

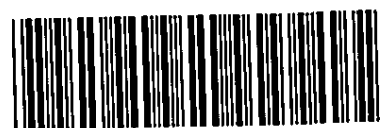
DIRECTORS' REPORT AND ACCOUNTS

British Airways 777 Leasing Limited

MARCH 31, 2009

Company Number 4954270

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COMPANIES HOUSE

British Airways 777 Leasing Limited

DIRECTORS' REPORT

Directors: Keith Williams
Alan Buchanan

Secretary: Kulbinder Dosanjh

Registered office: Waterside, PO Box 365
Harmondsworth UB7 0GB

The Directors present their report and the audited accounts for the year ended March 31, 2009.

DIRECTORS

The Directors of the Company during the year were Keith Williams and Alan Buchanan.

RESULTS AND DIVIDENDS

The loss for the year was £2,263,000 (2008: £2,355,000) for the year to March 31, 2009. The Directors did not recommend payment of a dividend (2008:£ nil).

REVIEW OF YEAR

The Company continued to lease four Boeing 777 aircraft to British Airways Plc. There were no changes to the leases.

PRINCIPAL ACTIVITIES

The Company, which is a wholly owned subsidiary undertaking of British Airways Plc, forms an integral part of the British Airways Group activity. The principal activities of the Company are to acquire aircraft and then lease them to other members of the British Airways Group.

EVENTS SINCE THE BALANCE SHEET DATE

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

FUTURE DEVELOPMENTS

The Directors intend that the Company will continue with its current activities in the future.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future taking into account the financial support available from British Airways Plc. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal financial instruments are mortgage loans and inter-company loans. The main purpose of these financial instruments is to manage the Company's funding and liquidity requirements. The principal financial risks to which the Company's is exposed are those relating to credit, liquidity and interest rate. These risks are managed in accordance with Board approved policies.

KEY PERFORMANCE INDICATORS

The Company's Key Performance Indicators (KPIs) are to ensure that aircraft are consistently leased to the parent Company and that all liabilities are settled on a timely basis. During the year all aircraft continued to be leased to the parent Company and all liabilities were settled on time.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made no political or charitable contributions (2008:£ nil).

LIABILITY INSURANCE

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

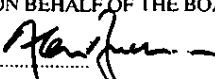
DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Having made enquiries of fellow Directors and of the Company's auditors, each of the 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 the steps a Director might be reasonably expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The Company has passed elective resolutions in accordance with the provision of sections 386(1) and 379(A) of the Companies Act 1985 such that Ernst & Young LLP will automatically continue in office as the Company's auditors.

ON BEHALF OF THE BOARD


DIRECTOR

British Airways 777 Leasing Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' 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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT
to the members of British Airways 777 Leasing Limited

We have audited the Company's financial statements for the year ended March 31, 2009 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at March 31, 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

27 January 2010

British Airways 777 Leasing Limited
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2009

	Note	2009 £ '000	2008 £ '000
Turnover	2	6,226	7,169
Operating profit	3	<u>6,226</u>	<u>7,169</u>
Interest payable and similar charges	5	(9,952)	(10,921)
Loss on ordinary activities before tax		<u>(3,726)</u>	<u>(3,752)</u>
Tax	6	<u>1,463</u>	<u>1,397</u>
Loss for the financial year	13	<u>(2,263)</u>	<u>(2,355)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than a loss amounting to £2,263,000 for the year ending March 31, 2009 (March 31, 2008: £2,355,000).

British Airways 777 Leasing Limited

BALANCE SHEET

As At March 31, 2009

	Note	2009 £ '000	2008 £ '000
NON CURRENT ASSETS			
Debtors due after one year	8	189,249	200,585
CURRENT ASSETS			
Debtors due within one year	8	11,879	11,409
CURRENT LIABILITIES			
Creditors due within one year	10	(24,266)	(22,021)
NET CURRENT LIABILITIES		<u>(12,387)</u>	<u>(10,612)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		176,862	189,973
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(140,452)	(149,837)
PROVISION FOR DEFERRED TAX	7	(51,986)	(53,449)
		<u>(15,576)</u>	<u>(13,313)</u>
CAPITAL AND RESERVES			
Called up share capital	12	10	10
Profit and loss account	13	(15,586)	(13,323)
		<u>(15,576)</u>	<u>(13,313)</u>

The financial statements were approved by the Board of Directors on 27 January 2010 and signed on behalf of the Board:

Director 

British Airways 777 Leasing Limited
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2009

1 ACCOUNTING POLICIES

Accounting convention:

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.

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.

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 is 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 FRS1 (revised), the Company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking.

2 TURNOVER

Turnover represents the gross earnings from finance leases. All turnover is generated in the United Kingdom.

3 OPERATING PROFIT

	<u>2009</u>	<u>2008</u>
The aggregate rentals received under finance leases are as follows:	£ '000	£ '000
Finance charges	6,226	7,169
Capital repayment	10,866	10,418
	<u>17,092</u>	<u>17,587</u>

The auditor's remuneration of £10,000 for the year ended March 31, 2009 (2008: £10,000) is borne by British Airways Plc.

4 DIRECTORS' REMUNERATION

The Directors received no remuneration or other emoluments from the Company during the year ended March 31, 2009 (March 31, 2008: £ nil). Both of the Directors qualify for a defined benefit pension scheme provided by the Company's parent undertaking. There were no employees during the year (2008: none).

5 NET INTEREST PAYABLE

	<u>2009</u>	<u>2008</u>
	£ '000	£ '000
Interest payable:		
Bank loans	9,273	10,320
Loans from other Group Companies	679	601
	<u>9,952</u>	<u>10,921</u>

British Airways 777 Leasing Limited
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2009

6 TAX

a) Analysis of tax credit for the year

	<u>2009</u>	<u>2008</u>
	£ '000	£ '000
Current tax:		
Tax charge for the year	-	-
Deferred tax:		
Accelerated capital allowances	(1,388)	(790)
Other timing differences	(157)	3,211
Rate change effect on closing balance through the profit & loss account	-	(3,818)
Prior year adjustment	82	-
	<u>(1,463)</u>	<u>(1,397)</u>
	<u>(1,463)</u>	<u>(1,397)</u>

b) Factors affecting tax credit for the year

The current tax credit for the year is less than the loss at the standard rate of corporation tax in the UK (28%). The differences are explained below:

	<u>2009</u>	<u>2008</u>
	£ '000	£ '000
Loss on ordinary activities before tax	(3,726)	(3,752)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008:30%)	(1,043)	(1,126)
Effects of:		
Expenses not deductible for tax purposes	-	3,380
Timing differences:		
Depreciation in excess of capital allowances	1,388	790
Other timing differences	157	(3,211)
Free Group relief (from) / to Group members	(502)	167
Current tax charge for the year	-	-

7 DEFERRED TAX

	<u>2009</u>	<u>2008</u>
	£ '000	£ '000
Accelerated capital allowances	48,854	50,243
Other timing differences	3,132	3,206
	<u>51,986</u>	<u>53,449</u>
Movement in provision:		
Provision at start of year	53,449	54,846
Rate change effect on closing balances through the profit & loss account	-	(3,818)
Profit and loss (credit) / charge for the year - current	(1,545)	2,421
Profit and loss charge for the year - prior	82	-
Provision at end of year	<u>51,986</u>	<u>53,449</u>

British Airways 777 Leasing Limited
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2009

8 DEBTORS

	2009	2008
	£ '000	£ '000
Amounts falling due within one year:		
Amounts due from Group undertakings (under finance leases)	11,879	11,409
Amounts falling due after more than one year:		
Amounts due from Group undertakings (under finance leases)	189,249	200,585

9 INVESTMENTS IN FINANCE AGREEMENTS

	2009	2008
	£ '000	£ '000
The amounts receivable under finance leases comprise:		
Minimum lease payments	249,419	267,622
Finance allocated to future periods	(48,291)	(55,628)
	201,128	211,994
Of which due within one year		
Lease payments receivable within one year excluding interest	11,879	11,409

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£ '000	£ '000
Bank loans	9,384	8,623
Accruals and deferred income	1,671	2,117
Amounts due to Group undertakings	13,210	11,281
	24,266	22,021

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009	2008
	£ '000	£ '000
Bank loans repayable by 2019 at rates between 6.1% and 6.95% p.a.	140,452	149,837

British Airways 777 Leasing Limited
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2009

Incidence of repayments:

	<u>2009</u>	<u>2008</u>
	<u>£ '000</u>	<u>£ '000</u>
Instalments falling due:		
Within one year	9,384	8,623
After more than one year		
Between one and two years	10,330	9,384
Between two and five years	38,064	34,383
In five years or more	92,059	106,069
	<u>140,452</u>	<u>149,836</u>
	<u>149,836</u>	<u>158,459</u>

The bank loans are secured by fixed charges over the aircraft.

12 SHARE CAPITAL

	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>No.</u>	<u>£ '000</u>	<u>No.</u>	<u>£ '000</u>
Authorised:				
Ordinary shares of £1 each	10,000	10	10,000	10
	<u>10,000</u>	<u>10</u>	<u>10,000</u>	<u>10</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	10,000	10	10,000	10
	<u>10,000</u>	<u>10</u>	<u>10,000</u>	<u>10</u>

13 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Called up share capital</u>	<u>Profit & loss account</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At March 31, 2007	10	(10,968)	(10,958)
Loss for the period	-	(2,355)	(2,355)
At March 31, 2008	10	(13,323)	(13,313)
Loss for the period	-	(2,263)	(2,263)
At March 31, 2009	10	(15,586)	(15,576)

14 RELATED PARTIES

The Company has taken advantage of the exemption in FRS8 not to disclose related party transactions as 90 per cent or more of the voting rights are controlled within the Group.

15 PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate and ultimate parent undertaking is British Airways Plc.

The Company is a wholly owned subsidiary undertaking of British Airways Plc, a Company incorporated in England. 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.