

DIRECTORS' REPORT AND ACCOUNTS  
BA EUROPEAN LIMITED  
31 DECEMBER 2011

Company Number 6346489

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BA EUROPEAN LIMITED  
Company Number 6346489  
**DIRECTORS' REPORT**

**Directors**  
L. Embleton  
A. Crawley  
S. Doyle (Appointed 14 April 2011)  
P. Malval (Appointed 29 July 2011)  
D. Moss (Resigned 29 July 2011)

**Auditors**  
Ernst and Young LLP  
1 More London Place  
London SE1 2AF

**Secretary**  
K. Dosanjh

**Registered office**  
Waterside PO Box 365  
Hammondsworth UB7 0GB

The Directors present their report and the audited accounts for the twelve month period ended 31 December 2011

**DIRECTORS**  
The Directors of the Company as at 31 December 2011 were L. Embleton, A. Crawley, S. Doyle and P. Malval

**RESULTS AND DIVIDENDS**

The loss after tax for the year amounted to £33,241,000 (9 months ended 31 December 2010: Loss of £24,005,000). The loss for the year relates principally to £31,313,000 impairment cost on the financial investment in OpenSkies SASU, severance costs for pilots of £416,000, social security & tax costs of £658,000 and a foreign exchange loss of £212,000. The Directors do not recommend the payment of a dividend (9 months ended 31 December 2010: £Nil).

**PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS**

The Company, a wholly owned subsidiary undertaking of British Airways Plc ("BA"), was incorporated on 17 August 2007.

A merger between BA and Iberia Lineas Aereas de Espana ("Iberia") was 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 and therefore the comparative results are the Company's financial statements for the nine months ended 31 December 2010.

The Company holds the contracts of employment of a number of employees, largely US based cabin crew and UK contracted flight crew. The existing employees are deployed in the OpenSkies SASU operation and operational costs incurred by the Company are wholly recharged to OpenSkies SASU. From 1 December 2011, 11 pilots were transferred from the company to OpenSkies SASU. The remaining population of the Company is only Cabin Crew employees. As of November 2011, the Company sub-leased its New Jersey office to Wireless company until the end of the main lease in mid-November 2013.

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

**KEY PERFORMANCE INDICATORS**

The results for the Company show a loss for the financial year of £33,241,000.

**POST BALANCE SHEET EVENTS**

On 4 April 2012, it was resolved to issue and allot 5 million shares of €1 each to BA in return for BA paying €5 million to the Company. On 30 July 2012, it was resolved to issue and allot a further 31 million shares of €1 each to BA in return for BA paying €31 million to the Company. All Euro denominated shares issued and allotted post balance sheet date carry equal voting rights with the Pound Sterling shares issued and allotted previously.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risk to the Company is the performance of OpenSkies SASU. The key risk identified by OpenSkies management is the risk to the business of the continually challenging competitive environment.

**GOING CONCERN**

Based on the responses to its enquiries to the Management of OpenSkies and to its parent company BA, the Directors have assessed the ability of the Company to continue as a going concern and to continue with the current banking arrangements.

The Directors are confident that BA will supply the Company with the necessary support and funding to meet its contractual obligations if needed in the future. In addition, the Company participates in the Group's centralised treasury arrangements and therefore shares banking arrangements with its parent and fellow subsidiaries.

On the basis of their assessment of the Company's financial position and of the responses to its enquiries, the Directors of the Company 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.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

There were no political or charitable contributions during the year (9 months ended 31 December 2010: £Nil).

**DIRECTORS AND OFFICERS LIABILITY INSURANCE**

Prior to the merger, BA 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 BA group, IAG, has held an equivalent policy covering the IAG Group.

**AUDITORS**

The Company's auditors, Ernst and Young LLP, will 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.

Signed on behalf of the Board of Directors



K. Dosanjh, Company Secretary

Date: 24 September 2012

**BA EUROPEAN LIMITED**  
**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 they give a true and fair view of the state of affairs of profit or loss for that period. In preparing those 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, 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

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF BA EUROPEAN LIMITED

We have audited the financial statements of British Airways European Limited for the twelve month period 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 15. 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### 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 2011 and of its loss for the twelve month 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

25 September 2012

**BA EUROPEAN LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011**

|   | Note | Twelve months to<br>31 December 2011<br>£000's | 9 months to<br>31 December 2010<br>£000's |
|---|------|--|---|
| Turnover                                      |      | -  | -   |
| Cost of sales                                 |      | -  | -   |
| <b>Gross profit</b>                           |      | -  | -   |
| Administrative expenses                       |      | (1,658)  | (844)                                     |
| <b>Operating loss</b>                         |      | (1,658)  | (844)                                     |
| Interest receivable                           |      | -  | 9   |
| Interest payable                              | 5    | (270)  | (170)                                     |
| Impairment charge on investment               | 7    | (31,313)                                       | (23,000)                                  |
| <b>Loss on ordinary activities before tax</b> |      | (33,241)                                       | (24,005)                                  |
| Tax   | 6    | -  | -   |
| <b>Loss for the financial year</b>            | 12   | (33,241)                                       | (24,005)                                  |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

There are no recognised gains or losses other than the loss amounting to £33,241,000 for the twelve months to 31 December 2011 (9 months to 31 December 2010 loss of £24,005,000)

**BA EUROPEAN LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

|   | Note | Twelve months to<br>31 December<br>2011<br>£000's | 9 months to<br>31 December<br>2010<br>£000's |
|---|------|---|--|
| <b>FIXED ASSETS</b>                           |      |   |  |
| Investment in subsidiary undertaking          | 7    | 36,279  | 36,449                                       |
|   |      | <u>36,279</u>                                     | <u>36,449</u>                                |
| <b>CURRENT ASSETS</b>                         |      |   |  |
| Cash and cash equivalents                     |      | 23  | -  |
| Other Current Assets                          | 8    | <u>11,531</u>                                     | <u>17,089</u>                                |
|   |      | <u>11,554</u>                                     | <u>17,089</u>                                |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b> | 9    | <u>(594)</u>                                      | <u>-</u>                                     |
| <b>CREDITORS</b>                              |      |   |  |
| Amounts falling due within one year           | 10   | <u>(43,466)</u>                                   | <u>(47,667)</u>                              |
| <b>NET CURRENT LIABILITIES</b>                |      | <u>(32,506)</u>                                   | <u>(30,578)</u>                              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>  |      | <u>3,773</u>                                      | <u>5,871</u>                                 |
| Deferred Tax Liability                        | 6    | <u>-</u>  | <u>-</u>                                     |
| <b>NET ASSETS</b>                             |      | <u>3,773</u>                                      | <u>5,871</u>                                 |
| <b>CAPITAL AND RESERVES</b>                   |      |   |  |
| Called up share capital                       | 11   | 96,665  | 65,522                                       |
| Other Reserves                                | 12   | <u>(92,892)</u>                                   | <u>(59,651)</u>                              |
|   |      | <u>3,773</u>                                      | <u>5,871</u>                                 |

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

Director   
Lynne Embleton

Date 24 September 2012

BA EUROPEAN LIMITED

NOTES TO THE ACCOUNTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

Basis of preparation

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

Fundamental accounting concept

The accounts have been prepared on a going concern basis as the parent undertaking has agreed to provide financial support to the company

Group Accounts

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts as it is a wholly owned subsidiary of a company incorporated in the EC which prepares publicly available group financial statements. Therefore, these financial statements present information about the Company and not about its group

Foreign currencies

The company's functional currency is the Euro. For the purposes of presentation, a different currency has been selected, which is the British pound (£), being the currency of the country of incorporation.

As prescribed by FRS 23 the results and financial position of an entity whose functional currency differs to its presentational currency is translated into its presentational currency using the following procedures:

Monetary assets & liabilities denominated in currencies other than Euro are translated to Euro at rates of exchange ruling at the end of the financial period. Profit & loss items are translated into euros at exchange rates on the date of transaction.

Assets and liabilities for each balance sheet item presented shall be translated at the closing sterling rate.

Income and expenses for each income statement item shall be translated at exchange rates at the date of transactions.

All resulting exchange differences shall be recognised through the statement of total recognised gains and losses.

Deferred tax

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

Cash flow statement

The Directors have taken advantage of the exemption in FRS1 (revised) from including a cash flow statement in the financial statement on the grounds that the Company is wholly owned and its parent company publishes a consolidated cash flow.

Investments

Provisions for the diminution in value of the cost of investments in subsidiary undertakings and associated undertakings are based on the net realisable value of the investments. Investments are reviewed annually for impairment based on a discounted forecast of future cash flows.

Pensions

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in separately administered funds. Contributions to the scheme are recognised in the profit and loss account in the period in which they become payable.

2 AUDITORS REMUNERATION

The auditor's remuneration of £21,200 for the period ended 31 December 2011 has been borne by British Airways Plc (9 months to 31 December 2010: £25,000).

3 DIRECTORS REMUNERATION

|                                 | Twelve Months to<br>December 2011 | 9 months to<br>December 2010 |
|---------------------------------|-----------------------------------|------------------------------|
|                                 | £000's                            | £000's                       |
| Emoluments                      | 174                               | 340                          |
| Compensation for loss of office | 146                               |                              |
| Company Pension Contributions   | -                                 |                              |
|                                 | <u>320</u>                        | <u>340</u>                   |

One Director is paid by the Company. The emoluments for this Director are stated above in accordance with the executive director's terms and conditions of employment. The contract was terminated on 30 September 2011.

The Directors of the Company who are not mentioned above 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 year ended 31 December 2011 (9 months to 31 December 2010: £nil).

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

One Director did not participate in any of the Group's pension schemes.

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, four 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").

Subsequent to the merger, four Directors (31 December 2010: none) also participated in IAG's Long Term Incentive Scheme called the IAG Performance Share Plan ("IPSP").

During the year none of the Directors (31 December 2010: none) exercised their rights under British Airways Share Option Plans.

During the year, awards were exercised by two of the Directors (31 December 2010: none) in the form of IAG shares under the Long Term Incentive Schemes of British Airways Plc.

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.

BA EUROPEAN LIMITED  
NOTES TO THE ACCOUNTS  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011

| 4 EMPLOYEE COSTS      | Twelve Months to<br>December 2011 | 9 months to<br>December 2010 |
|-----------------------|-----------------------------------|------------------------------|
|                       | £000 s                            | £000 s                       |
| Wages and salaries    | 3,959                             | 3,583                        |
| Social security costs | 420                               | 287                          |
| Other pension costs   | -                                 | -                            |
| Other staff costs     | 94                                | 95                           |
| OpenSkies recharge    | (4,473)                           | (3,965)                      |
|                       | <u>-</u>                          | <u>-</u>                     |

The Company holds the contracts of employment of a number of employees largely US based cabin crew and UK contracted flight crew. These employees provide services to the OpenSkies operation and costs incurred by the Company are wholly recharged to OpenSkies SASU. It was noted that pilots have been transferred to OpenSkies on a voluntary basis as of 1 December 2011.

|   | Twelve Months to<br>December 2011 | 9 months to<br>December 2010 |
|---|-----------------------------------|------------------------------|
| The average number of persons employed during the year was as follows | <u>74</u>                         | <u>80</u>                    |

| 5 INTEREST PAYABLE                        | Twelve Months to<br>December 2011 | 9 months to<br>December 2010 |
|---|-----------------------------------|------------------------------|
| Interest payable to other Group companies | <u>270</u>                        | <u>170</u>                   |



BA EUROPEAN LIMITED

NOTES TO THE ACCOUNTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011

|   |  |                                   |                              |
|---|--|-----------------------------------|------------------------------|
| 6 | TAX  | Twelve Months to<br>December 2011 | 9 months to<br>December 2010 |
|   | (a) Analysis of debit/(credit) for the year  | £000's                            | £000's                       |
|   | Current Tax  |                                   |                              |
|   | United Kingdom corporation tax   | -                                 | -                            |
|   | Less relief for overseas tax   | -                                 | -                            |
|   | UK tax   | -                                 | -                            |
|   | Overseas tax   | -                                 | -                            |
|   | Advance corporation tax  | -                                 | -                            |
|   | Prior year adjustments   | -                                 | -                            |
|   | Share of taxation of associated undertakings   | -                                 | -                            |
|   | Deferred Tax   |                                   |                              |
|   | Accelerated Capital Allowances   | -                                 | -                            |
|   | Other Timing Differences (balancing charges in excess of capital allowances)   | -                                 | -                            |
|   | Rate change effect on opening balances through P&L   | -                                 | -                            |
|   | Previous Year Adjustment   | -                                 | -                            |
|   | TOTAL  | -                                 | -                            |
|   | (b) Factors affecting tax debit/(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 of 26.5% (Dec 2010 28%). The differences are explained below |                                   |                              |
|   |  | Twelve Months to<br>December 2011 | 9 months to<br>December 2010 |
|   |  | £000's                            | £000's                       |
|   | Profit/(Loss) on ordinary activities before tax  | (33,241)                          | (24,005)                     |
|   | Profit/(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 26.5% (Dec 2010 28%)   | (8,809)                           | (6,721)                      |
|   | Effects of:  |                                   |                              |
|   | Impairment on investment not deductible for tax purposes   | 8,298                             | 6,440                        |
|   | (Profit)/loss on disposal not taxable  | -                                 | -                            |
|   | Other Differences  | 11                                | -                            |
|   | Specific/Material  | -                                 | -                            |
|   | Timing Differences   |                                   |                              |
|   | Depreciation in excess of /(less than) capital allowances  | -                                 | -                            |
|   | Other Differences  | -                                 | -                            |
|   | Unrelieved losses  | -                                 | -                            |
|   | Free Group relief to/(from) group members  | 500                               | 281                          |
|   | Double tax relief  | -                                 | -                            |
|   | Current tax Charge for the year as above   | -                                 | -                            |
|   | (c) Provision for deferred taxation  | Twelve Months to<br>December 2011 | 9 months to<br>December 2010 |
|   |  | £000's                            | £000's                       |
|   | Accelerated Capital Allowances   | -                                 | -                            |
|   | Other Timing Differences   | -                                 | -                            |
|   | Losses   | -                                 | -                            |
|   | Provision at start of period   | -                                 | -                            |
|   | Rate change effect through P&L   | -                                 | -                            |
|   | P&L charge/(credit) for the period current year  | -                                 | -                            |
|   | P&L charge/(credit) for the period prior   | -                                 | -                            |
|   | Provision at end of period   | -                                 | -                            |

(d) In 2012 legislation has been enacted which has reduced the main rate of corporation tax to 24% from 1 April 2012. As there are no deferred tax balances as at 31 December 2011 the impact of the reduction to 24% is not expected to materially impact the financial statements. Further reductions to 23% (effective 1 April 2013) and 22% (effective 1 April 2014) are proposed. The impact of the further reductions are not expected to have a material impact on the financial statements.

**BA EUROPEAN LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011**

| 7 | FIXED ASSET INVESTMENTS                            | Twelve Months to<br>31 December 2011 | 9 months to<br>31 December 2010 |
|---|--|--------------------------------------|---------------------------------|
|   |  | £000 s                               | £000 s                          |
|   | Investments in subsidiary undertakings amounted to |                                      |                                 |
|   | Cost at 1 January                                  | 59 449                               | 59 449                          |
|   | Addition during the period                         | 31 143                               |                                 |
|   | Cost at 31 December                                | 90 592                               | 59 449                          |
|   | Less Impairment reserve                            |                                      |                                 |
|   | At 1 January                                       | (23 000)                             | -                               |
|   | Charge for the period                              | (31,313)                             | (23 000)                        |
|   | At 31 December                                     | (54 313)                             | (23 000)                        |
|   | Net investments at period end                      | 36 279                               | 36 449                          |

During the year ending 31 December 2011 the Company invested €37,283 498 in the subsidiary OpenSkies SASU this investment was financed by way of issuing and allotting 37,283 498 EUR denominated shares to British Airways Plc (Note 11)

The Directors have assessed whether the Company's investment in its sole subsidiary OpenSkies SASU requires impairment under the accounting principles set out in FRS 11. In order to make this assessment, future cash flows were forecast and discounted by applying a pre-tax discount rate of 10.0%. An impairment has been recognised where the present value of those cashflows was less than the net book value of the fixed asset investment. An impairment of £ 31 313 000 of the Company's investment in OpenSkies SASU has been recognised at 31 December 2011 (9 months to 31 December 2010: £ 23 000 000)

| Company        | Nature of Business | Percentage of Shares held |            | Country of Incorporation |
|----------------|--------------------|---------------------------|------------|--------------------------|
|                |                    | Directly                  | Indirectly |                          |
| OpenSkies SASU | Airline operations | 100%                      |            | France                   |

| 8 | OTHER CURRENT ASSETS                                | Twelve Months to<br>31 December 2011 | 9 months to<br>31 December 2010 |
|---|---|--------------------------------------|---------------------------------|
|   |   | £000 s                               | £000 s                          |
|   | Other receivables                                   | 38                                   | 70                              |
|   | Amounts owed from Parent Undertakings               | -                                    | 125                             |
|   | Amounts owed from other Group Companies - OpenSkies | 11,493                               | 16 894                          |
|   |   | 11 531                               | 17 089                          |

| 9 | PROVISIONS FOR LIABILITIES AND CHARGES | Balance at<br>1 January | Charge to<br>profit & loss<br>account | Provisions<br>utilized | Balanced at<br>31 December |
|---|--|-------------------------|---------------------------------------|------------------------|----------------------------|
|   |  | £000 s                  | £000 s                                | £000 s                 | £000 s                     |
|   | Onerous lease contracts                | -                       | 157                                   |                        | 157                        |
|   | Provisions for social security costs   | -                       | 437                                   |                        | 437                        |
|   |  | -                       | 594                                   | -                      | 594                        |

| 10 | CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR          | 31 December 2011 | 31 December 2010 |
|----|--|------------------|------------------|
|    |  | £000 s           | £000 s           |
|    | Trade creditors  | 112              | 5                |
|    | Amounts owed to Parent Undertakings                    | 43,205           | 40 840           |
|    | Amounts owed to other Group Companies - OpenSkies SASU | 4                | 6 703            |
|    | Other taxation and social security                     | 142              | 26               |
|    | Other creditors  | 3                | 93               |
|    |  | 43 466           | 47 667           |

**BA EUROPEAN LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011**

| 11 SHARE CAPITAL                   | 31 December 2011 | 31 December 2010 |
|------------------------------------|------------------|------------------|
|                                    | £000 s           | £000 s           |
| Authorised                         |                  |                  |
| Ordinary shares of £1 each         | 100 000          | 100 000          |
| Allotted, called up and fully paid |                  |                  |
| Ordinary shares of £1 each         | 65 522           | 65 522           |
| Ordinary shares of €1 each         | 31,143           |                  |
|                                    | 96 665           | 65 522           |

On 25 January 2011 the Company resolved to issue and allot 20,200 000 EUR denominated shares to British Airways Plc in return for British Airways Plc paying €20,200 000 to the Company  
On 14 April 2011 the Company resolved to issue and allot a further 8 683 498 EUR denominated shares to British Airways Plc in return for British Airways Plc paying €8 683 498 to the Company  
On 23 December 2011 the Company resolved to issue and allot a further 8 400 000 EUR denominated shares to British Airways Plc in return for British Airways Plc paying €8 400 000 to the Company  
All EUR shares issued and allotted carry equal voting rights with the GBP shares issued and allotted previously"

**12 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENTS ON RESERVES**

|                     | Share capital | Profit & Loss | 31 December 2010 Total |
|---------------------|---------------|---------------|------------------------|
|                     | £000 s        | £000 s        | £000 s                 |
| At 1 April 2010     | 65 522        | (35 646)      | 29 876                 |
| Shares issued       | -             | -             | -                      |
| Loss for the period | -             | (24 005)      | (24 005)               |
| At 31 December 2010 | 65 522        | (59 651)      | 5 871                  |
|                     |               |               |                        |
|                     | Share capital | Profit & Loss | 31 December 2011 Total |
|                     | £000 s        | £000 s        | £000 s                 |
| At 1 January 2011   | 65 522        | (59 651)      | 5 871                  |
| Shares issued       | 31,143        | -             | 31,143                 |
| Loss for the period | -             | (33 241)      | (33 241)               |
| At 31 December 2011 | 96 665        | (92 892)      | 3 773                  |

**13 SUBSEQUENT EVENTS**

On 4 April 2012 it was resolved to issue and allot 5 000 000 shares of €1 each to British Airways Plc, in return for British Airways Plc paying €5million to the Company

On 30 July 2012 it was resolved to issue and allot 3 100 000 shares of €1 each to British Airways Plc, in return for British Airways Plc paying €3million to the Company

All Euro shares issued and allotted post balance sheet date carry equal voting rights with the Pound Sterling shares issued and allotted previously

**14 RELATED PARTIES**

The Company has taken advantage of the exemption in FRS8 not to disclose related party transactions as the Company is wholly owned and controlled within the Group

**15 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 SA ("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

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)