BRITISH AIRWAYS

PRELIMINARY RESULTS ANNOUNCEMENT

Period April 1, 2007 – March 31, 2008

RECORD Q4 DELIVERS TEN PER CENT OPERATING MARGIN

British Airways today (May 16) presented its preliminary results for the 12 months ended March 31, 2008.

Period highlights:

- Revenue up 3.1 per cent to £8,753 million
- Operating profit of £875 million (2007: £602 million)
- Operating margin 10.0 per cent (2007: 7.1 per cent)
- Profit before tax of £883 million (2007: £611 million)
- Full year fuel costs top £2 billion
- Two million passengers through T5 since opening
- NAPS pension deficit tackled
- First dividend since 2001
- Staff share in £35 million bonus

British Airways' chief executive Willie Walsh, said:

"This is an outstanding financial result for the company despite rising fuel prices and significant economic slowdown in the last six months. We have achieved our goal of a ten per cent operating margin which I am delighted has triggered the reward scheme for our staff. For our shareholders too, it signals the welcome return of a dividend – the first since 2001.

"Delivering ten per cent has not been easy, but we have achieved it by remaining focused on our strategy for the last six years. We tackled our pension deficit and we have strengthened the fundamentals of our balance sheet while at the same time growing a profitable business.

"We operate in a volatile market and this year has been no different. Against the background of a progressively tougher trading environment we have continued to work hard on our cost savings to deliver these strong results.

"Our profits are up some 45 per cent and operating costs are down 0.7 per cent. Excluding fuel, operating costs are down 3.0 per cent. Fuel prices have hit record highs and continue to climb, driving some airlines into bankruptcy and putting pressure on others.

"Our new Club World cabin is now on our entire Boeing 747 fleet and winning praise and awards from our customers and the industry. We continue to enhance ba.com making it even easier for customers to manage their bookings.

"Despite the difficulties of the opening of Terminal 5 in the first few days, it is now working well and some two million passengers have gone through it and many have enjoyed the experience. Phase 2 of the move of our longhaul services into the terminal begins on June 5 and will include our blue ribbon New York services and flights to seven other destinations.

"Earlier this month we announced that we were in talks to explore opportunities for cooperation with American Airlines and Continental Airlines. These talks continue. We plan to launch our new OpenSkies service from Paris Orly to New York JFK on June 19."

Financial review

Group revenue in quarter 4 was up 10.3 per cent to £2.1 billion on operating costs up 2.2 per cent leaving a record operating profit of £141 million and operating margin of 6.6 per cent. This was despite fuel costs being up almost 20 per cent. Quarter 4 profit before tax was £95 million.

Full year revenue was up 3.1 per cent to £8.8 billion. Excluding exchange, revenue was up 4.6 per cent.

Passenger revenue rose 3.8 per cent to £7.5 billion, on capacity up 0.8 per cent. Seat factor was down 0.5 points to 75.6 per cent. Yields, however, rose 3.6 per cent due to an improved mix of premium traffic and the effect of fuel surcharge increases.

Club World performed strongly and despite a weak performance on Club Europe, overall traffic in our premium cabins increased by 4.4 per cent. Longhaul non-premium traffic has been weak since August.

Cargo volumes, measured in CTKs, rose 4.2 per cent following a strong recovery in the second half, underpinned by record levels of operational punctuality. Revenue rose 3.0 per cent to £616 million. Excluding exchange, cargo revenue was up 4.8 per cent.

Our overall cost performance was excellent. Total operating costs were down 0.7 per cent to £7.9 billion with unit costs also down 0.5 per cent. Employee costs fell by 4.9 per cent to almost £2.2 billion due to reduced pension and severance costs. Although manpower at Heathrow increased, total manpower reduced. Our fuel bill for the year was up £124 million despite significant hedging and a weaker US dollar.

We have fewer aircraft on operating leases and have re-negotiated some existing leases, so these costs were down 16 per cent. Engineering costs were up 8.9 per cent because of price rises in maintenance and higher volumes. Handling charges and other operating costs have risen by 5.1 per cent. Selling costs fell 17.7 per cent to £359 million reflecting increased booking through ba.com, lower advertising costs and agency commissions.

The financial position of the company is strong. Our cash balance at the end of March 2008 was over £1.8 billion, down £491 million on the previous year. This reduction was primarily due to one-off payments into the New Airways Pension Scheme (NAPS) totalling £610 million and to the US Department of Justice for anti-competitive activity. Our net debt was £1.3 billion, up £319 million on March 2007.

Capital expenditure at £734 million was higher than last year following the delivery of four new Airbus A321 aircraft, three Airbus A320 aircraft, our continued investment in the new Club World cabin, Terminal 5 and our increased shareholding in Iberia.

Business review

We have put corporate responsibility at the centre of our business priorities and our ambition is to be a leader in this field. During the year we announced that Silla Maizey, formerly head of procurement, has been appointed as our first ever head of corporate responsibility. Our strategy centres on four main activities - the workplace, marketplace, environment and community investment. In January we upgraded our corporate responsibility website which provides details on responsible growth for aviation, future Heathrow development plans and information on responsible travel. At the same time we improved our carbon offset scheme for passengers making it much easier to access.

During the year we set new targets to improve our aircraft fuel efficiency by 25 per cent by 2025 and we pledged to recycle half of our waste and phase out use of landfill by 2010.

In addition we had four other key business objectives in the year.

Our first focused on opening Terminal 5. Despite problems in the first few days it is now working well and the phased transfer of our longhaul services from Terminal 4 into Terminal 5 begins on June 5.

Our second theme redefined our customer promise under the banner of BA Basics and Brilliance – ensuring consistent, high quality service 24/7 and brilliance where it counts. Punctuality and baggage performance at Terminal 5 continues to improve and many of our targets have been met or exceeded during May.

The longhaul fleet order announced in September is fundamental to our third theme of Investing in Growth. The order for 12 Airbus A380 aircraft and 24 Boeing 787 aircraft and options for a further seven A380s and 18 B787s, allows for replacement of older aircraft and sustainable, profitable growth. While Boeing has subsequently announced a delay to the original delivery schedule, we are working closely with them to mitigate it. Our fleet order has considerable flexibility that will allow us to match our future capacity to the economic environment.

During the year we ended our franchise agreements in the UK with BMED and GB Airways and our agreement with Loganair will end in October 2008. We took this opportunity to grow our flying programme out of Gatwick to many of the destinations previously operated by GB Airways. Our overseas franchise relationships continue as they provide valuable feed traffic and brand exposure in areas we cannot serve.

Our most enduring theme in recent years has been achieving a competitive cost base. Improving cost efficiency and eliminating waste in our business has been key to delivering our target of a ten per cent operating margin.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group remain those detailed in our March 31, 2007 Annual Report and Accounts, with the exception of the following additional items:

Environment

Failure to adopt an integrated environmental strategy could lead to a deterioration in our reputation and consequential loss of revenue. An increased focus on corporate responsibility and a published emissions reduction target will help deliver the re-focused strategy.

HM Treasury announced its intention to replace Air Passenger Duty with a new 'per plane' tax with effect from November 2009. This new tax will distort competition and may adversely impact our revenue.

Fuel price

We use approximately six million tonnes of jet fuel a year. Volatility in the price of oil and petroleum products can have a material impact on our operating result. This price risk is partially hedged through the purchase of oil and petroleum derivatives in forward markets, which can generate a profit or a loss.

Heathrow and Gatwick airports and economic regulation

Our main operating bases, Heathrow and Gatwick, are subject to economic regulation by the UK Civil Aviation Authority (CAA). The CAA sets the maximum level of airport charges, the airport's capital investment programme and service quality standards for five-yearly periods. A new five-yearly settlement came into force on April 1, 2008 which included a large rise in allowed airport operating costs - adding to our airport charges.

Heathrow Operational Constraints

Heathrow has no spare runway capacity and operates on the same two runways it had when it opened 60 years ago. As a result, we are vulnerable to short-term operational disruption and there is little we can do to mitigate against this. In February 2008, public consultation ended on the UK Government's conclusion that its environmental conditions on Heathrow expansion could now be satisfied and allow full utilisation of Heathrow's two runways and the construction of a short third runway to go ahead. This would create extra capacity and reduce delays, enabling Heathrow to compete more effectively against European hubs like Paris, Amsterdam and Frankfurt.

Related parties

Related party disclosures are given in Note 14 to the condensed consolidated financial information.

Trading Outlook

Revenue for the full year is expected to increase by around 4 per cent. This is in line with the lower end of the guidance we gave at Investor Day. Increased fuel surcharges broadly offset both further weakness in non-premium longhaul travel and the impact of the delayed move to Terminal 5. Non-fuel costs are expected to be some 3-3.5 per cent or around £200 million up on the previous year.

As a result of further hedging, our Investor Day fuel cost guidance of an £18 million profit impact for every $1 change in the crude oil price has reduced to £16 million. Based on a cost of $85 per barrel of crude oil we expected a total £450 million increase. Based on the current market price for oil of $120 per barrel our total fuel costs would rise by around £1 billion this financial year. Our hedging cover has increased with some 72 per cent cover for the first half of the year and just under 60 per cent for the second half. We also have around 30 per cent cover for 2009/10.

The first quarter will be particularly difficult. Crude prices have risen from $58 per barrel in the first quarter last year to some $115 this year. The delayed transition to Terminal 5 affects both costs and revenue, and will feature in the quarter and full year as we deal with the challenges of the move into the terminal.

The full year will also be challenging, against an uncertain economic outlook. As a result, we have reduced capital expenditure and are reviewing our capacity, costs and network in the context of the economic pressures and high fuel prices. We have a strong balance sheet and cash flows that will enable us to take advantage of opportunities to strengthen our business.

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 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.

ends

May 16, 2008

Note to Editors:

There will be a webcast of the analyst presentation at 9am (BST) followed by a conference call at 2pm (BST) available through our website www.bashares.com.

FINANCIAL RESULTS 2007-2008

OPERATING AND FINANCIAL STATISTICS (Note 1)

		Year ended March 31 2008	2007	Better/ (Worse)
Revenue	£m	**8,753**	*8,492*	3.1%
Operating profit	£m	**875**	*602*	45.3%
Profit before tax	£m	**883**	*611*	44.5%
Profit after tax	£m	**696**	*438*	58.9%
Loss from discontinued operations	£m	**(2)**	*(134)*	98.5%
Basic earnings per share on continuing operations	p	**59.2**	*37.2*	59.1%

	Year ended March 31 2008	2007	Better/ (Worse)
TOTAL GROUP OPERATIONS			
TRAFFIC AND CAPACITY			
RPK (m)	**113,016**	*112,851*	0.1%
ASK (m)	**149,572**	*148,321*	0.8%
Passenger load factor (%)	**75.6**	*76.1*	(0.5)pts
CTK (m)	**4,891**	*4,695*	4.2%
RTK (m)	**16,256**	*16,112*	0.9%
ATK (m)	**22,829**	*22,882*	(0.2)%
Overall load factor (%)	**71.2**	*70.4*	0.8pts
Passengers carried (000)	**33,161**	*33,068*	0.3%
Tonnes of cargo carried (000)	**805**	*762*	5.6%
FINANCIAL			
Operating margin (%)	**10.0**	*7.1*	2.9pts
Passenger revenue per RPK (p)	**6.67**	*6.44*	3.6%
Passenger revenue per ASK (p)	**5.04**	*4.90*	2.9%
Cargo revenue per CTK (p)	**12.59**	*12.74*	(1.2)%
Total traffic revenue per RTK (p)	**50.18**	*48.79*	2.8%
Total traffic revenue per ATK (p)	**35.73**	*34.35*	4.0%
Total expenditure on operations per RTK (p)	**48.46**	*49.26*	1.6%
Total expenditure on operations per ATK (p)	**34.51**	*34.68*	0.5%
Average fuel price before hedging (US cents/US gallon)	**245.26**	*209.60*	(17.0)%
TOTAL AIRLINE OPERATIONS (Note 2)			
OPERATIONS			
Average Manpower Equivalent (MPE)	**41,745**	*42,683*	2.2%
ATKs per MPE (000)	**546.9**	*536.1*	2.0%
Aircraft in service at period end	**245**	*242*	3

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 and Speedbird Insurance Company Ltd.

CONSOLIDATED INCOME STATEMENT

	Year ended March 31 2008 £m	2007 £m	Better/ (Worse)
Traffic revenue			
Passenger	**7,541**	*7,263*	3.8 %
Cargo	**616**	*598*	3.0 %
	8,157	*7,861*	3.8 %
Other revenue	**596**	*631*	(5.5)%
REVENUE	**8,753**	*8,492*	3.1 %
Employee costs	**2,166**	*2,277*	4.9 %
Depreciation, amortisation and impairment	**692**	*714*	3.1 %
Aircraft operating lease costs	**68**	*81*	16.0 %
Fuel and oil costs	**2,055**	*1,931*	(6.4)%
Engineering and other aircraft costs	**451**	*414*	(8.9)%
Landing fees and en route charges	**528**	*517*	(2.1)%
Handling charges, catering and other operating costs	**977**	*930*	(5.1)%
Selling costs	**359**	*436*	17.7 %
Currency differences	**6**	*18*	66.7 %
Accommodation, ground equipment and IT costs	**576**	*618*	6.8 %
TOTAL EXPENDITURE ON OPERATIONS BEFORE NON-RECURRING ITEMS	**7,878**	*7,936*	0.7 %
OPERATING PROFIT BEFORE NON-RECURRING ITEMS	**875**	*556*	57.4 %
Credit arising on changes to pension scheme	**-**	*396*	nm
Provision for settlement of competition investigations	**-**	*(350)*	nm
OPERATING PROFIT	**875**	*602*	45.3 %
Fuel derivative gains/(losses)	**12**	*(12)*	nm
Finance costs	**(175)**	*(168)*	(4.2)%
Finance income	**111**	*129*	(14.0)%
Net financing income/(expense) relating to pensions	**34**	*(19)*	nm
Retranslation (charges)/credits on currency borrowings	**(11)**	*13*	nm
Profit on sale of property, plant and equipment and investments	**14**	*47*	(70.2)%
Share of post-tax profits in associates accounted for using the equity method	**26**	*5*	nm
(Charges)/income relating to financial assets	**(3)**	*14*	nm
PROFIT BEFORE TAX	**883**	*611*	44.5 %
Tax	**(187)**	*(173)*	(8.1)%
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	**696**	*438*	58.9 %
Loss from discontinued operations (after tax)	**(2)**	*(134)*	98.5 %
PROFIT AFTER TAX	**694**	*304*	nm
Attributable to:			
Equity holders of the parent	**680**	*290*	nm
Minority interest	**14**	*14*	0.0 %
	694	*304*	nm
EARNINGS/(LOSS) PER SHARE			
Continuing operations:			
Basic	**59.2p**	*37.2p*	59.1 %
Diluted	**58.8p**	*36.8p*	59.8 %
Discontinued operations:			
Basic	**(0.2)p**	*(11.7)p*	98.3 %
Diluted	**(0.2)p**	*(11.7)p*	98.3 %
Total:			
Basic	**59.0p**	*25.5p*	nm
Diluted	**58.6p**	*25.2p*	nm

nm: Not meaningful

CONSOLIDATED BALANCE SHEET

	March 31 2008 £m	*March 31 2007 £m*
NON-CURRENT ASSETS		
Property, plant and equipment		
Fleet	**5,976**	*6,153*
Property	**977**	*932*
Equipment	**310**	*272*
	7,263	*7,357*
Goodwill	**40**	*40*
Landing rights	**159**	*139*
Software	**22**	*33*
	221	*212*
Investments in associates	**227**	*125*
Available-for-sale financial assets	**80**	*107*
Employee benefit assets	**85**	*116*
Derivative financial instruments	**80**	*8*
Prepayments and accrued income	**19**	*20*
TOTAL NON-CURRENT ASSETS	**7,975**	*7,945*
NON-CURRENT ASSETS HELD FOR SALE	**-**	*8*
CURRENT ASSETS AND RECEIVABLES		
Inventories	**112**	*76*
Trade receivables	**586**	*654*
Other current assets	**308**	*268*
Derivative financial instruments	**278**	*78*
Other current interest bearing deposits	**1,181**	*1,642*
Cash and cash equivalents	**683**	*713*
	1,864	*2,355*
TOTAL CURRENT ASSETS AND RECEIVABLES	**3,148**	*3,431*
TOTAL ASSETS	**11,123**	*11,384*
SHAREHOLDERS' EQUITY		
Issued share capital	**288**	*288*
Share premium	**937**	*933*
Investment in own shares	**(10)**	*(10)*
Other reserves	**1,818**	*1,000*
TOTAL SHAREHOLDERS' EQUITY	**3,033**	*2,211*
MINORITY INTEREST	**200**	*200*
TOTAL EQUITY	**3,233**	*2,411*
NON-CURRENT LIABILITIES		
Interest bearing long-term borrowings	**2,751**	*2,929*
Employee benefit obligations	**330**	*1,142*
Provisions for deferred tax	**1,154**	*930*
Other provisions	**210**	*153*
Derivative financial instruments	**33**	*6*
Other long-term liabilities	**168**	*188*
TOTAL NON-CURRENT LIABILITIES	**4,646**	*5,348*
CURRENT LIABILITIES		
Current portion of long-term borrowings	**423**	*417*
Trade and other payables	**2,590**	*2,726*
Derivative financial instruments	**57**	*18*
Current tax payable	**4**	*54*
Short-term provisions	**170**	*410*
TOTAL CURRENT LIABILITIES	**3,244**	*3,625*
TOTAL EQUITY AND LIABILITIES	**11,123**	*11,384*

These summary financial statements were approved on May 15, 2008.

CONSOLIDATED CASH FLOW STATEMENT

	Year ended March 31		Better/
	2008 £m	*2007 £m*	(Worse)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	**875**	*602*	273
Operating loss from discontinued operations	**(2)**	*(122)*	120
Credit arising from changes to pension scheme	**-**	*(396)*	396
Depreciation, amortisation and impairment	**692**	*834*	(142)
(includes £120 million from discontinued operations in 2007)			
Operating cash flow before working capital changes	**1,565**	*918*	647
Decrease in inventories, trade and other receivables	**96**	*61*	35
Decrease in trade and other payables and provisions	**(354)**	*(15)*	(339)
Cash payment to NAPS pension scheme	**(610)**	*(240)*	(370)
Provision for settlement of competition investigations	**-**	*350*	(350)
Payment to DOJ in settlement of competition investigations	**(149)**	*-*	(149)
Other non-cash movements	**3**	*(2)*	5
Cash generated from operations	**551**	*1,072*	(521)
Interest paid	**(182)**	*(188)*	6
Taxation	**(66)**	*(128)*	62
NET CASH FLOW FROM OPERATING ACTIVITIES	**303**	*756*	(453)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**(596)**	*(331)*	(265)
Purchase of intangible assets	**(33)**	*(36)*	3
Purchase of interest in associate	**(54)**	*-*	(54)
Purchase of minority interest	**-**	*(13)*	13
Proceeds from sale of associated companies	**-**	*3*	(3)
Proceeds from sale of other investments	**-**	*52*	(52)
Proceeds from sale of property, plant and equipment	**11**	*7*	4
Insurance recoveries from write-off of Boeing 777 aircraft	**51**	*-*	51
Cash inflow/(outflow) from disposal of subsidiary company	**1**	*(149)*	150
Interest received	**117**	*113*	4
Dividends received	**3**	*1*	2
Decrease in interest bearing deposits	**458**	*389*	69
NET CASH FLOW FROM INVESTING ACTIVITIES	**(42)**	*36*	(78)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	**172**	*-*	172
Repayment of borrowings	**(68)**	*(97)*	29
Payment of finance lease liabilities	**(356)**	*(388)*	32
Exercise of share options	**4**	*50*	(46)
Purchase of own shares	**-**	*(12)*	12
Distributions made to holders of perpetual securities	**(14)**	*(14)*	-
NET CASH FLOW FROM FINANCING ACTIVITIES	**(262)**	*(461)*	199
Net (decrease)/increase in cash and cash equivalents	**(1)**	*331*	(332)
Net foreign exchange difference	**(29)**	*(16)*	(13)
Cash and cash equivalents at April 1	**713**	*398*	315
CASH AND CASH EQUIVALENTS AT MARCH 31	**683**	*713*	(30)

STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2008

£ million	Issued capital	Share premium	Investment in own shares	Other reserves	**Total shareholders' equity**	Minority interest	**Total equity**
At April 1, 2007	288	933	(10)	1,000	**2,211**	200	**2,411**
Profit for the period				680	**680**	14	**694**
Exchange differences and other movements				24	**24**		**24**
Net movement on cash flow hedges				119	**119**		**119**
Share based payments				3	**3**		**3**
Tax effect of share options				(7)	**(7)**		**(7)**
Deferred tax - rate change adjustment				6	**6**		**6**
Share of other movements in reserves of associates				(2)	**(2)**		**(2)**
Net losses on available-for-sale financial assets				(5)	**(5)**		**(5)**
Total income and expense for the period				818	**818**	14	**832**
Issue of shares		4			**4**		**4**
Distributions						(14)	**(14)**
At March 31, 2008	**288**	**937**	**(10)**	**1,818**	**3,033**	**200**	**3,233**

For the year ended March 31, 2007

£ million	*Issued capital*	*Share premium*	*Investment in own shares*	*Other reserves*	*Total shareholders' equity*	*Minority interest*	*Total equity*
At April 1, 2006	*283*	*888*		*690*	*1,861*	*213*	*2,074*
Profit for the period				*290*	*290*	*14*	*304*
Exchange differences and other movements				*(3)*	*(3)*		*(3)*
Net movement on cash flow hedges				*(4)*	*(4)*		*(4)*
Share based payments				*10*	*10*		*10*
Tax effect of share options				*18*	*18*		*18*
Share of other movements in reserves of associates				*8*	*8*		*8*
Net gains on available-for-sale financial assets				*3*	*3*		*3*
Total income and expense for the period				*322*	*322*	*14*	*336*
Exercise of share options			*2*	*(12)*	*(10)*		*(10)*
Issue of shares	*5*	*45*			*50*		*50*
Purchase of own shares			*(12)*		*(12)*		*(12)*
Purchase of minority interest						*(13)*	*(13)*
Distributions						*(14)*	*(14)*
At March 31, 2007	*288*	*933*	*(10)*	*1,000*	*2,211*	*200*	*2,411*

NOTES TO THE ACCOUNTS
For the year ended March 31, 2008

1 BASIS OF PREPARATION

The basis of preparation and accounting policies set out in the annual report and accounts for the year ended March 31, 2008 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)* 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 as references to IFRS as adopted by the EU.

The financial statements prepared on the same basis as the prior year, and include reclassifications that were made to conform to the current period’s presentation.
The amendments have no material impact to the financial statements.

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

2 SEGMENT INFORMATION

a Business segments
For the year ended March 31, 2008

	Continuing operations					
£ million	Airline business	Non-airline business	Un-allocated	Total	Discontinued operations	**Total**
Revenue						
Sales to external customers	8,561	192		8,753		**8,753**
Inter-segment sales	31			31		**31**
Segment revenue	8,592	192		8,784		**8,784**
Segment result	850	25		875	(2)	**873**
Other non-operating income	9			9		**9**
Profit/(loss) before tax and finance costs	859	25		884	(2)	**882**
Net finance costs			(41)	(41)		**(41)**
Profit/(loss) on sale of assets	16	(2)		14		**14**
Share of associates' profit	26			26		**26**
Income tax expense			(187)	(187)		**(187)**
Profit/(loss) after tax	901	23	(228)	696	(2)	**694**
Assets and liabilities						
Segment assets	10,797	99		10,896		**10,896**
Investment in associates	227			227		**227**
Total assets	11,024	99		11,123		**11,123**
Segment liabilities	3,260	298		3,558		**3,558**
Unallocated liabilities			4,332	4,332		**4,332**
Total liabilities	3,260	298	4,332	7,890		**7,890**
Other segment information						
Property, plant and equipment - additions	636	1		637		**637**
Intangible assets - additions	40			40		**40**
Depreciation, amortisation and impairment	690	2		692		**692**
Exceptional items	1			1		**1**

2 SEGMENT INFORMATION continued

a Business segments

For the year ended March 31, 2007

£ million	Continuing operations: Airline business	Continuing operations: Non-airline business	Continuing operations: Un-allocated	Continuing operations: Total	Discontinued operations	Total
Revenue						
Sales to external customers	8,294	198		8,492	233	8,725
Inter-segment sales	36	1		37	3	40
Segment revenue	8,330	199		8,529	236	8,765
Segment result	600	2		602	(122)	480
Other non-operating income/(expense)	2			2	(3)	(1)
Profit/(loss) before tax and finance costs	602	2		604	(125)	479
Net finance costs			(45)	(45)	(5)	(50)
(Loss)/profit on sale of assets	(1)	48		47	(28)	19
Share of associates' profit	5			5		5
Income tax (expense)/credit			(173)	(173)	24	(149)
Profit/(loss) after tax	606	50	(218)	438	(134)	304
Assets and liabilities						
Segment assets	11,147	112		11,259		11,259
Investment in associates	125			125		125
Total assets	11,272	112		11,384		11,384
Segment liabilities	4,307	336		4,643		4,643
Unallocated liabilities			4,330	4,330		4,330
Total liabilities	4,307	336	4,330	8,973		8,973
Other segment information						
Property, plant and equipment - additions	336	1		337	2	339
Intangible assets - additions	41			41		41
Depreciation, amortisation and impairment	712	2		714	120	834
Exceptional items	38			38		38

b Geographical segments - by area of original sale

For the year ended March 31 £ million	Continuing operations **2008**	Continuing operations *2007*	Discontinued operations **2008**	Discontinued operations *2007*	Total **2008**	Total *2007*
Europe	**5,576**	*5,316*		*224*	**5,576**	*5,540*
United Kingdom	**4,357**	*4,160*		*184*	**4,357**	*4,344*
Continental Europe	**1,219**	*1,156*		*40*	**1,219**	*1,196*
The Americas	**1,697**	*1,731*		*7*	**1,697**	*1,738*
Africa, Middle East and Indian sub-continent	**821**	*803*		*2*	**821**	*805*
Far East and Australasia	**659**	*642*			**659**	*642*
Revenue	**8,753**	*8,492*		*233*	**8,753**	*8,725*

3 FINANCE COSTS / INCOME

	Year ended March 31 2008 £m	2007 £m
FINANCE COSTS		
On bank loans	**36**	*34*
On finance leases	**70**	*68*
On hire purchase arrangements	**31**	*45*
On other loans	**39**	*23*
Unwinding of discounting on provisions	**10**	*1*
Interest capitalised	**(15)**	*(5)*
Change in fair value of cross currency and interest rate swaps	**4**	*2*
Total finance costs	**175**	*168*
FINANCE INCOME		
Bank interest receivable	**111**	*129*
Total finance income	**111**	*129*
FINANCING INCOME AND EXPENSE RELATING TO PENSIONS		
Net financing income/(expense) relating to pensions	**34**	*(18)*
Amortisation of actuarial losses on pensions		*(1)*
Total financing income/(expense) relating to pensions	**34**	*(19)*
Retranslation charges/(credits) on currency borrowings	**11**	*(13)*

4 PROFIT ON SALE OF PROPERTY, PLANT and EQUIPMENT AND INVESTMENTS

	Year ended March 31 2008 £m	2007 £m
Net profit sale of property, plant and equipment	**12**	
Write-off of Boeing 777 aircraft	**(60)**	
Insurance recoveries on Boeing 777 aircraft	**63**	
Profit on sale of property, plant and equipment	**15**	
Net profit on disposal of investment in WNS		*48*
Net loss on sale of other investments	**(1)**	*(1)*
(Loss)/Profit on sale of investments	**(1)**	*47*
Profit on sale of property, plant and equipment and investments	**14**	*47*

A prior year sale of seven Boeing 767 aircraft resulted in a provision to cover guarantees. This has subsequently been released and has resulted in a net profit of £12 million.

A £60 million loss on disposal has been recognised as a result of the incident involving a Boeing 777 at Heathrow in January 2008. This is offset by a £63 million recovery on insurance proceeds, of which £51 million was received during the year.

5 TAX

The tax charge for the year is £187 million, which is a rate of 21.2 per cent on the profit before tax on continuing operations.
The current tax payable on the profit for the year is £16 million and deferred tax is £171 million.
The deferred tax charge has benefited from a one-off credit of £76 million arising from the reduction in the UK corporation tax from 30 per cent to 28 per cent which is effective from April 1, 2008. Excluding the one-off credit, the tax rate for the period would have been 29.8 per cent.

6 EARNINGS PER SHARE

Basic earnings per share for the year ended March 31, 2008 are calculated on a weighted average of 1,150,537,000 ordinary shares (March 31, 2007: 1,141,133,000) 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 year ended March 31, 2008 are calculated on a weighted average of 1,158,630,000 ordinary shares (March 31, 2007: 1,151,943,000).

The number of shares in issue at March 31, 2008 was 1,153,105,000 (March 31, 2007: 1,151,575,000) ordinary shares of 25 pence each.

NOTES TO THE ACCOUNTS continued
For the year ended March 31, 2008

7 PROPERTY, PLANT, EQUIPMENT AND INVESTMENTS

During the year ended March 31, 2008 the Group acquired assets with a cost of £694 million (March 31, 2007: £339 million).

Assets with a net book value of £70 million were disposed of by the Group during the year ended March 31, 2008 (March 31, 2007: £91 million) resulting in a net gain on disposal of £14 million (March 31, 2007: £47 million).

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

	Year ended March 31	
	2008 £m	*2007 £m*
(Decrease)/Increase in cash and cash equivalents during the year	**(1)**	*331*
Net cash outflow from decrease in debt and lease financing	**424**	*485*
Decrease in current interest bearing deposits maturing after 3 months	**(458)**	*(389)*
New loans and finance leases taken out and hire purchase arrangements made	**(179)**	*(9)*
Reduction in finance leases and loans due to disposal of BA Connect		*85*
Changes in net debt resulting from cash flows	**(214)**	*503*
Exchange and other non cash movements	**(105)**	*147*
Movement in net debt during the year	**(319)**	*650*
Net debt at April 1	**(991)**	*(1,641)*
Net debt at March 31	**(1,310)**	*(991)*

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

9 SHARE OPTIONS

During the period, the Group awarded a new performance share plan for its senior executives. 1,443,888 options over shares were awarded. No payment is due upon exercise of the options. The fair value of options granted during the year ended March 31, 2008 was estimated on the date of grant using the following assumptions:

Expected share price volatility (per cent)	24
Expected life of options (years)	3
Weighted average share price (£)	4.03

10 LONG-TERM BORROWINGS

	Year ended *March 31*	
	2008 £m	*2007 £m*
Interest bearing long-term borrowings comprise:		
Bank and other loans	**764**	*878*
Finance leases	**1,376**	*1,275*
Hire purchase arrangements	**611**	*776*
	2,751	*2,929*
Current portion of long-term borrowings comprise:		
Bank and other loans	**113**	*68*
Finance leases	**64**	*80*
Hire purchase arrangements	**246**	*269*
	423	*417*
	3,174	*3,346*

11 DISCONTINUED OPERATIONS

The £2 million loss from discontinued operations for the year ended March 31, 2008 is attributed to the resolution of uncertainties that arose from the terms of the disposal transaction, primarily adjustments to the restructuring provision previously reported within discontinued operations.

NOTES TO THE ACCOUNTS continued
For the year ended March 31, 2008

12 CONTINGENT LIABILITIES

There were contingent liabilities at March 31, 2008 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 that at March 31, 2008 amounted to £173 million (March 31, 2007: £168 million).

The Group is involved in certain claims and litigation related to its operations. In the opinion of management any liabilities arising from these claims and litigation will not have a material adverse effect on the Group's consolidated financial position or results of operations. The Group files income tax returns in many jurisdictions throughout the world. Various tax authorities are currently examining the Group's income tax returns. Tax returns contain matters that could be subject to differing interpretations of applicable tax laws and regulations. The resolution of tax positions through negotiations with relevant tax authorities or through litigation, can take several years to complete. Whilst it is difficult to predict the ultimate outcome in some cases, the Group does not anticipate that there will be any material impact on the Group's financial position or results of operations.

13 COMPETITION INVESTIGATION

The Group has settled US$300 million (£149 million) in respect of all investigations into its cargo and passenger business in the US with the Department of Justice. It has agreed a settlement of £121.5 million with the Office of Fair Trading in respect of longhaul passenger fuel surcharges.

There are on-going investigations into the Group's cargo surcharges by the European Commission and other jurisdictions. These investigations are likely to continue for some time. The Group is also subject to related class action claims. The final amount required to pay the remaining claims and fines is subject to uncertainty. A detailed breakdown of the remaining provision is not presented as it may seriously prejudice the position of the Group in these regulatory investigations and potential litigation.

14 RELATED PARTY TRANSACTIONS

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

	Year ended March 31	
	2008 £m	*2007 £m*
Associates:		
Sales to associates	**43**	*45*
Purchases from associates	**54**	*105*
Amounts owed by associates	**4**	
Amounts owed to associates		*1*

Associates:
Iberia, Lineas Aéreas de España, S.A. (Iberia)
During the year, the Group increased its investment in Iberia from 9.95 per cent to 13.15 per cent. 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.

As at March 31, 2008 the net trading balance owed by Iberia to the Group amounted to £3.1 million (2007: £0.4 million owed to Iberia).

Comair Limited (Comair)
Prior to September 30, 2006 the Group's shareholding in Comair was 18.3 per cent and due to the Group's ability to exercise significant influence the investment in Comair was accounted for using the equity method. On September 30, 2006 the Group's shareholding in Comair decreased to 10.92 per cent and the Group no longer had the ability to exercise significant influence over the investment, at which time the investment was reclassified as an available-for-sale financial asset. Sales and purchases to and from Comair up to September 30, 2006 have been included in the numbers above.

14 RELATED PARTY TRANSACTIONS - continued

Other associates
The remaining net trading balances are due to transactions between the Group and Dunwoody Airline Services (Holdings) Ltd.

Directors' and officers' loans and transactions:
No loans or credit transactions were outstanding with directors or officers of the Group at March 31, 2008 or arose during the year that need to be disclosed in accordance with the requirements of Schedule 6 to the Companies Act 1985.

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

The Group did not provide or benefit from any guarantees for any related party receivables or payables. During the year ended March 31, 2008 the Group did not made any provision for doubtful debts relating to amounts owed by related parties (March 31, 2007: £nil).

15 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £5,189 million (2007: £554 million).

The outstanding commitments include £5,162 million for the acquisition of four Boeing 777 aircraft scheduled for delivery in 2009, 19 Airbus A320 aircraft (from 2008 to 2010), 12 Airbus A380 aircraft (from 2012 to 2014) and 24 Boeing 787 aircraft (between 2012 and 2015).

16 EVENTS AFTER THE BALANCE SHEET DATE

The Directors propose a dividend of 5 pence per share (totalling £58 million) for the year ended March 31, 2008. The dividend will be submitted for approval at the annual general meeting to be held on July 15, 2008. These financial statements do not reflect the dividend payable, which will be accounted for as a reduction in shareholders' equity in the year ending March 31, 2009.

17 OTHER INFORMATION

The figures for the year ended March 31, 2008 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 and did not contain a statement under Section 237 of the Companies Act 1985.

AIRCRAFT FLEET
(unaudited)

Number in service with Group companies at March 31, 2008

	On Balance Sheet Fixed Assets	Off Balance Sheet Operating Leases	Total March 2008	Changes Since March 2007	Future deliveries (Note 6)	Options (Note 7)
AIRLINE OPERATIONS (Note 1)						
Boeing 747-400	57		**57**			
Boeing 787					24	28
Boeing 777 (Note 2)	39	3	**42**	**(1)**	4	
Boeing 767-300	21		**21**			
Boeing 757-200	13		**13**			
Airbus A319	21	12	**33**			
Airbus A320 (Note 3)	10	15	**25**	**(1)**	19	31
Airbus A321	11		**11**	**4**		
Airbus A380					12	7
Boeing 737-300		5	**5**			
Boeing 737-400	19		**19**			
Boeing 737-500		9	**9**			
Avro RJ100 (Note 4)		10	**10**	**1**		
GROUP TOTAL (Note 5)	**191**	**54**	**245**	**3**	**59**	**66**

Notes:

1. Includes those operated by British Airways Plc and BA Cityflyer.
2. Reduction of one Boeing 777 as a result of the incident involving BA038 on 17 January 2008.
3. Certain future deliveries and options include reserved delivery positions, and may be taken as any Airbus A320 family aircraft.
4. Excludes six Avro RJ100 aircraft sub-leased to Swiss International Airlines.
5. Excludes two British Aerospace ATPs stood down pending sale, and five Jetstream 41s sub-leased to Eastern Airways.
6. Future year deliveries of aircraft have increased from nine to 19 Airbus A320 family aircraft, 12 Airbus A380 and 24 Boeing 787 aircraft.
7. Future year options have increased by seven Airbus A380 and 18 Boeing 787 aircraft plus 10 Boeing 787 purchase right aircraft.

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