

**DIRECTORS' REPORT AND ACCOUNTS**  
**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**31 DECEMBER 2011**

Company Number 590083

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# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

Company Number 590083

## DIRECTORS' REPORT

Directors A. K. Buchanan  
K. Williams  
Secretary K. Dosanjh  
Registered office Waterside, PO Box 365  
Harmondsworth UB7 0GB

The Directors present their report and the audited accounts of British Airways Associated Companies Limited (the "Company") for the year ended 31 December 2011

### DIRECTORS

The Directors of the Company during the year ending 31 December 2011 were A.K. Buchanan and K. Williams

### RESULTS AND DIVIDENDS

The profit after tax for the year amounted to £324,000 (nine months to 31 December 2010 £213,000) The Directors do not recommend the payment of a final dividend (nine months to 31 December 2010 Nil)

### PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc ("British Airways"), acts primarily as a holding company for investments

A merger between British Airways and Iberia Lineas Aereas de Espana ("Iberia") completed on 21 January 2011 As a result of this merger, International Consolidated Airlines Group S.A. ("IAG") was formed to hold the interests of both existing airline groups IAG started trading on the London Stock Exchange, with a secondary listing in Spain, on 24 January 2011 As a consequence, the Company changed its reporting period to a 31 December year end in 2010 The comparative results are the Company's financial statements for the nine months ended 31 December 2010

The Directors do not expect any changes in the Company's activity in the foreseeable future

### GOING CONCERN

The Directors have received a commitment of financial support from its immediate parent company British Airways, and therefore the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors

### POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made no political or charitable contributions (nine months to 31 December 2010 Nil)

### EVENTS SINCE THE BALANCE SHEET DATE

On May 2, 2012, the Company purchased an investment in The Galileo Company for Nil value from Remotereport Trading Limited.

### LIABILITY INSURANCE

Prior to the merger, British Airways Plc purchased 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 Since 21 January 2011, the ultimate parent of the group, IAG, has held an equivalent policy covering the IAG Group

### AUDITORS

The Company's auditors Ernst & Young LLP, will automatically continue in office in accordance with the terms of their 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 above Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all 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 the information

By order of the Board



Secretary  
K. Dosanjh

13 June 2012

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the 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 judgements and 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 other irregularities.

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

We have audited the financial statements of British Airways Associated Companies Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 12. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 (APB'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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on the 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 2011 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 matters prescribed by the Companies Act 2006**

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

**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.

*Ernst & Young LLP*

Kathryn Barrow (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

*14 June 2012*

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	12 Months to 31 December 2011 £000	Nine Months to 31 December 2010 £000
Interest receivable	4	<u>324</u>	<u>213</u>
<b>Profit on ordinary activities before tax</b>		<b>324</b>	<b>213</b>
Tax on profit on ordinary activities	5	<u>-</u>	<u>-</u>
<b>Profit for the financial year/period</b>		<b><u>324</u></b>	<b><u>213</u></b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

There were no gains or losses other than the profit amounting to £324 000 in the year to 31 December 2011 (nine months to 31 December 2010 £213,000)

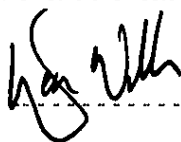
**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Note	31 December 2011 £000	31 December 2010 £000
<b>FIXED ASSETS</b>			
Investments	6	-	-
<b>CURRENT ASSETS</b>			
Debtors	7	50,368	50,044
<b>TOTAL ASSETS</b>		<b>50,368</b>	<b>50,044</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	173,425	173,425
Profit and loss account	9	(123,057)	(123,381)
<b>TOTAL EQUITY</b>		<b>50,368</b>	<b>50,044</b>

The accounts were approved by the Board of Directors and signed on behalf of the Board

Director

Keith Williams



Date

13 June 2012

# BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED

## NOTES TO THE ACCOUNTS

31 DECEMBER 2011

### 1 ACCOUNTING POLICIES

#### Accounting convention

The accounts are prepared under the historical cost convention and in accordance with all applicable United Kingdom accounting standards

#### Cash flow statement

Under the provisions of FRS 1 Cash Flow Statements (revised) the Company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of British Airways Plc whose accounts include a consolidated cash flow statement.

#### Interest income

Interest income is recognised as interest accrues using the effective interest method

### 2 AUDITORS' REMUNERATION

The auditor's remuneration of £4,800 (Nine months to December 2010 £5,000) for the audit of the Company accounts, has been borne by British Airways Plc

### 3 DIRECTORS' REMUNERATION

One of the Directors of the Company was employed and remunerated during the period by British Airways Plc prior to the merger and subsequently by IAG in respect of his services to the Group as a whole. One of the Directors of the Company was employed and remunerated by British Airways Plc throughout the year in respect of his services to the Group as a whole. The qualifying services provided to the Company by these Directors were incidental compared to their main roles, therefore their remuneration amount relating to the Company is £nil for the year ended 31 December 2011 (nine months to 31 December 2010 £nil)

One of the Directors qualified for a defined benefit pension scheme provided by the Company's parent undertaking during the year. Full disclosure of this is made in the financial statements of British Airways Plc

No other transactions or loans 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

There were no employees of the Company during the year (nine months to 31 December 2010 nil)

### 4 INTEREST RECEIVABLE

	12 Months to 31 December 2011 £000	Nine Months to 31 December 2010 £000
Interest receivable from parent undertaking	324	213

### 5 TAX

#### (a) Analysis of charge for the year/period

##### Current Tax

There is no tax charge for the year (nine months to 31 December 2010 £nil)

#### (b) Factors affecting tax charge for the year/period

The current tax charge for the year is less than the profit at the standard rate of corporation tax in the UK of 26.5% (2010 28%)

The differences are explained below

	12 Months to 31 December 2011 £000	Nine Months to 31 December 2010 £000
Profit on ordinary activities before tax	324	213
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 28%)	86	60
Effects of		
Free group relief from fellow subsidiaries	(86)	(60)
<b>Current tax charge for the year/period</b>	<b>-</b>	<b>-</b>

Further reductions in the UK corporation tax rate were substantively enacted in the year. The main rate of corporation tax was reduced from 28% to 26% effective from 1 April 2011. The main rate of corporation tax will be reduced from 1 April 2012 to 24%, and one per cent per annum to 22% by 1 April 2014.

**BRITISH AIRWAYS ASSOCIATED COMPANIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 December 2011**

*(Continued)*

<b>6 INVESTMENTS</b>	<b>31 December 2011 £000</b>	<b>31 December 2010 £000</b>
Cost		
At beginning and end of year/period	<u>8</u>	<u>8</u>
Provisions		
At beginning and end of year/period	<u>(8)</u>	<u>(8)</u>
<b>Net book value at end of year/period</b>	<u>-</u>	<u>-</u>

<b>7 DEBTORS</b>	<b>31 December 2011 £000</b>	<b>31 December 2010 £000</b>
Amounts owed by parent undertaking	<u>50,368</u>	<u>50,044</u>

<b>8 SHARE CAPITAL</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>Number</b>	<b>Number</b>
Allotted, called up and fully paid up Ordinary shares of £100 each	<u>173,425,000</u>	<u>173,425,000</u>
	<b>£000</b>	<b>£000</b>
Balance at period end	<u>173,425</u>	<u>173,425</u>

**9 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES**

	<u>Called up share capital</u>	<u>Profit and loss account</u>	<u>Total</u>
	£000	£000	£000
<b>At 31 March 2010</b>	173,425	(123,594)	<b>49,831</b>
Profit after tax	-	213	<b>213</b>
<b>At 31 December 2010</b>	<u>173,425</u>	<u>(123,381)</u>	<u><b>50,044</b></u>
Profit after tax	-	324	<b>324</b>
<b>At 31 December 2011</b>	<u>173,425</u>	<u>(123,057)</u>	<u><b>50,368</b></u>

**10 RELATED PARTIES**

As the Company is a wholly owned subsidiary of British Airways Plc, the Company has taken advantage of the exemption in FRS 8 Related Party Disclosures not to disclose related party transactions with fellow wholly owned Group undertakings

**11 POST BALANCE SHEET EVENTS**

On May 2, 2012, the Company purchased an investment in The Galileo Company for Nil value from Remotereport Trading Limited

**12 PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's immediate parent undertaking as at 31 December 2011 was British Airways Plc, a company registered in England and Wales  
As at 31 December 2011, 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)