British Airways Plc

Annual Report and Accounts 31 December 2011

In accordance with the UK Listing Authority Rules, the following documents have been submitted to the National Storage Mechanism and will shortly be available for inspection at www.Hemscott.com/nsm.do:

- British Airways Plc Annual Report and Accounts for the year ending 31 December 2011.

In addition, the regulated information below, some of which is extracted from the Annual Report and Accounts 2011, is included solely for the purpose of complying with the Disclosure and Transparency Rule 6.3.5 (“DTR 6.3.5”), which requires certain material to be communicated to the media in unedited full text through a Regulatory Information Service. This material is not a substitute for reading the full Annual Report and Accounts 2011.

Alan Buchanan
Company Secretary
4 April 2012

BRITISH AIRWAYS RESULTS

Year January 1, 2011 – December 31, 2011

All of the information below was contained within the Results Announcement issued by International Consolidated Airlines Group S.A. ('IAG') on February 29, 2012.

As a consequence of the merger the accounting reference date was changed during 2010, from March 31 to December 31. British Airways' ('BA' or the 'Group') financial results summarise the 12 months to December 31, 2011, with comparative results for the nine months to December 31, 2010. In order to provide more meaningful comparison, the review below focuses on a comparison of the 12 months to December 31, 2011 with the same period last year.

Period highlights:

- Revenue up 17.0 per cent to £9,987 million
- Operating profit of £518 million (2010: £197 million)
- Profit before tax of £679 million (2010: loss of £32 million)
- Fuel costs top £3 billion
- Non fuel unit costs down 4.2 per cent
- Strong operational performance, particularly punctuality

Management review:

2011 saw significant increases in fuel prices against the backdrop of a sluggish global economic recovery. BA has not been immune from the external factors affecting the aviation industry, but the Group has spent much of 2011 delivering strong financial and operational performance as well as establishing solid foundations for a bright future. The increase in operating profit was delivered despite fuel costs in the period exceeding £3 billion, up 33.7 per cent year on year.

Revenue grew due to a combination of strong premium traffic, capacity growth and less disruption than during 2010. A strong focus was maintained on cost control while investing in customers. Non-fuel unit costs fell during the period.

BA's plan to invest more than £5 billion in products and services by 2015 is underway and supports the launch in September of the first major brand campaign for ten years. The roll out of the new First product on 14 Boeing 747's was completed and a cabin refresh for the Boeing 767 and Boeing 777-200 fleets was started. Catering enhancements in our Club World and World Traveller Plus cabins were welcomed by customers, and the introduction of iPad technology for cabin crew significantly improved service onboard. The opening of the new state-of-the-art check-in area at Gatwick North Terminal uses the most advanced technology in a light and spacious area to give customers more control of their airport experience.

A binding agreement for IAG to acquire British Midland Limited ('bmi') is subject to regulatory approval. Following completion, it is intended that bmi mainline will be integrated into BA during the coming months. This deal offers BA the opportunity to grow and strengthen Heathrow as a hub, as well as opening up new market possibilities and greater choice for customers.

The year will present a number of challenges including the rise in the UK Air Passenger Duty and increasing fuel costs. Given the sustained high price of oil, BA will maintain a strong focus on controllable costs working closely with suppliers. BA's sponsorship of the London 2012 Olympic and Paralympic Games offers a unique opportunity to show its strengths in connecting people to London as a global destination.

Financial review:

Revenue for the 12 months to December 31, 2011 rose by 17.0 per cent to £9,987 million (December 2010: £8,537 million). Passenger revenue was up 17.0 per cent on capacity increase ('ASKs') of 9.8 per cent and improved passenger unit revenues (pence per ASK) of 6.6 per cent.

Cargo revenue grew by 8.8 per cent as a result of the impact of increased demand, strong premium product yields and higher levels of fuel surcharges.

Operating costs for the 12 months were up 13.5 per cent to £9,469 million, with fuel costs up 33.7 per cent or £818 million in the period.

The Group continued to drive down its cost base during 2011. Non-fuel unit costs (total expenditure excluding fuel per ASK) fell by 4.2 per cent.

Non-operating income for the 12 months was £161 million, mainly due to pensions financing income and the revaluation of the derivative liability relating to the convertible bond, offset by finance costs.

Profit before tax for the year was £679 million.

The tax charge of £7 million consists of a current tax charge of £8 million and a deferred tax credit of £1 million.

Profit after tax for the year was £672 million.

The cash position remains strong with cash and cash equivalents down £123 million since December 31, 2010 to £1,829 million. The net debt has decreased by £87 million to £1,914 million compared to December 31, 2010.

Reserves at December 31, 2011 were £1,355 million, an increase of £377 million from December 2010. This increase is primarily driven by the profit for the period.

No dividend will be paid for the year ended December 31, 2011.

Principal risks and uncertainties

During the period BA has continued to maintain and operate its structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting the Group are further detailed in the December 31, 2011 Annual Report and Accounts.

The risks include brand reputation, competition, consolidation/ deregulation, currency and interest fluctuation, debt funding, economic conditions, employee relations, events causing long-term network disruption, failure of a critical IT system, fuel price fluctuation, government intervention, infrastructure constraints, key supplier risk, landing fees and security charges, pandemic, pensions and safety/security incidents.

Ends

Note to Editors:

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, 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 the primary risks of the business and the risk management process of the Group is given in the Annual Report and Accounts for the year ending 31 December 2011; these documents are available on www.Hemscott.com/nsm.do

Investor Relations - **2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, HOUNSLOW, TW6 2SF**
Tel: +44 (0) 20 8564 2900

FINANCIAL RESULTS 2011

OPERATING AND FINANCIAL STATISTICS

		12 months to 31 December 2011	Nine months to 31 December 2010
Revenue	£m	**9,987**	6,683
Operating profit before restructuring	£m	**530**	348
Operating profit	£m	**518**	342
Profit before tax	£m	**679**	157
Profit after tax	£m	**672**	170

	12 months to 31 December 2011	Nine months to 31 December 2010
TOTAL GROUP OPERATIONS		
TRAFFIC AND CAPACITY		
Revenue passenger kilometres (RPK) (m)	**117,348**	81,971
Available seat kilometres (ASK) (m)	**150,152**	104,415
Passenger load factor (%)	**78.2**	78.5
Cargo tonne kilometres (CTK) (m)	**4,793**	3,478
Revenue tonne kilometres (RTK) (m)	**16,597**	11,736
Available tonne kilometres (ATK) (m)	**22,849**	15,973
Overall load factor (%)	**72.6**	73.5
Passengers carried (000)	**34,250**	24,088
Tonnes of cargo carried (000)	**785**	570
FINANCIAL		
Operating margin (%)	**5.2**	5.1
Passenger revenue per RPK (p)	**7.43**	7.11
Passenger revenue per ASK (p)	**5.81**	5.58
Cargo revenue per CTK (p)	**15.42**	15.27
Total traffic revenue per ASK (p)	**6.30**	6.09
Total expenditure on operations per ASK (p)	**6.31**	6.07
Total expenditure on operations excluding fuel per ASK (p)	**4.14**	4.28
Average fuel price before fuel hedging (US cents/US gallon)	**312.71**	222.64
TOTAL AIRLINE OPERATIONS (Note 1)		
OPERATIONS		
Average Manpower Equivalent (MPE)	**36,164**	35,778
ATKs per MPE (000)	**631.8**	446.4
Aircraft in service at year end	**245**	240

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

CONSOLIDATED INCOME STATEMENT

£ million	12 months to 31 December 2011	Nine months to 31 December 2010
Traffic revenue		
Passenger	**8,721**	5,831
Cargo	**739**	531
	9,460	6,362
Other revenue	**527**	321
REVENUE	**9,987**	6,683
Employee costs	**2,153**	1,547
Restructuring	**12**	6
Depreciation, amortisation and impairment	**683**	570
Aircraft operating lease costs	**73**	51
Fuel and oil costs	**3,246**	1,869
Engineering and other aircraft costs	**543**	412
Landing fees and en route charges	**691**	464
Handling charges, catering and other operating costs	**1,052**	765
Selling costs	**436**	235
Currency differences	**13**	(1)
Accommodation, ground equipment and IT costs	**567**	423
TOTAL EXPENDITURE ON OPERATIONS	**9,469**	6,341
OPERATING PROFIT	**518**	342
Fuel derivative losses	**(11)**	(2)
Finance costs	**(161)**	(125)
Finance income	**32**	18
Net financing income/(expense) relating to pensions	**160**	(49)
Retranslation credits/(charges) on currency borrowings	**2**	(12)
Loss on sale of property, plant and equipment and investments	**(3)**	(3)
Share of post-tax (losses)/profits in associates accounted for using the equity method	**(6)**	6
Revaluation of convertible bond derivative liability	**169**	
Net charge relating to available-for-sale financial assets	**(21)**	(18)
PROFIT BEFORE TAX	**679**	157
Tax	**(7)**	13
PROFIT AFTER TAX	**672**	170
Attributable to:		
Equity holders of the parent	**654**	157
Non-controlling interest	**18**	13
	672	170

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

£ million	12 months to 31 December 2011	Nine months to 31 December 2010
Net profit for the period	**672**	170
Other comprehensive income:		
Exchange losses	**(4)**	(8)
Net (losses)/ gains on cash flow hedges	**(39)**	84
Impact of change in tax rate on cash flow hedges	**(4)**	
Share of other movements in reserves of associates	**(2)**	48
Net movement on available-for-sale financial assets	**(13)**	
Total comprehensive income for the period (net of tax)	**610**	294
Attributable to:		
Equity holders of the parent	**592**	281
Non-controlling interest	**18**	13
	610	294

CONSOLIDATED BALANCE SHEET

£ million	31 December 2011	31 December 2010
NON-CURRENT ASSETS		
Property, plant and equipment		
Fleet	**5,765**	5,758
Property	**856**	885
Equipment	**207**	221
	6,828	6,864
Intangibles		
Goodwill	**40**	40
Landing rights	**242**	209
Emissions allowances	**12**	
Software	**53**	37
	347	286
Investments in associates	**232**	244
Available-for-sale financial assets	**39**	65
Employee benefit assets	**1,100**	575
Derivative financial instruments	**6**	19
Other non-current assets	**28**	40
TOTAL NON-CURRENT ASSETS	**8,580**	8,093
NON-CURRENT ASSETS HELD FOR SALE	**15**	33
CURRENT ASSETS AND RECEIVABLES		
Inventories	**139**	98
Trade receivables	**460**	384
Other current assets	**273**	260
Derivative financial instruments	**73**	132
Other current interest-bearing deposits	**1,259**	1,173
Cash and cash equivalents	**570**	779
	1,829	1,952
TOTAL CURRENT ASSETS AND RECEIVABLES	**2,774**	2,826
TOTAL ASSETS	**11,369**	10,952
SHAREHOLDERS' EQUITY		
Issued share capital	**290**	288
Share premium	**937**	937
Investment in own shares		(3)
Other reserves	**1,355**	978
TOTAL SHAREHOLDERS' EQUITY	**2,582**	2,200
NON-CONTROLLING INTEREST	**200**	200
TOTAL EQUITY	**2,782**	2,400
NON-CURRENT LIABILITIES		
Interest-bearing long-term borrowings	**3,358**	3,496
Employee benefit obligations	**232**	219
Provisions for deferred tax	**778**	788
Other provisions	**179**	164
Derivative financial instruments	**62**	4
Other long-term liabilities	**295**	306
TOTAL NON-CURRENT LIABILITIES	**4,904**	4,977
CURRENT LIABILITIES		
Current portion of long-term borrowings	**385**	457
Trade and other payables	**3,117**	2,815
Derivative financial instruments	**21**	10
Current tax payable	**12**	10
Short-term provisions	**148**	283
TOTAL CURRENT LIABILITIES	**3,683**	3,575
TOTAL EQUITY AND LIABILITIES	**11,369**	10,952

CONSOLIDATED CASH FLOW STATEMENT

£ million	12 months to 31 December 2011	Nine months to 31 December 2010
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	**518**	342
Depreciation, amortisation and impairment	**683**	570
Operating cash flow before working capital changes	**1,201**	912
Movement in inventories, trade and other receivables	**(460)**	12
Movement in trade and other payables and provisions	**404**	(28)
Payments in respect of restructuring	**(11)**	(14)
Payments in settlement of competition investigation	**(147)**	(3)
Cash generated from operations	**987**	879
Interest paid	**(147)**	(87)
Taxation	**(4)**	
NET CASH GENERATED FROM OPERATING ACTIVITIES	**836**	792
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(702)**	(510)
Purchase of intangible assets	**(67)**	(35)
Purchase of shares in available-for-sale financial assets	**(16)**	(10)
Loans made to parent	**(21)**	
Repayment of loan from parent	**10**	
Proceeds from sale of available-for-sale financial assets		1
Proceeds from sale of non-current assets held for sale, property, plant and equipment	**24**	43
Proceeds received from loan notes	**4**	4
Interest received	**28**	17
Increase in other current interest-bearing deposits	**(86)**	(245)
NET CASH USED IN INVESTING ACTIVITIES	**(826)**	(735)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	**236**	368
Repayments of borrowings	**(188)**	(100)
Payment of finance lease liabilities	**(296)**	(349)
Issue of share capital	**1**	
Distributions made to holders of perpetual securities	**(18)**	(13)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(265)**	(94)
Net decrease in cash and cash equivalents	**(255)**	(37)
Net foreign exchange differences	**46**	30
Cash and cash equivalents at beginning of period	**779**	786
CASH AND CASH EQUIVALENTS AT 31 DECEMBER *	**570**	779

* Restricted cash of £66 million (2010: £nil) consists of cash deposited by British Airways in a bank account, which is not available for general use by the Group. The cash deposited will be used to satisfy the terms of a funding agreement with trustees of the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS') with the balance returned to the Group. The final amount required to settle the agreement with the pension trustees is subject to uncertainty but will not be in excess of the £66 million.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

£ million	Issued capital	Share premium	Invest-ment in own shares	Other* reserves	Total share-holders' equity	Non-controlling interest	**Total equity**
At 1 January 2011	288	937	(3)	978	2,200	200	**2,400**
Total comprehensive income for the period (net of tax)				592	592	18	**610**
Cost of share-based payment net of recharges				11	11		**11**
Exercise of share options			1	(5)	(4)		**(4)**
Transfer of investment in own shares to available-for-sale financial asset			2		2		**2**
Issue of share capital	291				291		**291**
Cancellation of shares	(289)				(289)		**(289)**
Revaluation and reclassification of equity portion of convertible bond				(221)	(221)		**(221)**
Distributions made to holders of perpetual securities						(18)	**(18)**
At 31 December 2011	**290**	**937**	**-**	**1,355**	**2,582**	**200**	**2,782**

* Closing balance includes retained earnings of £1,603 million.

For the nine months ended 31 December 2010

£ million	Issued capital	Share premium	Invest-ment in own shares	Other * reserves	Total share-holders' equity	Non-controlling interest	Total equity
At 1 April 2010	288	937	(4)	692	1,913	200	**2,113**
Total comprehensive income for the year (net of tax)				281	281	13	**294**
Cost of share-based payment				6	6		**6**
Exercise of share options			1	(1)			
Distributions made to holders of perpetual securities						(13)	**(13)**
At 31 December 2010	288	937	(3)	978	2,200	200	2,400

* Closing balance includes retained earnings of £945 million.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2011

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

On 21 January 2011, British Airways Plc and Iberia Líneas Aéreas de España S.A. (thereinafter 'British Airways' and 'Iberia' respectively) completed a merger to create a new leading airline group. IAG was formed and shares in IAG started trading on the London Stock Exchange, with a secondary listing in Spain, on 24 January 2011. As a consequence, the British Airways Group (the 'Group') changed its reporting period to a 31 December year end in 2010. The comparative results are the Group's published financial statements for the nine months ended 31 December 2010.

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 basis of preparation and accounting policies set out in the Report and Accounts for the year ended 31 December 2011 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.

2. ACCOUNTING POLICIES

The accounting policies and methods of calculation adopted are consistent with those of the annual financial statements for the nine months ended 31 December 2010, as described in those annual financial statements, except as discussed below.

Emissions allowances
During 2011 the Group has purchased a number of emissions allowances in anticipation of being subject to the European Emissions Trading Scheme from 1 January 2012. Purchased emissions allowances are initially recognised at cost and are not revalued or amortised but are tested for impairment whenever indicators exist that the carrying value may not be recoverable.

Investment in own shares
Subsequent to the merger, the Group no longer holds shares in the Company. The Company shares converted to IAG shares at the date of the merger and these shares are recognised within available-for-sale financial assets.

Derivatives and financial instruments
Derivative financial instruments, comprising interest rate swap agreements, foreign exchange derivatives, fuel hedging derivatives (including options, swaps and futures) and the obligation to settle the convertible bond in shares of IAG, are measured at fair value on the Group balance sheet.

IFRS 3 (Amendment), 'Business Combinations'; effective for periods beginning on or after 1 January 2011. The amendment clarifies guidance on the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that present ownership interest and entitle their holders to a proportionate share of the net assets in the event of liquidation. This is not currently applicable to the Group.

IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; effective for periods beginning on or after 1 January 2011. The amendment includes multiple clarifications related to the disclosure of financial instruments. The standard requires a change in the presentation of the Group's notes to the financial statements but has no impact on reported profits.

IAS 1 (Amendment) 'Presentation of Financial Statements'; effective for periods beginning on or after 1 January 2011. The amendment permits, for each component of equity, the presentation of the analysis by item to be included in either the statement of changes in equity or the notes to the financial statements. The standard requires a change in the format and presentation of the Group's primary statements but has no impact on reported profits or equity.

IAS 24 (Amendment) 'Related Party Transactions', effective for periods beginning on or after 1 January 2011. The amendment clarifies the definition of related party relationships, with particular emphasis on party relationships with persons and key management personnel. The amendment also permits that entities may be exempt from related party disclosure requirements for transactions with a government, where those entities are controlled, jointly controlled, or significantly influenced by that same government. The new definition of a related party does not impact the Group's disclosures.

2. ACCOUNTING POLICIES continued

IAS 34 (Amendment) 'Interim Financial Reporting'; effective for periods beginning on or after 1 January 2011. The amendment clarifies guidance on the disclosure principles involving significant events and transactions, including changes to fair value measurements, and the requirement to update relevant information from the most recent annual report.

IFRIC 14 (Amendment) 'Prepayments of a Minimum Funding Requirement', effective for periods beginning on or after 1 January 2011. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset, where the Group is not subject to minimum funding requirements. The standard does not affect the financial position of the Group.

Other amendments resulting from Improvements to IFRSs to standards did not have any impact on the accounting policies, financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

See the Report and Accounts for the year ended 31 December 2011 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 December 2011

3. SEGMENT INFORMATION

a. Business segments

The Group's network passenger and cargo operations are managed as a single business unit. The Leadership 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 December 2011

£ million	Airline business	All other segments	Unallocated	**Total**
Revenue				
Sales to external customers	9,690	297		**9,987**
Inter-segment sales	106			**106**
Segment revenue	9,796	297		**10,093**
Segment result	488	30		**518**
Other non-operating costs	(32)			**(32)**
Profit before tax and finance costs	456	30		**486**
Net finance costs	192		(159)	**33**
Loss on sale of assets	(3)			**(3)**
Share of associates' profits	(6)			**(6)**
Revaluation of convertible bond derivative liability			169	**169**
Tax			(7)	**(7)**
Profit after tax	639	30	3	**672**
Assets and liabilities				
Segment assets	11,005	132		**11,137**
Investment in associates	232			**232**
Total assets	11,237	132		**11,369**
Segment liabilities	3,720	334		**4,054**
Unallocated liabilities*			4,533	**4,533**
Total liabilities	3,720	334	4,533	**8,587**
Other segment information				
Property, plant and equipment - additions (note 10)	640	10		**650**
Non-current assets held for sale - transfers in (note 10)	11			**11**
Intangible assets - additions (note 10)	72			**72**
Depreciation, amortisation and impairment	681	2		**683**
Impairment of available-for-sale financial assets - including Flybe	23			**23**
Exceptional items:				
Restructuring	12			**12**
Net impairment reversal	8			**8**

* Unallocated liabilities consist of current taxes of £12 million, deferred taxes of £778 million and borrowings of £3,743 million which are managed on a Group basis.

NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2011

3. SEGMENT INFORMATION continued

a. Business segments continued

For the nine months ended 31 December 2010

£ million	Airline business	All other segments	Unallocated	Total
Revenue				
Sales to external customers	6,524	159		6,683
Inter-segment sales	57			57
Segment revenue	6,581	159		6,740
Segment result	323	19		342
Other non-operating costs	(20)			(20)
Profit before tax and finance costs	303	19		322
Net finance costs	(31)		(137)	(168)
Loss on sale of assets	(3)			(3)
Share of associates' profits	6			6
Tax			13	13
Profit/(loss) after tax	275	19	(124)	170
Assets and liabilities				
Segment assets	10,585	123		10,708
Investment in associates	244			244
Total assets	10,829	123		10,952
Segment liabilities	3,424	377		3,801
Unallocated liabilities *			4,751	4,751
Total liabilities	3,424	377	4,751	8,552
Other segment information				
Property, plant and equipment - additions (note 10)	561	2		563
Non-curent assets held for sale (note 10)	47			47
Intangible assets - additions (note 10)	35			35
Depreciation, amortisation and impairment	569	1		570
Impairment of available-for-sale financial assets - including Flybe	18			18
Exceptional items:				
Restructuring (note 4)	6			6
Costs associated with the Iberia merger	31			31
Impairment of OpenSkies assets	12			12
Impairment of property, plant and equipment	16			16

* Unallocated liabilities consist of current taxes of £10 million, deferred taxes of £788 million and borrowings of £3,953 million which are managed on a Group basis.

3. SEGMENT INFORMATION continued

b. Geographical segments – by area of original sale

£ million	**12 months to 31 December 2011**	Nine months to 31 December 2010
Europe:	**6,090**	3,906
UK	**4,323**	2,943
Continental Europe	**1,767**	963
The Americas:	**2,163**	1,493
USA and Canada	**1,921**	1,334
The rest of the Americas	**242**	159
Africa, Middle East and Indian sub-continent	**998**	727
Far East and Australasia	**736**	557
Revenue	**9,987**	6,683

Total of non-current assets excluding available-for-sale financial assets, employee benefit assets, other non-current assets and derivative financial instruments located in the UK is £7,093 million (2010: £7,063 million) and the total of these non-current assets located in other countries is £326 million (2010: £364 million).

4. OPERATING PROFIT

The operating result for the year ended 31 December 2011 includes restructuring charges of £12 million mainly relating to severance (2010: £6 million restructuring charges mainly relating to lease exit costs).

5. FINANCE COSTS AND INCOME

£ million	**12 months to 31 December 2011**	Nine months to 31 December 2010
Finance costs:		
Interest payable on bank and other loans, finance charges payable under finance leases and hire purchase contracts	**(152)**	(114)
Unwinding of discounting on provisions*	**(11)**	(13)
Capitalised interest	**1**	1
Change in fair value of cross currency swaps	**1**	1
Total finance costs	**(161)**	(125)
Finance income:		
Bank interest receivable	**32**	18
Total finance income	**32**	18
Pensions financing:		
Net financing income relating to pensions	**63**	2
Amortisation of actuarial losses in excess of the corridor	**(26)**	(62)
Immediate recognition of net actuarial gain (APS)		84
Effect of the APS asset ceiling	**123**	(73)
Total financing income/(expense) relating to pensions	**160**	(49)
Retranslation credits/(charges) on currency borrowings	**2**	(12)

* Unwinding of discount on litigation provisions and restoration and handback provisions.

6. LOSS ON SALE OF NON-CURRENT ASSETS

£ million	**12 months to 31 December 2011**	Nine months to 31 December 2010
Net loss on sale of non-current assets held for sale	**6**	3
Net profit on sale of property, plant and equipment	**(3)**	
Loss on sale of non-current assets	**3**	3

7. NON-CURRENT ASSETS HELD FOR SALE

Aircraft which are due to exit the business within 12 months are classified as non-current assets held for sale. The non-current assets held for sale of £15 million (2010: £33 million) comprise three Boeing 757 aircraft (2010: six Boeing 757 aircraft), these aircraft will exit the business within 12 months of 31 December 2011.

Non-current assets held for sale with a net book value of £29 million were disposed of by the Group during the year ended 31 December 2011 (nine months ended December 2010: £44 million) resulting in a net loss on disposal of £6 million (nine months ended 31 December 2010: loss of £3 million).

8. TAX

The tax charge for the year ended 31 December 2011 is £7 million (nine months ended 31 December 2010: credit of £13 million). This consists of a current tax charge of £8 million (nine months ended 31 December 2010: £6 million) and a deferred tax credit of £1 million (nine months ended 31 December 2010: credit of £19 million). Reductions in the UK corporation tax rate were substantively enacted in the year. The main rate of corporation tax was reduced from 28 per cent to 26 per cent effective from 1 April 2011 and to 25 per cent from 1 April 2012. The effective tax rate for the year excluding discrete items was 29%.

9. DIVIDENDS

The Directors declare that no dividend be paid for the year ended 31 December 2011 (nine months ended 31 December 2010: £nil).

10. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLES AND INVESTMENTS

During the year ended 31 December 2011, the Group acquired property, plant and equipment assets with a cost of £650 million (nine months ended 31 December 2010: £563 million). Included in the acquisition of assets are the delivery of three Airbus A320 aircraft, two Boeing 777-300 aircraft and two Embraer E190 aircraft.

Intangible assets of £72 million were acquired (nine months ended 31 December 2010: £35 million); £34 million relating to the purchase of six slot pairs from British Midland International and one slot pair from Alitalia, £26 million software additions and £12 million purchased emissions allowances.

Investments of £16 million were made in available-for-sale financial assets during the year (nine months ended 31 December 2010: £10 million).

Assets with a net book value of £11 million were transferred to non-current assets held for sale during the year ended 31 December 2011 (nine months ended 31 December 2010: £47 million).

Property, plant and equipment with a net book value of £2 million was disposed of by the Group (nine months ended 31 December 2010: £2 million) resulting in £3 million profit (nine months ended 31 December 2010: £nil).

No investments were disposed of during the period. Disposal of investments with a net book value of £1 million resulted in no gain or loss on disposal in the prior period.

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

£ million	**12 months to 31 December 2011**	Nine months to 31 December 2010
Decrease in cash and cash equivalents during the period	**(255)**	(37)
Net cash outflow from decrease in debt and lease financing	**484**	449
Increase in other current interest-bearing deposits	**86**	245
New loans and finance leases taken out and hire purchase arrangements made	**(236)**	(368)
Decrease in net debt resulting from cash flow	**79**	289
Exchange movements and other non-cash movements	**8**	(2)
Decrease in net debt during the period	**87**	287
Net debt at start of year / period	**(2,001)**	(2,288)
Net debt at 31 December	**(1,914)**	(2,001)

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

12. LONG-TERM BORROWINGS

£ million	**31 December 2011**	31 December 2010
a Current		
Bank and other loans	**192**	177
Finance leases	**180**	217
Hire purchase arrangements	**13**	63
	385	457
b Non-current		
Bank and other loans*	**1,324**	1,434
Finance leases	**2,029**	2,044
Hire purchase arrangements	**5**	18
	3,358	3,496

* Includes £293 million relating to the long-term liability portion of the convertible bond (2010: £285 million).

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. The bond was originally convertible into ordinary shares of the Company. Following the merger, holders of convertible bonds have the right to convert their bonds into shares of IAG. The £52 million equity portion of the convertible bond previously held by the Group converted to a derivative financial instrument, representing the obligation to settle in shares of IAG. It was initially recorded at fair value and will be subsequently remeasured at the end of each reporting period. During the year ended 31 December 2011, the derivative financial liability was revalued downwards by £169 million (2010: £nil).

13. SHARE OPTIONS

During the period 5,812,703 conditional shares were awarded by the IAG Group, under the IAG Group's Performance Share Plan ('IPSP') to key senior executives and selected members of the wider management team. No payment is due upon the vesting of the shares. The fair value of equity-settled share-based payment plans is either estimated as at the date of the award using the Monte-Carlo model, taking into account the terms and conditions upon which the options were awarded, or based on the share price at the date of grant, dependent on the performance criteria attached. The following are the weighted average inputs to the model for the IPSP share-based payment plans granted in the year:

Expected share price volatility 50%
Expected life of options 3 years
Weighted average share price £1.67

For further details of these plans, refer to the Report and Accounts for the year ended 31 December 2011.

14. 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 31 December 2011 are summarised below:

	APS		NAPS	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
Fair value of scheme assets	**6,920**	6,385	**9,101**	8,632
Present value of scheme liabilities	**(6,041)**	(5,853)	**(10,000)**	(9,633)
Net pension asset/(liability)	**879**	532	**(899)**	(1,001)
Net pension asset/(liability) represented by:				
Net pension asset recognised	**584**	363	**508**	204
Restriction on APS surplus due to the asset ceiling		123		
Cumulative actuarial gains/(losses) not recognised	**295**	46	**(1,407)**	(1,205)
Net pension asset/(liability)	**879**	532	**(899)**	(1,001)

At 31 December 2011 both APS and NAPS were recognised on the balance sheet as employee benefit assets, representing £1,092 million of the £1,100 million disclosed (2010: £567 million of the £575 million). The £232 million employee benefit obligations at 31 December 2011 relates to other schemes (2010: £219 million).

The accounting valuation was performed after updating key assumptions at 31 December 2011 as follows:

	APS		NAPS	
Per cent per annum	**31 December 2011**	31 December 2010	**31 December 2011**	31 December 2010
Inflation (CPI)	**2.15**	2.9	**2.25**	3.0
Inflation (RPI)	**2.9**	3.4	**3.0**	3.5
Rate of increase in pensionable pay (as RPI)	**2.9**	3.4	**3.0**	3.5
Discount rate	**4.7**	5.5	**5.0**	5.5

15. PROVISIONS FOR LIABILITIES AND CHARGES

Litigation
There is an ongoing Competition Act investigation by the UK Office of Fair Trading into the Company's passenger fuel surcharges for the period prior to March 2006. The Company is also subject to class action claims regarding cargo fuel surcharges in various jurisdictions. The Company is also subject to multi-party claims from groups of employees on a number of matters relating to its operations including claims for additional holiday pay and for age discrimination. The final amount required to pay the remaining claims and fines is subject to uncertainty. A detailed breakdown of the provision is not presented as it may seriously prejudice the position of the Company in the regulatory investigation and potential litigation.

Restructuring
The Group recognised a restructuring provision of £21 million at 31 December 2011 (2010: £20 million) in respect of items including targeted voluntary severance schemes previously announced. This provision is expected to be utilised during the next financial year.

16. CONTINGENT LIABILITIES

There were contingent liabilities at 31 December 2011 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 December 2011 amounted to £343 million (2010: £391 million).

17. RELATED PARTY TRANSACTIONS

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

	12 months to 31 December	Nine months to 31 December
£ million	**2011**	2010
Parent:		
Sales to/purchases on behalf of parent	**9**	
Purchases from parent	**24**	
Associates:		
Sales to associates	**80**	37
Purchases from associates	**124**	42

	31 December	31 December
£ million	**2011**	2010
Amounts owed by parent	**12**	
Amounts owed by associates	**4**	1
Amounts owed to associates	**28**	7

Parent company - International Consolidated Airlines Group S.A ('IAG')

On 21 January 2011, BA and Iberia completed a merger to create a new leading airline group. IAG was formed and shares in IAG started trading on the London Stock Exchange, with a secondary listing in Spain, on 24 January 2011. As a consequence, the Company is now owned by IAG.

The transactions between the Group and IAG comprise mainly of a management fee in respect of services provided by IAG and recharges between the entities in respect of invoices settled on behalf of the other party.

Additionally, during the year a loan was provided by the Group to IAG, of which £12 million was outstanding at 31 December 2011. Interest under £1 million was charged on the loan during the year ended 31 December 2011.

Transactions with IAG are carried out on an arms length basis.

During the year, the Group purchased shares in IAG. The Company held a £9 million investment in IAG as at 31 December 2011, which was classified as an available-for-sale financial asset.

Associates

Iberia Opco Holding, S.L. (Iberia)
The Group has a 13.55 per cent investment in Iberia. Increased areas of opportunity for cooperation have been identified as a result of the merger 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.

In October 2010, the Group launched the Joint Business Agreement ('JBA'), a new venture with American Airlines and Iberia covering flights between Europe and North America. The commencement of the JBA followed clearance from the EU and the grant of anti trust immunity by the US Department of Transportation, and allows pooling and sharing of certain revenues and costs, expanded codeshare arrangements, reciprocal earn and burn arrangements for frequent flyer programs and co-operation in other areas. Transactions and balances with Iberia arising from this arrangement are included in the 2011 disclosures above.

As at 31 December 2011 the net trading balance owed to Iberia by the Group amounted to £24 million (2010: £6 million).

Other associates
There was a remaining net trading balance under £1 million as at 31 December 2011 due to transactions between the Group and Dunwoody Airline Services (Holdings) Limited (2010: 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 December 2011 or arose during the period 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. As at 31 December 2011 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2010: £nil).

18. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £4,218 million for the Group commitments (2010: £4,104 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 £4,104 million for the acquisition of three Boeing 777 (from 2012 to 2013), 24 Boeing 787s (from 2013 to 2017), 11 Airbus A320s (from 2012 to 2014) and 12 Airbus A380s (from 2013 to 2016).

19. POST BALANCE SHEET EVENTS

On 22 December 2011, the Company entered into a binding agreement with Deutsche Lufthansa AG ('Lufthansa') for the acquisition of the shares of British Midland Limited ('bmi') for consideration of £172.5 million. Under the agreement £60 million of the purchase price will be paid in four instalments to Lufthansa pre-completion. At 31 December 2011 one instalment of £15 million has been paid, with the remaining three instalments totalling £45 million disclosed within capital commitments.

The acquisition is expected to complete during the first half of 2012, subject to regulatory clearance from the European Commission and other bodies. Under the terms of the agreement the Company is liable to pay a termination fee of £10 million if phase one EU regulatory approval is not achieved by 31 March 2012, and either party elects to terminate the agreement.

20. OTHER INFORMATION

The financial information included in this release does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2011 were approved by the Directors on 29 March 2012 and will be delivered to the Registrar of Companies (within the permitted time period) following publication on 4 April 2012. The auditors' report on these accounts was unqualified and did not include a statement under sections 498(2) (that the accounting records or returns were inadequate or that the accounts did not agree with records and returns) or s498(3) (failure to obtain necessary information and explanations) of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of British Airways Plc, who are listed in the Group's Report and Accounts for the year ended 31 December 2011, 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 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

Keith Williams
Chief Executive

Nick Swift
Chief Financial Officer

29 March 2012

AIRCRAFT FLEET

Number in service with Group companies at 31 December 2011

AIRLINE OPERATIONS (note 1)	On Balance Sheet fixed assets	Off Balance Sheet operating leases	Total December 2011	Total December 2010	Changes since December 2010	Future deliveries (note 7)	Options (note 8)
Airbus A318	2		2	2			
Airbus A319	31	2	33	33			
Airbus A320 (note 2)	28	12	40	40		11	31
Airbus A321	11		11	11			
Airbus A380						12	7
Boeing 737-400	19		19	19			
Boeing 747-400 (note 3)	52		52	50	2		
Boeing 757-200 (note 4)	1	2	3	4	(1)		
Boeing 767-300	21		21	21			
Boeing 777-200	41	5	46	46			
Boeing 777-300 (note 5)	4	1	5	3	2	3	2
Boeing 787						24	28
Embraer E170	6		6	6			
Embraer E190 (note 6)	7		7	5	2		16
GROUP TOTAL	223	22	245	240	5	50	84

Note:

1. Includes those operated by British Airways Plc, BA Cityflyer Limited and OpenSkies SASU. Excludes six Avro RJ100 aircraft, previously sub-leased to Swiss, returned to lessor during the year.
2. Includes three Airbus A320 aircraft delivered during the period. Three Airbus A320 aircraft were returned to lessor during the year. Certain future Airbus deliveries and options include reserved delivery positions, and may be taken as any A320 family aircraft.
3. Excludes three Boeing 747-400 aircraft, temporarily stood down out of service. Two Boeing 747-400 returned to service during the year.
4. Excludes two Boeing 757-200 aircraft previously stood down in advance of sale. One Boeing 757-200 was stood down in the year. Five Boeing 757-200 aircraft were sold to a cargo carrier during the year.
5. Includes two Boeing 777-300 aircraft delivered in the year.
6. Includes two Embraer 190 aircraft delivered in the year.
7. Future deliveries have decreased by five. Three Airbus A320 aircraft, two Boeing B777-300 aircraft and two Embraer E190 aircraft were delivered during the period. Two options were converted to firm orders for two Boeing 777-300's.
8. Options have decreased by two Boeing B777-300's converted to firm orders during the year.

FINANCIAL RESULTS 2011

APPENDIX
OPERATING AND FINANCIAL STATISTICS - 12 months to 31 December

	Year ended 31 December		Better/
	2011	2010	(Worse)
TOTAL GROUP OPERATIONS			
TRAFFIC AND CAPACITY			
Revenue passenger kilometres (RPK) (m)	**117,348**	106,082	10.6 %
Available seat kilometres (ASK) (m)	**150,152**	136,721	9.8 %
Passenger load factor (%)	**78.2**	77.6	0.6 pts
Cargo tonne kilometres (CTK) (m)	**4,793**	4,593	4.4 %
Revenue tonne kilometres (RTK) (m)	**16,597**	15,259	8.8 %
Available tonne kilometres (ATK) (m)	**22,849**	20,968	9.0 %
Overall load factor (%)	**72.6**	72.8	(0.2)pts
Passengers carried (000)	**34,250**	30,661	11.7 %
Tonnes of cargo carried (000)	**785**	756	3.8 %
FINANCIAL			
Operating margin (%)	**5.2**	2.3	2.9 pts
Passenger revenue per RPK (p)	**7.43**	7.03	5.7 %
Passenger revenue per ASK (p)	**5.81**	5.45	6.6 %
Cargo revenue per CTK (p)	**15.42**	14.78	4.3 %
Total traffic revenue per ASK (p)	**6.30**	5.95	5.9 %
Total expenditure on operations per ASK (p)	**6.31**	6.10	(3.4)%
Total expenditure on operations excluding fuel per ASK (p)	**4.14**	4.32	4.2 %
Average fuel price before fuel hedging (US cents/US gallon)	**312.71**	218.81	(42.9)%
TOTAL AIRLINE OPERATIONS (Note 1)			
OPERATIONS			
Average Manpower Equivalent (MPE)	**36,164**	35,864	(0.8)%
ATKs per MPE (000)	**631.8**	584.7	8.1 %
Aircraft in service at year end	**245**	240	5

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

APPENDIX
CONSOLIDATED INCOME STATEMENT - 12 Months to 31 December

£ million	Year ended 31 December 2011	2010	Better/ (Worse)
Traffic revenue			
Passenger	**8,721**	7,454	17.0 %
Cargo	**739**	679	8.8 %
	9,460	8,133	16.3 %
Other revenue	**527**	404	30.4 %
REVENUE	**9,987**	8,537	17.0 %
Employee costs	**2,153**	2,022	(6.5)%
Restructuring	**12**	29	58.6 %
Depreciation, amortisation and impairment	**683**	758	9.9 %
Aircraft operating lease costs	**73**	68	(7.4)%
Fuel and oil costs	**3,246**	2,428	(33.7)%
Engineering and other aircraft costs	**543**	545	0.4 %
Landing fees and en route charges	**691**	605	(14.2)%
Handling charges, catering and other operating costs	**1,052**	990	(6.3)%
Selling costs	**436**	315	(38.4)%
Currency differences	**13**		nm
Accommodation, ground equipment and IT costs	**567**	580	2.2 %
TOTAL EXPENDITURE ON OPERATIONS	**9,469**	8,340	(13.5)%
OPERATING PROFIT	**518**	197	nm
Fuel derivative (losses) / gains	**(11)**	2	nm
Finance costs	**(161)**	(172)	6.4 %
Finance income	**32**	22	45.5 %
Net financing income/(expense) relating to pensions	**160**	(15)	nm
Retranslation credits/(charges) on currency borrowings	**2**	(39)	nm
Loss on sale of property, plant and equipment and investments	**(3)**	(3)	
Share of post-tax losses in associates accounted for using the equity method	**(6)**	(5)	(20.0)%
Revaluation of convertible bond liability	**169**		nm
Net charge relating to available-for-sale financial assets	**(21)**	(19)	(10.5)%
PROFIT / (LOSS) BEFORE TAX	**679**	(32)	nm
Tax	**(7)**	22	nm
PROFIT / (LOSS) AFTER TAX	**672**	(10)	nm

nm: Not meaningful