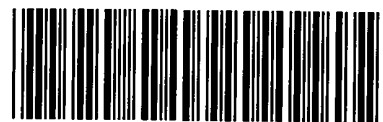


Registered No: 02107441

British Midland Limited

Annual Report and Accounts
For the year ended 31 December 2015

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COMPANIES HOUSE

British Midland Limited

Corporate information

DIRECTORS

C Denley
L Embleton

COMPANY SECRETARY

A. Fleming

REGISTERED OFFICE

Waterside
PO Box 365
Harmondsworth
UB7 0GB

British Midland Limited

Directors' Report

The Directors present their annual report and the unaudited accounts of British Midland Limited (the 'Company') for the year ended 31 December 2015.

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

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Company is to act as a holding company.

The Company did not trade during the current or preceding period.

The only transaction in the year was a share capital reduction.

DIRECTORS

The Directors of the Company during the year ended 31 December 2015 were as follows:

C Denley

L Embleton

P Simpson (resigned 13 February 2015)

N Swift (resigned 26 February 2016)

RESULTS AND DIVIDENDS

The Directors do not recommend the payment of a final dividend (2014: £nil).

TRANSITION TO FRS 101

The Company has transitioned to FRS 101 for the year ended 31 December 2015, which did not result in any measurement change. Further discussion around the transition is disclosed in Notes 2 and 10 of the financial statements.

GOING CONCERN

No material uncertainties that cast significant doubt over the ability of the Company to continue as a going concern have been identified by the Directors. On the basis of their assessment of the Company's financial position, the Company's Directors have a reasonable expectation that the Company will be able to 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' AND OFFICERS' LIABILITY INSURANCE

The ultimate parent company of the group, International Consolidated Airlines Group S.A ("IAG"), purchases insurance against Directors' and Officers' Liability as permitted by the Companies Act 2006 for the benefit of the directors and officers of its subsidiary undertakings.

POLITICAL CONTRIBUTIONS

During the period, the Company made no political contributions (2014: £nil).

British Midland Limited

Directors' Report

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 above. Having made enquiries of fellow Directors, each of these Directors confirms that:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with s476; and
- the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the accounts.

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



C Denley
Director
27 September 2016

British Midland 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 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 other irregularities.

British Midland Limited

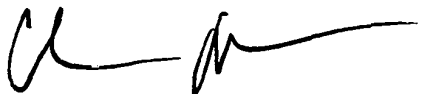
Balance sheet

As at 31 December 2015

£'000	Note	2015	2014
Non-current assets			
Investments	5	-	-
Current assets			
Debtors	6	-	-
Net current assets		-	-
Net assets		-	-
Capital and reserves			
Called up share capital		16,281	16,281
Share premium		-	425,059
Profit and loss account		(16,281)	(441,340)
Total equity		-	-

For the financial year in question the Company was entitled to exemption under section 480 of the Companies Act 2006 relating to dormant companies. No members have 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. 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 5 to 10 were approved by the Board of Directors on 27 September 2016 and signed on its behalf by:



C Denley
Director
27 September 2016

Registered number 02107441

British Midland Limited

Statement of changes in equity

For the year ended 31 December 2015

£'000	Called up share capital	Share premium	Profit and loss account	Total shareholders' equity
Balance at 1 January 2015	16,281	425,059	(441,340)	-
Profit and total comprehensive income for the year	-	-	-	-
Share capital reduction	-	(425,059)	425,059	-
At 31 December 2015	16,281	-	(16,281)	-

For the year ended 31 December 2014

£'000	Called up share capital	Share premium	Profit and loss account	Total shareholders' equity
Balance at 1 January 2014	16,281	425,059	(441,340)	-
Profit and total comprehensive income for the year	-	-	-	-
At 31 December 2014	16,281	425,059	(441,340)	-

British Midland Limited

Notes to the financial statements

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

The financial statements of the Company for the year ended 31 December 2015 were authorised for issue by the board of Directors on 27 September 2016 and the balance sheet was signed on the board's behalf by C Denley. British Midland Limited 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

The Company has transitioned from old United Kingdom Generally Accepted Accounting Practice ("UK GAAP") to FRS 101 Reduced Disclosure Framework ("FRS 101") for the year ended 31 December 2015. Details of the transition are disclosed in note 10.

These financial statements were prepared in accordance with FRS 101 and the Companies Act 2006. These financial statements have been prepared on a historical cost convention.

The Company did not have any income or expense in the current or preceding year therefore no separate income statement has been presented.

The Company's financial statements are presented in pounds sterling, which is the Company's functional currency, and all values are rounded to the nearest thousand pounds, 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 have been applied as the Company is a wholly owned subsidiary undertaking of BA whose accounts include an equivalent disclosure, where required, of the following standards:

- a) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*,
- b) the requirements of IAS 7 *Statement of Cash Flows*,
- c) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*,
- d) 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,
- e) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*,
- f) the requirements of IFRS 7 *Financial Instruments: Disclosures*,
- g) the requirements of paragraph D13(a) of IFRS 1 *First Time Adoption of International Financial Reporting Standards*; and
- h) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*.

2.2 Summary of significant accounting policies

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

British Midland Limited

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

Taxation (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Financial instruments

In accordance with IAS 39 *'Financial Instruments - Recognition and Measurement'*, 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 Group determines the classification at initial recognition and re-evaluates this designation at each period end except for those financial instruments measured at fair value through the income statement.

a Debtors

Debtors are stated at cost less allowances made for doubtful receivables, which approximates fair value given the short dated nature of these assets. A provision for impairment of receivables (allowance for doubtful receivables) is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

Investments

Investments are recorded at the lower of cost less provision for impairment. The carrying value of investments is reviewed for impairment on an annual basis or when events or changes in circumstances indicate the carrying value may not be recoverable.

Key accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis. It is considered there are no key accounting estimates and judgements which have had a material effect on the financial statements this year.

3. Directors emoluments

The Directors received no remuneration for their services to the Company in the year ended 31 December 2015 (2014: £nil).

One of the Directors qualified for a defined benefit pension scheme provided by British Airways Plc (2014: one) but opted to receive cash in lieu. Three Directors qualified for a defined contribution scheme (2014: three) provided by British Airways Plc. Of which, one Director opted to receive cash in lieu. Full disclosure of these schemes is made in the financial statements of British Airways Plc.

During the year, one Director exercised their right under the British Airways Share Option Plan (2014: one). All four directors held awards under the IAG Long Term Incentive Schemes during the year (2014: four). Awards in the IAG Performance Share Plan vested for three directors during the year (2014: four). Awards in the IAG Incentive Award Deferral Plan vested for two Directors during the year.

No loans or transactions 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 s412 and 413 of the Companies Act 2006.

There were no employees in the current or prior year.

British Midland Limited

Notes to the financial statements (continued)

4. Tax

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

There is no tax charge/(credit) for the year ended 31 December 2015 (2014: £nil).

b) Reconciliation of the total tax charge

£'000	2015	2014
Profit on ordinary activities before tax	-	-
Accounting profit multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	-	-
Other assessable income	-	(96)
Free Group relief from group members	-	96
Total tax (charge)/credit for the year	-	-

c) Factors that may affect future tax charges

The current UK corporate tax rate that has been used for the period is a rate of 20.25%. This is on the basis that the rate changed from 21% to 20% as of 1 April 2015.

In addition, a further reduction to the main rate is proposed to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. This further change was substantively enacted on 26 October 2015, before the balance sheet date, and therefore has been included in these financial statements. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. Such changes are not expected to have a significant effect on the deferred tax balances.

5. Investment in subsidiary

£'000	2015	2014
Cost at the beginning and end of the year	395,773	395,773
Provisions at the beginning and end of the year	(395,773)	(395,773)
Net book value at the beginning and end of the year	-	-

The Company has the following interests in the ordinary share capital of its subsidiary undertaking:

	% owned (ordinary share capital)	Country of incorporation	Nature of the business
British Midland Airways Limited	100	England and Wales	Airline Lessor
bmibaby Limited	100	England and Wales	Non-trading
British Mediterranean Airways Limited	89	England and Wales	Non-trading

British Midland Limited

Notes to the financial statements (continued)

5. Investment in subsidiary (continued)

The Company also holds 100% of the preferred ordinary share capital, and none of the deferred share capital, of British Mediterranean Airways Limited. The voting rights for the preferred ordinary shares are 1,000 times greater per share than the ordinary shares. The deferred shares do not carry any voting rights and the holders of deferred shares are not entitled to any participation in the profits of the Company. This in effect gives British Midland Limited 99% control of British Mediterranean Airways Limited.

6. Debtors

£'000	2015	2014
Amounts owed by group undertakings	-	-

Amounts owed by subsidiary undertakings of £45,624,000 (2014: £45,624,000) are stated net of a provision of £45,624,000 (2014: £45,624,000).

Amounts owed by subsidiary undertaking are unsecured, repayable on demand and do not bear interest.

7. Share capital

	Shares	2015 £'000	Shares	2014 £'000
Allotted, called up and fully paid				
Ordinary shares of 25p each	65,125,293	16,281	65,125,293	16,281

8. Related Party transactions

As the Company is a wholly owned subsidiary of BA, the Company has taken advantage of the exemption in FRS 101 not to disclose related party transactions with fellow wholly owned Group undertakings.

9. Ultimate parent undertaking

The Company's immediate parent undertaking as at 31 December 2015 was British Airways plc ('BA'), a company registered in England. As at 31 December 2015, 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 is a member, IAG was the largest undertaking preparing group financial statements and BA was the smallest undertaking.

Copies of the consolidated financial statements of IAG and BA can be found on the website www.iagshares.com.

10. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes. In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies required by FRS 100 and IFRS 1 for the first-time adoption of FRS 101.

Following transition to FRS 101 from UK GAAP there were no GAAP differences which affect the financial statements of British Midland Limited. As a result no table of transition differences is presented as the balance sheet as at 1 January 2014 and financial statements for the year ended 31 December 2014 have not been restated following the adoption of FRS 101.