DIRECTORS' REPORT AND ACCOUNTS

TELEFLIGHT LIMITED

31 DECEMBER 2010

Company Number 3918190

TELEFLIGHT LIMITED

Company Number 3918190

DIRECTORS' REPORT

Directors	Carlos Carbonell-Bamford (resigned 16 December 2010) Alyson Carswell (resigned 24 April 2010) Sara Dunham (appointed 6th April 2011) Neil Evans (resigned 27 April 2010) Klaus Gossler Clare Hatchwell (appointed 27 April 2010 and resigned 31 March 2011) Lowell Massey (appointed 27 April 2010 and resigned 30 November 2010) Daniel Norman (appointed 27 April 2010 and resigned 16th February 2011) Stephen Priest Trevor Skerritt (appointed 6th April 2011) Amanda Amos (appointed 6th April 2011) Donna Czyzewski (appointed 6th April 2011)
Secretary	Kulbinder Dosanjh
Registered office	Waterside, PO Box 365 Harmondsworth UB7 0GB

The Directors present their report and the audited accounts of Teleflight Limited (the 'Company") for the nine months to 31 December 2010

DIRECTORS

The Directors of the Company as at 31 December 2010 were Klaus Gossler, Clare Hatchwell, Daniel Norman and Stephen Priest.

RESULTS AND DIVIDENDS

The profit after tax amounted to $290,917 (March 2010 Profit $1,734 571) The Directors do not recommend the payment of a final dividend (March 2010 $Nil)

PRINCIPAL ACTIVITIES

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc ("British Airways"), acts as the only British Airways call centre in the the Americas, responding to all selling, information and servicing customer inquiries originating from the USA, Canada, Latin America and the Caribbean During the reporting period, 287 individuals were employed on average to support the business activities for an operation that runs from seven days a week, 365 days a year

All revenue is earned through a contract with British Airways Plc and calculated based on an agreed rate per call minute During the nine months to December 2010, the Company handled 1 4 million calls at an average handling time of 9 64 minutes per call, which resulted in a total of 13 4 million call minutes and $16 1 million total turnover (March 2010 $21 0 million in 12 months) In addition, the Company also handled the overspill of calls from UK call centres until November 2010 for which British Airways Plc was recharged $253,000

In 2010 British Airways and Iberia Lineas Aereas de Espana S.A ("Iberia") signed a merger agreement to create a new leading airline group The merger was completed on 21 January 2011 and International Consolidated Airlines Group S.A. ("IAG") started trading on the London Stock Exchange, with a secondary listing in Spain, on 24 January 2011, on the same date IAG became the ultimate parent of the Company As a consequence, British Airways and its subsidiaries ("British Airways Group") including the Company has changed its reporting period to a December year end This set of financial statements has been prepared for the nine months ended 31 December 2010 The comparative results are the Company's published financial statements for the year ended 31 March 2010

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

STRATEGIC DEVELOPMENTS

In April 2010 the Company joined the other British Airways global call centres under the Customer Directorate Since that time the Global Call Centre (GCC) management teams from both the UK and Jacksonville have been engaged in activities focused on integrating the Teleflight business with the other large centers, both operationally and strategically

A major priority for the Company this year and moving forward will be to support the call centre needs for the Joint Business Agreement (JBA) with American Airlines and Iberia, as well as the merger activities with Iberia

Concerns about operational productivity have escalated in the past two years in particular with regard to Average Handling Time (AHT) as the Jacksonville performance is now being viewed in comparison to the other global call centres System issues and response times have been highlighted as major contributing factor Since joining GCC, performance comparison tests, reflecting basic system transaction times indicate a response time difference of up to two minutes when exactly the same activities were performed in Jacksonville and Newcastle Further tests are currently being performed

It has also been confirmed that the reporting tool used to track Jacksonville call statistics for several years includes data that has not been reported in AHT numbers for other call centres in the British Airways Group This has resulted in a reported handling time discrepancy of up to 45 seconds for Jacksonville agents For future reporting an agreement has been reached that moving forward Jacksonville AHT will be tracked using the same criteria as the other sites

The Company will be launching a comprehensive new agent performance management program and tracking tool and a new Management Performance-Related-Pay Scheme (PRP)that has been trialled in the first quarter of 2011 Undercollections (Goodwill Write-offs) have also been an area of focus over the last quarter of 2010 and into 2011 The Company has since seen some improvement in January and February 2011 and it is envisaged that the PRP scheme will deliver better AHT times and lower Undercollections

GOING CONCERN

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 indentified by the Directors

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the Company made no political or charitable contributions (March 2010 $nil)

EVENTS SINCE THE BALANCE SHEET DATE

Other than the formation of a new ultimate parent company as previously stated, there were no material post balance sheet events

LIABILITY INSURANCE

The immediate parent undertaking, British Airways Plc, held a Directors' and Officers' liability insurance policy covering the Directors and Officers of its subsidiary undertakings during the reporting period Since 21 January 2011, IAG holds this policy

AUDITORS

The Company's auditors Ernst and 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 be reasonably 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

Secretary
K. Dosanjh 26 September 2011

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Directors are responsible for preparing the 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 TELEFLIGHT LIMITED

We have audited the financial statements of Teleflight Limited for the nine month period ended 31 December 2010 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 17 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 Auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 3), 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

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 2010 and of its profit for the period 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 period 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

30 September 2011

TELEFLIGHT LIMITED
PROFIT AND LOSS ACCOUNT
31 DECEMBER 2010

	Note	Nine Months to 31 December 2010 $	12 Months to 31 March 2010 $
Turnover		**16,314,953**	21,050,246
Cost of sales		**(16,040,000)**	(19,194,381)
Operating profit	2	**274,953**	1,855,865
Gain/(loss) on foreign exchange		**28,961**	(116,539)
Interest receivable	6	**48,466**	58,106
Profit on ordinary activities before tax		**352,380**	1,797,432
Tax on profit on ordinary activities	7	**(61,463)**	(62,861)
Profit for the financial year		**290,917**	1,734,571

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no gains or losses other than the profit amounting to $290,917 in the nine months to 31 December 2010 (March 2010 $1,734,571)

TELEFLIGHT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	31 December 2010 $	31 March 2010 $
FIXED ASSETS			
Tangible assets	8	625,925	780,755
		625,925	780,755
CURRENT ASSETS			
Deferred tax asset	7	273,808	335,271
Debtors	9	12,126,291	11,003,572
Cash and cash equivalents		1,565	4,661
		12,401,664	11,343,504
CREDITORS Amounts falling due within one year	10	(1,240,465)	(601,555)
NET CURRENT ASSETS		11,161,199	10,741,949
TOTAL ASSETS LESS CURRENT LIABILITIES		11,787,124	11,522,704
CREDITORS Amounts falling due after one year	11	(36,904)	(63,401)
NET ASSETS		11,750,220	11,459,303
CAPITAL AND RESERVES			
Called up share capital	12	6,000,000	6,000,000
Profit and loss account	13	5,750,220	5,459,303
TOTAL EQUITY		11,750,220	11,459,303

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

Director Trevor Skerritt

Date 26 September 2011

TELEFLIGHT LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 2010

1 ACCOUNTING POLICIES

Accounting convention

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

Foreign currencies

The financial statements are denominated in US Dollars ($), which is the functional currency of the Company The sterling to dollar exchange rate as at 31 December 2010 was 1 5527 and the average rate for the nine months ended 31 December 2010 was 1 5498 (2009: 1 5566)

Normal trading activities denominated in foreign currencies are recorded in sterling at actual rates of exchange as at the date of the transaction There is no retranslation of fixed asset investments

Monetary assets and liabilities denominated in currencies other than sterling are translated to sterling rates of exchange ruling at the end of the financial year All currency gains and losses arising are included in the profit and loss account.

Turnover

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers
Turnover is attributable to one continuing activity, the handling of British Airways customer reservation and servicing calls and relates solely to the North American and Caribbean geographical market.

Cash flow statement.

Under the provisions of FRS 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement, as 90% or more of the voting rights are controlled within the Group

Deferred tax

Deferred tax is recognised in respect of 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 tax assets are recognised where the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted

Deferred tax 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 tax rates and laws enacted or substantively enacted at the balance sheet date

Tangible Fixed Assets

Tangible fixed assets are stated at cost. Depreciation is calculated to write off the cost, less estimated residual value, on the straight-line basis

Property is depreciated over its expected useful life subject to a maximum of 50 years
Equipment is depreciated over periods ranging from three to 20 years, according to the type of equipment.

Operating Leases

The rental under an operating lease is charged to the profit and loss account on a straight line basis over the lease term

Interest income

Interest income is recognised as interest accrues using the effective method

Medical liabilities

The Company recognises an accrual for liabilities incurred but not yet claimed under the Company s medical benefits arrangements This accrual is based on the historical experience of claims rates

2 OPERATING PROFIT

Operating profit is stated after charging

	Nine Months to 31 December 2010	12 Months to 31 March 2010
	$	$
Depreciation of owned assets	**5,319**	10,488
Depreciation of leased assets	**149,512**	316 226
Operating lease costs - Land and buildings	**820,278**	1 050 228

3 AUDITORS' REMUNERATION

The auditor s remuneration of $28,000 (March 2010 $28 000) for the audit of the Company accounts has been borne by British Airways Plc

4 DIRECTORS REMUNERATION

The Directors of the Company were employed and remunerated during the period by British Airways Plc in respect of their services to the Group as a whole Therefore, the Directors did not receive any remuneration for their services as a Director of the Company during the period ended 31 December 2010 (31 March 2010 $nil)

Five 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 One director did not participate in any of the Group's pension schemes and one Director participated in a defined benefit scheme established in Germany by the Company's parent undertaking. One Director paticpated in a 401K scheme established in the USA by the Company s parent undertaking.

None of the Directors hold any direct interest in any shares of the Company However, in accordance with Schedule 5 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 six directors participated in the Long Term Incentive Schemes of British Airways Plc, the parent undertaking, including the Long Term Incentive Plan 1996 (LTIPs) and/or the British Airways Performance Share Plan 2005 (PSP)

None of the Directors exercised his/her rights under the PSP or LTIPs during the reporting period

No other transactions (other than the ones already disclosed above) 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

TELEFLIGHT LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 2010

(Continued)

5 EMPLOYEE COSTS AND NUMBERS

	Nine Months to 31 December 2010 $	12 Months to 31 March 2010 $
Wages and salaries	8,454,077	10,747,852
Social security costs	4,250,459	4,231,688
Other pension costs	389,262	286,881
	13,093,798	15,266,421
	No.	No
The monthly average number of employees	287	296

6 INTEREST RECEIVABLE

	Nine months to 31 December 2010 $	12 Months to 31 March 2010 $
Interest receivable from parent undertaking	48,466	58,106

7 TAX

Profit & Loss Account **(a) Analysis of charge/(credit) for the year**	Nine Months to 31 December 2010 $	12 Months to 31 March 2010 $
Current Tax		
	-	-
Deferred Tax.		
Accelerated capital allowances	46,542	65,672
Previous year adjustment	4,780	(2,811)
Rate change effect on closing balances through P&L	10,141	-
	61,463	62,861
TOTAL	61,463	62,861

(b) Factors affecting tax charge/(credit) for the year

The current tax charge/(credit) for the period is less than the profit/(loss) at the standard rate of corporation tax in the UK 28% (31st Mar 28%). The differences are explained below

	Nine Months to 31 December 2010 $	12 Months to 31 March 2010 $
Profit on ordinary activities before tax	352,380	1,797,432
Profit/(Loss)on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (March 2010 28%)	98,667	503,281
Effects of		
Non taxable income and expenses not deductible for tax purposes	28,048	69,029
Timing differences		
Free Group relief to/(from) group members	(80,173)	(506,638)
Depreciation in excess of /(less than) capital allowances	(46,542)	(65,672)
Current tax charge/(credit) for the year as above	-	-

Provision for Deferred Taxation

	Nine Months to 31 December 2010 $	12 Months to 31 March 2010 $
Accelerated Capital Allowances	(273,808)	(330,491)
	(273,808)	(330,491)
Provision at start of period	(335,271)	(398,132)
P&L charge/(credit) for the period - current	46,542	65,672
P&L charge/(credit) for the period - prior	4,780	(2,811)
Rate change effect on closing balances through P&L	10,141	-
Provision at end of period	(273,808)	(335,271)

7 TAX *(Continued)*

The Chancellor announced at the 2011 Budget that starting from 1 April 2011, the rate of Corporation Tax will be reduced to 26% and then by one per cent for each of the next three years reaching 23% from 2014 In addition the rate of Capital Allowances will be reduced from April 2012 For Plant & Machinery in the general pool, rates will fall to 18% (from 20%) and for long term assets to 8% (from 10%) These measures have not been substantively enacted at the balance sheet date and hence the figures within these financial statements are calculated in accordance tax rate that was substantively enacted at 31 December 2010 of 27% The effect on the company of the reduction in tax rate to 23% would be to reduce the deferred tax asset by £40,564

8 TANGIBLE FIXED ASSETS

	Land and buildings (Leased Assets)	Equipment	Total
	$	$	$
Cost			
Balance at 1 April 2009	5,248,506	6,688,276	11,936,782
Balance at 31 March 2010	5,248 506	6,688,276	11,936,782
Balance at 31 December 2010	**5,248,506**	**6,688,276**	**11,936,782**
Depreciation			
Balance at 1 April 2009	4,162,623	6,666,690	10,829,313
Charge for the year	316,226	10,488	326,714
Balance at 31 March 2010	4,478,849	6,677,178	11 156,027
Charge for the period	149,512	5,319	154,831
Balance at 31 December 2010	**4,628,361**	**6,682,497**	**11,310,858**
Net Book Value at 31 December 2010	**620,145**	**5,780**	**625,925**
Net Book Value at 31 March 2010	769,657	11,098	780,755

9 DEBTORS

	31 December 2010	31 March 2010
	$	$
Amounts owed by parent undertaking	**12,035,138**	10,768,483
Amount owed by group undertakings	-	59,749
Prepayments and accrued income	**91,153**	175,340
	12,126,291	11,003,572

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2010	31 March 2010
	$	$
Other creditors	**645,985**	533,469
Accruals	**594,480**	68,086
	1,240,465	601,555

11 CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

	31 December 2010	31 March 2010
	$	$
Other creditors	**36,904**	63,401
	36,904	63,401

12 SHARE CAPITAL

	31 December 2010	31 March 2010
	Number	Number
Allotted, called up and fully paid up Ordinary shares of $1 00 each.	6,000,000	6,000,000
	$	$
Balance at period end	6,000,000	6,000,000

13 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital	Profit & loss account	Total
	$	$	$
At 31 March 2009	6,000,000	3,724,732	**9,724,732**
Profit after tax	-	1,734,571	**1,734,571**
At 31 March 2010	6,000,000	5,459,303	**11,459,303**
Profit after tax	-	290,917	**290,917**
At 31 December 2010	**6,000,000**	**5,750,220**	**11,750,220**

14 PENSION COMMITMENTS

Employees are members of the Teleflight Limited Defined Contribution Savings Plan, the assets and liabilities of which are held outside of the Company Employer's contributions charged in the accounts were $214,262 (2010 $286 881)

15 OPERATING LEASE COMMITMENTS

At 31 December 2010 the Company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 31 December 2010	Land and buildings 31 March 2010
	$	$
Amounts payable within one year relate to commitments expiring as follows.		
Within One Year	-	-
Between 1-5 Years	**698,095**	-
Greater than 5 Years	-	686,169

16 RELATED PARTIES

The Company has taken advantage of the exemption in FRS 8 not to disclose related party transactions as the Company is wholly owned by, and controlled within the Group

17 PARENT UNDERTAKING AND CONTROLLING PARTY

The Company s immediate parent undertaking is British Airways Plc

The largest and smallest group in which the results of the Company are consolidated is that headed by British Airways Plc a Company incorporated in England & Wales Copies of the Group accounts of British Airways Plc, which include the Company, can be obtained by writing to the Secretary, British Airways Plc, Waterside, PO Box 365, Harmondsworth UB7 0GB or they can be found on the website www iagshares com

18 SUBSEQUENT EVENTS

On 21 January 2011, British Airways and Iberia signed a merger agreement to create a new, leading European airline group As a result of the merger, International Consolidated Airlines Group S.A. known as IAG was formed to hold the interests of both the existing airline groups IAG is a Spanish registered company incorporated on 17 December 2009

The registered address of International Consolidated Airlines Group SA is 130 Calle Velazquez, Madrid, 28006, Spain