

PRELIMINARY RESULTS ANNOUNCEMENT**Year April 1, 2009 - March 31, 2010****COST SAVINGS COUNTER REVENUE DECLINE**

British Airways today (May 21) presented its preliminary results for the 12 months ended March 31, 2010.

Period highlights:

- Operating loss of £231 million, including restructuring of £85 million (2009: £220 million including restructuring of £78 million)
- Quarter 4 operating loss of £145 million (2009: £309 million)
- Loss before tax of £531 million (2009: £401 million)
- Revenue down £1 billion to £7,994 million (2009: £8,992 million)
- Full year fuel costs down £597 million
- Other operating costs down £390 million
- Underlying unit costs down 10.8 per cent

British Airways' chief executive Willie Walsh, said:

"Despite a £1 billion drop in revenue during the year, our determined efforts on cost control mean that costs have reduced at a comparable level and our operating loss is virtually the same as in the previous year. To be in the midst of the biggest economic downturn in 60 years and produce the same operating figure as last year shows the hard work that has been put into steering our business through the recession. Total costs are down by almost £1 billion, comprising a £597 million reduction in fuel costs and a £390 million reduction in non-fuel costs. The cut in non-fuel costs has been achieved by the introduction of permanent structural change in the way that we work allied with capacity reductions and cuts in external spend.

"Returning the business to profitability requires permanent change across the company and it's disappointing that our cabin crew union fails to recognise that. Structural change has been achieved in many parts of the business and our engineers and pilots have voted for permanent change. I would like to thank our staff across the airline for their outstanding loyalty during this demanding period and our customers for their continued support.

"We signed our merger agreement with Iberia in early April and are on track to complete the merger by the end of 2010. The merger will create a new leading airline group known as International Airlines Group. Both airlines will retain their separate operations and individual brands. The group will generate enhanced customer benefits with a larger combined network and continued investment in new customer products and services. It will deliver annual synergies of €400 million by year five.

"Also, we have received conditional approval from the US Department of Transportation for our transatlantic joint business with American Airlines and Iberia on condition that we divest up to four daily slot pairs for our competitors to use on transatlantic services. While we don't agree with the US DOT on every aspect of their decision, we are keen for them to reach their decision as soon as possible so that we can start implementing the joint business. We have also offered commitments to the EU which has undertaken formal market testing on them. If our competitors operate the schedules between London and New York in summer 2012 that they have announced, the effect of the EU commitments will be broadly similar to the DOT conditions. We look forward to receiving final approval from the DOT and EU by the summer.

"We are addressing our £3.7 billion pension deficits and have concluded consultations with our trade unions on the future benefits of the schemes. The new benefit structure, which the unions are recommending to their members, avoids closing the schemes and maintains the company's contributions at the current level. The new structure will be proposed to our pension fund trustees and form part of the negotiations towards a recovery plan that we expect to present to the Pensions Regulator by June 30, 2010.

"Despite the cost achievements, the focus on our customers remains as strong as ever. Terminal 5 has just celebrated its second birthday and has revolutionised our operation with more than 90 per cent of flights regularly operating on time across the network. This February we launched our new First class cabin and feedback from customers has been extremely positive.

"The current financial year could hardly have had a worse start with the unprecedented closures of UK airspace following the eruption of the volcano in Iceland. This added to the aviation industry's current financial woes while highlighting its crucial contribution to the economy. We are pleased that the European Commission has agreed that national governments can compensate airlines for the losses incurred. We are not looking for a bail out, only for compensation for the losses caused by the airspace closure which was something completely out of our control.

"In 2007 the Office of Fair Trading had agreed that it would be prepared to resolve its investigation into alleged price fixing between British Airways and Virgin Atlantic under the Competition Act 1998 if certain conditions were met. Given the collapse of the criminal trial on May 10 2010, the acquittal of the four defendants, and in light of potential new evidence, we are considering whether the settlement terms the company was offered by the OFT, including the as yet unpaid fine of £121.5 million, remain appropriate."

British Airways' chairman Martin Broughton said:

"This is our second consecutive year of record losses but we take heart from the fact that, while our revenue has fallen by £1 billion, so have our costs. I would like to thank everyone who has worked diligently and made sacrifices in order to produce this excellent cost performance.

"While the outlook is becoming slightly more positive, we urge the Government to reconsider its plans to tax the aviation industry, which already more than pays its way in taxation, isn't used as a convenient source of public sector funding through increased taxes. The industry is vital to the UK economy and the travelling public as the airspace closure indicated yet we have a larger, and increasing, tax burden than other transport sectors.

"In light of our current financial situation, the board is unable to recommend a dividend this year."

Financial review:

Group revenue in quarter 4 was down 4.7 per cent to just under £1.9 billion with operating costs down 11.4 per cent to £2 billion. This results in an operating loss for the quarter of £145 million, an improvement of £164 million from quarter 4 in the previous year. Excluding fuel the operating costs were down 5.9 per cent. Loss before tax for quarter 4 was £189 million. Passenger revenue for quarter 4 was down 3.2 per cent. Yields were up 3.2 per cent, 5.8 per cent excluding the impact of exchange. The quarter's operating loss includes seven days of strike action with a net cost of £43 million.

For the full year, revenue at £8 billion was down 11.1 per cent, 14.5 per cent excluding exchange.

Passenger revenue for the full year was down 10.9 per cent to £7 billion, on capacity down 4.9 per cent. Despite improvement in the second half of the year, yields were down 8.0 per cent, excluding exchange down 11.4 per cent.

According to IATA, demand for global premium travel finally returned to year on year growth in December 2009 some three months behind a pick up in general global economic activity. It was the first such increase in 18 months.

Global freight markets were affected materially by the economic downturn reaching a low point in early 2009. Since November 2009 both the market and the airlines have seen a return to positive year on year growth. Overall volumes, measured in cargo tonne kilometres, for the year down only 2.2 per cent against capacity down 4.6 per cent. Cargo revenue for the full year decreased by 18.3 per cent mainly due to the impact on yields of excess capacity.

Our early reaction to the economic downturn drove excellent cost performance. Fuel costs, driven mainly by lower oil prices, fell by £597 million. Non-fuel costs reduced by £390 million as a direct result of our robust cost initiative programmes implemented from October 2008. Non-fuel costs include a charge of £85 million for restructuring (£78 million last year). Despite the reduced capacity, unit costs excluding fuel, exchange and restructuring were down 4.1 per cent.

Loss before tax for the year was £531 million.

The tax rate for the year was 20 per cent.

Our cash balance at the end of March 2010 at £1.7 billion remains strong, up £333 million since March 2009. In addition we have £2 billion of committed aircraft facilities and some £450 million of general facilities. Net debt reduced by £94 million to £2.3 billion, including £85 million of exchange and other non-cash movements. Gross debt increased by £368 million.

Reserves at March 2010 were £692 million, an increase of £262 million since March 2009. This increase is primarily driven by the marked to market movement on fuel and cash flow hedges of £587 million offset by the loss for the year. The equity component of the convertible bond raised in August 2009 adds a further £84 million to reserves.

Capital expenditure for the full year was £505 million, down £66 million from last year following management's review of capital spend during the economic crisis.

Business review:

Upgraded customer experience

We launched our new First class cabin in February and the majority of our longhaul aircraft will be fitted with the new cabin by the end of next year. We have completed the installation of our new Club World cabin on all our Boeing 747 and 777 aircraft.

This summer we take delivery of the first of three new Boeing 777-300ER aircraft joining our fleet this year. They will be fitted with new cabins throughout including new First, Club World and newly designed World Traveller and World Traveller Plus cabins as well as our next generation inflight entertainment system.

BA CityFlyer's fleet upgrade continues apace with nine of its 11 new Embraer 170 and 190SR jets now in operation.

Our subsidiaries BA CityFlyer and OpenSkies are launching new routes this month. BA CityFlyer is starting flights from London City to Ibiza and Majorca today while OpenSkies has started services between Paris and Washington DC.

Capacity and fleet

Capacity this year has reduced by 4.9 per cent (4.4 per cent excluding the strike impact) and we have effectively managed capacity in line with demand. Our seat factor rose by 1.5 points to 78.5 per cent for the full year.

We have decided to re-introduce one Boeing 747 into service this winter and will keep capacity under review as market conditions develop.

Competitive cost base

Our thorough review of our cost base, including working closely with our suppliers, reduced our non-fuel operating costs by £390 million.

Our manpower has fallen by nearly 3,800 compared with last March. The manpower savings have come from productivity improvements and have been achieved by natural attrition combined with voluntary redundancy, overtime reductions, part time working and unpaid leave. Overall, since September 2008, our manpower has reduced by more than 6,000.

While cutting costs and improving efficiency, we continue to achieve high levels of customer satisfaction and excellent operational performance.

Corporate responsibility

We are establishing, in partnership with the Solena Group, Europe's first sustainable jet-fuel plant and plan to use the low-carbon fuel to power part of our fleet from 2014. The new fuel will be derived from waste biomass and manufactured in a state-of-the-art facility that can convert a variety of waste materials, destined for landfill, into aviation fuel.

Our carbon offset scheme has been improved to enable customers to become more carbon neutral by basing offsets not only on the distance flown but also the cabin in which the customer is flying. Customers travelling in premium cabins, who have more space on the aircraft, will pay more to offset emissions.

We are the official airline of the England 2018 World Cup bid and flew England's formal bid proposal to FIFA's headquarters in Zurich earlier this month. Our partnership with the World Cup bid will see us flying the bid team around the globe to meet key figures in the football world as they seek to earn the right to stage the tournament in England.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group remain those detailed in our March 31, 2009 Annual Report and Accounts. We report the following additional risks which were not previously reported.

Events causing long-term network disruption

Several possible events may cause a long-term network disruption. Example scenarios include a significant failure of the public transport system, the complete or partial loss of the use of terminals at London Heathrow Airport, adverse weather conditions (such as snow, fog or volcanic ash), war, civil unrest or terrorism. A long-term network disruption may result in significant lost revenue and additional cost. The management has robust business continuity plans to mitigate these risks to the extent feasible.

Failure of a critical IT system

We are dependent on IT systems for most of our principal business processes. The failure of a key system may cause significant disruption to our operation and/or lost revenue. System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.

Pandemic

If there is a significant outbreak of Swine Flu or other infectious disease, staff absence will increase which may seriously impact the operation. Key corporate clients may discourage travel, significantly impacting sales. As part of the recent outbreak of Swine Flu we fully rehearsed our contingency plans.

Related parties

Related party disclosures are given in note 19 to the summary consolidated financial information.

Trading Outlook

Market conditions are showing improvement from the depressed levels in 2009/10. Cargo is showing significant signs of improvement. Passenger revenue is recovering, with increased corporate activity, particularly across the Atlantic; yield is expected to continue to improve from the strengthening position seen in Quarter 4.

On the basis of these market improvements we are targeting revenue growth of some 6 per cent and breakeven at the profit before tax level.

ends

May 21, 2010

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Note to Editors:

British Airways is holding its annual Investor Day today. Presentations will be available via a webcast through our website www.bashares.com from 0900 (BST).

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 itemise 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. Further information on some of the most important risks in this regard is given in the Company's Annual Report and Accounts, which will be available at our website www.bashares.com from June 10, 2010.

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FINANCIAL RESULTS 2009-2010

OPERATING AND FINANCIAL STATISTICS

		Year ended 31 March		Better/ (Worse)
		2010	2009	
Revenue	£m	7,994	8,992	(11.1)%
Operating loss before restructuring	£m	(146)	(142)	(2.8)%
Operating loss	£m	(231)	(220)	(5.0)%
Loss before tax	£m	(531)	(401)	(32.4)%
Loss after tax	£m	(425)	(358)	(18.7)%
<hr/>				
Basic earnings/(loss) per share	p	(38.5)	(32.6)	(18.1)%

TOTAL GROUP OPERATIONS

TRAFFIC AND CAPACITY

		Year ended 31 March		Better/ (Worse)
		2010	2009	
Revenue passenger kilometres (RPK) (m)		110,851	114,346	(3.1)%
Available seat kilometres (ASK) (m)		141,178	148,504	(4.9)%
Passenger load factor (%)		78.5	77.0	1.5 pts
Cargo tonne kilometres (CTK) (m)		4,537	4,638	(2.2)%
Revenue tonne kilometres (RTK) (m)		15,588	16,054	(2.9)%
Available tonne kilometres (ATK) (m)		21,278	22,293	(4.6)%
Overall load factor (%)		73.3	72.0	1.3 pts
Passengers carried (000)		31,825	33,117	(3.9)%
Tonnes of cargo carried (000)		760	777	(2.2)%

FINANCIAL

Operating margin (%)		(2.9)	(2.4)	(0.5)pts
Passenger revenue per RPK (p)		6.30	6.85	(8.0)%
Passenger revenue per ASK (p)		4.94	5.28	(6.4)%
Cargo revenue per CTK (p)		12.12	14.51	(16.5)%
Total traffic revenue per RTK (p)		48.31	53.00	(8.8)%
Total traffic revenue per ATK (p)		35.39	38.17	(7.3)%
Total expenditure on operations per RTK (p)		52.76	57.38	8.1 %
Total expenditure on operations per ATK (p)		38.65	41.32	6.5 %
Average fuel price before fuel hedging (US cents/US gallon)		189.24	284.06	33.4 %

TOTAL AIRLINE OPERATIONS (Note 1)

OPERATIONS

Average Manpower Equivalent (MPE)		37,595	41,473	9.4 %
ATKs per MPE (000)		566.0	537.5	5.3 %
Aircraft in service at year end		238	245	(7)

Note 1: Excludes non-airline activity companies, principally The Mileage Company Limited, BA Holidays Limited and Speedbird Insurance Company Limited.

CONSOLIDATED INCOME STATEMENT

£ million	Year ended 31 March		Better/ (Worse)
	2010	2009	
Traffic revenue			
Passenger	6,980	7,836	(10.9)%
Cargo	550	673	(18.3)%
	7,530	8,509	(11.5)%
Other revenue	464	483	(3.9)%
REVENUE	7,994	8,992	(11.1)%
Employee costs	1,998	2,193	8.9 %
Restructuring	85	78	(9.0)%
Depreciation, amortisation and impairment	732	694	(5.5)%
Aircraft operating lease costs	69	73	5.5 %
Fuel and oil costs	2,372	2,969	20.1 %
Engineering and other aircraft costs	505	510	1.0 %
Landing fees and en route charges	608	603	(0.8)%
Handling charges, catering and other operating costs	997	1,021	2.4 %
Selling costs	290	369	21.4 %
Currency differences	(2)	117	nm
Accommodation, ground equipment and IT costs	571	585	2.4 %
TOTAL EXPENDITURE ON OPERATIONS	8,225	9,212	10.7 %
OPERATING LOSS	(231)	(220)	(5.0)%
Fuel derivative gains/(losses)	15	(18)	nm
Finance costs	(157)	(182)	13.7 %
Finance income	20	95	(78.9)%
Net financing expense relating to pensions	(116)	(17)	nm
Retranslation charges on currency borrowings	(14)	(59)	76.3 %
(Loss)/profit on sale of property, plant and equipment and investments	(16)	8	nm
Share of post-tax (losses)/profits in associates accounted for using the equity method	(32)	4	nm
Net charge relating to available-for-sale financial assets		(12)	nm
LOSS BEFORE TAX	(531)	(401)	(32.4)%
Tax	106	43	nm
LOSS AFTER TAX	(425)	(358)	(18.7)%

nm: Not meaningful

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

£ million	Year ended 31 March		
	2010	2009	
Net loss for the year	(425)	(358)	
Other comprehensive income:			
Exchange (losses)/gains	(18)	38	
Net gains/(losses) on cash flow hedges	587	(988)	
Share of other movements in reserves of associates	34	(26)	
Net gain on available-for-sale financial assets	17		
Available-for-sale assets - realisation of fair value gains		(4)	
Held-to-maturity investments marked-to-market	5	(5)	
Total comprehensive income/(loss) for the year (net of tax)	200	(1,343)	
Attributable to:			
Equity holders of the parent	182	(1,360)	
Non-controlling interest	18	17	
	200	(1,343)	
EARNINGS/(LOSS) PER SHARE			
Basic	(38.5)p	(32.6)p	(18.1)%
Diluted	(38.5)p	(32.6)p	(18.1)%

CONSOLIDATED BALANCE SHEET

£ million	<u>31 March</u> 2010	<u>31 March</u> 2009
NON-CURRENT ASSETS		
Property, plant and equipment		
<i>Fleet</i>	5,739	5,996
<i>Property</i>	920	971
<i>Equipment</i>	245	266
	6,904	7,233
Intangibles		
<i>Goodwill</i>	40	40
<i>Landing rights</i>	202	205
<i>Software</i>	27	22
	269	267
Investments in associates	197	209
Available-for-sale financial assets	76	65
Employee benefit assets	483	340
Derivative financial instruments	27	3
Prepayments and accrued income	17	25
TOTAL NON-CURRENT ASSETS	7,973	8,142
NON-CURRENT ASSETS HELD FOR SALE	30	-
CURRENT ASSETS AND RECEIVABLES		
Inventories	98	127
Trade receivables	499	530
Other current assets	289	268
Derivative financial instruments	74	40
Other current interest-bearing deposits	928	979
Cash and cash equivalents	786	402
	1,714	1,381
TOTAL CURRENT ASSETS AND RECEIVABLES	2,674	2,346
TOTAL ASSETS	10,677	10,488
SHAREHOLDERS' EQUITY		
Issued share capital	288	288
Share premium	937	937
Investment in own shares	(4)	(9)
Other reserves	692	430
TOTAL SHAREHOLDERS' EQUITY	1,913	1,646
NON-CONTROLLING INTEREST	200	200
TOTAL EQUITY	2,113	1,846
NON-CURRENT LIABILITIES		
Interest-bearing long-term borrowings	3,446	3,074
Employee benefit obligations	208	191
Provisions for deferred tax	774	652
Other provisions	159	256
Derivative financial instruments	5	123
Other long-term liabilities	232	204
TOTAL NON-CURRENT LIABILITIES	4,824	4,500
CURRENT LIABILITIES		
Current portion of long-term borrowings	556	689
Trade and other payables	2,910	2,796
Derivative financial instruments	12	471
Current tax payable	2	4
Short-term provisions	260	182
TOTAL CURRENT LIABILITIES	3,740	4,142
TOTAL EQUITY AND LIABILITIES	10,677	10,488

CONSOLIDATED CASH FLOW STATEMENT

£ million	Year ended 31 March		Better/ (Worse)
	2010	2009	
CASH FLOW FROM OPERATING ACTIVITIES			
Operating loss	(231)	(220)	(11)
Depreciation, amortisation and impairment	732	694	38
Operating cash flow before working capital changes	501	474	27
Movement in inventories, trade and other receivables	(181)	32	(213)
Movement in trade and other payables and provisions	241	(132)	373
Payments in respect of restructuring	(81)	(64)	(17)
Payments in settlement of competition investigation	(19)	(4)	(15)
Other non-cash movement		1	(1)
Cash generated from operations	461	307	154
Interest paid	(136)	(177)	41
Taxation	6	3	3
NET CASH GENERATED FROM OPERATING ACTIVITIES	331	133	198
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(492)	(547)	55
Purchase of intangible assets	(13)	(24)	11
Proceeds from sale of other investments		7	(7)
Proceeds from sale of property, plant and equipment	102	5	97
Insurance recoveries for write-off of Boeing 777 aircraft		12	(12)
Purchase of subsidiary (net of cash acquired)	(9)	(34)	25
Proceeds received from loan notes	7		7
Interest received	17	105	(88)
Dividends received		17	(17)
Decrease in other current interest-bearing deposits	51	202	(151)
NET CASH USED IN INVESTING ACTIVITIES	(337)	(257)	(80)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	1,053	377	676
Proceeds from equity portion of convertible bond	84		84
Repayments of borrowings	(160)	(66)	(94)
Payment of finance lease liabilities	(609)	(402)	(207)
Exercise of share options		1	(1)
Dividends paid		(58)	58
Distributions made to holders of perpetual securities	(18)	(17)	(1)
NET CASH FLOW FROM FINANCING ACTIVITIES	350	(165)	515
Net increase/(decrease) in cash and cash equivalents	344	(289)	633
Net foreign exchange differences	40	8	32
Cash and cash equivalents at 1 April	402	683	(281)
CASH AND CASH EQUIVALENTS AT 31 MARCH	786	402	384

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

£ million	Issued capital	Share premium	Investment in own shares	Other * reserves	Total shareholders' equity	Non-controlling interest	Total equity
At 1 April 2009	288	937	(9)	430	1,646	200	1,846
Total comprehensive income for the year (net of tax)				182	182	18	200
Equity portion of convertible bond**				84	84		84
Cost of share-based payment				1	1		1
Exercise of share options			5	(5)			
Distributions made to holders of perpetual securities						(18)	(18)
At 31 March 2010	288	937	(4)	692	1,913	200	2,113

* Closing balance includes retained earnings of £741 million.

** After deduction of transaction costs of £2 million.

For the year ended 31 March 2009

£ million	Issued capital	Share premium	Investment in own shares	Other * reserves	Total shareholders' equity	Non-controlling interest	Total equity
At 1 April 2008	288	937	(10)	1,818	3,033	200	3,233
Adoption of IFRIC 13				(206)	(206)		(206)
Adoption of IFRIC 14				235	235		235
At 1 April 2008 (restated)	288	937	(10)	1,847	3,062	200	3,262
Total comprehensive (loss)/income for the year (net of tax)				(1,360)	(1,360)	17	(1,343)
Cost of share-based payment				1	1		1
Exercise of share options			2	(2)			
Purchase of own shares			(1)		(1)		(1)
Net dividends				(56)	(56)		(56)
Distributions made to holders of perpetual securities						(17)	(17)
At 31 March 2009	288	937	(9)	430	1,646	200	1,846

* Closing balance includes retained earnings of £1,154 million.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

1. CORPORATE INFORMATION

The Group's summary consolidated financial statements for the year ended 31 March 2010 were authorised for issue by the Board of Directors on 20 May 2010, and the balance sheet signed on the Board's behalf by Willie Walsh and Keith Williams. British Airways Plc (the Company) is a public limited company incorporated and domiciled in England and Wales. The summary consolidated financial statements herein are not the Company's statutory accounts. The Group's auditors issued an unqualified audit report, containing no statements under Section 498(2) of the Companies Act 2006, on the Group's annual financial statements on 20 May 2010. The Group and Company's annual financial statements have not been lodged with the Registrar as at 20 May 2010. The Company's ordinary shares are traded on the London Stock Exchange.

2. BASIS OF PREPARATION

The basis of preparation and accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2010 have been applied in the preparation of these summary consolidated financial statements. These are in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs)* as adopted by the European Union (EU) and with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB). References to 'IFRS' hereafter should be construed as references to IFRSs as adopted by the EU.

* For the purposes of these statements IFRS also includes International Accounting Standards.

3. ACCOUNTING POLICIES

The accounting policies and methods of calculation adopted are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in those annual financial statements, except as discussed below.

IFRS 7 (Amendment), 'Financial instruments - Disclosures' (Amendment); effective for periods beginning on or after 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of hierarchy.

IAS 1 (Revised), 'Presentation of financial statements'; effective for periods beginning on or after 1 January 2009. The revised standard prohibits the presentation of items of income and expenses, that are not classified as transactions with owners, in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity in a statement of other comprehensive income, which will be produced in addition to the income statement. Comparative information has been re-presented so that it conforms to the revised standard, although the Group has chosen not to adopt the revised names for the financial statements.

IAS 1 (Amendment), 'Presentation of financial statements'; effective for periods beginning on or after 1 January 2010. The amendment provides clarification on the classification between current and non-current liabilities that can potentially be settled through the issue of equity. The amendment permits a liability to be classified as non-current provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period, even though the entity could be required by the counterparty to settle through the issue of shares at any time.

See the Annual Report and Accounts for the year ended 31 March 2010 for disclosure of new standards, amendments and interpretations not yet effective as well as those that were adopted during the year but which do not have a significant impact on the accounting policies and methods of calculation used in the current financial statements.

NOTES TO THE ACCOUNTS continued
For the year ended 31 March 2010

4. SEGMENT INFORMATION

a. Business segments

The Group's network passenger and cargo operations are managed as a single business unit. The Management Team makes resource allocation decisions based on route profitability, which considers aircraft type and route economics, based primarily by reference to passenger economics with limited reference to cargo demand. The objective in making resource allocation decisions is to optimise consolidated financial results. While the operations of OpenSkies SASU and BA Cityflyer Limited are considered to be separate operating segments, their activities are considered to be sufficiently similar in nature to aggregate the two segments and report them together with the network passenger and cargo operations. Therefore, based on the way the Group treats the network passenger and cargo operations, and the manner in which resource allocation decisions are made, the Group has only one reportable operating segment for financial reporting purposes, reported as the 'airline business'.

Financial results from other operating segments are below the quantitative threshold for determining reportable operating segments and consist primarily of The Mileage Company Limited, British Airways Holidays Limited and Speedbird Insurance Company Limited.

For the year ended 31 March 2010

£ million	Airline business	All other segments	Unallocated	Total
Revenue				
Sales to external customers	7,802	192		7,994
Inter-segment sales	52			52
Segment revenue	7,854	192		8,046
Segment result	(252)	21		(231)
Other non-operating income	15			15
(Loss)/profit before tax and finance costs	(237)	21		(216)
Net finance costs	(96)		(171)	(267)
Loss on sale of assets	(16)			(16)
Share of associates' losses	(32)			(32)
Tax			106	106
(Loss)/profit after tax	(381)	21	(65)	(425)
Assets and liabilities				
Segment assets	10,364	116		10,480
Investment in associates	197			197
Total assets	10,561	116		10,677
Segment liabilities	3,413	373		3,786
Unallocated liabilities *			4,778	4,778
Total liabilities	3,413	373	4,778	8,564
Other segment information				
Property, plant and equipment - additions (note 12)	553	1		554
Non-current assets held for sale (note 8)	30			30
Intangible assets - additions	13			13
Depreciation, amortisation and impairment	731	1		732
Exceptional items:				
Restructuring (note 5)	85			85

* Unallocated liabilities consist of current taxes of £2 million, deferred taxes of £774 million and borrowings of £4,002 million which are managed on a Group basis.

NOTES TO THE ACCOUNTS continued
For the year ended 31 March 2010

4. SEGMENT INFORMATION continued

a. Business segments continued

For the year ended 31 March 2009

£ million	Airline business	All other segments	Unallocated	Total
Revenue				
Sales to external customers	8,840	152		8,992
Inter-segment sales	18			18
Segment revenue	8,858	152		9,010
Segment result				
Other non-operating expense	(30)			(30)
(Loss)/profit before tax and finance costs	(270)	20		(250)
Net finance income/(costs) *	78		(241)	(163)
Profit on sale of assets	8			8
Share of associates' profit	4			4
Tax			43	43
(Loss)/profit after tax	(180)	20	(198)	(358)
Assets and liabilities				
Segment assets	10,164	115		10,279
Investment in associates	209			209
Total assets	10,373	115		10,488
Segment liabilities	3,842	381		4,223
Unallocated liabilities **			4,419	4,419
Total liabilities	3,842	381	4,419	8,642
Other segment information				
Property, plant and equipment - additions (note 12)	643	2		645
Intangible assets - additions (excluding L'Avion)	21			21
Purchase of subsidiary (net of cash acquired)	34			34
Depreciation, amortisation and impairment	693	1		694
Impairment of available-for-sale financial assets - Flybe	13			13
Exceptional items:				
Restructuring (note 5)	78			78
Unused tickets	(109)			(109)
Impairment of OpenSkies goodwill	5			5

* Reclassified to more accurately reflect the nature of the expense.

** Unallocated liabilities consist of current taxes of £4 million, deferred taxes of £652 million and borrowings of £3,763 million which are managed on a Group basis.

NOTES TO THE ACCOUNTS continued
For the year ended 31 March 2010

4. SEGMENT INFORMATION continued
b. Geographical segments - by area of original sale

£ million	Year ended 31 March	
	2010	2009
Europe:	4,891	5,617
UK	3,636	4,197
Continental Europe	1,255	1,420
The Americas:	1,651	1,719
USA	1,473	1,532
The rest of the Americas	178	187
Africa, Middle East and Indian sub-continent	731	875
Far East and Australasia	721	781
Revenue	7,994	8,992

Total of non-current assets excluding available-for-sale financial assets, employee benefit assets, prepayments and accrued income and derivative financial instruments located in the UK is £7,060 million (2009: £7,337 million) and the total of these non-current assets located in other countries is £340 million (2009: £372 million).

5. OPERATING LOSS

The operating result includes restructuring charges of £85 million mainly relating to severance (2009: £78 million).

6. FINANCE COSTS AND INCOME

£ million	Year ended 31 March	
	2010	2009
Finance costs:		
Interest payable on bank and other loans and finance charges payable under finance leases and hire purchase contracts	(141)	(169)
Unwinding of discounting on provisions*	(19)	(12)
Capitalised interest	1	4
Change in fair value of cross currency swaps	2	(5)
Total finance costs	(157)	(182)
Finance income:		
Bank interest receivable	20	95
Total finance income	20	95
Pensions financing:		
Net financing expense relating to pensions	(164)	(34)
Net amortisation of actuarial (losses)/gains on pensions	(37)	17
Effect of the APS asset ceiling	85	
Total financing expense relating to pensions	(116)	(17)
Retranslation charges on currency borrowings	(14)	(59)

* Unwinding of discount on the competition investigation provision and restoration and handback provisions.

7. (LOSS)/PROFIT ON SALE OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS

£ million	Year ended 31 March	
	2010	2009
Net (loss)/profit on sale of property, plant and equipment	(16)	2
Net profit on the disposal of investments		6
(Loss)/profit on sale of property, plant and equipment and investments	(16)	8

NOTES TO THE ACCOUNTS continued
For the year ended 31 March 2010

8. NON-CURRENT ASSETS HELD FOR SALE

In April 2009, the Group agreed to the sale of 11 Boeing 757 aircraft, these aircraft will exit the business between June 2010 and April 2012. The economic lives and residual values of the aircraft were adjusted in April 2009 to reflect the terms of the sale agreement. Aircraft which are due to exit the business within 12 months are classified as non-current assets held for sale.

9. TAX

The tax credit for the year ended 31 March 2010 is £106 million (2009: £43 million). This consists of a current tax credit of £2 million (2009: £9 million) and a deferred tax credit of £104 million (2009: £34 million). Excluding prior year adjustments, pension fund accounting and the change in foreign profits legislation the tax rate for the year would have been 24 per cent (2009: 28 per cent).

10. EARNINGS PER SHARE

Basic earnings per share for the year ended 31 March 2010 are calculated on a weighted average of 1,152,088,000 ordinary shares (2009: 1,151,230,000) and adjusted for shares held for the purposes of Employee Share Ownership Plans including the Long Term Incentive Plan. Diluted earnings per share for the period ended 31 March 2010 are calculated on a weighted average of 1,274,083,000 ordinary shares (2009:1,153,932,000).

The number of shares in issue at 31 March 2010 was 1,153,674,000 (2009: 1,153,628,000) ordinary shares of 25 pence each.

11. DIVIDENDS

The Directors recommend that no dividend be declared for the year ended 31 March 2010 (2009: fnil). The Company declared a dividend of 5 pence per share (totalling £58 million) for the year ended 31 March 2008. The dividend was paid in July 2008 and was accounted for as a reduction in shareholders' equity for the year ended 31 March 2009.

In the prior year, the Group reversed £2 million of previously declared dividends, relating to historic unclaimed dividends that are no longer expected to be collected.

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2010, the Group acquired assets with a cost of £554 million (2009: £651 million). Included in the acquisition of assets are the delivery of two Airbus A318 aircraft, three Airbus A320 aircraft, three Boeing 777-200 aircraft and seven Embraer E-jets aircraft.

Property, plant and equipment with a net book value of £118 million was disposed of by the Group during the year ended 31 March 2010 (2009: £3 million) resulting in a net loss on disposal of £16 million (2009: gain £2 million).

Assets with a net book value of £30 million were transferred to non-current assets held for sale during the year ended 31 March 2010 (2009: fnil).

13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

£ million	Year ended 31 March	
	2010	2009
Increase/(decrease) in cash and cash equivalents during the year	344	(289)
Net cash outflow from decrease in debt and lease financing	769	468
Decrease in other current interest-bearing deposits	(51)	(202)
New loans and finance leases taken out and hire purchase arrangements made	(1,053)	(377)
Decrease/(increase) in net debt resulting from cash flow	9	(400)
Exchange movements and other non-cash movements	85	(672)
Decrease/(increase) in net debt during the year	94	(1,072)
Net debt at 1 April	(2,382)	(1,310)
Net debt at 31 March	(2,288)	(2,382)

Net debt comprises the current and non-current portions of long-term borrowings less cash and cash equivalents and other current interest-bearing deposits.

NOTES TO THE ACCOUNTS continued
For the year ended 31 March 2010

14. LONG-TERM BORROWINGS

£ million	31 March 2010	31 March 2009
a Current		
Bank and other loans	139	69
Finance leases	129	103
Hire purchase arrangements	288	517
	556	689
b Non-current		
Bank and other loans*	1,345	779
Finance leases	2,077	1,979
Hire purchase arrangements	24	316
	3,446	3,074

* Includes £269 million relating to the liability portion of the convertible bond (2009: £nil).

The Group issued a £350 million fixed rate convertible bond in August 2009, raising cash of £341 million (net of issue costs), which holds a coupon rate of 5.8 per cent and is convertible into ordinary shares at the option of the holder before or upon maturity in August 2014. Conversion into ordinary shares will occur at a premium of 38 per cent on the Group's share price on the date of issuance. The Group hold an option to redeem the convertible bond at its principal amount, together with accrued interest, upon fulfilment of certain pre-determined criteria. The equity portion of the convertible bond issue is included in other reserves.

15. SHARE OPTIONS

During the year, the Group made awards under the Performance Share Plan (PSP) to key senior executives and selected members of the wider management team, under which 7,312,824 conditional shares were awarded. No payment is due upon vesting the shares. The fair value of equity-settled share options granted is estimated as at the date of award using the Monte-Carlo model, taking into account the terms and conditions upon which the options were awarded. The following are the inputs to the model, calculated on an average basis for the three PSP options granted during the year:

Expected share price volatility 38%
Historical volatility 54%
Expected life of options three years
Weighted average share price £1.85

For further details of the plan, refer to the Annual Report and Accounts for the year ended 31 March 2010.

NOTES TO THE ACCOUNTS continued
For the year ended 31 March 2010

16. PENSION COSTS

The Company operates two funded principal defined benefit pension schemes in the UK, the Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS) both of which are closed to new members. The results of the accounting valuation at the year ended 31 March 2010 are summarised below:

	APS		NAPS	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Fair value of scheme assets	6,443	5,925	8,024	6,049
Present value of scheme liabilities	(6,247)	(5,065)	(9,969)	(7,216)
Net pension asset/(liability)	196	860	(1,945)	(1,167)
Net pension asset/(liability) represented by:				
Net pension asset recognised	317	304	158	26
Restriction on APS surplus due to the asset ceiling	50	135		
Cumulative actuarial (losses)/gains not recognised	(171)	421	(2,103)	(1,193)
Net pension asset/(liability)	196	860	(1,945)	(1,167)

At 31 March 2010 both APS and NAPS were recognised on the balance sheet as employee benefit assets, representing £475 million of the £483 million disclosed (2009: £330 million of the £340 million). The £208 million employee benefit obligations at 31 March 2010 relates to other schemes (2009: £191 million).

The accounting valuation was performed after updating key assumptions at 31 March 2010 as follows:

	APS		NAPS	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Per cent per annum				
Inflation (RPI)	3.6	2.7	3.7	3.0
Salary increases (as RPI)	3.6	2.7	3.7	3.0
Discount rate	5.5	7.1	5.6	6.9

17. PROVISIONS FOR LIABILITIES AND CHARGES

Litigation

There are ongoing investigations into the Group's passenger and cargo surcharges by the European Commission and other jurisdictions. These investigations are likely to continue for some time. The Company is also subject to related class action claims. The final amount required to pay the remaining claims and fines is subject to uncertainty.

Restructuring

The Group recognised a restructuring provision of £28 million at 31 March 2010 (2009: £21 million) in respect of items including targeted voluntary severance schemes announced during the year. This provision is expected to be paid during the next financial year.

NOTES TO THE ACCOUNTS continued
For the year ended 31 March 2010

18. CONTINGENT LIABILITIES

There were contingent liabilities at 31 March 2010 in respect of guarantees and indemnities entered into as part of the ordinary course of the Group's business. No material losses are likely to arise from such contingent liabilities. A number of other lawsuits and regulatory proceedings are pending, the outcome of which in the aggregate is not expected to have a material effect on the Group's financial position or results of operations.

The Group has guaranteed certain borrowings, liabilities and commitments, which at 31 March 2010 amounted to £119 million (2009: £185 million).

19. RELATED PARTY TRANSACTIONS

The Group has had transactions in the ordinary course of business during the year under review with related parties.

£ million	Year ended 31 March	
	2010	2009
Associates:		
Sales to associates	36	41
Purchases from associates	47	53

£ million	Year ended 31 March	
	2010	2009
Amounts owed by associates	1	1
Amounts owed to associates	2	2

Associates

Iberia, Lineas Aéreas de España, S.A. (Iberia)

The Group has a 13.15 per cent investment in Iberia. Areas of opportunity for cooperation have been identified and work continues to pursue and implement these. Sales and purchases between related parties are made at normal market prices and outstanding balances are unsecured and interest free. Cash settlement is expected within the standard settlement terms specified by the IATA Clearing House.

During the year the Company contracted with Iberia to purchase five new Airbus A320 aircraft, the commitment arising has been included in capital expenditure commitments (note 20).

As at 31 March 2010 the net trading balance owed to Iberia by the Group amounted to £1 million (2009: £1 million).

Other associates

There was a remaining net trading balance under £1 million as at 31 March 2010 due to transactions between the Group and Dunwoody Airline Services (Holdings) Limited (2009: under £1 million).

Directors' and officers' loans and transactions

No loans or credit transactions were outstanding with Directors or officers of the Company at 31 March 2010 or arose during the year that need to be disclosed in accordance with the requirements of Sections 412 and 413 to the Companies Act 2006.

In addition to the above, the Group also has transactions with related parties that are conducted in the normal course of airline business. These include the provision of airline and related services.

The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 March 2010 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2009: fnil).

NOTES TO THE ACCOUNTS continued
For the year ended 31 March 2010

20. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £4,267 million for the Group commitments (2009: £4,805 million). The majority of capital expenditure commitments are denominated in US dollars, as such the commitments are subject to exchange movements.

The outstanding commitments include £4,253 million for the acquisition of two Boeing 777s (from 2010 to 2012), 24 Boeing 787s (from 2012 to 2016), 12 Airbus A320s (from 2010 to 2014), 12 Airbus A380s (from 2012 to 2014) and four Embraer E-jets (all in 2010).

21. OTHER EVENTS

Merger with Iberia

In April 2010, British Airways and Iberia signed a merger agreement to create a new leading airline group and are on track to complete the merger by the end of 2010. The terms of the merger agreement are consistent with the binding memorandum of understanding signed between the two airlines in November 2009. The merger will create a new holding company called International Consolidated Airlines Group SA, which will be known as International Airlines Group. Both airlines will retain their separate operations and individual brands.

The British Airways and Iberia Boards believe that the principle benefits of the merger will include significant customer benefits from a larger combined network with better frequencies and connections, more competitive prices, access to more VIP lounges and enhanced frequent flyer benefits. In addition, the joint business will improve the strategic positioning of both British Airways and Iberia combining British Airways' strong presence in North America, Asia-Pacific and Africa with Iberia's strong Latin American presence. The combined business is expected to deliver approximately €400m of annual synergy benefits, by year five.

Joint Business Agreement with American Airlines and Iberia

In August 2008, the Company agreed to seek regulatory approval for a new venture to join forces with American Airlines and Iberia on flights between North America and Europe. The Joint Business Agreement will cover flights between the United States, Mexico and Canada, and the European Union, Switzerland and Norway. It will also expand the Company's codeshare arrangements on flights within and beyond the European Union and the United States, significantly increasing the number of destinations the Company will offer to customers.

Following extensive consultation with both the United States Department of Transport and the European Commission, the Company is at an advanced stage in the regulatory approval process required to implement the agreement.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of British Airways Plc, who are listed in the Group's Annual Report and Accounts for the year ended 31 March 2010, confirm that, to the best of each person's knowledge:

- The condensed set of consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretation and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and (loss)/profit of the Company and Group taken as a whole.
- The management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Willie Walsh
Chief Executive

Keith Williams
Chief Financial Officer

20 May 2010

AIRCRAFT FLEET

Number in service with Group companies at 31 March 2010

	On Balance Sheet Fixed Assets	Off Balance Sheet Operating Leases	Total March 2010	Total March 2009	Changes Since March 2009	Future deliveries (Note 12)	Options (Note 13)
AIRLINE OPERATIONS (note 1)							
Airbus A318 (Note 2)	2		2		2		
Airbus A319	31	2	33	33			
Airbus A320 (Note 3)	22	16	38	35	3	12	31
Airbus A321	11		11	11			
Airbus A380						12	7
Avro RJ85		2	2	2			
Avro RJ100 (Note 4)		1	1	9	(8)		
Boeing 737-300 (Note 5)				1	(1)		
Boeing 737-400	19		19	19			
Boeing 737-500 (Note 6)				2	(2)		
Boeing 747-400 (Note 7)	49		49	55	(6)		
Boeing 757-200 (Note 8)	7	2	9	15	(6)		
Boeing 767-300	21		21	21			
Boeing 777-200 (Note 9)	42	4	46	42	4		
Boeing 777-300						6	4
Boeing 787						24	28
Embraer E170 (Note 10)	6		6		6		
Embraer E190 (Note 11)	1		1		1	4	18
GROUP TOTAL	211	27	238	245	(7)	58	88

Note:

1. Includes those operated by British Airways Plc, BA Cityflyer Limited and OpenSkies SASU.
2. Delivery of two Airbus A318 aircraft.
3. Includes three Airbus A320 aircraft deliveries and one additional Airbus A320 aircraft operating leased in during the year. Excludes one Airbus A320 aircraft stood down pending return to lessor. Certain future deliveries and options include reserved delivery positions, and may be taken as any A320 family aircraft.
4. Four Avro RJ100 returned to lessor and four stood down pending return to lessor. Excludes six Avro RJ100 aircraft sub-leased to Swiss International Air Lines.
5. Boeing 737-300 aircraft returned to lessor.
6. Two Boeing 737-500 aircraft returned to lessor.
7. Excludes six Boeing 747-400 aircraft temporarily stood down out of service during the year and two Boeing 747-400 aircraft stood down in the previous year.
8. Six Boeing 757-200 aircraft stood down for sale.
9. Includes three Boeing 777-200 aircraft deliveries during the year and one Boeing 777-200 delivered March 2009 now entered into service.
10. Six Embraer E170 aircraft deliveries entered into service at London City Airport.
11. One Embraer E190 aircraft delivery entered into service at London City Airport.
12. Future deliveries have decreased by two Airbus A318 aircraft, three Airbus A320 aircraft, three Boeing 777-200 aircraft, six Embraer E170 aircraft and one Embraer E190 aircraft delivered during the year, offset by newly contracted purchases of five A320 aircraft.
13. There have been no movements in future year options during the year.