

DIRECTORS' REPORT AND ACCOUNTS

**British Airways 777 Leasing Limited**

31 DECEMBER 2012

Company Number 4954270

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**British Airways 777 Leasing Limited**

Company Number 4954270

**DIRECTORS' REPORT**

Directors      A Buchanan (resigned 31 December 2012)  
                    K. Williams  
                    R French (appointed 1 January 2013)  
                    K Dosanjh (appointed 1 January 2013)

Secretary      K. Dosanjh

Registered office Waterside, PO Box 365  
Harmondsworth UB7 0GB

The Directors present their report and the audited accounts of British Airways 777 Leasing Limited (the 'Company') for the year ended 31 December 2012

**DIRECTORS**

The Directors of the Company during the year ending 31 December 2012 were A. Buchanan and K. Williams. A. Buchanan resigned from his post on 31 December 2012. R. French and K. Dosanjh were appointed Directors on 1 January 2013.

**RESULTS AND DIVIDENDS**

The profit after tax for the year amounted to £1,987,000 (2011 loss of £261,000). The Directors do not recommend the payment of a final dividend (2011: Nil).

**PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS**

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc ("British Airways"), acts primarily to acquire aircraft and then lease them to other members of the British Airways Group.

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 year, the Company made no political or charitable contributions (2011: Nil).

**EVENTS SINCE THE BALANCE SHEET DATE**

There have been no significant events since the balance sheet date.

**LIABILITY INSURANCE**

The ultimate parent, International Consolidated Airlines Group S.A. ("IAG") holds a Directors' and Officers' liability insurance policy covering the Directors and Officers of the IAG Group.

**AUDITORS**

The Company's auditors Ernst and Young LLP, will automatically continue in office in accordance with the terms of their appointment, as per section 487 of the Companies Act 2006.

**DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors who were members of the Board at the time of approving the Directors' Report are listed above. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all steps a Director might be reasonably expected to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Secretary and Director  
K. Dosanjh

28 August 2013

**British Airways 777 Leasing 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.

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF British Airways 777 Leasing Limited**

We have audited the financial statements of British Airways 777 Leasing Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 14. 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. 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 2012 and of its profit for the year 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  
29 August 2013

**British Airways 777 Leasing Limited**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 DECEMBER 2012**

	Note	31 December 2012 £000	31 December 2011 £000
Turnover	2	<u>2,100</u>	<u>2,352</u>
Operating profit		2,100	2,352
Interest payable	5	<u>(6,236)</u>	<u>(6,814)</u>
Loss on ordinary activities before tax		(4,136)	(4,462)
Tax credit on loss on ordinary activities	6	<u>6,123</u>	<u>4,201</u>
Profit/(Loss) for the financial period/year	12	<u>1,987</u>	<u>(261)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

There were no gains or losses other than the profit amounting to £1,987,000 in the year ending 31 December 2012 (2011 loss of £261,000)

**British Airways 777 Leasing Limited**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2012**

	Note	31 December 2012 £000	31 December 2011 £000
<b>NON CURRENT ASSETS</b>			
Debtors	8	126,916	145,612
<b>CURRENT ASSETS</b>			
Debtors	8	18,696	17,378
<b>CREDITORS</b> Amounts falling due within one year	9	(29,496)	(28,943)
<b>NET CURRENT LIABILITIES</b>		<u>(10,800)</u>	<u>(11,565)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>116,116</u>	<u>134,047</u>
<b>CREDITORS</b> Amounts falling due after one year	10	(95,598)	(109,266)
Provisions for deferred tax	6	(30,794)	(37,044)
<b>NET LIABILITIES</b>		<u>(10,276)</u>	<u>(12,263)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	10	10
Profit and loss account	12	(10,286)	(12,273)
<b>TOTAL EQUITY</b>		<u>(10,276)</u>	<u>(12,263)</u>

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

R. French  
Director



Date 28 August 2013

British Airways 777 Leasing Limited

NOTES TO THE ACCOUNTS

31 DECEMBER 2012

**1 ACCOUNTING POLICIES**

**Accounting convention**

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

**Leasing**

The amount due from lessees is recorded on the balance sheet as a debtor at the amount of the net investment in the lease. Total gross earnings under finance leases are allocated to accounting periods to give a constant rate of return to the net investment in the lease.

**Cash flow statement**

Under the provisions of FRS 1 Cash Flow Statements (revised) the Company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of British Airways Plc whose consolidated accounts are publicly available.

**Deferred tax**

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date.

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

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**2 TURNOVER**

Turnover is entirely derived from finance lease rentals relating to aircraft leased to the immediate parent, British Airways Plc.

All turnover is generated within the United Kingdom from continuing activities.

**3 AUDITORS' REMUNERATION**

The auditors' remuneration of £9,700 (2011: £9,700) for the audit of the Company accounts, has been borne by British Airways Plc.

**4 DIRECTORS' REMUNERATION**

One of the Directors of the Company was employed and remunerated during the year by IAG in respect of his services to the Group as a whole. One of the Directors of the Company was employed and remunerated by British Airways Plc throughout the year in respect of his services to the Group as a whole. The qualifying services provided to the Company by these Directors were incidental compared to their main roles, therefore their remuneration amount relating to the Company is £nil for the year ended 31 December 2012 (2011: £nil).

One 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](http://www.iagshares.com).

None of the Directors exercised his rights under PSP or LTIPs.

No loans or transactions 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.

There were no employees of the Company during the year (2011: nil).

**5 INTEREST PAYABLE**

	31 December 2012 £000	31 December 2011 £000
Bank loans	(5,453)	(6,001)
Loans from parent undertaking	(783)	(813)
	<u>(6,236)</u>	<u>(6,814)</u>

**British Airways 777 Leasing Limited**  
**NOTES TO THE ACCOUNTS**  
**31 DECEMBER 2012**  
*(Continued)*

**6 TAX**

	31 December 2012 £000	31 December 2011 £000
<b>(a) Analysis of credit for the year</b>		
<b>Current Tax</b>		
Tax charge for the year	(127)	(2,099)
<b>Deferred Tax</b>		
Accelerated capital allowances	3,500	3,274
Rate change effect on closing balance through P&L	2,750	3,026
Previous year adjustment	-	-
	<u>6,250</u>	<u>6,300</u>
<b>TOTAL</b>	<u>6,123</u>	<u>4,201</u>

**(b) Factors affecting current tax charge for the year**

The current tax credit for the period is less than the loss at the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)  
The differences are explained below

	31 December 2012 £000	31 December 2011 £000
Loss on ordinary activities before tax	(4,136)	(4,462)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	(1,013)	(1,182)
Effects of		
Expenses not deductible for tax purposes	137	148
Other permanent differences	-	-
<b>Timing differences</b>		
Depreciation in excess of capital allowances	3,500	3,274
Free Group relief from Group members	(2,624)	(141)
Prior year adjustment	127	-
<b>Current tax charge for the year/period as above</b>	<u>127</u>	<u>2,099</u>

**(c) Provision for deferred taxation**

	31 December 2012 £000	31 December 2011 £000
Accelerated Capital Allowances	(30,794)	(37,044)
Other Timing Differences	-	-
	<u>(30,794)</u>	<u>(37,044)</u>
Provision at start of period/year	(37,044)	(43,344)
P&L credit for the year/period- current	3,500	3,274
P&L credit for the year/period- prior	-	-
Rate change effect on closing balance through P&L	2,750	3,026
<b>Provision at end of year/period</b>	<u>(30,794)</u>	<u>(37,044)</u>

**(d) Factors affecting future tax charges**

Further reductions in the UK corporation tax rate were substantively enacted in the year. The main rate of corporation tax was reduced from 26% to 24% effective from 1 April 2012. The provision for deferred tax on timing differences as at 31 December 2012 was calculated at 23%, the corporation tax rate effective from 1 April 2013. The difference from the application of 23% instead of 24% for the three month period to 31 March 2013 is not expected to be material. Further reductions to the UK corporation tax rate, to 21% from 1 April 2014 and 20% from 1 April 2015, have been substantively enacted after the balance sheet date. The expected impact of these further reductions is a reduction in the deferred tax liability by £3,428,000.

British Airways 777 Leasing Limited

NOTES TO THE ACCOUNTS

31 DECEMBER 2012

(Continued)

7 INVESTMENTS IN FINANCE AGREEMENTS

	31 December 2012 £000	31 December 2011 £000
The amounts receivable under finance leases comprises		
Minimum lease payments	165,399	186,477
Finance allocated to future periods	(19,787)	(23,487)
	<u>145,612</u>	<u>162,990</u>
Of which due within one year		
Lease payments receivable within one year excluding interest	<u>18,696</u>	<u>17,378</u>

8 DEBTORS

	31 December 2012 £000	31 December 2011 £000
Amounts falling due within one year		
Amounts due from Group undertakings (under finance leases)	<u>18,696</u>	<u>17,378</u>
Amounts falling due after one year		
Amounts due from Group undertakings (under finance leases)	<u>126,916</u>	<u>145,612</u>

9 CREDITORS Amounts falling due within one year

	31 December 2012 £000	31 December 2011 £000
Bank loans	(13,668)	(12,338)
Corporation tax creditor	(1,126)	(999)
Accruals and deferred income	(1,079)	(1,260)
Amounts due to Group undertakings	(13,623)	(14,346)
	<u>(29,496)</u>	<u>(28,943)</u>

All intercompany loans were interest bearing. The rate of interest applied in 2012 ranged between 1.23% - 6.29% (2011 4.82% - 6.30%)

10 CREDITORS Amounts falling due after one year

	31 December 2012 £000	31 December 2011 £000
Bank loans	<u>(95,598)</u>	<u>(109,266)</u>

Bank loans are repayable by 2019 at a rate of 6.29% per annum for fixed debt (2011 6.29%), and 1.23% per annum (2011 1.66%) for floating debt.

**British Airways 777 Leasing Limited**  
**NOTES TO THE ACCOUNTS**  
**31 DECEMBER 2012**

(Continued)

**10 CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR (continued)**

Incidence of repayments	31 December 2012 £000	31 December 2011 £000
Instalments falling due		
Within one year	13,668	12,338
After more than one year		
Between one and two years	15,127	13,668
Between two and five years	55,999	50,458
In five years or more	24,472	45,140
	<b>95,598</b>	<b>109,266</b>
	<b>109,266</b>	<b>121,604</b>

**11 SHARE CAPITAL**

	31 December 2012 £000	31 December 2011 £000
Allotted, called up and fully paid up Ordinary shares of £1 00 each		
Balance at year/period end	<b>10</b>	<b>10</b>

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

	Called up share capital £000	Profit & loss account £000	Total £000
<b>At 31 December 2010</b>	10	(12,012)	(12,002)
Loss after tax for the year	-	(261)	(261)
<b>At 31 December 2011</b>	10	(12,273)	(12,263)
Profit after tax for the period	-	1,987	1,987
<b>At 31 December 2012</b>	<b>10</b>	<b>(10,286)</b>	<b>(10,276)</b>

**13 RELATED PARTIES**

As the Company is a wholly owned subsidiary of British Airways Plc, the Company has taken advantage of the exemption in FRS 8 Related Party Disclosures not to disclose related party transactions with fellow wholly owned Group undertakings

**14 PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's immediate parent undertaking as at 31 December 2012 was British Airways Plc, a company registered in England and Wales. As at 31 December 2012, 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)