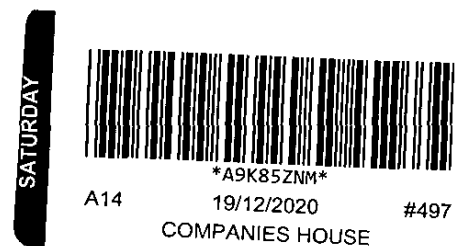


Registered No: 04954270

British Airways 777 Leasing Limited

Annual Report and Accounts
For the year ended 31 December 2019



British Airways 777 Leasing Limited

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British Airways 777 Leasing Limited

Corporate information

Director

S. Philcox
A. Fleming

Registered office

Waterside
PO Box 365
Harmondsworth
Middlesex
UB7 0GB

British Airways 777 Leasing Limited Directors' Report

Registered No: 04952470

The Directors present their unaudited Annual Report and Accounts ('financial statements') of British Airways 777 Leasing Limited (the 'Company') for the year ended 31 December 2019.

The Company has taken the exemption under section 414B of the Companies Act 2006 to not prepare a Strategic Report.

Principal activities

The Company's primary purpose was to lease fully serviced aircraft to its parent undertaking, British Airways Plc ('BA'). The lease terminated on 31 December 2014 when the A318 operation was transferred back to BA. The Directors continue to evaluate the future direction of the Company.

Directors

The Directors of the Company during the year ended 31 December 2019 and up to the date of approval of the financial statements were as follows:

S. Philcox

A. Fleming

Results and dividends

The loss after tax for the year amounted to £633,000 (2018: £213,000). The Directors do not recommend the payment of a dividend (2018: £nil).

Going concern

The Company has received confirmation from its parent company, British Airways Plc ('BA'), that it will provide financial support to the Company should it be required for a period of at least 12 months from the date of approval of these financial statements. Having made an assessment of the ability of BA to provide such support if required, the Directors have a reasonable expectation that the Company has sufficient liquidity for the foreseeable future and accordingly the Directors have adopted the going concern basis in preparing the financial statements for the year ended 31 December 2019.

The Company's financial position is significantly affected by the level of operating activity of BA. The Directors note the publication on 13 November 2020 of BA's condensed consolidated interim financial statements for the nine-month period to 30 September 2020 in which a material uncertainty in relation to going concern was disclosed.

As a consequence, the Directors of the Company consider there is also a material uncertainty over BA's ability to provide financial support to the Company and this could cast significant doubt upon the Company ability to continue as a going concern. Refer to note 2.1 for further information.

Directors' and Officers' liability insurance

The ultimate parent company of the Group, International Consolidated Airlines Group S.A ('IAG'), 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 (2018: £nil).

Post balance sheet events

Management has also evaluated the potential impact of COVID-19 on the valuation of its assets and concluded that there has been no material change to the valuations from the balance sheet date.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' 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, comprising FRS 101 'Reduced Disclosure Framework' 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 of the profit or loss 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, comprising FRS 101 'Reduced Disclosure Framework', have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless they consider that to be 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 on page 3. 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 section 476 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.

The Directors' Report was approved by the Board and signed on its behalf by:



S. Philcox
Director
17 December 2020

British Airways 777 Leasing Limited

Income Statement

For the year ended 31 December 2019

£000	Note	2019	2018
Turnover	4	8	945
Operating profit		8	945
Interest payable	6	(1,032)	(1,078)
Loss before taxation		(1,024)	(133)
Taxation	7	391	(80)
Loss for the financial year		(633)	(213)

The notes on pages 8 to 14 form part of these financial statements.

The above results are all in respect of continuing operations.

There is no other comprehensive income (2018: £nil), other than the loss amounting to £633,000 in the year ended 31 December 2019 (2018: £213,000). Therefore, no separate statement of other comprehensive income has been presented.

British Airways 777 Leasing Limited

Balance Sheet

As at 31 December 2019

£000	Note	2019	2018
Debtors	8	1,226	7,384
Creditors: amounts falling due within one year	9	(14,777)	(18,722)
Net current liabilities		<u>(13,551)</u>	<u>(11,338)</u>
Provision for liabilities	7	-	(1,580)
Net liabilities		<u>(13,551)</u>	<u>(12,918)</u>
Capital and reserves			
Called up share capital	10	10	10
Profit and loss account		<u>(13,561)</u>	<u>(12,928)</u>
Total shareholders' funds		<u>(13,551)</u>	<u>(12,918)</u>

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.

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

No members have required the Company to obtain an audit in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and for the preparation of accounts.

The financial statements on pages 5 to 14 were approved by the Board of Directors on 17 December 2020 and signed on its behalf by:



S. Philcox
Director
17 December 2020

British Airways 777 Leasing Limited
Statement of Changes in Equity
For the year ended 31 December 2019

For the year ended 31 December 2019

£000	Called up share capital	Profit and loss account	Total shareholders' funds
Balance at 1 January 2019	10	(12,928)	(12,918)
Loss for the year	-	(633)	(633)
At 31 December 2019	10	(13,561)	(13,551)

For the year ended 31 December 2018

£000	Called up share capital	Profit and loss account	Total shareholders' funds
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)

British Airways 777 Leasing Limited

Notes to the financial statements

1. Authorisation of financial statements

The financial statements of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 17 December 2020 and the Balance Sheet was signed on the Board's behalf by S. Philcox. British Airways 777 Leasing Limited is a private company limited by shares and 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 and statement of compliance with FRS 101

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' and in accordance with the Companies Act 2006. These financial statements have been prepared under the 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 'Reduced Disclosure Framework' 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 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 IFRS 7 *Financial Instruments: Disclosures*; and
- f) the requirements of paragraphs 10(d), 16, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*.

Going concern

The Company has received confirmation from its parent company, British Airways Plc ('BA'), that it will provide financial support to the Company should it be required for a period of at least 12 months from the date of approval of these financial statements. Having made an assessment of the ability of BA to provide such support if required, the Directors have a reasonable expectation that the Company has sufficient liquidity for the foreseeable future and accordingly the Directors have adopted the going concern basis in preparing the financial statements for the year ended 31 December 2019.

However, the Company's financial position is significantly affected by the level of operating activity of BA. The Directors note the publication on 13 November 2020 of BA's condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 in which a material uncertainty in relation to going concern was disclosed.

As disclosed in those condensed consolidated interim financial statements, given the economic uncertainty of the COVID-19 pandemic, BA modelled the impact of mitigating actions to offset further deteriorations in demand and capacity, including reductions in operating expenditure and capital expenditure. BA expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions it would pursue in the event of adverse liquidity experience.

British Airways 777 Leasing Limited

Notes to the financial statements (continued)

2.1 Basis of preparation and statement of compliance with FRS 101 (continued)

Going concern (continued)

Furthermore, to add resilience to the liquidity position of BA, the Directors of BA have resolved to undertake a range of financing, including: renegotiations of existing financing arrangement and securing additional long term financing facilities to raise approximately £3 billion of additional liquidity. The Directors of BA have a reasonable expectation that BA has sufficient liquidity to continue in operational existence for the foreseeable future and hence adopted the going concern basis in preparing the condensed consolidated interim financial statements.

Due to the uncertainty created by COVID-19 and potential for future waves of the pandemic and the impact on travel restrictions and/or demand, BA is not able to provide certainty that there could not be more severe downside scenarios than those it has considered, including the sensitivities in relation to the capacity operated, yield and cost mitigations achievable. In the event that such a scenario were to occur, or in the event that certain other assumptions, outside management's control, are not met, including funding secured against aircraft, agreement for the deferral of pension contributions or the additional cash inflows from an associated Group undertaking, the Group will need to secure additional funding. As set out above, the sources of additional funding are expected to include the renegotiation of existing financing arrangements and securing additional long term financial facilities.

BA's ability to obtain additional funding represents a material uncertainty that could cast significant doubt upon BA's ability to continue as a going concern.

As a consequence, the Directors of the Company consider this also represents a material uncertainty over BA's ability to provide financial support to the Company and this could cast significant doubt upon the Company ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

2.2 Summary of significant accounting policies

Turnover

Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes and are recognised during the period to which they relate.

Interest receivable

Interest income is recognised in the Income Statement using the effective interest method.

Interest payable

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method.

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. A financial asset or liability is generally derecognised when the contract that gives rise to it has been settled, sold, cancelled or has expired.

Debtors

Debtors are stated at amortised cost less allowances made for expected credit losses which approximates fair value given the short dated nature of these assets. A provision for expected credit losses (allowance for doubtful debtors) is established based on the calculation and recognition of lifetime expected credit losses.

British Airways 777 Leasing Limited

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

Creditors

Creditors are recognised initially at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Creditors classified as payable within one year are not amortised.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the Balance Sheet date.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the Balance Sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred 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.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Income Statement.

Profit and loss reserves

Profit and loss reserves represents the cumulative profit and losses and net distributions to shareholders.

Share capital

Ordinary shares are classified as equity.

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.

British Airways 777 Leasing Limited

Notes to the financial statements (continued)

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 2019, have had a material impact on the Company.

3. Audit exemption

The Company is not required to have audited annual accounts, in accordance with section 479a of the Companies Act 2006 relating to subsidiary companies, and has decided to take advantage of this exemption this year. BA has provided parent guarantee over section 479c of the Companies Act 2006. Therefore, no amounts have been paid for the audit of the financial statements during the year (2018: £nil).

4. Turnover

Turnover is entirely derived from intercompany interest received from the immediate parent, BA. All turnover is generated within the United Kingdom.

5. Directors' emoluments

None of the Directors of the Company received any remuneration during the year in respect for their services to the Company (2018: £nil).

During the year and two Directors accrued benefits under a defined contribution pension scheme (2018: two), provided by the Company's parent undertaking during the year. Full disclosure of these schemes is made in the financial statements of BA.

Two Directors (2018: two) participated in IAG's Long Term Incentive Schemes and none exercised awards during the year (2018: one).

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.

There were no employees of the company during the current or preceding year.

6. Interest payable

£000	2019	2018
Bank loans	7	128
Interest payable to group undertakings	1,025	950
	1,032	1,078

British Airways 777 Leasing Limited

Notes to the financial statements (continued)

7. Taxation

a) Tax on loss on ordinary activities

Tax (credit)/charge in the Income Statement:

£000	2019	2018
Current tax		
UK corporation tax on losses for the current period	2,858	4,895
Movement in respect of prior years	(443)	(1)
Total current tax	2,415	(4,894)
Deferred tax		
Movement in respect of the current year	(2,946)	(4,814)
Rate change	140	-
Total deferred tax	(2,806)	(4,814)
Total tax (credit)/charge	(391)	80

b) Deferred tax (liability)/asset

The deferred tax included in the Balance Sheet and the movement in the (liability)/asset is as follows:

£000	Opening balance	Income Statement	Closing balance
Property, plant and equipment	(1,580)	2,806	1,226
Total deferred tax	(1,580)	2,806	1,226

c) Reconciliation of the total tax (credit)/charge in the Income Statement

The total tax (credit)/charge is calculated at the standard rate of UK corporation tax. The tax (credit)/charge on the loss for the year ended 31 December 2019 is lower than the expected tax (credit)/charge at the UK rate and the differences to the UK rate are explained below.

£000	2019	2018
Loss on ordinary activities before tax	(1,024)	(133)
Tax calculated at the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	(194)	(25)
Effects of:		
Non-deductible expenses	106	106
Adjustment in respect of prior years	(443)	(1)
Effect of tax rate changes	140	-
Total tax (credit)/charge in the Income Statement	(391)	80

d) Factors that may affect future tax charges

The deferred tax on temporary differences at 31 December 2019 was calculated at the rate applicable to the year in which the temporary differences are expected to reverse. In the UK, at 31 December 2019, the enacted tax rate effective 1 April 2020 was 17.0% and this was the rate used to calculate the deferred tax liability at the balance sheet date. In Finance Bill 2020, the UK government legislated that the UK corporation tax rate would remain at 19.0% on 1 April 2020. The deferred tax liability calculated at a rate of 19.0% would have been approximately £140,000 more than the amount included in the balance sheet at 31 December 2019.

British Airways 777 Leasing Limited

Notes to the financial statements (continued)

8. Debtors

Amounts falling due within one year:

£000	2019	2018
Amounts owed by group undertakings	-	7,384

Amounts owed by group undertakings represent debtors arising from intercompany trading activities. The rate of interest applied in 2018 ranged between 4.5% - 7.0%.

Amounts falling due after more than one year:

£000	2019	2018
Deferred tax asset (note 7)	1,226	-
Total debtors	1,226	7,384

9. Creditors: amounts falling due within one year

£000	2019	2018
Bank loans	-	3,726
Corporation tax liability	2,415	9,556
Accruals and deferred income	-	6
Amounts owed to group undertakings	12,362	5,434
	14,777	18,722

Amounts owed by group undertakings represent creditors arising which are unsecured and payable on demand. The rate of interest applied in the year was 0.68% (2018: 1.03%).

10. Share capital

	No.	2019 £000	No.	2018 £000
Allotted, called up and fully paid				
Ordinary shares of £1.00 each	10,000	10	10,000	10

11. Related party transactions

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

12. Post balance sheet event

Management has also evaluated the potential impact of COVID-19 on the valuation of its assets and concluded that there has been no material change to the valuations from the balance sheet date.

British Airways 777 Leasing Limited

Notes to the financial statements (continued)

13. Ultimate parent undertaking

The Company's immediate parent undertaking as at 31 December 2019 was BA, a company registered in England and Wales.

As at 31 December 2019, the ultimate parent undertaking of the Company was 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 BA was the smallest undertaking preparing group financial statements.

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