BRITISH AIRWAYS

PRELIMINARY FINANCIAL RESULTS 2005-2006

OPERATING AND FINANCIAL STATISTICS

		Three months ended March 31		Better/	Twelve months ended March 31		Better/
		2006	*2005*	(Worse)	**2006**	*2005*	(Worse)
Revenue	£m	**2,122**	*1,875*	13.2%	**8,515**	*7,772*	9.6%
Operating profit	£m	**93**	*46*	102.2%	**705**	*556*	26.8%
Profit/(loss) before tax	£m	**91**	*(6)*	nm	**620**	*513*	20.9%
Profit after tax	£m	**83**	*6*	nm	**467**	*392*	19.1%
Net assets	£m	**2,074**	*1,397*	48.5%	**2,074**	*1,397*	48.5%
Basic earnings per share	p	**7.1**	*0.1*	nm	**40.4**	*35.2*	14.8%

	Three months ended March 31		Better/	Twelve months ended March 31		Better/
	2006	*2005*	(Worse)	**2006**	*2005*	(Worse)
TOTAL GROUP OPERATIONS						
TRAFFIC AND CAPACITY						
RPK (m)	**26,780**	*26,062*	2.8%	**111,859**	*107,892*	3.7%
ASK (m)	**36,657**	*35,677*	2.7%	**147,934**	*144,189*	2.6%
Passenger load factor (%)	**73.1**	*73.0*	0.1pts	**75.6**	*74.8*	0.8pts
CTK (m)	**1,240**	*1,214*	2.1%	**4,933**	*4,954*	(0.4)%
RTK (m)	**3,918**	*3,820*	2.6%	**16,105**	*15,731*	2.4%
ATK (m)	**5,722**	*5,598*	2.2%	**23,106**	*22,565*	2.4%
Overall load factor (%)	**68.5**	*68.2*	0.3pts	**69.7**	*69.7*	
Passengers carried (000)	**8,160**	*8,178*	(0.2)%	**35,634**	*35,717*	(0.2)%
Tonnes of cargo carried (000)	**202**	*216*	(6.5)%	**795**	*877*	(9.4)%
FINANCIAL						
Operating margin (%)	**4.4**	*2.5*	1.9pts	**8.3**	*7.2*	1.1pts
Passenger revenue per RPK (p)	**6.19**	*5.97*	3.7%	**6.10**	*6.02*	1.3%
Passenger revenue per ASK (p)	**4.52**	*4.36*	3.7%	**4.61**	*4.51*	2.2%
Cargo revenue per CTK (p)	**10.00**	*9.23*	8.3%	**10.10**	*9.73*	3.8%
Total traffic revenue per RTK (p)	**45.48**	*43.69*	4.1%	**45.44**	*44.38*	2.4%
Total traffic revenue per ATK (p)	**31.14**	*29.81*	4.5%	**31.67**	*30.94*	2.4%
Net operating expenditure per RTK (p)	**43.11**	*42.49*	(1.5)%	**41.06**	*40.85*	(0.5)%
Net operating expenditure per ATK (p)	**29.52**	*28.99*	(1.8)%	**28.62**	*28.48*	(0.5)%
Average fuel price before hedging (US cents/US gallon)	**191.59**	*143.88*	(33.2)%	**188.22**	*136.44*	(38.0)%
TOTAL AIRLINE OPERATIONS (Note 1)						
OPERATIONS						
Average Manpower Equivalent (MPE)	**45,171**	*45,914*	1.6%	**45,755**	*46,065*	0.7%
ATKs per MPE (000)	**126.7**	*121.9*	3.9%	**505.0**	*489.9*	3.1%
Aircraft in service at period end	**284**	*290*	(6)	**284**	*290*	(6)

Note 1: Excludes non airline activity companies, principally, Airmiles Travel Promotions Ltd, BA Holidays Ltd, BA Travel Shops Ltd, Speedbird Insurance Company Ltd and The London Eye Company Ltd.

Investor Relations – Waterside (HCB3), PO Box 365, Harmondsworth, Middlesex, UB7 0GB
Tel: +44 (0) 20 8738 6947
Fax: +44 (0) 20 8738 9602

Summary

International Financial Reporting Standards

The preliminary financial results are reported in accordance with International Financial Reporting Standards (IFRSs). Comparative amounts for the year ended March 31, 2005 have been restated in accordance with IFRSs, with the exception of amounts in relation to the valuation of and movements in certain investments and derivatives, in respect of which the Group adopted International Accounting Standards 32 and 39 with effect from April 1, 2005.

Group performance

Group profit before tax for the year was £620 million, an improvement of 20.9% compared with £513 million in the previous year.

Operating profit in the year, at £705 million, was £149 million better than last year. The operating margin of 8.3% was 1.1 points better than last year. The improvement in operating profit primarily reflects improvements in revenue - up 9.6% - partially offset by increased operating costs, in particular fuel, which was up 44.7%, and employee costs, which were up 5.0%. Passenger yields (pence/RPK), excluding fuel surcharge, were up by 1.3% for the full year; seat factor was up 0.8 points at 75.6% on capacity 2.6% higher in ASKs.

Cargo volumes (CTKs) for the full year were down 0.4% compared with last year, with yields, excluding fuel surcharge, up 3.8%. Overall load factor for the full year was 69.7%, with no change from last year.

Net cash inflow from operating, investing and financing activities was £357 million for the twelve months, an increase of £814 million compared with last year. In 2005/6 repayments of borrowings totalling £479 million were made, compared with £1,271 million last year. The closing balance of cash, cash equivalents and current interest bearing deposits of £2,440 million was up £758 million versus last year. Net debt fell by £1,281 million during the year to £1,641 million. This is the lowest level since March 31, 1992, and is down £5.0 billion from the December 2001 peak. The net debt to total capital ratio of 44.2% at March 31, 2006 was the lowest level since privatisation.

Group profit before tax for the fourth quarter was £91 million, £97 million better than last year. The operating profit for the quarter was £93 million, £47 million better than last year, again primarily reflecting improvements in revenue, including fuel surcharges, partially offset by increases in a number of costs, including fuel which was 65.1% higher than last year, and employee costs which were up 3.3%. Below the operating profit level, the Group reported a gain of £27 million on the sale of fixed assets and investments, compared with a loss of £11 million last year, primarily due to the £26 million profit on disposal of the Group's interest in the London Eye Company.

Group revenue for the quarter - at £2,122 million - was up 13.2% compared with last year. Capacity in ASKs was 2.7% higher. Passenger yields (pence/RPK), excluding fuel surcharge, were up by 3.7% and seat factor was up 0.1 points to 73.1%, a record for the fourth quarter. Unit costs per ATK increased by 1.8%.

For the quarter, cargo volumes were up 2.1% compared with last year and yields (pence/CTK), excluding fuel surcharge, were up 8.3%. Overall load factor was up 0.3 points at 68.5%.

Costs

For the year ended March 31, 2006, unit costs (pence/ATK) worsened by 0.5% compared with last year. This reflects a net cost increase of 2.9% on capacity 2.4% higher in ATKs.

For the quarter, unit costs worsened by 1.8% compared with the same period last year. This reflects a net cost increase of 4.1% on capacity 2.2% higher in ATKs.

Operating expenditure increased in the quarter, primarily reflecting increases in fuel costs (up 65.1% due to increases in the fuel price, lower hedging profits in 2005/6 compared with 2004/5, and the effect of a strengthening US Dollar against Sterling), employee costs (up 3.3%) and aircraft operating lease costs (up 20.0% due to the increased provision relating to RJ100 aircraft sub-leased to Swiss International Air Lines).

Non-operating items

Unrealised gains on fuel derivative hedges, recognised through the income statement under IAS 39, totalled £19 million in the year and £10 million in the quarter.

Net financing cost for the year was £159 million, £18 million higher than the previous year, primarily due to a charge of £13 million on retranslation of currency borrowings compared with a credit of £56 million last year, partially offset by lower loan, lease finance and hire purchase interest due to lower net debt and a lower financing cost related to pensions.

For the three month period, net financing cost was £37 million, down £12 million on last year.

Profits on disposals of fixed assets and investments for the year were £27 million, primarily due to the London Eye disposal in February 2006. This compares to £71 million last year (which included the profit of £86 million on disposal of the Group's interest in Qantas).

Taxation

The effective tax rate is reduced to 25% primarily by the recognition of £20 million of Advance Corporation Tax (ACT) which had previously been written off as irrecoverable. A further £74 million of ACT is available for potential offset against future periods' corporation tax charges.

Earnings per share

For the year ended March 31, 2006, profits attributable to shareholders were £451 million, equivalent to earnings of 40.4 pence per share, compared with earnings of 35.2 pence per share last year. The profit attributable to shareholders for the fourth quarter was equivalent to 7.1 pence per share, compared with earnings of 0.1 pence per share last year.

Segmental analysis

Operating results improved in each business segment. The network airline business (Heathrow, Gatwick, passenger and cargo) benefited from increased revenue partially offset by increased costs, notably fuel. The regional airline business (re-branded as BA Connect during the year) experienced revenue declines as a result of significant competitive pressures. Net operating cost reductions of 10.5% in this segment more than offset the fall in revenue. The non-airline business segment improved its operating result by £7 million.

Net Debt / Total Capital ratio

The year-end net debt/total capital ratio was 44.2 per cent, a 23.5 point reduction from last year. The net debt/total capital ratio including operating leases was 53.0 per cent, a 19.3 point reduction from last year.

Pensions

The Group's pre-tax pension liability, for all schemes in deficit, increased from £2,191 million to £2,290 million. Of the £2,290 million, £1,791 million is recognised on the balance sheet (compared with £1,807 million last year), and £499 million (compared with £384 million last year) is unrecognised, using the "corridor" approach under IAS 19.

The liability is primarily in the New Airways Pension Scheme (NAPS). The NAPS deficit increased to £2,070 million from last year's £1,969 million. Of the £2,070 million, £1,587 million is recognised on the balance sheet and £483 million is unrecognised. The recognised portion of last year's £1,969 million deficit was £1,612 million and the unrecognised portion was £357 million. The company's cash contributions to NAPS increased from £236 million in 2004/5 to £246 million in 2005/6. The company published proposals for dealing with the NAPS deficit in March 2006. Discussions with the trustees of NAPS and employee members are ongoing.

Aircraft fleet

The number of aircraft in service at March 31, 2006 was 284, a reduction of 6 on the prior year. One new aircraft, an Airbus A321, was delivered in the year. Two aircraft, an Airbus A320 and a Boeing 737-400 returned to service following sub-leases to GB Airways and Air One respectively. Aircraft returns to lessors comprised one Boeing 737-500 aircraft and one de Havilland Canada DHC-8. One British Aerospace 146 aircraft was sold, and six Avro RJs were sub-leased to Swiss International Air Lines.

Alliance developments

In June 2005, the Australian Competition and Consumer Commission extended permission for British Airways and Qantas to co-operate under their Joint Services Agreement (JSA) for a further five years, valid from February 2005. Under the JSA, there is full strategic, tactical and operational co-operation on the two carriers' flights that serve markets between the United Kingdom/Continental Europe and Southeast Asia/Australia.

Codeshare relationships with America West Airlines and Swiss International Air Lines were terminated, as these partners joined the Star Alliance.

During the year, Royal Jordanian Airlines, JAL and Malev announced their intention of seeking membership of **one**world.

Outlook

Market conditions remain broadly unchanged. For the year to March 2007, total revenue is expected to improve by 5%-6%, up from our previous estimate of 4%-5%, due to the impact of the latest fuel surcharges and seat factor increases. Capacity is expected to increase by 2.5%-3% , with a small decline in yields excluding fuel surcharges.

As previously stated, fuel costs, net of hedging, are expected to be about £600 million more than last year. Costs excluding fuel are expected to be unchanged.

As announced at Investor Day, our business plan will focus on preparing for the move to Terminal 5 in 2008, investing in products for our customers, and driving to a competitive cost base to make our company fit for growth in the future.

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 programmes, 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. Information on some factors which could result in material difference to the results is available in the company's SEC filings, including, without limitation the company's Report on Form 20-F for the year ended March 2005.

CONSOLIDATED INCOME STATEMENT

	Three months ended March 31 2006 £m	Three months ended March 31 2005 £m	Better/ (Worse)	Twelve months ended March 31 2006 £m	Twelve months ended March 31 2005 £m	Better/ (Worse)
Traffic Revenue						
Passenger	**1,658**	*1,557*	6.5%	**6,820**	*6,500*	4.9%
Cargo	**124**	*112*	10.7%	**498**	*482*	3.3%
	1,782	*1,669*	6.8%	**7,318**	*6,982*	4.8%
Other revenue	**340**	*206*	65.0%	**1,197**	*790*	51.5%
REVENUE	**2,122**	*1,875*	13.2%	**8,515**	*7,772*	9.6%
Employee costs	**632**	*612*	(3.3)%	**2,346**	*2,235*	(5.0)%
Depreciation, amortisation and impairment	**184**	*197*	6.6%	**717**	*739*	3.0%
Aircraft operating lease costs	**30**	*25*	(20.0)%	**112**	*106*	(5.7)%
Fuel and oil costs	**444**	*269*	(65.1)%	**1,632**	*1,128*	(44.7)%
Engineering and other aircraft costs	**120**	*123*	2.4%	**473**	*432*	(9.5)%
Landing fees and en route charges	**133**	*130*	(2.3)%	**559**	*556*	(0.5)%
Handling charges, catering and other operating costs	**226**	*217*	(4.1)%	**955**	*918*	(4.0)%
Selling costs	**125**	*115*	(8.7)%	**449**	*490*	8.4%
Currency differences	**(3)**	*(1)*	nm	**(18)**	*15*	nm
Accommodation, ground equipment and IT costs	**138**	*142*	2.8%	**585**	*597*	2.0%
TOTAL EXPENDITURE ON OPERATIONS	**2,029**	*1,829*	(10.9)%	**7,810**	*7,216*	(8.2)%
OPERATING PROFIT	**93**	*46*	102.2%	**705**	*556*	26.8%
*Fuel derivative gains**	**10**		nm	**19**		nm
Finance costs	**(57)**	*(67)*	14.9%	**(221)**	*(265)*	16.6%
Finance income	**26**	*28*	(7.1)%	**93**	*97*	(4.1)%
Financing income and expense relating to pensions	**(6)**	*4*	nm	**(18)**	*(29)*	37.9%
Retranslation (charges)/credits on currency borrowings		*(14)*	nm	**(13)**	*56*	nm
Profit/(loss) on sale of fixed assets and investments	**27**	*(11)*	nm	**27**	*71*	(62.0)%
Share of post-tax profits in associates accounted using the equity method		*6*	nm	**28**	*24*	16.7%
Income relating to fixed asset investments	**(2)**	*2*	nm		*3*	nm
PROFIT/(LOSS) BEFORE TAX	**91**	*(6)*	nm	**620**	*513*	20.9%
Tax	**(8)**	*12*	nm	**(153)**	*(121)*	(26.4)%
PROFIT AFTER TAX	**83**	*6*	nm	**467**	*392*	19.1%
Attributable to:						
Equity holders of the parent	**80**	*1*	nm	**451**	*377*	19.6%
Minority interest	**3**	*5*	nm	**16**	*15*	6.7%
	83	*6*	nm	**467**	*392*	19.1%
Earnings per share:						
Basic	**7.1**	*0.1*	nm	**40.4**	*35.2*	14.8%
Diluted	**7.0**	*0.1*	nm	**39.8**	*34.1*	16.7%

nm: Not meaningful

* Fuel derivative gains reflect the ineffective portion of unrealised gains and losses on fuel derivative hedges required to be recognised through the income statement under IAS 39.

CONSOLIDATED BALANCE SHEET

	March 31 2006 £m	*March 31 2005 £m*
NON-CURRENT ASSETS		
Property, plant and equipment		
Fleet	**6,606**	*6,944*
Property	**974**	*1,000*
Equipment	**302**	*385*
	7,882	*8,329*
Goodwill	**72**	*72*
Landing rights	**115**	*122*
Other intangible assets	**46**	*60*
	233	*254*
Investments in associates	**131**	*126*
Other investments	**33**	*30*
Employee benefit assets	**137**	*137*
Other financial assets	**89**	*38*
TOTAL NON-CURRENT ASSETS	**8,505**	*8,914*
NON-CURRENT ASSETS HELD FOR SALE	**3**	*5*
CURRENT ASSETS AND RECEIVABLES		
Expendable spares and other inventories	**83**	*84*
Trade receivables	**685**	*685*
Other current assets	**458**	*301*
Other current interest bearing deposits	**1,533**	*1,133*
Cash and cash equivalents	**907**	*549*
	2,440	*1,682*
TOTAL CURRENT ASSETS AND RECEIVABLES	**3,666**	*2,752*
TOTAL ASSETS	**12,174**	*11,671*
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Issued share capital	**283**	*271*
Share Premium	**888**	*788*
Investment in own shares		*(26)*
Other reserves	**690**	*152*
TOTAL SHAREHOLDERS' EQUITY	**1,861**	*1,185*
MINORITY INTEREST	**213**	
TOTAL EQUITY	**2,074**	
Equity minority interest		*12*
Non-equity minority interest		*200*
MINORITY INTERESTS		*212*
NON-CURRENT LIABILITIES		
Interest bearing long-term borrowings	**3,602**	*4,045*
Employee benefit obligations	**1,803**	*1,820*
Provisions for deferred tax	**896**	*816*
Other provisions	**135**	*112*
Other long term liabilities	**232**	*212*
TOTAL NON-CURRENT LIABILITIES	**6,668**	*7,005*
CURRENT LIABILITIES		
Current portion of long-term borrowings	**479**	*447*
Convertible borrowings		*112*
Trade and other payables	**2,822**	*2,642*
Current tax payable	**75**	*36*
Short term provisions	**56**	*32*
TOTAL CURRENT LIABILITIES	**3,432**	*3,269*
TOTAL EQUITY AND LIABILITIES	**12,174**	*11,671*

CONSOLIDATED CASHFLOW STATEMENT

	Twelve months ended March 31 **2006 £m**	*2005 £m*	Better/ (Worse)
CASHFLOWS FROM OPERATING ACTIVITIES			
Operating profit	**705**	*556*	149
Depreciation, amortisation and impairment	**717**	*739*	(22)
Operating cashflow before working capital changes	**1,422**	*1,295*	127
Decrease/(increase) in inventories and other receivables	**23**	*(71)*	94
Increase in trade and other payables and provisions	**150**	*15*	135
Other non-cash movements	**12**	*8*	4
Cash generated from operations	**1,607**	1,247	360
Interest paid	**(211)**	*(242)*	31
Taxation	**(57)**		(57)
NET CASHFLOW FROM OPERATING ACTIVITIES	**1,339**	*1,005*	334
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**(275)**	*(356)*	81
Purchase of intangible assets	**(8)**	*(32)*	24
Purchase of interest in associated companies	**(5)**		(5)
Purchase of other investments	**(2)**		(2)
Proceeds from sale of associated companies		*427*	(427)
Proceeds from sale of other investment	**1**		1
Proceeds from sale of property, plant and equipment	**9**	*57*	(48)
Costs of disposal of subsidiary company	**(6)**	*(12)*	6
Interest received	**78**	*78*	
Proceeds from sale of interest in the London Eye	**78**		78
Dividends received	**22**	*23*	(1)
Increase in interest bearing deposits	**(402)**	*(487)*	85
NET CASHFLOW FROM INVESTING ACTIVITIES	**(510)**	*(302)*	(208)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		*116*	(116)
Repayment of borrowings	**(64)**	*(168)*	104
Payment of finance lease liabilities	**(415)**	*(1,103)*	688
Exercise of share options	**21**	*4*	17
Distributions made to holders of perpetual securities	**(14)**	*(14)*	
Other financing income		*5*	(5)
NET CASHFLOW FROM FINANCING ACTIVITIES	**(472)**	*(1,160)*	688
Net increase/(decrease) in cash and cash equivalents	**357**	*(457)*	814
Net foreign exchange difference	**1**	*(18)*	19
Cash and cash equivalents at April 1	**549**	*1,024*	(475)
CASH AND CASH EQUIVALENTS AT MARCH 31	**907**	*549*	358

These summary financial statements were approved by the Directors on May 18, 2006.

NOTES TO THE ACCOUNTS
For the period ended March 31, 2006

1 BASIS OF PREPARATION

These summary financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs)* as adopted by the European Union (EU) with the exception of the disclosure requirements of IAS 34 - 'Interim Reporting'. IFRSs as adopted by the EU differ in certain respects from IFRSs as issued by the International Accounting Standards Board (IASB). However, the summary financial statements for the periods presented would be no different had the Group applied IFRSs, as issued by the IASB. The accounting policies and basis of preparation differ from those set out in the Report and Accounts for the year ended March 31, 2005 which were prepared in accordance with United Kingdom accounting standards and the Companies Act 1985 (UK GAAP).

A preliminary summary of the significant accounting policies used in the preparation of these financial statements under IFRSs and the impact of the change from UK GAAP to IFRS on comparative periods as required by IFRS 1 - 'First-time adoption of International Financial Reporting Standards' were included in the Group's 'Release of financial information for 2004/05 under International Financial Reporting Standards' published on July 4, 2005. The release included the quarterly results for quarters ended June 30, 2004, September 30, 2004, December 31, 2004 and March 31, 2005 restated under the recognition and measurement rules of IFRSs and a summary of the significant differences to UK GAAP. The release also included restated balance sheets at those dates in addition to the restated balance sheet at April 1, 2004, the Group's transition date to IFRS.

As permitted under IFRS 1, the Group elected to apply the requirements of IAS 32 - 'Financial Instruments - Disclosure and Presentation' and IAS 39 - 'Financial Instruments - Recognition and Measurement' from April 1, 2005. As a consequence certain assets and liabilities are required to be recognised and measured at fair value. As a result of the application of IAS 39 the opening net assets of the Group increased by £183 million at April 1, 2005. The increase represents the fair value of financial instruments and available for sale financial assets (£193 million, net of deferred tax), partially offset by the impact of the Group's share of the opening reserves adjustments of associates (£10 million). The adoption of IAS 32 had no impact on the reserves or net assets of the Group except for minor presentational differences between minority interests and shareholders' equity. The £200 million Euro Perpetual Preferred securities, issued by British Airways Finance (Jersey) L.P. in 1999, (in which the general partner is British Airways Holdings Limited, a wholly owned subsidiary of British Airways Plc) have been classified as Minority Interest.

Under IAS 39 - 'Financial Instruments - Recognition and Measurement', 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 Group determines the classification at initial recognition and re-evaluates this designation at each year-end except for those financial instruments measured at fair value through profit or loss.

Other investments (other than interests in associates) are designated as available-for-sale financial assets and are recorded at fair value. Any change in the fair value is reported in equity until the investment is sold when the cumulative amount recognised in equity is recognised in income. Any provisions for impairment of the carrying value are reflected in income when they arise. Exchange gains and losses on monetary items are taken to income unless the item has been designated and assessed as an effective hedging instrument in accordance with the requirement of IAS 39. Exchange gains and losses on non-monetary investments are reflected in equity until the investment is sold when the cumulative amount recognised in equity is recognised in income.

Derivative financial instruments, comprising interest rate swap agreements, foreign exchange derivatives and fuel hedging derivatives (including options, swaps and futures) are measured at fair value on the Group balance sheet. Changes in the fair value of derivative financial instruments are reported through operating income or financing according to the nature of the instrument unless the derivative financial instrument has been designated as a hedge of a highly probable expected future cashflow. Gains and losses on forward exchange contracts to hedge capital expenditure commitments are recognised as part of the total sterling carrying cost of the relevant tangible asset as the contracts mature or are closed out. Gains and losses on derivative financial instruments designated as cash flow hedges and assessed as effective for the period, are taken to equity in accordance with the requirements of IAS 39. Gains and losses taken to equity are reflected in the income statement when either the hedged cash flow impacts income or its occurrence ceases to be probable.

Certain loan repayment instalments denominated in US dollars and Japanese yen are designated as cash flow hedges of highly probable future foreign currency revenues. Exchange differences arising from the translation of these loan repayment instalments are taken to equity in accordance with IAS 39 requirements and subsequently reflected in the income statement when either the future revenue impacts income or its occurrence ceases to be probable.

Long term borrowings, are recorded at amortised cost. Certain leases contain interest rate swaps that are closely related to the underlying financing and, as such, are not accounted for as an embedded derivative.

BASIS OF PREPARATION (continued)
These financial statements have been prepared on a historical cost convention except for certain financial assets and liabilities, including derivative financial instruments and available-for-sale financial assets, that are measured at fair value. The carrying value of recognised assets and liabilities that are subject to fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

2 FINANCE COSTS / INCOME

	Three months ended March 31		Twelve months ended March 31	
	2006 £m	*2005 £m*	**2006 £m**	*2005 £m*
FINANCE COSTS				
Interest payable on bank and other loans and finance charges payable under finance leases and hire purchase contracts	**59**	*67*	**223**	*265*
Interest capitalised	**(1)**		**(1)**	
Change in fair value of interest rate swaps	**(1)**		**(1)**	
Total finance costs	**57**	*67*	**221**	*265*
FINANCE INCOME				
Bank interest receivable	**26**	*22*	**93**	*83*
Other financing income		*6*		*14*
Total finance income	**26**	*28*	**93**	*97*
FINANCING INCOME AND EXPENSE RELATING TO PENSIONS				
Net financing expense/(income) relating to pensions	**5**	*(4)*	**17**	*29*
Amortisation of actuarial losses on pensions	**1**		**1**	
Total financing income and expense relating to pensions	**6**	*(4)*	**18**	*29*
Retranslation (charges)/credits on currency borrowings		*(14)*	**(13)**	*56*

3 PROFIT/(LOSS) ON SALE OF FIXED ASSETS AND INVESTMENTS

	Three months ended March 31		Twelve months ended March 31	
	2006 £m	*2005 £m*	**2006 £m**	*2005 £m*
Net profit on sale of investment in Qantas				*86*
Net profit on sale of the London Eye Company Ltd	**26**		**26**	
Net profit/(loss) on sale of other investments	**2**	*(2)*	**5**	*(2)*
Net (loss) on the disposal of property, plant and equipment	**(1)**	*(9)*	**(4)**	*(13)*
	27	*(11)*	**27**	*71*

4 TAX

The tax charge for the year is £153 million made up of a current tax charge of £96 million, being UK Corporation tax of £91 million, overseas tax of £4 million and a prior year tax charge of £1 million; and £57 million by way of deferred taxes in the UK which includes the benefit of £20 million of Advance Corporation Tax previously written off. The current tax provision amounts to £75 million at March 31, 2006 (March 31, 2005: £36 million). The deferred tax provision amounts to £896 million at March 31, 2006 (March 31, 2005: £816 million). The tax charge for the quarter is £8 million which comprises £16 million current tax and a deferred tax credit of £8 million. The charge for the quarter has benefited from the recognition of £20 million Advance Corporation Tax.

5 EARNINGS PER SHARE

Basic earnings per share for the quarter ended March 31, 2006 are calculated on a weighted average of 1,130,106,000 ordinary shares (March 31, 2005: 1,072,055,000) and for the twelve months ended March 31, 2006, on a weighted average of 1,116,178,000 ordinary shares (March 31, 2005: 1,071,126,000) 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, 2006 are calculated on a weighted average of 1,145,055,000 ordinary shares (March 31, 2005: 1,128,181,000) and for the twelve months ended March 31, 2006 on a weighted average of 1,138,545,000 ordinary shares (March 31, 2005: 1,126,485,000).

The number of shares in issue at March 31, 2006 was 1,130,882,000 (March 31, 2005: 1,082,903,000) ordinary shares of 25 pence each.

NOTES TO THE ACCOUNTS (Continued)
For the period ended March 31, 2006

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

	Twelve months ended	March 31
	2006 £m	*2005 £m*
Increase/(decrease) in cash and cash equivalents during the year	**357**	*(457)*
Net cash used in repayment of long-term borrowings	**479**	*1,155*
Increase in interest bearing deposits maturing after 3 months	**402**	*487*
Change in net debt resulting from cash flows	**1,238**	*1,185*
New finance leases taken out and hire purchase arrangements made	**(11)**	*(12)*
Conversion of Convertible Capital Bonds 2005	**112**	
Exchange and other non-cash movements	**(58)**	*63*
Movement in net debt during the period	**1,281**	*1,236*
Net debt at April 1	**(2,922)**	*(4,158)*
Net debt at period end	**(1,641)**	*(2,922)*

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.

7 ANALYSIS OF LONG-TERM BORROWINGS

	March 31	*March 31*
	2006 £m	*2005 £m*
Interest bearing long-term borrowings comprise:		
Loans	**1,030**	*1,105*
Finance Leases	**1,418**	*1,493*
Hire purchase arrangements	**1,154**	*1,447*
	3,602	*4,045*
Current portion of long-term borrowings comprise:		
Loans	**86**	*63*
Finance Leases	**105**	*96*
Hire purchase arrangements	**288**	*288*
	479	*447*

8 RESERVES

	March 31	*March 31*
	2006 £m	*2005 £m*
Balance at April 1	**152**	*(231)*
Transitional effects from the adoption of IAS 39 and IAS 32	**183**	
Profit for the period	**451**	*377*
Exchange and other movements	**(96)**	*6*
	690	*152*

9 The figures for the three months ended March 31, 2006 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, 2006 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.

AIRCRAFT FLEET

(for information only)

Number in service with Group companies at March 31, 2006

	On Balance Sheet aircraft	Off Balance Sheet Aircraft	Total March 2006	Changes Since March 2005	Future deliveries	Options
AIRLINE OPERATIONS (Note 1)					(Note 7)	(Note 8)
Boeing 747-400	57		**57**			
Boeing 777	40	3	**43**			
Boeing 767-300	21		**21**			
Boeing 757-200	13		**13**			
Airbus A319 (Note 2)	21	12	**33**			32
Airbus A320 (Note 3)	9	18	**27**	**1**	7	
Airbus A321	7		**7**	**1**	3	
Boeing 737-300		5	**5**			
Boeing 737-400 (Note 4)	19		**19**	**1**		
Boeing 737-500		9	**9**	**(1)**		
Turboprops (Note 5)		8	**8**	**(1)**		
Embraer RJ145	16	12	**28**			
Avro RJ100 (Note 6)		10	**10**	**(6)**		
British Aerospace 146	4		**4**	**(1)**		
GROUP TOTAL	**207**	**77**	**284**	**(6)**	**10**	**32**

Notes:
1. Includes those operated by British Airways Plc and BA Connect.
2. Certain future deliveries and options include reserved delivery positions, and may be taken as any A320 family aircraft.
3. Includes 1 Airbus 320 returned to service from sub-lease to GB Airways.
4. Includes 1 Boeing 737-400 returned to service from sub-lease to Air One.
5. Comprises 8 de Havilland Canada DHC-8s. Excludes 5 British Aerospace ATPs stood down pending return to lessor and 12 Jetstream 41s sub-leased to Eastern Airways.
6. Excludes 6 Avro RJ100 sub-leased to Swiss International Air Lines.
7. Future deliveries represent replacement aircraft for 10 A320s due to leave the fleet from 2007.
8. Excludes 10 secured delivery positions for Boeing 777 aircraft.