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BRITISH AIRWAYS PLC
Form 6-K
May 23, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER

FURNISHED PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

18 May 2007

BRITISH AIRWAYS Plc
(Registrant's Name)

Waterside HBA3,
PO Box 365
Harmondsworth UB7 0GB
United Kingdom

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organised (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

CONTENTS

1. Full Year Results

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRITISH AIRWAYS Plc

By: /s/ _____
Name: Alan Buchanan
Title: Company Secretary
Date 18 May 2007

INDEX TO EXHIBITS

Exhibit No.	Description
1.	Full Year Results

PRELIMINARY FINANCIAL RESULTS 2006-2007

OPERATING AND FINANCIAL STATISTICS (Note 1)

		Three months ended			Twelve mo
		2007	March 31 2006 Restated	Better/ (Worse)	2007
Revenue	GBPm	1,932	2,054	(5.9)%	8,492
Operating profit	GBPm	31	98	(68.4)%	602
Profit before tax	GBPm	27	98	(72.4)%	611
Profit after tax	GBPm	(71)	88	nm	438
Loss from discontinued operations	GBPm	(53)	(5)	nm	(134)

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Net assets	GBPm	2,411	2,074	16.2%	2,411
Basic earnings per share	p	(6.5)	7.5	nm	37.2

		Three months ended			Twelve months
		2007	March 31 2006 Restated	Better/ (Worse)	2007
TOTAL GROUP OPERATIONS					
TRAFFIC AND CAPACITY					
RPK (m)		26,003	26,351	(1.3)%	112,851
ASK (m)		36,405	35,895	1.4%	148,321
Passenger load factor (%)		71.4	73.4	(2.0)pts	76.1
CTK (m)		1,084	1,238	(12.4)%	4,695
RTK (m)		3,728	3,878	(3.9)%	16,112
ATK (m)		5,550	5,635	(1.5)%	22,882
Overall load factor (%)		67.2	68.8	(1.6)pts	70.4
Passengers carried (000)		7,269	7,470	(2.7)%	33,068
Tonnes of cargo carried (000)		177	202	(12.4)%	762

FINANCIAL

Operating margin (%)		1.6	4.8	(3.2)pts	7.1
Passenger revenue per RPK (p)		6.26	6.48	(3.4)%	6.44
Passenger revenue per ASK (p)		4.47	4.76	(6.1)%	4.90
Cargo revenue per CTK (p)		12.18	12.84	(5.1)%	13.16
Total traffic revenue per RTK (p)		47.21	48.12	(1.9)%	48.91
Total traffic revenue per ATK (p)		31.71	33.11	(4.2)%	34.44
Total expenditure on operations per RTK (p)		52.23	50.44	(3.5)%	49.26
Total expenditure on operations per ATK (p)		35.08	34.71	(1.1)%	34.68
Average fuel price before hedging (US cents/US gallon)		198.48	191.59	(3.6)%	209.60

TOTAL AIRLINE OPERATIONS (Note 2)

OPERATIONS

Average Manpower Equivalent (MPE)		42,073	43,316	2.9%	42,683
ATKs per MPE (000)		131.9	130.1	1.4%	536.1
Aircraft in service at period end		242	284	(42)	242

nm: Not meaningful

Note 1: Statistics relate to continuing operations unless otherwise stated.

Note 2: Excludes non airline activity companies, principally, Airmiles Travel Promotions Ltd, BA Holidays Ltd, BA Travel Shops Ltd and Speedbird Insurance Company Ltd.

SUMMARY

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Group Performance

Group profit before tax for the year was GBP611 million, a decline of 0.8% compared with GBP616 million in the previous year. The results include a number of one-off items including a provision of GBP350 million for settlement of the fines and claims in connection with the competition investigations into longhaul passenger and cargo fuel surcharges and a pension credit of GBP396 million as a result of a change to the New Airways Pension Scheme (NAPS).

Operating profit at GBP602 million, was GBP92 million worse than last year. The operating margin of 7.1% was 1.4 points lower than last year. The reduction in operating profit primarily reflects increased operating costs - up 5.5% - partially offset by improvements in revenue - up 3.4%.

Turnover

Group revenue for the year was GBP8,492 million, up 3.4% compared with last year, on a flying programme 0.7% larger in ATKs.

Passenger revenue was up 4.9% to GBP7,263 million. This was primarily driven by longhaul premium and World Traveller Plus. Passenger yields were up 2.1% per RPK, and seat factor was in line with last year at 76.1% on capacity 2.9% higher in ASKs.

Cargo revenue at GBP618 million was down 3.1% in the full year. Cargo volumes measured in CTks were down 4.7% in the full year, with yields up 1.7%. The decline in volumes has been driven by a combination of capacity, competitive, market and operational factors. Operational issues in the second half of the year were a significant factor in the volume decline.

Overall load factor for the year was 70.4%, up 0.4 points on last year.

For the three month period, Group revenue - - at GBP1,932 million - - was down 5.9% on a flying programme 1.5% smaller in ATKs.

Passenger revenue, which was impacted by the threat of industrial action by cabin crew, was down 4.6%. Passenger yields were down 3.4% per RPK; seat factor was down 2.0 points at 71.4% on capacity 1.4% higher in ASKs.

Cargo volumes for the quarter (CTks) were down 12.4% compared with last year, with yields (revenue/CTK) down 5.1%. The reduction of freighter aircraft from four hulls to three accounted for 4% of the capacity decline. The further reduction in CTks was due to a challenging operational environment in the quarter and soft cargo market conditions.

Overall load factor for the quarter was down 1.6 points at 67.2%.

Costs

Unit costs excluding non-recurring items (pence/ATK) in the full year were up 4.8% versus last year. This was due to a cost increase of 5.5% on capacity up 0.7%. Excluding fuel costs, unit costs in the full year were marginally up at 0.4%.

For the quarter, unit costs excluding non-recurring items increased by 1.1% on the same period last year as a result of a cost reduction of 0.5% on capacity 1.5% lower in ATKs. The reduction in ATKs was partly due to one less freighter in the third quarter this year versus last. Excluding fuel, unit costs were down 0.7%.

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Employee costs in the full year increased by 0.8% compared with last year. Redundancy costs supporting the management restructuring programme announced in December 2005, and pension and wage increases were only partially offset by the non-recurrence of the Employee Reward Plan (ERP), which did not trigger in the year.

Aircraft operating lease costs reduced by 10% compared with last year, primarily due to lower lease rentals following negotiations on lease extensions, and exchange benefits as a result of a weaker US dollar.

Fuel and oil costs, at GBP1,931 million, increased by 22.1% due to an increase in fuel price net of hedging, partially offset by a weaker US dollar.

Engineering and other aircraft costs reduced by 6.1% compared with last year. This primarily reflects lower aircraft maintenance sub-contract costs, savings on fleet insurance costs, reduced cargo freighter activity and a favourable exchange impact due to the weaker US dollar.

Handling charges, catering and other operating costs increased by GBP15 million to GBP930 million. This was due to increases in airport authority and catering charges, partially offset by the favourable impact of the weaker US dollar.

Selling and marketing costs fell by 0.5% in the full year. This reflected the continued impact of savings on commission and the favourable impact of exchange rates, partially offset by an increase in promotional spend.

Accommodation, ground equipment and IT costs increased by 6.9% in the full year compared with last year. This reflects an increase in IT development spend, higher legal fees, consultancy costs associated with the Group's Sarbanes-Oxley programme, and Terminal 5 consultancy spend.

Non Operating Items

For the twelve month period, interest expense was GBP168 million, GBP46 million lower than last year due to the impact of lower debt levels. Interest income was GBP129 million, GBP37 million higher than last year, reflecting the higher cash balances. The retranslation of currency borrowings generated a credit of GBP13 million, compared with a charge of GBP12 million last year. This is primarily due to the weakening of the US dollar this year versus a strengthening US dollar last year. Profit on sale of fixed assets and investments was GBP47 million, mainly reflecting the GBP48 million profit on sale of the Groups' holding in World Network Services. Income relating to fixed asset investments of GBP14 million was primarily due to income from The Airline Group.

Interest income at GBP32 million in the quarter was GBP7 million higher than last year reflecting higher cash balances and the impact of changes in interest rates. The profit on sale of fixed assets and investments at GBP2 million was GBP25 million lower than last year. The GBP27 million profit last year included GBP26 million from the disposal of the London Eye.

Tax

The tax charge for the year was GBP173 million (2006: GBP152 million) giving an effective tax rate for the year of 28% (2006: 25%). No tax relief has been assumed on the GBP350 million provision against potential settlement of the competition investigations and this has added 10% to the effective tax rate. The tax charge benefited from the recognition of Advance Corporation Tax of GBP74 million (2006: GBP20 million) previously written off. All of the Advanced Corporation Tax previously written off has now been recognised through the

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profit and loss account.

The Group paid corporation taxes totalling GBP128 million during the year (2006: GBP57 million).

Earnings Per Share

The total earnings attributable to shareholders for the year was GBP290 million, equivalent to 25.5 pence per share, a decline of 36.9% compared with last year's earnings per share of 40.4 pence.

For the three month period, the loss attributable to shareholders was GBP128 million, equivalent to an 11.1 pence per share, compared with last year's earnings per share of 7.1 pence.

The Board has recommended that no dividend be paid.

Net Debt / Total Capital Ratio

Borrowings, net of cash and short term loans and deposits, were GBP991 million at March 31, down GBP650 million since the start of the year. The net debt/total capital ratio reduced by 15.1 points from March 31 2006 to 29.1%. The net debt/total capital ratio including operating leases was down 13.4 points from March 31 to 39.6%.

Cash Flow

The net cash inflow from operating activities for the twelve months was GBP756 million, GBP583 million lower than last year. This was primarily driven by the lower operating profit before non-recurring items, changes in working capital and the reduction in the pensions deficit as a result of the GBP240 million payment to NAPS in February. Including current interest bearing deposits, the cash position at March 31, 2007 was GBP2,355 million, a reduction of GBP85 million compared with March 31, 2006. This included GBP560 million held in escrow for the benefit of NAPS, which was subsequently paid to the pension fund on April 2, 2007.

Aircraft Fleet

The number of aircraft in service at March 31, 2007 was 242. Future deliveries include orders for four Boeing 777-200 ER aircraft for delivery in late 2008 or 2009.

Following the disposal of the regional business of BA Connect the Turboprops, Embraer RJ145 and British Aerospace 146 fleets were transferred to Flybe.

BA Connect

In accordance with IFRS 5, the disposal of BA Connect has been treated as discontinued operations. This is due to the fact that BA Connect represented a separate major line of business and the operations and cashflows could be clearly distinguished for financial reporting purposes.

The loss from discontinued operations in the year was GBP134 million, which includes the GBP106 million impairment charge, GBP21 million of costs associated with the sale and a GBP28 million loss on disposal. This was partially offset by a tax credit of GBP24 million.

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Following the disposal aviance UK has been awarded a five year contract by British Airways to undertake ground handling at Manchester, Aberdeen, Edinburgh and Glasgow airports.

BA Cityflyer was launched at London City Airport from the remaining business of BA Connect. The airline operates 250 services to six UK and European destinations.

Iberia

The company has not made a final decision about the future of its 10 per cent share holding in Iberia and continues to examine its options including full disposal. It has however ruled out further capital investment as part of any consortium offer and will not make an independent bid for the airline.

Pensions

Following the consultation with members and agreement with the trustees to address the GBP2.1 billion actuarial deficit in NAPS, the company agreed to make a one-off cash injection of GBP800 million into NAPS, of which GBP240 million was paid in February 2007. A further GBP560 million held in escrow at the year end, for the benefit of NAPS, was subsequently paid to the pension fund on April 2, 2007.

Changes to the scheme rules, which capped pensionable pay at inflation, resulted in a one-off accounting credit of GBP396 million. This, together with the GBP240 million payment, has resulted in the deficit reducing from GBP2.1 billion to GBP1.6 billion. The deficit will reduce further following the GBP560 million payment.

The shared solution has helped secure the pensions of the scheme's members and bring the deficit and ongoing company contributions to an affordable level.

Competition Investigations

The investigations by the Department of Justice in the USA, the European Commission and the UK Office of Fair Trading into anti-competitive activity on long haul passenger and cargo fuel surcharges are continuing. However, British Airways has now completed the information gathering required by these authorities.

BA has a long-standing, clear and comprehensive competition compliance policy. This policy requires all staff to comply with the law at all times. It has become apparent that there have been breaches of this policy in relation to discussions about these surcharges with competitors.

As a result it is now appropriate for the company to make a provision of GBP350 million in its full year accounts, which represents the company's best estimate of the amounts that could be required to settle all known claims in relation to these matters.

The provision relates to potential Government fines in a number of countries in respect of competition investigations into long haul passenger and cargo fuel surcharges. It also relates to civil claims in the USA, Australia and Canada. Under IAS 37 the provision represents the estimate of the amount to settle competition authority and civil claims at the Balance Sheet date, but recognises that the final amount that would be required to pay all claims and potential fines is subject to uncertainty.

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A detailed breakdown of the claim is not presented as it may seriously prejudice the position of the company in the regulatory investigations and in its potential litigation.

Terminal 5

The opening of Terminal 5 is just 313 days away and tickets are now available for sale.

We remain on schedule to begin operational testing in September of this year.

Industrial Relations

Over two thirds of Heathrow Customer Service staff have been balloted and agreed to work practice changes in advance of the company's move to Terminal 5. We have agreed the changes with staff in ground transport services, aircraft movements, equipment services, baggage handling, loading and aircraft dispatch.

We expect to conclude changes with the remaining staff group who handle passenger services imminently.

Outlook

In terms of current performance, we have seen some weakness in non-premium segments notably on the North Atlantic. To some degree, complete visibility is hampered by the ongoing baggage restrictions which impact all cabins but particularly premium. Our revenue guidance of 5-6% increase is unchanged but we now expect to be at the lower of end of this range.

Cost control remains a key focus and full year costs, excluding fuel, are still expected to be some GBP50 million higher than the year just reported.

Our full year fuel bill is still expected to be up some GBP100 million at just over GBP2 billion.

Our goal to achieve a 10 per cent operating margin by March 2008 remains on track, although year over year improvements are likely to be delivered predominantly in the second half as we cycle against record results in the period to 10th August last year.

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of the Company's Business Plan programs, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemize all of the many factors and specific events that could cause the Company's forward looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Fuller information on

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some factors which could result in material difference to the results is available in the company's Annual Report for the year ended 31 March 2007, which is available on www.bashareholders.com.

CONSOLIDATED INCOME STATEMENT

	Three months ended			Twelve mo
	2007 GBPm	March 31 2006 GBPm Restated	Better/ (Worse)	2007 GBPm
Traffic Revenue*				
Passenger	1,628	1,707	(4.6)%	7,263
Cargo	132	159	(17.0)%	618
	1,760	1,866	(5.7)%	7,881
Other revenue	172	188	(8.5)%	611
TOTAL REVENUE	1,932	2,054	(5.9)%	8,492
Employee costs	560	611	8.3%	2,277
Depreciation, amortisation and impairment	184	180	(2.2)%	714
Aircraft operating lease costs	20	24	16.7%	81
Fuel and oil costs	455	431	(5.6)%	1,931
Engineering and other aircraft costs	105	112	6.3%	414
Landing fees and en route charges	120	126	4.8%	517
Handling charges, catering and other operating costs	222	218	(1.8)%	930
Selling costs	131	120	(9.2)%	436
Currency differences	(5)	(4)	25.0%	18
Accommodation, ground equipment and IT costs	155	138	(12.3)%	618
TOTAL EXPENDITURE ON OPERATIONS BEFORE NON-RECURRING ITEMS	1,947	1,956	0.5%	7,936
OPERATING (LOSS)/PROFIT BEFORE NON-RECURRING ITEMS	(15)	98	nm	556
Credit arising on changes to pension scheme	396		nm	396
Provision for settlement of competition investigations	(350)		nm	(350)
OPERATING PROFIT	31	98	(68.4)%	602
Fuel derivative gains/(losses)	18	10	80.0%	(12)
Finance costs	(51)	(55)	7.3%	(168)
Finance income	32	25	28.0%	129
Net financing expense relating to pensions	(7)	(6)	(16.7)%	(19)
Retranslation credits/(charges) on currency borrowings	1		nm	13
Profit on sale of property, plant and equipment and investments	2	27	(92.6)%	47
Share of post tax profits in associates accounted for using the equity method		1	nm	5
Income/(expense) relating to other investments	1	(2)	nm	14
PROFIT BEFORE TAX	27	98	(72.4)%	611

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Tax	(98)	(10)	nm	(173)
(LOSS)/PROFIT AFTER TAX FROM CONTINUING OPERATIONS	(71)	88	nm	438
(Loss)/profit from discontinued operations (after tax)	(53)	(5)	nm	(134)
(LOSS)/PROFIT AFTER TAX	(124)	83	nm	304
Attributable to:				
Equity holders of the parent	(128)	80	nm	290
Minority interest	4	3	33.3%	14
	(124)	83	nm	304
EARNINGS PER SHARE				
Continuing operations:				
Basic	(6.5) p	7.5p	nm	37.2p
Fully diluted	(6.5) p	7.4p	nm	36.8p
Discontinuing operations:				
Basic	(4.6) p	(0.4) p	nm	(11.7) p
Fully diluted	(4.6) p	(0.4) p	nm	(11.7) p
Total:				
Basic	(11.1) p	7.1p	nm	25.5p
Fully diluted	(11.1) p	7.0p	nm	25.2p

nm: Not meaningful

* Fuel surcharges of GBP145 million for the quarter and GBP519 million for the twelve months previously presented within 'other revenue' in the March 2006 income statement, have been reclassified and included within 'traffic revenue'.

CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

Property, plant and equipment
 Fleet
 Property
 Equipment

Goodwill
 Landing rights
 Other intangible assets

Investments in associates
 Other investments
 Employee benefit assets
 Other financial assets

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TOTAL NON-CURRENT ASSETS

NON-CURRENT ASSETS HELD FOR SALE

CURRENT ASSETS AND RECEIVABLES

Expendable spares and other inventories
Trade receivables
Other current assets

Other current interest bearing deposits
Cash and cash equivalents

TOTAL CURRENT ASSETS AND RECEIVABLES

TOTAL ASSETS

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

Issued share capital
Share premium
Investment in own shares
Other reserves

TOTAL SHAREHOLDERS' EQUITY

MINORITY INTEREST

TOTAL EQUITY

NON-CURRENT LIABILITIES

Interest bearing long-term borrowings
Employee benefit obligations
Provisions for deferred tax
Other provisions
Other long-term liabilities

TOTAL NON-CURRENT LIABILITIES

CURRENT LIABILITIES

Current portion of long-term borrowings
Trade and other payables
Current tax payable
Short-term provisions

TOTAL CURRENT LIABILITIES

TOTAL EQUITY AND LIABILITIES

CONSOLIDATED CASHFLOW STATEMENT

Twelve mo
2007 GBPm

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CASH FLOWS FROM OPERATING ACTIVITIES	
Operating profit	602
Operating (loss)/profit from discontinued operations	(122)
Credit arising from changes to pension scheme	(396)
Depreciation, amortisation and impairment (includes GBP120 million (2006: GBP2 million) from discontinued operations)	834
Operating cash flow before working capital changes	918
Decrease in inventories, trade and other receivables	61
(Decrease)/increase in trade and other payables and provisions	(15)
Cash payment to NAPS pension scheme	(240)
Provision for settlement of competition investigation	350
Other non-cash movements	(2)
Cash generated from operations	1,072
Interest paid	(188)
Taxation	(128)
NET CASH FLOW FROM OPERATING ACTIVITIES	756
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(331)
Purchase of intangible assets	(36)
Purchase of interest in associate	
Purchase of minority interest	(13)
Purchase of other investments	
Proceeds from sale of associated companies	3
Proceeds from sale of other investments	52
Proceeds from sale of property, plant and equipment	7
Cash outflow from disposal of subsidiary company	(149)
Proceeds from sale of interest in the London Eye Company Ltd	
Interest received	113
Dividends received	1
Decrease/(increase) in interest bearing deposits	389
NET CASH FLOW FROM INVESTING ACTIVITIES	36
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments of borrowings	(97)
Capital elements of finance leases and hire purchase arrangements repaid	(388)
Exercise of share options	50
Purchase of own shares	(12)
Distributions made to holders of perpetual securities	(14)
NET CASH FLOW FROM FINANCING ACTIVITIES	(461)
Net increase/(decrease) in cash and cash equivalents	331
Net foreign exchange difference	(16)
Cash and cash equivalents at April 1	398
CASH AND CASH EQUIVALENTS AT MARCH 31	713

These summary financial statements were approved by the Directors on May 17, 2007.

NOTES TO THE ACCOUNTS

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For the period ended March 31, 2007

1 BASIS OF PREPARATION

The basis of preparation and accounting policies set out in the Report and Accounts for the year ended March 31, 2007 have been applied in the preparation of these summary financial statements. These are in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS)* issued by the International Accounting Standards Board (IASB) and with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. These interim financial statements have not been prepared in accordance with IAS 34 - 'Interim Reporting' as permitted under IFRS.

The comparative information presented for the quarter and twelve months ended March 31, 2006 has been restated to reclassify the operations of BA Connect as a discontinued operation. In addition, fuel surcharges of GBP145 million for the quarter and GBP519 million for the twelve months previously presented within 'other revenue' in the March 2006 income statement, have been reclassified and included within 'traffic revenue'. In addition, cash and cash equivalents has been restated to reflect a reduction of GBP509 million, with an offset to other current interest bearing deposits, due to a change in accounting policies. Previously the Group classified deposits with a qualifying financial institution maturing within three months of the balance sheet date as cash and cash equivalents. The Group now only classifies deposits maturing within three months of the acquisition date as cash and cash equivalents.

* For the purposes of these statements IFRS also include International Accounting Standards (IAS).

2 FINANCE COSTS / INCOME

	Three months ended March 31	
	2007 GBPm	2006 GBPm
FINANCE COSTS		
Interest payable on bank and other loans and finance charges payable under finance leases and hire purchase contracts	53	56
Release of prior year provisions		
Interest capitalised	(2)	(1)
Total finance costs	51	55
FINANCE INCOME		
Bank interest receivable	32	25
Total finance income	32	25
NET FINANCING EXPENSE RELATING TO PENSIONS		
Net financing expense relating to pensions	6	
Amortisation of actuarial losses on pensions	1	
Net financing expense relating to pensions	7	6
Retranslation credits/(charges) on currency borrowings	1	

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3 PROFIT ON SALE OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS

Three months ended
March 31
2007 GBPm 2006 GBPm

Net profit on the disposal of investment in WNS		26
Net profit on disposal of the investment in The London Eye Company Ltd		5
Net profit/(loss) on sale of other investments		5
Net profit/(loss) on the disposal of property, plant and equipment	2	(4)
	2	27

4 TAX

The tax charge for the year on profits from continuing operations is GBP173 million made up of a current tax charge of GBP121 million and GBP52 million by way of deferred taxes in the UK. The current tax charge comprises UK corporation tax of GBP144 million, after offset of Advance Corporation Tax previously written off of GBP(22) million, overseas tax of GBP1 million and prior tax credits totalling GBP (24) million. The deferred taxes amount includes the benefit of GBP(52) million of Advance Corporation Tax previously written off. There is a total tax credit of GBP(24) million in respect of the losses arising from discontinued operations during the year. In addition, a tax credit of GBP(18) million was credited directly to equity. The current tax provision amounts to GBP54 million at March 31, 2007 (March 31, 2006: GBP75 million). The deferred tax provision amounts to GBP930 million at March 31, 2007 (March 31, 2006: GBP896 million). The tax charge for the quarter on profits from continuing operations is GBP98 million, which comprises GBP(18) million of current tax credit and a deferred tax charge of GBP116 million. There is a total tax credit of GBP(3) million in respect of the results arising from discontinued operations during the quarter.

5 DISCONTINUED OPERATIONS

On November 3, 2006, the Group announced that it had reached an agreement in principle to sell the regional operation of its subsidiary airline BA Connect to Flybe. The acquisition of BA Connect by Flybe excluded the London City Airport routes and the BA Connect-operated service from Manchester to New York. The disposal was completed on March 5, 2007. The business sold comprised the majority of the Regional airline business segment as disclosed in the Group's financial statements for the year ended March 31, 2006. The Group paid Flybe GBP129 million, and has taken a 15 per cent investment in Flybe Group Limited, valued at GBP49 million at March 31, 2007.

Following the sale of the regional business of BA Connect to Flybe in March 2007, the Group has agreed contractual terms to transfer its regional ground handling to aviance UK. The restructuring provision included in discontinued operations relates to costs associated with the reduction in staff at the regional airports, whose employment was attributed to the BA Connect operations and third party flights.

Prior to the sale and transfer of the operations to discontinued operations, an impairment review was carried out on the assets, including goodwill, of the BA Connect business, prompted by the ongoing deterioration in trading performance against plan. This resulted in an impairment charge of GBP106 million, representing goodwill of GBP32 million and fleet assets of GBP74 million. The pre-tax impairment charge gave rise to a deferred tax credit of GBP22 million which has been recognised in the income statement (now presented in discontinued

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operations).

Results from discontinued operations

The results from discontinued operations, which have been included in the consolidated income statement, are as follows:

	Three months ended	
	March 31	
	2007 GBPM	2006 GBPM
Revenue	36	66
Operating expenses	(41)	(71)
Impairment		
Restructuring costs	(18)	
Operating (loss)/profit	(23)	(5)
Disposal transaction costs	(3)	
Loss arising on disposal of net assets	(28)	
Net finance costs	(2)	(2)
(Loss)/profit before tax	(56)	(7)
Tax		
UK Corporation tax credit	4	2
Tax arising from disposal of discontinued operations	(4)	
Total current income tax credit (discontinued operations)		2
Deferred tax credit/(charge)	3	
Total tax credit/(charge)	3	2
(Loss)/profit from discontinued operations	(53)	(5)

Assets and liabilities of the discontinued operations at the date of disposal

The major classes of assets and liabilities of the discontinued operations at the date of disposal were as follows:

Tangible assets
Intangible assets
Deferred tax asset
Other non-current assets
Expendable spares and other inventories
Trade receivables
Cash and cash equivalents
Other provisions
Other long-term liabilities
Trade payables
Total net assets disposed of
Investment in Flybe (consideration)
Loss arising on disposal of net assets
Cash and cash equivalents in BA Connect on disposal
Settlement of trade receivable with the Company

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Transaction costs

Cash outflow from disposal of BA Connect

The cash flows relating to the discontinued operations to the date of disposal were as follows:

Operating cash flows

Investing cash flows

Financing cash flows

Excludes GBP149 million cash outflow from disposal of BA Connect.

6 EARNINGS PER SHARE

Basic earnings per share for the quarter ended March 31, 2007 are calculated on a weighted average of 1,148,880,000 ordinary shares (March 31, 2006: 1,130,106,000) and for the twelve months ended March 31, 2007, on a weighted average of 1,141,133,000 ordinary shares (March 31, 2006: 1,116,178,000) as adjusted for shares held for the purposes of employee share ownership plans including the Long Term Incentive Plan. Diluted earnings per share for the quarter ended March 31, 2007 are calculated on a weighted average of 1,161,940,000 ordinary shares (March 31, 2006: 1,145,055,000) and for the twelve months ended March 31, 2007 on a weighted average of 1,151,943,000 ordinary shares (March 31, 2006: 1,138,545,000).

The number of shares in issue at March 31, 2007 was 1,151,575,000 (March 31, 2006: 1,130,882,000) ordinary shares of 25 pence each.

7 RECONCILIATION OF MOVEMENT IN NET DEBT TO CHANGES IN CASH FLOWS

Increase/(decrease) in cash and cash equivalents during the period
Net cash outflow from decrease in debt and lease financing
(Decrease)/increase in current interest bearing deposits maturing after 3 months
Reduction in finance leases and loans due to disposal of BA Connect

Change in net debt resulting from cash flows

New finance leases taken out and hire purchase arrangements made
Conversion of Convertible Capital Bonds
Exchange and other non cash movements

Movement in net debt during the period
Net debt at April 1

Net debt at March 31

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Net debt comprises the current and non-current portions of long-term borrowings, convertible long-term borrowings and overdrafts, less cash and cash equivalents plus interest-bearing short-term deposits.

8 ANALYSIS OF LONG-TERM BORROWINGS

Interest bearing long-term borrowings comprise:

- Loans
- Finance Leases
- Hire purchase arrangements

Current portion of long-term borrowings comprise:

- Loans
- Finance Leases
- Hire purchase arrangements

9 RESERVES

- Balance at April 1
- Transitional effects from the adoption of IAS 39 and IAS 32
- Profit for the year
- Exchange and other movements

10 PROVISION FOR SETTLEMENT OF COMPETITION INVESTIGATIONS

The GBP350 million provision in respect of competition investigations relates to potential government fines in the following jurisdictions in relation to cargo fuel surcharges: USA, Europe, Australia, Canada, New Zealand and South Africa and, in relation to long haul passenger fuel surcharges: USA and the UK. It also relates to civil claims in the USA, Australia and Canada. The provision represents the estimate of the amount to settle competition authority and civil claims at March 31, 2007, but recognises that the final amount required to pay all claims and fines is subject to uncertainty. A detailed breakdown of the claim is not presented as it may seriously prejudice the position of the Company in the regulatory investigations and in its potential litigation.

11 The figures for the three months ended March 31, 2007 are unaudited and do not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the twelve months ended March 31, 2007 form part of the Annual Report and Accounts and were approved by the Board of Directors but have not been delivered to the Registrar of Companies; the report of the auditors on the accounts is unqualified.

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AIRCRAFT FLEET
(for information only)

Number in service with Group companies at March 31, 2007

	On Balance Sheet Aircraft	Off Balance Sheet Aircraft	Total March 2007	Changes Since March 2006	
AIRLINE OPERATIONS (Note 1)					
Boeing 747-400	57		57		
Boeing 777	40	3	43		
Boeing 767-300	21		21		
Boeing 757-200	13		13		
Airbus A319	21	12	33		
Airbus A320 (Note 2)	8	18	26	(1)	
Airbus A321	7		7		
Boeing 737-300		5	5		
Boeing 737-400	19		19		
Boeing 737-500		9	9		
Turboprops (Note 3)				(8)	
Embraer RJ145 (Note 3)				(28)	
Avro RJ100 (Note 4)		9	9	(1)	
British Aerospace 146 (Note 3)				(4)	
GROUP TOTAL (Note 5)	186	56	242	(42)	

Notes:

1. Includes those operated by British Airways Plc and BA Cityflyer.
2. Certain future deliveries and options include reserved delivery positions, and may be taken as any A320 family aircraft.
3. Aircraft disposed of as part of the sale of BA Connect.
4. Excludes one Avro RJ100 stood down pending return to lessor and six Avro RJ100 sub-leased to Swiss International Airlines.
5. Excludes two British Aerospace ATPs stood down pending return to lessor, and 12 Jetstream 41s sub-leased to Eastern Airways.
6. Future year deliveries have increased by four to 18 to include four Boeing 777-200ER deliveries.
7. Options have increased by four to 32 to include four Boeing 777-200ER aircraft.