

Registered No: 6346489

BA European Limited

Directors' Report and Financial Statements
For the year ended 31 December 2016



BA European Limited

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BA European Limited

Corporate information

DIRECTORS

R. Boyle
S. Doyle
P. Malval

COMPANY SECRETARY

L. Straver

BANKERS

CIC HELDER GCE EST
11bis Boulevard Haussmann
75009 Paris

REGISTERED OFFICE

Waterside
PO Box 365
Harmondsworth
UB7 0GB

The Directors present their report and the unaudited accounts of BA European Limited ("the Company") for the year ended 31 December 2016.

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

DIRECTORS

The Directors of the Company during the year ending 31 December 2016 were A. Crawley (resigned 15 April 2016), R. Boyle, S. Doyle, P. Malval and C. Denley Jr. R. Boyle and C. Denley Jr were appointed as Directors of the Company on 15 April 2016 and 19 July 2016 respectively. C. Denley Jr resigned 25 April 2017.

RESULTS AND DIVIDENDS

The loss after tax for the year amounted to £35,483,000 (2015: loss of £3,553,000). The loss for the year is primarily due to an impairment in the Company's investment in OpenSkies SASU ("OpenSkies") of £36,557,000. The Directors do not recommend the payment of a dividend (2015: £ nil).

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Company, a wholly owned subsidiary undertaking of British Airways Plc ("BA"), was incorporated on 17 August 2007. Until the end of 2015, the Company held the contracts of employment for a number of employees, all US based cabin crew. These employees were deployed in the OpenSkies operation and operational costs incurred by the Company were wholly recharged to OpenSkies. The existing employees were transferred to OpenSkies with effect from 1 January 2016. During 2016, the Company had no trading activity and now acts as a holding company.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk to the Company is the performance of OpenSkies. The key risk identified by OpenSkies management are operational risks associated with the airlines trading and the risk to the business of the continually challenging competitive environment.

GOING CONCERN

Based on the responses to its enquiries of OpenSkies management 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 have confirmed that BA will continue to provide 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 International Consolidated Airlines Group S.A. ("IAG") 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.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The ultimate parent company of the group, IAG, holds an insurance policy against Directors' and Officers' liability as permitted by the Companies Act 2006 for the benefit of the directors and officers of its subsidiary undertakings.

BA European Limited

Directors' report (continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made no political or charitable contributions (2015: £nil).

EVENTS SINCE THE BALANCE SHEET DATE

On 27 January 2017, the Company resolved to issue and allot 5,870,000 €1 denominated shares (eq. £ 4,950,000) to British Airways Plc in return for British Airways Plc paying €5,870,000 to the Company. On 17 May 2017, the Company resolved to issue and allot 5,000,000 €1 denominated shares (eq. £ 4,206,000) to British Airways Plc in return for British Airways Plc paying €5,000,000 to the Company. On 25 July 2017, the Company resolved to issue and allot 5,500,000 €1 denominated shares (eq. £ 4,831,000) to British Airways Plc in return for British Airways Plc paying €5,500,000 to the Company.

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 of the Companies Act 2006 ("the Act"); 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:



Luke Straver
Secretary
29 September 2017

BA European Limited


Balance Sheet

As at 31 December

£000's	Notes	2016	2015
Fixed assets			
Investments	6	-	29,068
Total fixed assets		-	29,068
Current assets			
Other current assets	7	11,206	9,690
Cash and cash equivalents	8	13	46
Total current assets		11,219	9,736
Creditors : amounts falling due within one year	9	(44,684)	(44,276)
Net current liabilities		(33,465)	(34,540)
Total assets less current liabilities		(33,465)	(5,472)
Provision for liabilities	10	(7)	(7)
Net (liabilities) / assets		(33,472)	(5,479)
Capital and reserves			
Call up share capital	11	141,487	133,997
Profit and loss account		(174,959)	(139,476)
		(33,472)	(5,479)

For the financial year in question, the Company was entitled to exemption under section 479a of the Companies Act 2006 relating to subsidiary 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 accounts were approved by the Board of Directors on 29 September 2017 and signed on its behalf by:


 Sean Doyle
 Director
 29 September 2017

BA European Limited

Income Statement

For the year ended 31 December

£000's	Notes	2016	2015
Other income		35	136
Administrative costs		(2)	(78)
Foreign currency gains / (losses)		<u>1,498</u>	<u>(3,388)</u>
Operating profit / (loss)		1,531	(3,330)
Amount written off on investments	6	<u>(36,557)</u>	<u>-</u>
Loss on ordinary activities before interest and taxation		(35,026)	(3,330)
Interest receivable and similar income		3	-
Interest payable and similar charges	4	<u>(192)</u>	<u>(223)</u>
Loss on ordinary activities before taxation		(35,215)	(3,553)
Tax	5	<u>(268)</u>	<u>-</u>
Loss for the financial year		(35,483)	(3,553)

The above results are all in respect of continuing operations.

No separate statement of other comprehensive income has been presented as all such gains and losses have been dealt with in the income statement.

BA European Limited

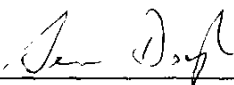
Balance Sheet

As at 31 December

£000's	Notes	2016	2015
Fixed assets			
Investments	6	-	29,068
Total fixed assets		-	29,068
Current assets			
Other current assets	7	11,206	9,690
Cash and cash equivalents	8	13	46
Total current assets		11,219	9,736
Creditors : amounts falling due within one year	9	(44,684)	(44,276)
Net current liabilities		(33,465)	(34,540)
Total assets less current liabilities		(33,465)	(5,472)
Provision for liabilities	10	(7)	(7)
Net (liabilities) / assets		<u>(33,472)</u>	<u>(5,479)</u>
Capital and reserves			
Call up share capital	11	141,487	133,997
Profit and loss account		(174,959)	(139,476)
		<u>(33,472)</u>	<u>(5,479)</u>

For the financial year in question, the Company was entitled to exemption under section 479a of the Companies Act 2006 relating to subsidiary 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 accounts were approved by the Board of Directors on 29 September 2017 and signed on its behalf by:



Sean Doyle
Director
29 September 2017

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Statement of Change in Equity

For the year ended 31 December 2016
£000's

	Call up share capital	Profit and loss account	Total shareholder's equity
Balance at 1 January 2016	133,997	(139,476)	(5,479)
Loss for the year	-	(35,483)	(35,483)
Total comprehensive loss for the year	-	(35,483)	(35,483)
Shares issued	7,490	-	7,490
At 31 December 2016	141,487	(174,959)	(33,472)

For the year ended 31 December 2015
£000's

	Call up share capital	Profit and loss account	Total shareholder's equity
Balance at 1 January 2015	126,784	(135,923)	(9,139)
Loss for the year	-	(3,553)	(3,553)
Total comprehensive loss for the year	-	(3,553)	(3,553)
Shares issued	7,213	-	7,213
At 31 December 2015	133,997	(139,476)	(5,479)

BA European Limited

Notes to the Financial Statements

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

The financial statements of BA European Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the Board of Directors' on 29 September 2017 and the balance sheet was signed on the board's behalf by Sean Doyle. BA European Limited is incorporated and domiciled in England.

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

2. Accounting policies

2.1 Basis of preparation

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

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 of the following standards:

- a) The requirement of IAS 7 *Statement of Cash Flows*;
- b) The requirement of paragraphs 30 and 31 of IAS 8 *Accounting policies, Change in Accounting Estimates and Errors*;
- 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 IFRS 7 *Financial Instruments: Disclosures*; and
- f) The requirements of paragraphs 10 (d), and 134-136 of IAS1 presentation of Financial Statements.

2.2 Fundamental accounting concept

The accounts have been prepared on a going concern basis as BA has agreed to provide financial support to the Company.

2.3 Group accounts

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group accounts as it is a wholly owned subsidiary of a company which prepares publicly available Group financial statements. Therefore, these financial statements present information about the Company and not about its Group.

2.4 Foreign currencies

Transactions in foreign currencies are initially recorded in the Company's functional currency, sterling, by applying the spot exchange rate ruling at the date of the transaction. Monetary foreign currency balances are translated into sterling at the rates ruling at the balance sheet date. All other profits or losses arising on translation are dealt with through the income statement.

The Company has chosen to present its financial statements in sterling and all values are rounded to the nearest thousand pounds (£000's) except where indicated otherwise.

BA European Limited

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

2.5 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.

2.6 Investments

Investments are recorded at the lower of cost and net realisable value. 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.

2.7 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.

2.8 Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. If the effect is material, expected future cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

2.9 Receivables

Trade and other receivables 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.

3. Employee costs and numbers

a) Staff costs

The average number of employees during the period was as follows:

	2016	2015
US based cabin crew employees	-	28

BA European Limited

Notes to the Financial Statements (continued)

3. Employee costs and numbers (continued)

£000's	2016	2015
Wages and salaries	-	621
Social security costs	-	38
Other employee costs	6	30
OpenSkies re-invoicing	(6)	(689)
	-	-

The Company held the contracts of employment of US based cabin crew employees before their transfer to OpenSkies with effect from 1 January 2016. In 2016, there were remaining costs related to this activity which were wholly recharged to OpenSkies.

b) Directors' emoluments

The Directors did not receive any remuneration for their services as a Director of the Company during the year ended 31 December 2016 (31 December 2015: nil).

One Director qualified for a defined benefit scheme (2015: three) provided by the Company's parent undertaking during the year. Further details of the defined benefit scheme are included in the financial statements of British Airways Plc, which can be found on the website www.iagshares.com. In addition, one Director participated in the defined contribution scheme of BA. Three Directors 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, five Directors (2015: four) participated in IAG's Long Term Incentive Scheme called the IAG Performance Share Plan ("IPSP") and four Directors (2015: three) participated in IAG's Incentive Award Deferral Plan ("IADP").

During the year, awards vested for five Directors (2015: three) in the form of IAG shares under the IPSP and awards vested for four Directors (2015: two) under the IADP.

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 s412 and 413 of the Companies Act 2006.

4. Interest payable and similar charges

£000's	2016	2015
Interest payable to other group companies	(192)	(223)

As at 31 December 2016 the balance attracted interest at a rate of LIBOR (31 December 2015: LIBOR).

BA European Limited

Notes to the Financial Statements (continued)

5. Tax

a) Analysis of charge/ (credit) for the year

£000's	2016	2015
Current Tax :		
Tax charge / (credit) for the year	268	(406)
Prior year adjustment	-	406
Total	268	-

b) Reconciliation of the total tax charge in the Income Statement

The total tax charge is calculated at the standard rate of UK corporation tax. The tax charge on the profit for the year to 31 December 2016 is higher (2015: higher) than the expected tax charge at the UK rate. The differences to the UK rate are explained below:

£000's	2016	2015
Accounting (loss) before tax	(35,215)	(3,553)
Tax calculated at the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(7,043)	(719)
Effects of :		
Non deductible expenses - non recurring items	7,311	-
Free group relief to / from group members	-	313
Prior year adjustments	-	406
Total tax charge for the year	268	-

c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax on temporary differences as at 31 December 2016 has been calculated at the rate applicable to the year in which the temporary differences are expected to reverse.

6. Investments

£000's	Cost	Provisions	Total 2016	Total 2015
Balance at 1 January	127,925	(98,857)	29,068	21,855
Additions	7,489	-	7,489	7,213
Impairment	-	(36,557)	(36,557)	-
At 31 December	135,414	(135,414)	-	29,068

BA European Limited

Notes to the Financial Statements (continued)

6. Investments (continued)

During the year ended 31 December 2016, the Company invested € 9,000,000 (eq. £ 7,490,000) in the subsidiary OpenSkies SASU, this investment was financed by way of issuing and allotting 9,000,000 Euro denominated shares to BA (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 IAS 36. In order to make this assessment, future cash flows were forecast and discounted by applying a pre-tax discount rate of 9.38%. An impairment of £ 36,557,000 has been recognised at 31 December 2016 as the present value of those cash flows was lower than the net book value of the fixed assets investment (2015: no impairment).

Entity	Holding	Equity interest	Nature of the business
OpenSkies SASU	Ordinary shares	100%	Airline

7. Other current assets

£000's	2016	2015
Amount owed from other Group companies	11,206	9,690
	11,206	9,690

8. Cash, cash equivalents and other interest-bearing deposits

£000's	2016	2015
Cash at bank and in hand	13	46

9. Creditors: amounts falling due within one year

£000's	2016	2015
Trade creditors	99	152
Amount owed to parent undertaking	44,297	44,107
Other taxes and social security costs	288	17
	44,684	44,276

10. Provision for liabilities and charges

£000's	Balance at 1 January 2016	Arising during the year	Released of unused amounts	Provisions utilised	Balance at 31 December 2016
Provisions for social security & unemployment	7	-	-	-	7

BA European Limited

Notes to the Financial Statements (continued)

11. Share capital

£000's	2016	2015
Allotted, called up and fully paid :		
Ordinary shares of £1 each	65,522	65,522
Ordinary shares of €1 each	75,965	68,475
	<u>141,487</u>	<u>133,997</u>

The voting and participation rights of £1 and €1 shares are identical.

On 31 March 2016, the Company resolved to issue and allot 5,000,000 €1 denominated shares to BA in return for BA paying € 5,000,000 (eq. £ 3,921,000) to the Company.

On 21 November 2016, the Company resolved to issue and allot 4,000,000 €1 denominated shares to BA in return for BA paying € 4,000,000 (eq. £ 3,569,000) to the Company.

All Euro shares issued and allotted carry equal voting rights with the Pound Sterling shares issued and allotted previously.

12. 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 wholly owned group undertakings.

13. Post balance sheet events

On 27 January 2017, the Company resolved to issue and allot 5,870,000 €1 denominated shares to BA in return for BA paying €5,870,000 (eq. £ 4,950,000) to the Company. On 17 May 2017, the Company resolved to issue and allot 5,000,000 €1 denominated shares (eq. £ 4,206,000) to British Airways Plc in return for British Airways Plc paying €5,000,000 to the Company. On 25 July 2017, the Company resolved to issue and allot 5,500,000 €1 denominated shares (eq. £ 4,831,000) to British Airways Plc in return for British Airways Plc paying €5,500,000 to the Company.

14. Ultimate parent undertaking

The Company's immediate parent undertaking as at 31 December 2016 was BA, a company registered in England. As at 31 December 2016, 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.