

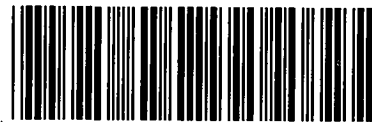
*Registered No: 03109109*

# **British Airways Interior Engineering Limited**

## **Report and Financial Statements**

31 December 2013

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COMPANIES HOUSE

# British Airways Interior Engineering Limited

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Registered No: 03109109

## **Directors**

A Kerswill  
J James  
J Murray-Smith  
D Yates  
R Moody  
D Novelle

## **Secretary**

C Hibbs

## **Auditors**

Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol  
BS1 6BX

## **Bankers**

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

## **Registered Office**

Waterside  
PO Box 365  
Harmondsworth  
UB7 0GB

Registered No: 03109109

## Strategic report

The Directors present their strategic report for the year ended 31 December 2013.

### Review of the business

The Company is a wholly owned subsidiary of British Airways Plc ("British Airways") and operates as part of International Consolidated Airlines Group S.A. ("IAG" or the "Group").

The Company's principal activity is the refurbishment of British Airways interior products such as passenger seats, crew chairs, and other aircraft cabin products such as safety slides, life vests, and survival packs, as well as cutting carpets to fit all British Airways aircraft. This activity takes place in a dedicated facility in South Wales.

As shown in the Company's profit and loss account on page 9, the Company's sales decreased by 1% over the prior year. Profit after tax increased resulting from higher volumes of profitable other airlines interior repairs.

The balance sheet on page 10 of the financial statements shows that the Company's financial position at the end of the year was consistent, in terms of net assets, with the prior year. Details of amounts due from the parent company are shown in note 10 on page 15.

The Company will continue to invest in developing its product range of interior product items found on British Airways aircraft. The Directors regard this investment 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.

British Airways 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 British Airways which is discussed in the Group's annual report, which does not form part of this report.

### Principal risks and uncertainties

Competitive pressure in the airline industry could result in a downturn in the level of air travel and ancillary maintenance services. The Company manages this risk by providing added value services to all its customers, by always demonstrating a flexible attitude to change when meeting requests for additional or enhanced services.

The Company's sales are generated in the UK and therefore are not exposed to the movement in exchange rates. Where purchases are made in foreign currencies for aircraft spares or subcontracting, the Group's treasury function manages this risk at a Group level. The Company uses British Airways Purchase Ledger Payment System (POPL) to pay its suppliers.

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.

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## Strategic report (continued)

### Creditor payment policy and practice

It is the Company's policy that payments to all suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

Creditor payment policy is net monthly.

The Company had 20 days of purchases outstanding at 31 December 2013 (2012: 20 days) based on the average daily amount invoiced by suppliers, during the year.

### Environment

British Airways recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Group's annual report which does not form part of this report. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

By order of the Board



C Hibbs

Secretary

Date: 28<sup>th</sup> August 2014

Registered No: 03109109

## Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

### Results and dividends

The profit for the year after taxation amounted to £1,621,000 (2012: profit of 1,371,000)

The Directors paid a final dividend for the year of £3,000,000 (2012: £nil).

### Directors of the company

The current Directors are shown on page 1.

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

G Copeland	-	resigned 30 November 2013
R Crew	-	resigned 4 March 2014
B Currie	-	resigned 1 July 2014
I Jago	-	resigned 1 July 2014
J James		
J Murray-Smith		
A Kerswill	-	appointed 1 May 2013
D Yates	-	appointed 28 March 2014
D Novelle	-	appointed 1 July 2014
R Moody	-	appointed 1 July 2014

### Liability insurance

The ultimate parent, IAG, holds a Directors' and Officers' liability insurance policy covering the Directors and Officers of the IAG Group.

### Future developments

The Directors aim to maintain the management policies which have resulted in the profitable Company results for the year. It is the Company's intention to continue to provide aircraft refurbishment services to British Airways and other airline operators.

### Events since the balance sheet date

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

### Directors' going concern assessment

The Company's turnover is principally derived from intercompany transactions with its immediate parent, British Airways. On the basis of the Directors' assessment of the Company's financial position and of the enquiries made of the management of British Airways and IAG, the Company's immediate and ultimate parent undertaking respectively, the Company's Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Directors' report (continued)

### Political donations

There have been no political or charitable donations made over £2,000 (2012: £nil).

### Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 13. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

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 newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

### Auditors

The Company's auditors, Ernst and Young LLP, will automatically continue in office in accordance with the terms of appointment, as per section 487 of the Companies Act 2006.

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

The Directors who were members of the board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirm that:

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditors are not aware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



C Hibbs

Secretary

Date: 28<sup>th</sup> August 2014

## **Statement of Directors' responsibilities in respect of the financial statements**

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 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 irregularities.

## **Independent auditors' report**

### **to the members of British Airways Interior Engineering Limited**

We have audited the financial statements of British Airways Interior Engineering Ltd for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Independent auditors' report**

to the members of British Airways Interior Engineering Limited

### **Matters on which we are required to report by exception**

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

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



Jane Barwell (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

Date: 1 September 2014

Registered No: 03109109

## Profit and loss account

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
<b>Turnover</b>	2	28,973	29,266
Cost of sales		(24,596)	(25,174)
<b>Gross profit</b>		4,377	4,092
Administration costs		(2,778)	(2,740)
<b>Profit on ordinary activities before interest and tax</b>	3	1,599	1,352
Interest receivable	6	24	22
<b>Profit on ordinary activities before taxation</b>		1,623	1,374
Taxation	7	(2)	(3)
<b>Profit on ordinary activities after taxation</b>	14	1,621	1,371

## Statement of total recognised gains and losses

for the year ended 31 December 2013

There have been no recognised gains or losses in the year other than the profit after taxation of £1,621,000. (2012: £1,371,000). All profits above are attributable to continuing operations.

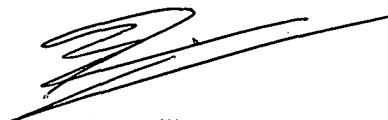
Registered No: 03109109

## Balance sheet

at 31 December 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	8	469	311
<b>Current assets</b>			
Stocks	9	614	929
Debtors	10	3,207	4,357
Cash at bank and in hand		-	-
		3,821	5,286
<b>Creditors: amounts falling due within one year</b>	11	(453)	(383)
<b>Net current assets</b>		3,368	4,903
<b>Total assets less current liabilities</b>		3,837	5,214
<b>Provision for liabilities and charges</b>			
Deferred taxation	12	(3)	(1)
<b>Net assets</b>		3,834	5,213
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Profit and loss account	14	3,834	5,213
<b>Equity shareholders' funds</b>		3,834	5,213

Approved by the Board



A Kerswill

Director

Date 28 Nov 2014

## Notes to the financial statements

For the year ended 31 December 2013

### 1. Accounting policies

#### *Accounting convention*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected life, as follows: -

Plant and machinery and computer equipment	- Over 4 - 10 years
Leasehold buildings	- Over 10 years

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value; cost being direct materials and labour plus attributable overheads based on a normal level of activity.

#### *Deferred tax*

Full provision is made for deferred taxation on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred taxation is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantially enacted at the balance sheet date.

#### *Foreign currencies*

Transactions denoted in foreign currencies occurring during the course of the year are translated into sterling at the rates of exchange prevailing at the dates of these transactions. All exchange differences are included in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the balance sheet date.

#### *Pension benefits*

Retirement benefits are payable through New Airways Pension Scheme, a separately funded pension scheme operated by British Airways Plc. Contributions to the pension scheme are made on the basis of independent actuarial advice and charged to the profit and loss account so as to spread the cost over the remaining service lives of the employees.

Further details of the pension scheme are given in the financial statements of British Airways Plc.

#### *Cash flow statement*

The Company has taken advantage of FRS1 (Revised) and not prepared its own cash flow statement.

#### *Leasing commitments*

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

## Notes to the financial statements

For the year ended 31 December 2013

### 2. Turnover and segmental analysis

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover for the year has arisen wholly in the United Kingdom, and all relates to one continuing activity, the repair and overhaul of aeroplane interiors.

### 3. Profit on ordinary activities before interest and taxation

This is stated after charging:

	2013 £000	2012 £000
Depreciation	57	44
Auditors' remuneration - audit services	13	13
Operating lease rentals – plant and machinery	529	529
	<u>599</u>	<u>586</u>

### 4. Directors' remuneration

	2013 £000	2012 £000
Directors' emoluments	190	136
	<u>190</u>	<u>136</u>
	No.	No.
Members of defined benefits scheme	7	7
Directors who are entitled to shares under Long Term Incentive Plans	7	7
	<u>7</u>	<u>7</u>

The emoluments for one Director were borne by the Company and his emoluments during the period are shown above. Compensation for loss of office is paid in accordance with the executive Director's service contract; the contract is terminable on six months' notice. The remaining Directors were employed by and remunerated by British Airways Plc in respect of their services to the Group as a whole. Therefore these Directors do not receive any remuneration for their services as a Director of the Company during the year ended 31 December 2013 (2012: £nil).

Seven Directors qualified for a defined benefit scheme provided by the Company's parent undertaking during the reporting period. Full disclosure of this is made in the financial statements of British Airways Plc, which can be found on the website [www.iagshares.com](http://www.iagshares.com).

## Notes to the financial statements

For the year ended 31 December 2013

### 4. Directors' remuneration (continued)

None of the Directors had any interest in any shares of British Airways Interior Engineering Ltd, in accordance with Schedule 5 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. Ten Directors participated in the Long Term Incentive Schemes of British Airways Plc, the parent undertaking, including The Long Term Incentive Plan 1996 (LTIPs) and The British Airways Performance Share Plan 2005 (PSP). Ten Directors also participated in IAG's Long Term Incentive Scheme called the IAG Performance Share Plan (IPSP).

None of the Directors exercised their rights under British Airways PSP or LTIPs; and none of the Directors exercised their awards in the form of IAG shares under IPSP.

No other transactions (other than the ones already disclosed) or loans were outstanding with the Directors of the Company at the end of the year, which need to be disclosed in accordance with section 412 and 413 of the Companies Act 2006.

### 5. Staff costs

	2013 £000	2012 £000
Wages and salaries	4,509	4,136
Social security costs	359	319
Other pension costs	403	389
	<u>5,271</u>	<u>4,844</u>

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

	2013 No.	2012 No.
Production	169	166
Administration	13	9
	<u>182</u>	<u>175</u>

## Notes to the financial statements

For the year ended 31 December 2013

### 6. Interest

	2013	2012
	£000	£000
Interest receivable from parent undertaking	24	22

### 7. Taxation

Analysis of tax charge/ (credit) for the year

	2013	2012
	£000	£000
<i>Current tax:</i>		
Tax charge for the year	-	-
<i>Deferred tax:</i>		
Accelerated capital allowances	2	3
	<u>2</u>	<u>3</u>

#### **Factors affecting tax charge for the period**

The current tax credit for the year is less than the profit at the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013	2012
	£000	£000
Profit on ordinary activities before tax	1,623	1,374
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	<u>377</u>	<u>337</u>
<i>Effects of:</i>		
Depreciation in excess of capital allowances	3	-
Other differences	(3)	(3)
Free Group relief from Group members	(377)	(334)
Current tax charge for the period as above	<u>-</u>	<u>-</u>

## Notes to the financial statements

For the year ended 31 December 2013

### 8. Tangible fixed assets

	<i>Short leasehold buildings</i>	<i>Plant and machinery</i>	<i>Computer equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 January 2013	1,374	514	144	2,032
Additions	-	194	21	215
At 31 December 2013	1,374	708	165	2,247
<i>Depreciation:</i>				
At 1 January 2013	1,313	318	90	1,721
Charge for the year	15	28	14	57
At 31 December 2013	1,328	346	104	1,778
<i>Net book value:</i>				
At 31 December 2013	46	362	61	469
At 1 January 2013	61	196	54	311

### 9. Stocks

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Work in progress	614	929

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

### 10. Debtors

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Amounts due from parent undertaking	3,080	4,230
Other debtors	127	127
	3,207	4,357



## Notes to the financial statements

For the year ended 31 December 2013

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

	2013	2012
	£000	£000
Accruals and trade creditors	453	383

### 12. Deferred taxation

The movements in the deferred tax account in the current and previous years are as follows:

	2013	2012
	£000	£000
Provision/(assets) at the start of the year	1	(2)
Charge for the year (note 7):		
- profit and loss charge for the current year	2	3
Provision at end of year at 20% (2012:23%)	3	1

Deferred taxation at 20% (2012: 23%) has been fully recognised in the financial statements as follows:

	2013	2012
	£000	£000
Accelerated capital allowances	3	1

The main rate of corporation tax reduced from 24% to 23% effective 1 April 2013. Further reductions were substantively enacted in the year reducing the rate to 21% effective from 1 April 2014 and to 20% effective 1 April 2015. The provision for deferred tax on timing arising on differences between tax and accounting treatment as at 31 December 2013 was calculated at the tax rate at which the difference is expected to reverse in future periods. No further reductions to the rate of UK corporation tax are currently anticipated.

## Notes to the financial statements

For the year ended 31 December 2013

### 13. Allotted and Issued Share Capital

	<i>Allotted, called up and fully paid</i>	
	2013	2012
Ordinary shares of £1 each	£2	£2
	<u>          </u>	<u>          </u>
No. of ordinary shares of £1 each	2	2
	<u>          </u>	<u>          </u>

### 14. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £000</i>	<i>Profit and Loss account £000</i>	<i>Total £000</i>
At 1 January 2012	-	3,842	3,842
Profit for the year	-	1,371	1,371
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2012	-	5,213	5,213
Profit for the year	-	1,621	1,621
Dividend paid (note 19)	-	(3,000)	(3,000)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2013	-	3,834	3,834
	<u>          </u>	<u>          </u>	<u>          </u>

### 15. Other financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	<i>Buildings 2013 £000</i>	<i>Buildings 2012 £000</i>
Greater than five years	529	529
	<u>          </u>	<u>          </u>

## Notes to the financial statements

For the year ended 31 December 2013

### 16. Ultimate parent undertaking

The Company's immediate parent undertaking as at 31 December 2013 was British Airways Plc, a company registered in England and Wales. As at 31 December, the ultimate parent undertaking of the Company was International Consolidated Airlines Group S.A. ("IAG") which is incorporated in Spain. Of the group of which the Company was a member, IAG was the largest undertaking preparing group financial statements and British Airways Plc was the smallest undertaking preparing group financial statements.

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

### 17. Pension benefits

The Company's employees are members of the British Airways New Airways Pension Scheme ("NAPS") which is closed to new members, and the British Airways Retirement Plan (BARP); which is a defined contribution scheme. The assets of these schemes are held in separate trusts so the assets are separate from those of the Company. Benefits under NAPS are based upon final average pensionable pay reduced by an amount (the "abatement") not exceeding one and a half times the Government's lower earnings limit and receive increases in deferment and payment in line with the Pensions Increase (Review) Orders – currently measured in line with the consumer price index - up to a maximum of five per cent in any one year.

Pension contributions in the accounts were set during the March 2012 valuation of NAPS; at this date assets were £9,615 million, which represented 78.3% of the value of the benefits that had accrued to members after allowing for assumed increases in earnings.

The Company is not able to identify its share of the assets and liabilities within the NAPS and BARP schemes on a consistent and reasonable basis. Disclosures concerning the assets and liabilities of the scheme can be found in the financial statements of British Airways Plc, the immediate parent company.

### 18. Related party disclosures

As the Company is a wholly owned subsidiary undertaking it has taken advantage of the exemption permitted by FRS 8 on Related Party Disclosures and not disclosed details of transactions with other wholly owned Group undertakings.

### 19. Dividends

	2013	2012
	£000	£000
Dividend paid and proposed	3,000	-