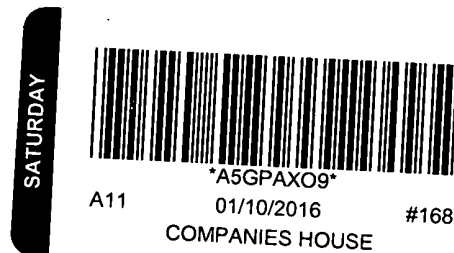


Registered No: 02524595

British Mediterranean Airways Limited

Annual Report and Accounts
For the year ended 31 December 2015



British Mediterranean Airways Limited

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British Mediterranean Airways Limited

Corporate information

DIRECTOR

C Denley

COMPANY SECRETARY

A Fleming

REGISTERED OFFICE

Waterside
PO Box 365
Harmondsworth
UB7 0GB

British Mediterranean Airways Limited

Director's Report

The Director presents his report and the audited financial statements of British Mediterranean Airways Limited (the 'Company') for the year ended 31 December 2015.

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

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Company is a non-trading company. Certain obligations give rise to expenses which are paid by a fellow group company.

DIRECTORS

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

C Denley

P Simpson (resigned 13 February 2015)

N Swift (appointed 13 February 2015, resigned 9 June 2015)

RESULTS AND DIVIDENDS

The loss before tax for the year amounted to £3,000,000 (2014: £nil). The Director does not recommend the payment of a dividend (2014: £nil).

TRANSITION TO FRS 101 "REDUCED DISCLOSURE FRAMEWORK"

The Company transitioned to FRS 101 for the year ended 31 December 2015, which did not result in any measurement changes. Further information in respect of the transition is disclosed in notes 2 and 11 of the financial statements.

GOING CONCERN

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

EVENTS SINCE THE BALANCE SHEET DATE

There have been no events since the balance sheet date.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

POLITICAL CONTRIBUTIONS

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

British Mediterranean Airways Limited

Director's Report (continued)

DIRECTOR'S STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Director confirms that:

- to the best of the Director's knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps he 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.

The Director's Report was approved by:



Director
C Denley
29 September 2016

British Mediterranean Airways Limited

Statement of Director's responsibilities

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has 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 Director must not approve the financial statements unless he is 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 Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

British Mediterranean Airways Limited

Independent auditor's report to the members of British Mediterranean Airways Limited

We have audited the financial statements of British Midland Airways Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 director and auditor

As explained more fully in the Statement of Director's Responsibilities set out on page 5, the director is 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 Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

British Mediterranean Airways Limited
Independent auditor's report to the members of British Mediterranean Airways Limited (continued)

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

J I Gordon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 SEPTEMBER 2016

British Mediterranean Airways Limited

Statement of comprehensive income

For the year ended 31 December 2015

£000	Note	2015	2014
Other income		-	18
Administrative expenses		(3,000)	(18)
Loss on ordinary activities before taxation		(3,000)	-
Tax charge on ordinary activities	5	-	-
Loss on ordinary activities after taxation		(3,000)	-
Total comprehensive loss		(3,000)	-

The above results are all in respect of continuing operations.

British Mediterranean Airways Limited

Balance sheet

As at 31 December 2015

£000	Note	2015	2014
Current assets			
Debtors	6	7	-
Cash at bank and in hand		-	7
Total current assets		<u>7</u>	<u>7</u>
Creditors: amounts falling due within one year	7	<u>(3,007)</u>	<u>(7)</u>
Net assets		<u>(3,000)</u>	<u>-</u>
Capital and reserves			
Called up share capital	8	17,291	17,291
Share premium		29,674	29,674
Profit and loss account		<u>(49,965)</u>	<u>(46,965)</u>
Total equity		<u>(3,000)</u>	<u>-</u>

The notes on pages 11 to 15 form part of these financial statements.

The financial statements on pages 8 to 15 were approved by the Director on 29 September 2016.



C Denley
Director
29 September 2016

Registered number 02524595

British Mediterranean Airways Limited

Statement of changes in equity

For the year ended 31 December 2015:

£000's	Called up share capital	Share premium	Profit and loss account	Total shareholders' equity
Balance at 1 January 2014	17,291	29,674	(46,965)	-
Loss for the year	-	-	-	-
At 31 December 2014	17,291	29,674	(46,965)	-
Loss for the year	-	-	(3,000)	(3,000)
At 31 December 2015	17,291	29,674	(49,965)	(3,000)

British Mediterranean Airways Limited

Notes to the financial statements

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

The financial statements of the Company for the year ended 31 December 2015 were authorised for issue by the Director on 29 September 2016 and the balance sheet was signed by C Denley. British Mediterranean Airways Limited is incorporated and domiciled in England and Wales.

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

2. Accounting Policies

2.1 Basis of preparation

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.

The Company's financial statements are presented in pounds sterling, which is the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000), except where indicated otherwise.

FRS 101 allows companies to take advantage of certain disclosure exemptions. As allowed under the standard, the disclosure exemptions under paragraph 8 to 9 of FRS 101 have been applied as the Company is a wholly owned subsidiary undertaking of British Airways Plc whose accounts include an equivalent disclosure, where required, of the following standards:

- a) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*,
- b) the requirements of IAS 7 *Statement of Cash Flows*,
- c) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*,
- d) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member,
- e) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*,
- f) the requirements of IFRS 7 *Financial Instruments: Disclosures*,
- g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*.

2.2 Summary of significant accounting policies

Other income

Other income relates to charges made to other group entities for expenses borne on behalf of the other group entities.

Taxation

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

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

British Mediterranean Airways Limited

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

Taxation (continued)

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

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

In accordance with IAS 39 *'Financial Instruments - Recognition and Measurement'*, financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Company determines the classification at initial recognition and re-evaluates this designation at each period end except for those financial instruments measured at fair value through the income statement.

a Debtors

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

Key accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis.

It is considered there are no key accounting estimates and judgements which have had a material effect on the financial statements this year.

3. Auditor's remuneration

Audit fees for the Company of £4,530 (2014: £2,500) are borne by British Airways Plc.

British Mediterranean Airways Limited

Notes to the financial statements (continued)

4. Directors' emoluments

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

Three Directors qualified for a defined contribution scheme (2014: three) provided by British Airways Plc. In addition, one Director opted to take cash in lieu (2014: one). Full disclosure of this scheme is made in the financial statements of British Airways Plc.

During the year none of the Directors exercised their rights under the British Airways Share Option Plan (2014: none). Three directors held awards under the IAG Long Term Incentive Schemes during the year. Two of the directors exercised their awards under the IAG Long Term Incentive Schemes (2014: none).

No loans or transactions were outstanding with the Directors of the Company at the end of the year, which need to be disclosed in accordance with the requirements of s412 and 413 of the Companies Act 2006.

There were no employees in the current or preceding year.

5. Tax

a) Analysis of tax charge for the year

Current tax

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

b) Reconciliation of the total tax charge

£000	2015	2014
Loss on ordinary activities before tax	(3,000)	-
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	608	-
Non-deductible expenditure	(608)	-
Other assessable income	-	(73)
Free group relief from group members	-	73
Tax charge in the income statement	-	-

c) Factors that may affect future tax charges

Further reductions to the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015, before the balance sheet date. An additional reduction to 17% effective from 1 April 2020 was substantively enacted on 6 September 2016. Such changes are not expected to have a significant effect on the deferred tax balances.

British Mediterranean Airways Limited

Notes to the financial statements (continued)

6. Debtors

£000	2015	2014
Amounts owed by parent	7	-
Amounts owed by fellow subsidiary undertakings	-	-
	<u>7</u>	<u>-</u>

Amounts due from fellow subsidiary undertakings at 31 December 2015 and 31 December 2014 of £34,648,000 have been stated net of a provision of £34,648,000. Amounts due from group undertakings are unsecured, repayable on demand and do not bear interest.

7. Creditors: amounts falling due within one year

£000	2015	2014
Amounts owed to fellow subsidiary undertakings	7	7
Other creditors	<u>3,000</u>	<u>-</u>
	<u>3,007</u>	<u>7</u>

Amounts due to fellow subsidiary undertakings are unsecured, repayable on demand and do not bear interest.

8. Share capital

£000	2015	2014
<i>Issued and fully paid:</i>		
51,946,991 ordinary shares of 20 pence each	10,389	10,389
7,340,726 deferred shares of 80 pence each	5,873	5,873
5,142,752 preferred ordinary shares of 20 pence each	<u>1,029</u>	<u>1,029</u>
	<u>17,291</u>	<u>17,291</u>

Ordinary share capital

Each fully paid ordinary share entitles the holder to one vote. Residual distributable income and any return of assets by liquidation shall be distributed amongst the members in proportion to the number of ordinary shares held by them.

Deferred shares

The deferred shares do not entitle their holders to receive notice of, attend or vote at any general meeting of the Company. The holders of the deferred shares are not entitled to any participation in the profits of the Company. The holders of the deferred shares shall on a liquidation or other return of capital except on conversion or redemption or purchase by the Company of any of its shares only be entitled to participate in the assets of the Company after the holders of every other class of shares shall have received the sum of £1 million in respect of each share.

Preferred shares

Each preferred ordinary share entitles the holder to exercise one thousand times the number of votes that the same number of ordinary shares would entitle that person to exercise. On any distribution of profits by the Company and on return of assets by liquidation the holder of a preferred ordinary share shall obtain a share of the distribution equal to one thousand times the share that would be obtained by the holder of an ordinary share.

British Mediterranean Airways Limited

Notes to the financial statements (continued)

9. Related party transactions

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

10. Ultimate parent undertaking

The Company has some external minority shareholders but is a majority owned subsidiary of British Midland Limited, a company registered in England and Wales.

British Midland Limited holds 89% of the ordinary share capital, 100% of the preferred ordinary share capital, and none of the deferred share capital, of the Company. The voting rights for the preferred ordinary shares are 1,000 times greater per share than the ordinary shares. The deferred shares do not carry any voting rights and the holders of deferred shares are not entitled to any participation in the profits of the Company. This in effect gives British Midland Limited 99% control of the Company.

As at 31 December 2015, the ultimate parent undertaking of the Company was International Consolidated Airlines Group S.A. ('IAG'), which is incorporated in Spain. Of the Group of which the Company is a member, IAG was the largest undertaking preparing group financial statements and 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.

11. Transition to FRS 101

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

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

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