 30 June 2022.

As a consequence of the above information and having made appropriate enquiries of the Directors of BA on its current financial position, the Directors of the Company consider there is also sufficient liquidity to continue in operational existence over the going concern period and have removed the inclusion of a material uncertainty.

**2.2 Summary of significant accounting policies**

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable, and represent amounts receivable for repair, modification and overhaul services to both BA and other customers for avionic, galley and interior products, stated net of discounts, returns and value added tax. Turnover is recognised upon completion of each project.

**Exceptional items**

Exceptional items are those that in management's view need to be separately disclosed by virtue of their size or nature and where such presentation is relevant to an understanding of the entity's financial performance. While management have a defined list of items and a quantitative threshold that would merit categorisation as exceptional that has been established through historical experience, the company retains the flexibility to add additional items should their size or nature merit such presentation.

**Government grants**

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account on a systematic basis over the estimated useful economic lives of the assets to which they relate or over the periods in which the related costs for which the grants are intended to compensate are recognised as expenses. Amounts recognised in the profit and loss are presented under the heading 'Other income'.

**Tangible assets**

Tangible 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 as follows:

Property	-	over lease term (leased), over 20 years (owned)
Equipment	-	over 10 years

Residual values, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis.

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 tangible assets. An assessment as to whether impairment exists is performed at each reporting date.

**Right of use (ROU) assets**

At inception of a contract, an assessment is made as to whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right of use (ROU) asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company.

At the lease commencement date a ROU 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.

**British Airways Avionic Engineering Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2021

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

The ROU 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 (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate; 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 Group's incremental borrowing rate is used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less that do not contain a purchase option.

**Stocks**

Stocks are valued at the lower of cost and net realisable value. Such cost is determined by the weighted average cost method.

**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.

**Financial assets**

Financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transactions costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Loans and receivables are stated at amortised cost less allowances made for expected credit losses which approximates fair value given the short dated nature of these assets. An allowance for expected credit losses is established based on the calculation and recognition of lifetime expected credit losses.

**Impairment of financial assets**

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative impact on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset carried at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

## **British Airways Avionic Engineering Limited**

### **Notes to the financial statements**

For the year ended 31 December 2021

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#### **Financial liabilities**

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.

#### **Derecognition of financial assets and liabilities**

A financial asset or liability is generally derecognised when the contract that gives rise to it has been settled, sold, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts are recognised in the income statement.

#### **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.

#### **Interest receivable**

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

#### **Interest payable**

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method.

#### **Pension benefits**

Most of the Company's employees are members of the British Airways Pension Plan Scheme ("BAPP"), which is a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are charged to operating profit as incurred.

Some of the Company's employees are members of the British Airways New Airways Pension Scheme ("NAPS"), which is a defined benefit scheme and is closed to new members and future accrual. This is a defined benefit scheme under common control, with British Airways plc being the sponsoring entity. There is no contractual agreement or stated policy for charging the net defined benefit cost, and accordingly this

**British Airways Avionic Engineering Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2021

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

scheme is accounted for by the Company as a defined contribution scheme. Disclosures regarding NAPS are set out in the financial statements of British Airways plc.

Other employee benefits are recognised when there is deemed to be a present obligation.

**Profit and loss reserves**

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

**Share capital**

Ordinary shares are classified as equity.

**New standards, amendments and IFRIC interpretations**

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that were effective for the period ended 31 December 2021, that have had a material impact on the Company.

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of policies and report amounts of assets, liabilities, income and expenses. These judgements, estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. In the future results may differ from judgements and estimates upon which financial information has been prepared. 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.

No critical accounting judgements or key sources of estimation uncertainty are applicable in the year.

**3. Audit exemption**

The Company is not required to have audited financial statements, 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 (2020: Nil).

**4. Turnover**

Turnover for the year has arisen wholly in the United Kingdom and all relates to one continuing activity, the repair, modification and overhaul services to both BA and other customers for avionic, galley and interior products.

**5. Operating loss after exceptional items**

Operating loss is stated after charging/(crediting):

£000	2021	2020
Depreciation of owned assets	212	388
Depreciation of right of use assets	1,362	593
Employee exceptional costs	-	2,331
CJRS credits	(188)	(1,441)
Stocks recognised as an expense	<u>3,776</u>	<u>6,296</u>

**The Coronavirus Job Retention Scheme ('CJRS') - recognised as Other income**

The CJRS was implemented by the government of the United Kingdom from 1 March 2020 to 31 August 2020, where those employees designated as being 'furloughed workers' were eligible to have 80 per cent of their wage costs paid up to a maximum of £2,500 per month.

From 1 September 2020 to 30 September 2020, the level of eligibility reduced to 70 per cent of wage costs up to a maximum of £2,197.50 per month. From 1 October 2020 to 31 October 2020, the level of eligibility reduced to 60 per cent of wage costs and up to a maximum of £1,875 per month. Following the introduction

**British Airways Avionic Engineering Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2021

**5. Operating loss after exceptional items (continued)**

of further lockdown restrictions in the United Kingdom in November 2020, the CJRS was extended from 1 November 2020 to 30 November 2020 and then further to 31 March 2021 and then further again to 30 September 2021 with the level of eligibility increased to 80 per cent of wage costs and a maximum of £2,500 per month through to the end of June 2021, after which the eligibility decreased down each month to 60 per cent of wage costs and a maximum of £1,875 per month by 30 September 2021, at which time the CJRS ended.

Such costs are paid by the government to the Company in arrears, but the Company was obliged to continue to pay the associated social security costs and employer pension contributions.

**6. Directors' remuneration**

The Directors of the Company in 2021 were employed and remunerated during the year by BA in respect of their services to the Group as a whole. The qualifying services provided to the Company by the Directors were incidental compared to their main roles, therefore the Directors did not receive any remuneration for their services to the Company during the year ended 31 December 2021 (2020: Nil).

During the year, four Directors (2020: seven) participated in a defined contribution pension scheme provided by BA. Further details of the defined contribution scheme are included in the financial statements of BA, which can be found on the website [www.iagshares.com](http://www.iagshares.com).

At 31 December 2021, none of the Directors held any direct interest in any shares of the Company (2020: none). During the year, five Directors (2020: four) participated in IAG's Long Term Incentive Schemes and four (2020: none) exercised awards during the year.

No loans or transactions (other than those already disclosed above) 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.

**7. Staff costs**

£000	2021	2020
Wages and salaries	2,631	4,710
Social security costs	216	374
Other pension costs	315	580
	<u>3,162</u>	<u>5,664</u>

During the year the number of staff employed under contracts of service was:

	2021 No.	2020 No.
Production	58	119
Administration	26	43
	<u>84</u>	<u>162</u>

**8. Interest receivable and similar income**

£000	2021	2020
Interest receivable from group undertakings	8	32



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**9. Taxation**

**a) Tax on loss on ordinary activities**

Tax credit/(charge) in the Income Statement:

£000	2021	2020
<b>Current tax</b>		
Movement in respect of current year	441	-
Total current tax	441	-
<b>Deferred tax</b>		
Movement in respect of current year	(63)	1,013
Movement in respect of prior years	(11)	6
Rate change	26	265
Total deferred tax	(48)	1,284
<b>Total tax credit</b>	<b>393</b>	<b>1,284</b>

**b) Deferred tax**

The deferred tax included in the Balance Sheet and the movement in the asset relating to is as follows:

£000	Opening balance	Movement in respect of the current year	Closing balance
Property, plant and equipment	131	(72)	59
Tax losses carried forward	1,173	24	1,197
<b>Total deferred tax</b>	<b>1,304</b>	<b>(48)</b>	<b>1,256</b>

**c) Reconciliation of the total tax credit/(charge) in the Income Statement**

The total tax credit (2020: credit) is calculated at the standard rate of UK corporation tax. The tax credit (2020: credit) on the loss for the year to 31 December 2021 is higher (2020: higher) than the expected tax credit at the UK rate. The Company's effective tax rate is 20.7% (2020: 35.5%) and the differences to the UK rate are explained below:

£000	2021	2020
Accounting loss before tax	(1,901)	(3,622)
Tax calculated at the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	361	688
Effects of:		
Transfer pricing adjustments	17	325
Adjustment in respect of prior years	(11)	6
Tax rate changes	26	265
Tax credit in the Income Statement	393	1,284

**d) Factors that may affect future tax charges**

On March 3, 2021 the UK Chancellor announced that legislation would be introduced in the Finance Bill 2021 to set the main rate of corporation tax at 25 per cent from April 2023. On May 24, 2021 the Finance Bill was substantively enacted, which has led to the remeasurement of deferred tax balances and will increase the Company's future current tax charge accordingly. As a result of the remeasurement of deferred tax balances in the UK entities, a credit of £26,000 is recorded in the Income statement.

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**10. Tangible assets**

£000	Property	Equipment	Total
<b>Cost:</b>			
At 1 January 2021	12,428	11,097	23,525
Disposals	-	(3,677)	(3,677)
<b>At 31 December 2021</b>	<b>12,428</b>	<b>7,420</b>	<b>19,848</b>
<b>Depreciation:</b>			
At 1 January 2021	10,408	10,747	21,155
Charge for the year	1,453	121	1,574
Disposals	-	(3,677)	(3,677)
<b>At 31 December 2021</b>	<b>11,861</b>	<b>7,191</b>	<b>19,052</b>
<b>Net book value:</b>			
<b>At 31 December 2021</b>	<b>567</b>	<b>229</b>	<b>796</b>
At 31 December 2020	2,020	350	2,370
<b>Analysis as at 31 December 2021</b>			
Owned	-	229	229
Right of use assets	567	-	567
	<b>567</b>	<b>229</b>	<b>796</b>

**11. Leases**

**(i) Amounts recognised in the balance sheet**

£000	Property	Total
<b>Cost:</b>		
At 1 January 2021	2,967	2,967
<b>At 31 December 2021</b>	<b>2,967</b>	<b>2,967</b>
<b>Depreciation:</b>		
At 1 January 2021	1,038	1,038
Charge for the year	1,362	1,362
<b>At 31 December 2021</b>	<b>2,400</b>	<b>2,400</b>
<b>Net book value:</b>		
<b>At 31 December 2021</b>	<b>567</b>	<b>567</b>
At 31 December 2020	1,929	1,929

£000	Total
Lease liabilities at 31 December 2020	2,197
Repayments	(804)
Interest expense	99
<b>Lease liabilities at 31 December 2021</b>	<b>1,492</b>
<b>Current</b>	<b>735</b>
<b>Non-current</b>	<b>757</b>

**(ii) Amounts recognised in the income statement**

£000	2021	2020
Interest on lease liabilities	99	127
Depreciation	1,362	593

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**12. Stocks**

£000	2021	2020
Work in progress	72	156

**13. Debtors**

**Amounts falling due within one year:**

£000	2021	2020
Prepayments and accrued income	79	413
Amount due from group undertakings	14,290	14,073
Corporation tax debtor due from Group undertakings	441	-
	<b>14,810</b>	<b>14,486</b>

Amounts due from the group undertakings is interest bearing at the rate of 0.06% (2020: 0.03%) per annum and is repayable on demand.

**Amounts falling due after more than one year:**

£000	2021	2020
Deferred tax asset (note 9)	1,256	1,304
<b>Total debtors</b>	<b>16,066</b>	<b>15,790</b>

**14. Creditors: amounts falling due within one year**

£000	2021	2019
Trade creditors	1,150	1,599
Lease liability (note 11)	735	706
	<b>1,885</b>	<b>2,305</b>

**15. Creditors: amounts falling due after more than one year**

£000	2021	2020
Lease liability (note 11)	757	1,491

**16. Provisions**

£000	Dilapidations
Balance at 1 January 2021	-
Reclassifications	1,280
Balance at 31 December 2021	<b>1,280</b>

Provision for dilapidations: A provision has been made to make good any changed made to the leased property during the period of the lease. This provision will be utilised in 2024.

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**17. Share capital**

		2021		2020	
£000	No.	£		No.	£
<b>Allotted, called up and fully paid</b>					
Ordinary shares of £1 each	5,000,000	5,000		5,000,000	5,000

**18. Related party disclosures**

As the Company is a wholly owned subsidiary of BA it has taken advantage of the exemption permitted by FRS 101 and not disclosed details of transactions with other wholly owned group undertakings.

**19. Post balance sheet events**

There have been no significant events post the balance sheet date

**20. Ultimate parent undertaking and controlling party**

The Company's immediate parent undertaking as at 31 December 2021 was BA, a company registered in England and Wales. As at 31 December 2021, the ultimate parent undertaking and controlling party of the Company was 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 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).