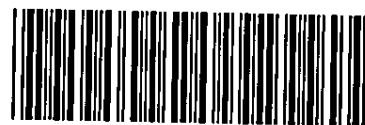


**DIRECTORS' REPORT AND ACCOUNTS
BRITISH CALEDONIAN GROUP LIMITED**

31 DECEMBER 2010

Company Number SC036382

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BRITISH CALEDONIAN GROUP LIMITED

Company Number SC036382

DIRECTORS' REPORT

Directors: A. K. Buchanan
K. Williams

Secretary: K. Dosanjh

Registered office: Ground Floor, Bute Court
Glasgow Airport, Glasgow, PA3 2SW

The Directors present their report and the audited accounts of British Caledonian Group Limited (the "Company") for the nine months to 31 December 2010.

DIRECTORS

The Directors of the Company during the period ending 31 December 2010 were A.K. Buchanan and K. Williams.

RESULTS AND DIVIDENDS

The Company did not trade during the nine month period ending 31 December 2010 nor during the twelve months ending 31 March 2010, as such no income statement has been provided.

The profit after tax amounted to Nil (March 2010: Nil). The Directors do not recommend the payment of a final dividend (March 2010: Nil).

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

In April 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 ("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 (the "British Airways Group") including the Company have changed their respective reporting periods 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.

GOING CONCERN

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

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the 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 stated above, there were no material post balance sheet events.

LIABILITY INSURANCE

The immediate parent undertaking, British Airways Plc, holds a Directors' and Officers' liability insurance policy covering the Directors and Officers of its subsidiary undertakings.

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 reasonably be expected to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

By order of the Board



Secretary
K. Dosanjh

4 July 2011

BRITISH CALEDONIAN GROUP 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 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.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BRITISH CALEDONIAN GROUP LIMITED

We have audited the financial statements of British Caledonian Group Limited for the nine month period ended 31 December 2010 which comprise the Balance Sheet, and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 results for the nine 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

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

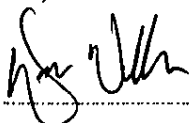
7 July 2011

BRITISH CALEDONIAN GROUP LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	31 December 2010 £000	31 March 2010 £000
FIXED ASSETS			
Investments	4	-	-
CURRENT ASSETS			
Debtors	5	22,867	22,867
NET ASSETS		<u>22,867</u>	<u>22,867</u>
CAPITAL AND RESERVES			
Called up share capital	6	20,627	20,627
Share premium account	7	83	83
Profit and loss account	7	2,157	2,157
TOTAL EQUITY		<u>22,867</u>	<u>22,867</u>

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

Keith Williams
Director



Date

4 July 2011

BRITISH CALEDONIAN GROUP 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.

Investments:

Fixed asset investments are stated at cost unless, in the opinion of the Directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

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.

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, and the consolidated accounts of British Airways Group, in which the Company is included, are publicly available.

2 AUDITORS' REMUNERATION

The auditor's remuneration of £3,000 (March 2010: £3,000) for the audit of the Company accounts, has been borne by British Airways Plc.

3 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 remuneration for their services as a Director of the Company during the period ended 31 December 2010 (March 2010: £nil).

Both of the 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.

There were no employees of the Company during the period (March 2010: nil).

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 period, which need to be disclosed in accordance with the requirements of section 412 and 413 of the Companies Act 2006.

4 INVESTMENTS

	31 December 2010 £000	31 March 2010 £000
Cost at the beginning and end of the period/year	6,735	6,735
Amounts provided at the beginning and end of the period/year	(6,735)	(6,735)
Net book value at period/year end	-	-

Equity interests at 31 December 2010 comprise investments in the following companies:

Name of Company	Activity	Country of incorporation	Proportion of of equity	Type of holding
British Caledonian Airways Limited	Dormant	England & Wales	100%	Ordinary shares of £1
Caledonian Aviation Investment Limited	Dormant	England & Wales	100%	Ordinary shares of £1

5 DEBTORS

	31 December 2010 £000	31 March 2010 £000
Amounts owed by parent undertaking	22,867	22,867

6 SHARE CAPITAL

	31 December 2010 Number	31 March 2010 Number
Allotted, called up and fully paid up Ordinary shares of £1.00 each:		
Ordinary shares of £1.00 each	20,627,000	20,627,000
	£000	£000
Balance at period end	20,627	20,627

BRITISH CALEDONIAN GROUP LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 2010

(Continued)

**7 RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES**

	<u>Called up share capital</u>	<u>Share premium account</u>	<u>Profit & loss account</u>	<u>Total</u>
	£000	£000	£000	£000
At 31 March 2009	20,627	83	2,157	22,867
Profit after tax	-	-	-	-
At 31 March 2010	20,627	83	2,157	22,867
Profit after tax	-	-	-	-
At 31 December 2010	20,627	83	2,157	22,867

8 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 British Airways Group.

9 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 for the period 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.

Please refer to note 10 below for future years.

10 SUBSEQUENT EVENTS

On 21 January 2011, British Airways and Iberia completed a merger transaction of the two companies 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 8 April 2010.

The registered address of IAG is 130 Calle Velazquez, Madrid, 28006, Spain.