

BRITISH AIRWAYS PLC
Form 6-K
November 09, 2004
FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER

FURNISHED PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

9 November 2004

BRITISH AIRWAYS Plc

(Registrant's Name)

Waterside HBA3,

PO Box 365

Harmondsworth UB7 0GB

United Kingdom

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

Form 20-F Form 40-F

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

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

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

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

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

Yes No X

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

CONTENTS

1. Interim Results 2004-2005 - 5 November 2004

SIGNATURES

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

BRITISH AIRWAYS Plc

By: /s/ _____

Name: Alan Buchanan

Title: Company Secretary

Date: 9 November, 2004

INDEX TO EXHIBITS

Exhibit No.	Description
1.	Interim Results 2004-2005 - 5 November 2004

INTERIM RESULTS 2004-2005 (unaudited)

		Three months ended September 30			Six months ended September 30		
		2004	2003	Better/ (Worse)	2004	2003	Better/ (Worse)
Turnover	£m	2,026	1,983	2.2%	3,951	3,815	3.6%
Operating profit	£m	240	195	23.1%	390	235	66.0%
Operating margin	%	11.8	9.8	2.0pts	9.9	6.2	3.7pts
Profit before tax	£m	220	105	nm	335	60	nm
Retained profit for the period	£m	123	98	25.5%	193	35	nm
Net assets at period end	£m	2,625	2,312	13.5%	2,625	2,312	13.5%
Earnings per share							
<i>Basic</i>	p	11.5	9.2	25.0%	18.0	3.3	nm
<i>Diluted</i>	p	11.2	8.9	25.8%	17.6	3.3	nm

nm: Not meaningful

GROUP PROFIT AND LOSS ACCOUNT

(unaudited)

	Three months ended			Six months ended		
	2004 £m	September 30 2003 £m	Better/ (Worse)	2004 £m	September 30 2003 £m	Better/ (Worse)
Traffic Revenue						
<i>Passenger</i>	1,705	1,720	(0.9)%	3,330	3,296	1.0%
<i>Cargo</i>	118	111	6.3%	236	224	5.4%
	1,823	1,831	(0.4)%	3,566	3,520	1.3%
<i>Other revenue</i>	203	152	33.6%	385	295	30.5%
TOTAL TURNOVER	2,026	1,983	2.2%	3,951	3,815	3.6%
<i>Employee costs</i>	561	521	(7.7)%	1,112	1,049	(6.0)%
<i>Depreciation and amortisation</i>	168	173	2.9%	333	337	1.2%
<i>Aircraft operating lease costs</i>	27	29	6.9%	53	64	17.2%
<i>Fuel and oil costs</i>	271	241	(12.4)%	529	470	(12.6)%
<i>Engineering and other aircraft costs</i>	118	126	6.3%	230	258	10.9%
<i>Landing fees and en route charges</i>	145	147	1.4%	286	288	0.7%
<i>Handling charges, catering and other operating costs</i>	238	250	4.8%	471	493	4.5%
<i>Selling costs</i>	126	153	17.6%	259	308	15.9%
<i>Accommodation, ground equipment costs and currency differences</i>	132	148	10.8%	288	313	8.0%
TOTAL OPERATING EXPENDITURE	1,786	1,788	0.1%	3,561	3,580	0.5%
OPERATING PROFIT	240	195	23.1%	390	235	66.0%
Share of operating profits in associates	34	5	nm	30	1	nm
TOTAL OPERATING PROFIT INCLUDING ASSOCIATES	274	200	37.0%	420	236	78.0%
Other income and charges	1	4	(75.0)%	1	4	(75.0)%
(Loss)/Profit on sale of fixed assets and investments	(8)	15	nm	(14)	(57)	75.4%
Interest						
<i>Net payable</i>	(51)	(56)	8.9%	(99)	(111)	10.8%
<i>Retranslation credits/(charges) on currency borrowings</i>	4	(58)	nm	27	(12)	nm
PROFIT BEFORE TAX	220	105	nm	335	60	nm
Tax	(93)	(4)	nm	(135)	(18)	nm
PROFIT AFTER TAX	127	101	25.7%	200	42	nm
Non equity minority interest*	(4)	(3)	(33.3)%	(7)	(7)	
PROFIT FOR THE PERIOD	123	98	25.5%	193	35	nm
RETAINED PROFIT FOR THE PERIOD	123	98	25.5%	193	35	nm

nm: Not meaningful

* Cumulative Preferred Securities

OPERATING AND FINANCIAL STATISTICS**(unaudited)**

Three months ended

Six months ended

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	September 30		Increase/ (Decrease)	September 30		Increase/ (Decrease)
	2004	2003		2004	2003	
TOTAL AIRLINE OPERATIONS						
(Note 1)						
<i>TRAFFIC AND CAPACITY</i>						
RPK (m)	28,749	27,540	4.4%	55,832	52,642	6.1%
ASK (m)	36,639	35,981	1.8%	72,789	70,943	2.6%
Passenger load factor (%)	78.5	76.5	2.0pts	76.7	74.2	2.5pts
CTK (m)	1,202	1,034	16.2%	2,419	2,091	15.7%
RTK (m)	4,080	3,796	7.5%	7,989	7,352	8.7%
ATK (m)	5,709	5,539	3.1%	11,361	10,856	4.7%
Overall load factor (%)	71.5	68.5	3.0pts	70.3	67.7	2.6pts
Passengers carried (000)	9,822	9,739	0.9%	19,110	19,508	(2.0)%
Tonnes of cargo carried (000)	213	183	16.4%	429	373	15.0%
<i>FINANCIAL</i>						
Passenger revenue per RPK (p)	5.93	6.25	(5.1)%	5.96	6.26	(4.8)%
Passenger revenue per ASK (p)	4.65	4.78	(2.7)%	4.57	4.65	(1.7)%
Cargo revenue per CTK (p)	9.82	10.74	(8.6)%	9.76	10.71	(8.9)%
Total traffic revenue per RTK (p)	44.68	48.23	(7.4)%	44.64	47.88	(6.8)%
Total traffic revenue per ATK (p)	31.93	33.06	(3.4)%	31.39	32.42	(3.2)%
Average fuel price before hedging (US cents/US gallon)	129.92	87.83	47.9%	122.32	90.00	35.9%
<i>OPERATIONS</i>						
Average Manpower Equivalent (MPE)	46,179	47,702	(3.2)%	46,230	48,459	(4.6)%
ATKs per MPE (000)	123.6	116.1	6.5%	245.7	224.0	9.7%
Aircraft in service at period end	287	312	(25)	287	312	(25)
TOTAL GROUP OPERATIONS						
<i>FINANCIAL</i>						
Net operating expenditure per RTK (p)	38.80	43.10	(10.0)%	39.75	44.68	(11.0)%
Net operating expenditure per ATK (p)	27.73	29.54	(6.1)%	27.96	30.26	(7.6)%
Note 1 Excludes non airline activity companies, principally, Airmiles Travel Promotions Ltd, BA Holidays Ltd, BA Travel Shops Ltd, Speedbird Insurance Company Ltd and The London Eye Company Ltd.						

CHAIRMAN'S STATEMENT

Group Performance

Group profit before tax for the three months to September 30 was £220 million; this compares with a profit of £105 million last year.

Operating profit - - at £240 million - - was £45 million higher than last year. The operating margin was 11.8%, 2.0 points higher than last year. The improvement in operating profit primarily reflects improvements in turnover, with costs in line with last year, despite fuel costs being up 12.4%.

Group profit before tax for the six months to September 30 was £335 million, £275 million better than last year; operating profit - - at £390 million - - was £155 million better than last year.

Operating margin for the half year - - traditionally the stronger of the two halves - - was 9.9%, 3.7 points higher than last year.

Cash inflow before financing was £868 million for the six months, with the closing cash balance of £1,910 million representing a £240 million increase versus March 31. Net debt fell by £872 million (including £427 million from the sale of our investment in Qantas) to £3,286 million, its lowest level since 1993.

The Board has decided that no interim dividend should be paid.

Turnover

For the three month period, group turnover - - at £2,026 million - - was up 2.2% on a flying programme 3.1% larger in ATKs. This reflected the impact of fuel surcharges and an increase in cargo revenue of 6.3%, with passenger revenue declining by 0.9%. Passenger yields were down 5.1% per RPK (1.7% at constant exchange); seat factor was up 2.0 points at 78.5% on capacity 1.8% higher in ASKs.

For the six month period, turnover improved by 3.6% to £3,951 million on a flying programme 4.7% larger in ATKs. Passenger yields were down 4.8% per RPK with seat factor up 2.5 points at 76.7% on capacity 2.6% higher in ASKs.

Cargo volumes for the three month period (CTKs) were up 16.2% compared with last year, with yields (revenue/CTK) down 8.6%. For the six month period, cargo volumes were up 15.7%, with yields down 8.9%.

Overall load factor for the quarter was up 3.0 points at 71.5%, and for the half year up 2.6 points at 70.3%.

Costs

For the three month period, unit costs (pence/ATK) improved by 6.1% on the same period last year. This reflects a net cost reduction of 3.2% on capacity 3.1% higher in ATKs.

Total operating expenditure was in line with last year. Fuel costs increased by 12.4% due to the increase in fuel price net of hedging partially offset by exchange effects and employee costs increased by 7.7% as wage awards and increased pension contributions were only partially offset by manpower reductions. All other categories of operating costs improved, including a notable fall in selling costs, which were down 17.6% (due to lower commission costs and the continued increase in online bookings).

For the six month period, unit costs (pence/ATK) improved by 7.6% on the same period last year. This reflects a net cost reduction of 3.3% on capacity 4.7% higher in ATKs.

Non Operating Items

Net interest expense for the three month period reduced by £5 million from last year to £51 million reflecting the higher cash balances and reduced debt.

Retranslation of currency borrowings generated a credit of £4 million, primarily due to the retranslation of yen debt, compared to a charge the previous year of £58 million. The retranslation - - a non-cash item required by standard accounting practice - - results from the weakening of the yen against sterling.

Loss on disposals of fixed assets and investments was £8 million reflecting primarily the sale of our investment in Qantas at a book loss in the period of £11 million. This compares with a £15 million profit on disposal last year.

For the six month period net interest expense was £99 million, £12 million lower than last year. The retranslation of currency borrowings generated a credit of £27 million, compared with a charge of £12 million last year. Loss on disposals of fixed assets and investments was £14 million. This compares with a loss on disposal last year of £57 million, when the sale of dba generated a loss in the period of £83 million.

Earnings Per Share

The profit attributable to shareholders for the three months was equivalent to 11.5 pence per share, compared with last year's profit per share of 9.2 pence.

For the six month period, the profit attributable to shareholders was £193 million, equivalent to 18.0 pence per share, compared with earnings of 3.3 pence per share last year.

Net Debt / Total Capital Ratio

Borrowings, net of cash and short term loans and deposits, were £3,286 million at September 30 - - the lowest since 1993 and down £872 million since the start of the year. This reflects cash inflow more than offsetting movements in gross debt, together with exchange gains of £11 million. The net debt/total capital ratio reduced by 8.2 points from March 31 to 45.9%. The net debt/total

capital ratio including operating leases was down 7.0 points from March 31 to 51.4%.

Cash Flow

During the six months we generated a positive cash flow from operations of £598 million. After disposal proceeds, capital expenditure and interest payments on our existing debt, cash inflow was £868 million. This represents a £501 million increase on last year, primarily due to the improvement in operating cash flow (£78 million), and the proceeds from the sale of the investment in Qantas (£427 million).

Performance Improvement Programmes

Progress on delivering the £450 million savings announced in the 2003/5 Business Plan (including the £300 million of external spend savings) remains on track for completion by March 2005. The £300 million employee cost savings announced in the 2004/6 Business Plan have been delayed by the extended pay talks. The successful conclusion of talks with most employee groups has resulted in agreements lasting until October 2006. The focus for the remaining two years of the agreement will be to implement working practice changes to deliver £300 million of employee cost savings.

Aircraft Fleet

During the quarter the group fleet in service reduced by 3 to 287 aircraft. This reduction comprised 1 Boeing 737-400 aircraft stood down pending return to lessor, and 2 Boeing 737-400 aircraft sub-leased to Air One (an Italian carrier operating Italian domestic routes).

Associates

On September 9, 2004 the group completed the sale of its 18.25% holding in Qantas through a book build sale of the shares, thereby reducing debt and continuing to strengthen our balance sheet. The sale realised gross proceeds of £427

million before tax. The loss on disposal of £11 million includes a write off of goodwill of £59 million previously set off against reserves.

Prior to the sale of our investment, Qantas announced full year profits before tax of A\$965 million. Their second half profit was A\$435 million, our share of which was £28 million included in the quarter. This is the last period in which our full share of their results will be reflected. Our profits for the second half of last year included £42 million relating to Qantas.

An agreement has been signed with Qantas to continue with the Joint Service Agreement (JSA), thereby maintaining our profit share arrangements on selected routes.

Alliance Development

The British Airways benefit sharing with Iberia on the London routes to Madrid and Barcelona is making good progress and planned for implementation in the near future.

Industrial Relations

An agreement was reached with the Trades Unions on the company's pay offer. The agreement was for a rise in pensionable pay over three years in line with rates of inflation. This comprises an increase backdated to October 1, 2003 followed by rises equal to inflation rates on October 1, 2004 and on October 1, 2005. In addition there are non-pensionable lump sum payments totalling at least £1,000 per employee over the two years to September 2006.

The Trades Unions also agreed a new absence policy. The policy aims to significantly reduce absence from the current average of 17 days, and is expected to save the company approximately £30 million per annum.

Outlook

Market conditions have remained broadly unchanged since our last report. All market segments remain price sensitive and yield declines are expected to continue. The total revenue outlook for the year to March 2005 is unchanged with a 2-3 per cent improvement driven by volume increases.

Fuel costs net of hedging are now expected to be some £245 million more than last year (up £20 million from our last estimate). Passenger and cargo fuel surcharges forecast at £160 million for this year partially offset this increase.

Consequently, our focus will remain on reducing both controllable costs and debt.

Note:

Copies of the summary Interim Statement will be issued to all shareholders through the medium of the British Airways Investor newspaper. Copies of the full Interim report are available from the company's registered office and on the Internet at www.bashares.com.

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

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the company's plans and objectives for future operations, including, without limitation, discussions of the company's Business Plan programs, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the company on the

date of this report. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemize all of the many factors and specific events that could cause the company's forward looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Information on some factors which could result in material difference to the results is available in the company's SEC filings, including, without limitation the company's Report on Form 20-F for the year ended March 2004.

GROUP BALANCE SHEET (unaudited)

	2004 £m	September 30 2003 £m <i>Restated</i>	March 31 2004 £m <i>Restated</i>
FIXED ASSETS			
Intangible assets	163	159	168
Tangible assets	8,357	9,156	8,637
Investments	143	500	531
	8,663	9,815	9,336
CURRENT ASSETS			
Stocks	77	75	76
Debtors	1,115	1,126	1,019
Cash, short-term loans and deposits	1,910	1,786	1,670
	3,102	2,987	2,765
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	(2,853)	(2,954)	(2,996)
NET CURRENT ASSETS/(LIABILITIES)			
	249	33	(231)
TOTAL ASSETS LESS CURRENT LIABILITIES			
	8,912	9,848	9,105
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Borrowings and other creditors	(4,850)	(6,254)	(5,374)
Convertible Capital Bonds 2005	(112)	(112)	(112)
	(4,962)	(6,366)	(5,486)
PROVISION FOR DEFERRED TAX			
	(1,244)	(1,077)	(1,137)
PROVISIONS FOR LIABILITIES AND CHARGES			
	(81)	(93)	(85)
	2,625	2,312	2,397
CAPITAL AND RESERVES			
Called up share capital	271	271	271
Reserves	2,137	1,822	1,916
	2,408	2,093	2,187
MINORITY INTEREST			
Equity minority interest	11	10	10
Non equity minority interest	206	209	200
	217	219	210
	2,625	2,312	2,397

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (unaudited)

Six months ended Year Ended

		September 30	March 31
	2004 £m	<i>2003 £m</i>	2004 £m
Profit for the period	193	35	130
Oth			