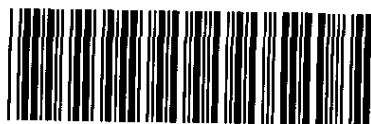


ANNUAL REPORT AND ACCOUNTS
British Airways 777 Leasing Limited
31 DECEMBER 2018

Company Number 4954270

THURSDAY



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British Airways 777 Leasing Limited

Company Number 4954270

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British Airways 777 Leasing Limited

Company Number 4954270

DIRECTORS' REPORT

Directors: S Philcox
A Fleming

Secretary: L Straver

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

The Directors present their report and the unaudited accounts of British Airways 777 Leasing Limited (the "Company") for the year ended 31 December 2018. The Company has taken the exemption under section 414b of the Companies Act 2006 to not prepare a strategic report.

DIRECTORS

The Directors of the Company during the year and since the year end were A Fleming and S Philcox.

RESULTS AND DIVIDENDS

The loss after tax for the year amounted to £213,000 (2017: loss £48,000). The Directors do not recommend the payment of a final dividend (2017: Nil).

GOING CONCERN

The Directors have received a commitment of financial support from its immediate parent company British Airways Plc 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.

POLITICAL CONTRIBUTIONS

During the year, the Company made no political contributions (2017: Nil).

EVENTS SINCE THE BALANCE SHEET DATE

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

LIABILITY INSURANCE

The ultimate parent undertaking, International Consolidated Airlines Group, S.A. ("IAG") purchased 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.

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 UK 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) including Financial Reporting Standard 101 "Reduced Disclosure Framework". 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, comprising FRS101, 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.

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; 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.

By order of the Board



S. Philcox
Director

20 June 2019

British Airways 777 Leasing Limited
INCOME STATEMENT
For the year ended 31 DECEMBER 2018

| | Note | 2018 £000 | 2017 £000 |
|------------------------------------|------|---------------------|--------------------|
| Turnover | 3 | <u>945</u> | <u>1,020</u> |
| Operating profit | | 945 | 1,020 |
| Interest payable | 5 | <u>(1,078)</u> | <u>(1,089)</u> |
| Loss before tax | | (133) | (69) |
| Tax (charge)/credit | 6 | <u>(80)</u> | <u>21</u> |
| Loss for the financial year | | <u>(213)</u> | <u>(48)</u> |

All amounts relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

There were no gains or losses other than the loss amounting to £213,000 in the year ending 31 December 2018 (2017: loss £48,000).

British Airways 777 Leasing Limited

BALANCE SHEET

AS AT 31 DECEMBER 2018

| | Note | 2018 £000 | 2017 £000 |
|--|------|-----------------|-----------------|
| CURRENT ASSETS | | | |
| TRADE AND OTHER RECEIVABLES: Amounts falling due within one year | 8 | 7,384 | 27,385 |
| TRADE AND OTHER PAYABLES: Amounts falling due within one year | 9 | (18,722) | (37,352) |
| NET CURRENT LIABILITIES | | <u>(11,338)</u> | <u>(9,967)</u> |
| TRADE AND OTHER RECEIVABLES: Amounts falling due after one year | 8 | - | 7,384 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(11,338)</u> | <u>(2,583)</u> |
| TRADE AND OTHER PAYABLES: Amounts falling due after one year | 10 | - | (3,728) |
| Provisions for deferred tax | 6 | (1,580) | (6,394) |
| NET LIABILITIES | | <u>(12,918)</u> | <u>(12,705)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 10 | 10 |
| Profit and loss account | | (12,928) | (12,715) |
| TOTAL EQUITY | | <u>(12,918)</u> | <u>(12,705)</u> |

The financial statements have been prepared in accordance with the special provisions relating to small companies within section 414 of the Companies Act 2006.

For the financial year in question the Company was entitled to exemption from audit 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.

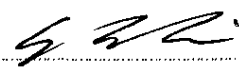
The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of

The financial statements on pages 3-9 were approved by the Board of Directors and signed on behalf of the Board:

S Philcox

Director

Date


20 June 2019

British Airways 777 Leasing Limited
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

| £000 | Called Up Share Capital | Profit and Loss Account | Total Equity |
|----------------------------|--|------------------------------------|-------------------------|
| Balance at 1 January 2018 | 10 | (12,715) | (12,705) |
| Loss for the year | - | (213) | (213) |
| At 31 December 2018 | 10 | (12,928) | (12,918) |

For the year ended 31 December 2017

| £000 | Called Up Share Capital | Profit and Loss Account | Total Equity |
|----------------------------|--|------------------------------------|-------------------------|
| Balance at 1 January 2017 | 10 | (12,667) | (12,657) |
| Loss for the year | - | (48) | (48) |
| At 31 December 2017 | 10 | (12,715) | (12,705) |

British Airways 777 Leasing Limited

NOTES TO THE ACCOUNTS

31 DECEMBER 2018

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue by the board of Directors on 20 June 2019 and the balance sheet was signed on the board's behalf by S Philcox.

British Airways Leasing 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

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 BA whose accounts include an equivalent disclosure, where required, of the following standards:

- a) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 and paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- b) the requirements of IAS 7 *Statement of Cash Flows*;
- c) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- d) the requirements of paragraph 17 and 18a of IAS 24 *Related Party Disclosures*;
- e) 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;
- f) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- g) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*;
- h) the requirements of paragraph 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*;
- i) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- j) the requirements of paragraphs 10(d), 10(f), 16, 38A-38D, 40A-40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*.

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.

Trade and other 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.

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.

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 following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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. For investment property that is measured at fair value, deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income tax is used. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised or that the Company has determined it is appropriate to recognise the deferred tax asset as it is recoverable due to the fact that the Company is part of a UK Group for group relief purposes.

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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if these are also affected. The estimates and assumptions that have a significant risk of causing a material adjustment within the next financial year include the effective interest rates used to discount lease assets.

Financial Instruments

In accordance with IFRS 9 'Financial Instruments', 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2018, have had a material impact on the company.

3 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.

British Airways 777 Leasing Limited

NOTES TO THE ACCOUNTS

31 DECEMBER 2018

(Continued)

4 DIRECTORS' REMUNERATION

The Directors received no remuneration for their services to the Company for the year ended 31 December 2018 (2017: Nil).

No Directors qualified for a defined benefit pension scheme (2017: nil) and two of the Directors qualified for a defined contribution pension scheme (2017: two) provided by the Company's parent undertaking during the year. Full disclosure of this is made in the financial statements of British Airways Plc.

During the year, two Directors (2017: two) participated in IAG's Long Term Incentive Scheme, the IAG Performance Share Plan ("IPSP") and two Directors (2017: one) participated in IAG's Incentive Award Deferral Plan ("IADP"). During the year, awards vested for one Director (2017: one) in the form of IAG shares under the IPSP and awards vested for one Director (2017: one) under the IADP.

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 of the Company during the year (2017: nil).

5 INTEREST PAYABLE

| | 2018 £000 | 2017 £000 |
|-------------------------------|--------------|--------------|
| Bank loans | 128 | 291 |
| Loans from parent undertaking | 950 | 798 |
| | <u>1,078</u> | <u>1,089</u> |

6 TAX

a Tax on profit

Tax (credit)/charge in the income statement

| | 2018 £000 | 2017 £000 |
|-------------------------------------|----------------|----------------|
| Current tax | | |
| Movement in respect of current year | (4,895) | (4,523) |
| Movement in respect of prior years | 1 | 116 |
| Total current tax | <u>(4,894)</u> | <u>(4,407)</u> |
| Deferred tax | | |
| Movement in respect of current year | 4,814 | 4,428 |
| Total deferred tax | <u>4,814</u> | <u>4,428</u> |
| Total tax | <u>(80)</u> | <u>21</u> |

b Detailed deferred tax

The deferred tax included in the balance sheet and the movement in the liability is as follows:

| | Opening balance £000 | Income Statement £000 | Closing £000 |
|-------------------------------|-------------------------|--------------------------|-----------------|
| Property, plant and equipment | 6,394 | (4,814) | 1,580 |
| Total deferred tax | <u>6,394</u> | <u>(4,814)</u> | <u>1,580</u> |

c Reconciliation of the total tax credit in the Income Statement

The total tax credit is calculated at the standard rate of UK corporation tax. The tax credit on the loss for the year to 31 December 2018 is higher (2017: higher) than the expected tax credit at the UK rate. The Company's effective tax rate is -60.27% (2017: 30.8%) and the differences to the UK rate are explained below:

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Accounting loss before tax | (133) | (68) |
| Tax calculated at the standard rate of corporation tax in the UK of 19% (2017: 19.25%) | 25 | 13 |
| Effects of: | | |
| Non-deductible expenses | (106) | (108) |
| Adjustments in respect of prior years | 1 | 116 |
| Tax credit/(charge) in the income statement | <u>(80)</u> | <u>21</u> |

d Factors that may affect future tax charges

The main rate of corporation tax applicable from 1 April 2020 is reducing from 18 per cent to 17 per cent. This will reduce the companies future current tax charge. The deferred tax on temporary differences and tax losses at 31 December 2018 was calculated at the rate applicable to the year in which the temporary differences and tax losses are expected to reverse.

British Airways 777 Leasing Limited

NOTES TO THE ACCOUNTS

31 DECEMBER 2018

(Continued)

7 INVESTMENTS IN FINANCE AGREEMENTS

| | 2018 £000 | 2017 £000 |
|--|--------------|---------------|
| The amounts receivable under finance leases comprises: | | |
| Minimum lease payments | 7,392 | 35,199 |
| Finance allocated to future periods | (8) | (430) |
| | <u>7,384</u> | <u>34,769</u> |
| Of which due within one year: | | |
| Lease payments receivable within one year excluding interest | <u>7,384</u> | <u>27,385</u> |

8 TRADE AND OTHER RECEIVABLES

| | 2018 £000 | 2017 £000 |
|--|--------------|---------------|
| Amounts falling due within one year: | | |
| Amounts due from Group undertakings (under finance leases) | <u>7,384</u> | <u>27,385</u> |
| Amounts falling due after one year: | | |
| Amounts due from Group undertakings (under finance leases) | <u>-</u> | <u>7,384</u> |

All intercompany loans were interest bearing. The rate of interest applied in 2018 ranged between 4.5% - 7% (2017: 1.03% - 6.29%).

9 TRADE AND OTHER PAYABLES: Amounts falling due within one year:

| | 2018 £000 | 2017 £000 |
|---|---------------|---------------|
| Bank loans | 3,726 | 20,746 |
| Corporation tax creditor | 9,556 | 15,318 |
| Accruals and deferred income | 6 | 56 |
| Other amounts due to Group undertakings | <u>5,434</u> | <u>1,232</u> |
| | <u>18,722</u> | <u>37,352</u> |

10 TRADE AND OTHER PAYABLES: Amounts falling due after one year:

| | 2018 £000 | 2017 £000 |
|------------|--------------|--------------|
| Bank loans | <u>-</u> | <u>3,728</u> |

Bank loans are repayable by 2018 at the average rate of 0.91% per annum (2017: 1.03%) for floating debt.

British Airways 777 Leasing Limited
NOTES TO THE ACCOUNTS
31 DECEMBER 2018
(Continued)

10 TRADE AND OTHER PAYABLES: Amounts falling due after one year (continued)

| | | |
|----------------------------|--------------|---------------|
| Incidence of repayments: | 2018 | 2017 |
| | £000 | £000 |
| Instalments falling due: | | |
| Within one year | 3,726 | 20,746 |
| After more than one year | | |
| Between one and two years | - | 3,726 |
| Between two and five years | - | - |
| | - | 3,726 |
| | <u>3,726</u> | <u>24,472</u> |

11 SHARE CAPITAL

| | | |
|--|-----------|-----------|
| | 2018 | 2017 |
| | £000 | £000 |
| Allotted, called up and fully paid up Ordinary shares of £1.00 each: | | |
| Balance at year end | <u>10</u> | <u>10</u> |

12 RELATED PARTIES

As the Company is a wholly owned subsidiary of British Airways Plc, the Company has taken advantage of the exemption in FRS101 not to disclose related party transactions with fellow wholly owned Group undertakings.

13 PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking as at 31 December 2018 was British Airways Plc, a company registered in England. As at 31 December 2018, 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 was a member, IAG was the largest undertaking preparing Group financial statements and British Airways Plc was the smallest undertaking preparing group financial statements.

Copies of the consolidated financial statements of British Airways Plc and IAG can be found on the website www.iagshares.com.