

British Airways Interior Engineering Limited

Annual Report and Accounts

For the year ended 31 December 2020

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British Airways Interior Engineering Limited
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British Airways Interior Engineering Limited

Company information

Directors

S. Davies
M. Grant-Stevens
J. Mahoney
W. Armstrong
L. Street
A. Caine

Bankers

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Winchester House
1 Great Winchester Street
London
EC2N 2DB

Registered Office

Waterside
PO Box 365
Harmondsworth
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British Airways Interior Engineering Limited Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2020. British Airways Interior 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 refurbishment of aircraft interior and safety products on British Airways aircraft. The activity takes place in a dedicated facility in South Wales.

The Company's revenue decreased by 48.9% (2019: 15.7% decrease) in comparison to the prior year whilst profit after taxation decreased by £3,061,000 (845.5%) to a loss of £2,699,000. Reductions were driven by lower revenue from BA due to COVID-19.

The Company will continue to invest in maintaining its capability to refurbish and overhaul interior and safety products 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 result in a downturn in 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, the Group's 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.

Impact of COVID-19

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

The Directors have taken action to preserve cash by reducing forecast overhead costs and capital expenditure. Labour costs have been reduced by the termination of agency staff, an undertaking of voluntary and compulsory redundancies and the furloughing of staff in accordance with the Government Coronavirus Job Retention Scheme. The Directors continue to monitor and review the Company's cash flow forecasts regularly and will continue to take any necessary actions to support the Company's financial position.

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.

British Airways Interior Engineering Limited
Strategic Report (continued)

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

A handwritten signature in black ink, appearing to read 'S. Davies', written in a cursive style.

S. Davies
Director

22 September 2021

British Airways Interior Engineering Limited

Directors' Report

The Directors present their report and financial statements for British Airways Interior Engineering Limited for the year ended 31 December 2020.

Directors

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

S. Davies
M. Grant-Stevens
J. Mahoney
W. Armstrong
L. Street
G. Nijjer (resigned 14 February 2020)
A. Caine (appointed 1 May 2020)

Results and dividends

The loss for the year after taxation amounted to £2,699,000 (2019: £362,000 profit). The Directors do not propose to pay a final dividend (2019: Enil).

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 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 2020.

However, 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 2021, 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 Directors of the Company consider there is also a material uncertainty over the level of the Company's operating activities and BA's ability to provide financial support to the Company and this could cast significant doubt upon the Company's ability to continue as a going concern. Refer to note 2.1 for further information.

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 Officers' liability insurance

The ultimate parent company of the Group, IAG, purchases insurance against Directors' and Officers' liability as permitted by the Companies Act 2006 for the benefit of the Directors and Officers of its subsidiary undertakings.

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 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.

British Airways Interior Engineering Limited

Director's Report (continued)

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 newsletters. 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 (2019: £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;
- state whether applicable UK Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless 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 5. 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 Interior Engineering Limited
Director's Report (continued)

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

A handwritten signature in black ink, appearing to read 'S. Davies', written in a cursive style.

S. Davies

Director

22 September 2021

British Airways Interior Engineering Limited
Income Statement
For the year ended 31 December 2020

£000	Note	2020	2019
Turnover	4	12,589	24,658
Cost of sales		(12,578)	(21,297)
Gross profit		11	3,361
Administration costs		(3,090)	(2,897)
Other income		738	-
Operating (loss)/profit before exceptional items		(2,341)	464
Exceptional items		(1,064)	-
Operating (loss)/profit after exceptional items	5	(3,405)	464
Interest receivable and similar income	8	8	36
Interest payable		(120)	(140)
(Loss)/profit before taxation		(3,517)	360
Taxation	9	818	2
(Loss)/profit after taxation		(2,699)	362

The notes on pages 11 to 21 form part of these financial statements.

The above results are all in respect of continuing operations.

There is no other comprehensive income (2019: £nil) other than the loss amounting to £2,699,000 (2019: £362,000 profit) in the year ended 31 December 2020. Therefore, no separate statement of comprehensive income has been presented.

British Airways Interior Engineering Limited
Balance Sheet
As at 31 December 2020

£000	Note	2020	2019
Deferred tax asset	9	757	-
Tangible assets	10	1,336	3,843
Total non-current assets		2,093	3,843
Stocks	12	615	1,635
Debtors	13	3,806	4,451
Total current assets		4,421	6,086
Creditors: amounts falling due within one year	14	(2,780)	(1,427)
Net current assets		1,641	4,659
Total assets less current liabilities		3,734	8,502
Creditors: amounts falling due after more than one year	15	-	(1,976)
Deferred government grants	16	(95)	(127)
Deferred tax liability	9	-	(61)
Net assets		3,639	6,338
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account		3,639	6,338
Total equity		3,639	6,338

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 8 to 21 were approved by the Board of Directors and signed on its behalf by:



S. Davies

Director

22 September 2021

British Airways Interior Engineering 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	Profit and loss account	Total shareholders' funds
Balance at 1 January 2020	-	6,338	6,338
Loss for the year	-	(2,699)	(2,699)
At 31 December 2020	-	3,639	3,639

For the year ended 31 December 2019

£000	Called up share capital	Profit and loss account	Total shareholders' funds
Balance at 1 January 2019	-	5,976	5,976
Profit for the year	-	362	362
At 31 December 2019	-	6,338	6,338

British Airways Interior Engineering Limited

Notes to the financial statements

For the year ended 31 December 2020

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

The financial statements of British Airways Interior Engineering Limited for the year ended 31 December 2020 were authorised for issue by the Board of Directors on the 22 September 2021 and the Balance Sheet was signed on the Board's behalf by S. Davies. British Airways Interior Engineering Limited is a private company limited by shares and is incorporated and domiciled in England and Wales.

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

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 made an assessment of the 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 2020.

However, 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 2021, 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

British Airways Interior Engineering Limited
Notes to the financial statements
For the year ended 31 December 2020

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

continue to secure 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, including for the period beyond the next 12 months, the Directors of BA are actively pursuing a range of financing options, including securing additional long term financing 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 on yield, cost mitigations achieved 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, 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 BA on its current financial position, the Directors of the Company consider this also represents a material uncertainty over the level of Company's operating activities and 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

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represent amounts receivable for repair and maintenance services provided, stated net of discounts, returns and value added tax.

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'.

Property, plant and equipment

Property, plant and equipment 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:

Plant, machinery and computer equipment	-	over 4 to 10 years
Leasehold improvements	-	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.

British Airways Interior Engineering Limited
Notes to the financial statements
For the year ended 31 December 2020

2.2 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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 property, plant and equipment. An assessment as to whether impairment exists is performed at each reporting date.

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.

Right of use (ROU) assets

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.

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.

British Airways Interior Engineering Limited
Notes to the financial statements
For the year ended 31 December 2020

2.2 Summary of significant accounting policies (continued)

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. A provision for expected credit losses (allowance for doubtful receivables) 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.

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.

British Airways Interior Engineering Limited
Notes to the financial statements
For the year ended 31 December 2020

2.2 Summary of significant accounting policies (continued)

Taxation (continued)

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.

Finance costs

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

Pension benefits

Retirement benefits are payable through the British Airways Pension Plan, a separately funded pension scheme operated by BA. Company contributions to the pension scheme are made on the basis of independent actuarial advice and charged to the profit and loss account. Further details of the pension scheme are given in the financial statements of BA.

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

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

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.

Key accounting estimates and judgements

The estimates and assumptions that affect the current year or have a significant risk of causing a material adjustment within the next financial year are as follows:

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates of the economic utilisation and physical condition of the asset.

British Airways Interior Engineering Limited
Notes to the financial statements
For the year ended 31 December 2020

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 (2019: £nil).

4. Turnover

Turnover for the year has arisen wholly in the United Kingdom and all relates to one continuing activity, the repair and overhaul of aircraft parts.

5. Operating loss

Operating loss is stated after charging/(crediting):

£000	2020	2019
Depreciation of owned assets	373	242
Depreciation of right of use assets	474	474
Deferred government grants	(32)	(32)
Employee exceptional costs	1,064	-
CJRS credits	(738)	-
Stocks recognised as an expense	<u>6,863</u>	<u>13,433</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, 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 of further lockdown restrictions in the United Kingdom in November 2020, the CJRS was extended from 1 November 2020 to 31 December 2020 with the level of eligibility increased to 80 per cent of wage costs and a maximum of £2,500 per month.

Such costs are paid by the government to the Company in arrears. The government of the United Kingdom also paid associated social security cost until 31 July 2020. Since 1 August 2020, the Company was obliged to continue to pay the associated social security costs and employer pension contributions.

The Company received £738,424 from the CJRS in the year ended 31 December 2020. This amount is recorded in other income in the income statement.

The Company intends to continue to make use of the CJRS whilst it is available.

6. Directors' remuneration

The Directors of the Company 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 2020 (2019: £nil).

During the year, seven Directors (2019: 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.

At 31 December 2020, none of the Directors held any direct interest in any shares of the Company (2019: none). During the year, four Directors (2019: seven) participated in IAG's Long Term Incentive Schemes and none (2019: four) exercised awards during the year.

British Airways Interior Engineering Limited
Notes to the financial statements
For the year ended 31 December 2020

6. Directors' remuneration (continued)

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	2020	2019
Wages and salaries	3,534	4,861
Social security costs	263	426
Other pension costs	371	458
	<u>4,168</u>	<u>5,745</u>

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

	2020 No.	2019 No.
Production	145	168
Administration	<u>8</u>	<u>10</u>
	<u>153</u>	<u>178</u>

8. Interest receivable and similar income

£000	2020	2019
Interest receivable from group undertakings	<u>8</u>	<u>36</u>

9. Taxation

a) Tax on (loss)/profit on ordinary activities

Tax credit in the Income Statement:

£000	2020	2019
Current tax		
Movement in respect of prior years	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Movement in respect of current year	668	(1)
Movement in respect of prior years	6	3
Rate change	144	-
Total deferred tax	<u>818</u>	<u>2</u>
Total tax	<u>818</u>	<u>2</u>

British Airways Interior Engineering Limited
Notes to the financial statements
For the year ended 31 December 2020

9. Taxation (continued)

b) Deferred tax

The deferred tax included in the Balance Sheet and the movement in the (liability)/asset relating to it is as follows:

	Opening balance	Movement in respect of the current year	Closing balance
£000			
Property, plant and equipment	(61)	65	4
Tax losses carried forward	-	753	753
Total deferred tax	(61)	818	757

c) Reconciliation of the total tax credit in the Income Statement

The total tax credit is calculated at the standard rate of UK corporation tax. The tax credit (2019: credit) on the loss (2019: profit) for the year to 31 December 2020 is higher (2019: higher) than the expected tax credit at the UK rate. The Company's effective tax rate is 23.3% (2019: -1%) and the differences to the UK rate are explained below:

£000	2020	2019
Accounting (loss)/profit before tax	(3,517)	360
Tax calculated at the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	668	(68)
Effects of:		
Adjustment in respect of prior years	6	3
Tax rate changes	144	-
Group relief	-	67
Tax credit in the Income Statement	818	2

d) 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 Finance Act 2020 and in Finance Act 2021, the tax rate was increased to 25%, effective 1 April 2023. This will increase the Company's future UK current tax charge accordingly. The deferred tax on temporary differences at 31 December 2020 was calculated at the rate applicable to the year in which the temporary differences are expected to reverse.

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10. Tangible assets

£000

	Short leasehold buildings	Property	Equipment	Total
Cost:				
At 1 January 2020	1,374	2,836	2,922	7,132
Additions	-	-	28	28
Lease modification	-	(1,689)	-	(1,689)
At 31 December 2020	1,374	1,147	2,950	5,471
Depreciation:				
At 1 January 2020	1,374	474	1,441	3,289
Charge for the year	-	474	372	846
At 31 December 2020	1,374	948	1,813	4,135
Net book value:				
At 31 December 2020	-	199	1,137	1,336
At 31 December 2019	-	2,362	1,481	3,843
Analysis as at 31 December 2020				
Owned	-	-	1,137	1,137
Right of use assets	-	199	-	199
	-	199	1,137	1,336

11. Leases

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

£000	Property	Total
Cost:		
At 1 January 2020	2,836	2,836
Lease modification	(1,689)	(1,689)
At 31 December 2020	1,147	1,147
Depreciation:		
At 1 January 2020	474	474
Charge for the year	474	474
At 31 December 2020	948	948
Net book value:		
At 31 December 2020	199	199
At 31 December 2019	2,362	2,362
£000		Total
Lease liabilities at 31 December 2019		2,615
IFRS 16 liability 1 January 2020		2,615
Lease modification		(1,689)
Repayments		(833)
Interest expense		120
Lease liabilities at 31 December 2020		213
Current		213
Non-current		-

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11. Leases (continued)

(ii) Amounts recognised in the income statement

£000	2020	2019
Interest on lease liabilities	120	140
Depreciation	474	474

12. Stocks

£000	2020	2019
Work in progress	615	1,635

13. Debtors

£000	2020	2019
Prepayments and accrued income	111	174
Amount due from group undertakings	3,695	4,277
	3,806	4,451

Amounts due from the group undertakings is interest bearing at the rate of 0.03% (2019: 0.7%) per annum and is repayable on demand.

14. Creditors: amounts falling due within one year

£000	2020	2019
Trade creditors	2,535	751
Other creditors	32	37
Lease liability (note 11)	213	639
	2,780	1,427

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

£000	2020	2019
Lease liability (note 11)	-	1,976

16. Deferred government grant

£000	2020	2019
Deferred government grants	95	127

17. Share capital

£000	No.	2020 £	No.	2019 £
Allotted, called up and fully paid				
Ordinary shares of £1 each	2	2	2	2

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18. Pension benefits

The Company's employees are members of the British Airways Pension Plan Scheme ("BAPP") which is a defined contribution scheme. This is a flexible benefit scheme offering a choice of contribution rates and the ability to opt for cash arrangements instead of a pension. The assets of this scheme are held in separate trusts so the assets are separate from those of the Company. The Company is not able to identify the assets and liabilities within the scheme attributable to its members on a consistent and reasonable basis. Disclosures concerning the assets and liabilities of the scheme can be found in the financial statements of BA, the immediate parent company.

19. 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.

20. Post balance sheet events

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

21. Ultimate parent undertaking

The Company's immediate parent undertaking as at 31 December 2020 was BA, a company registered in England and Wales. As at 31 December 2020, the ultimate parent undertaking 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.