

## BRITISH AIRWAYS SIX MONTH RESULTS (unaudited)

1 January 2015 – 30 June 2015

British Airways Plc ('BA' or the 'Group') presents its consolidated results for the six month period ended 30 June 2015. All of the information below was included within the results announcement presented by International Consolidated Airlines Group S.A. ('IAG') on 31 July 2015.

### Period highlights

- Revenue of £5,469 million (2014: £5,577 million) down 1.9 per cent from last year.
- Operating profit of £356 million (2014: £269 million) £87 million better than last year.
- Fuel cost down 8.3 per cent from last year.
- Non fuel unit costs per ASK down 3.8 per cent from last year.
- Non-operating items up by £1,528 million to £1,479 million (2014:£49 million loss) driven mainly by the gain on deconsolidation of Avios Group (AGL) Limited ("AGL").

### Performance summary<sup>1</sup>

Financial data £ million	2015	2014	Higher/(Lower)
Passenger revenue	4,888	4,970	(1.6)%
Total revenue	5,469	5,577	(1.9) %
Total expenditure on operations	(5,113)	(5,308)	(3.7) %
Operating profit	356	269	32.3 %
Non-operating items	1,479	(49)	nm
Profit after tax	1,768	175	nm

<sup>1</sup> Results attributable to discontinued operations in the six months ended 30 June 2015 were nil (2014: less than £1 million).  
nm = not meaningful

Operating figures	2015	2014	Higher/(Lower)
Available seat kilometres (ASK <sup>1</sup> ) (m)	85,872	83,864	2.4 %
Revenue passenger kilometres (RPK <sup>1</sup> ) (m)	68,225	66,377	2.8 %
Cargo tonne kilometres (CTK <sup>1</sup> ) (m)	2,109	2,225	(5.2)%
Seat factor <sup>1</sup> (%)	79.4	79.1	0.3pts
Passengers carried (000)	20,629	19,829	4.0%
Passenger revenue per ASK (p)	5.69	5.93	(4.0) %
Passenger revenue per RPK (p)	7.16	7.49	(4.4) %
Non-fuel costs per ASK (p)	4.06	4.22	(3.8) %

<sup>1</sup> These KPIs are defined in the Annual Report and Accounts for the year ended 31 December 2014 and should be read in conjunction with this document.

### Management review

BA has made an operating profit of £356 million for the half year (2014: £269 million) building upon the strong foundations set in 2014. This performance shows that BA is making further solid progress. Capacity has increased in a disciplined manner and cost discipline continues to be a key focus for us to ensure we operate more efficiently and cost effectively.

We continue to invest where it matters most to ensure that we deliver our brand by offering customers new routes and products. During the year we will continue to take delivery of new aircraft which will further enhance our service offering. BA now has nine Airbus A380 and eight Boeing 787 in service.

### Outlook

Despite generating an operating profit of £356 million in the first half of 2015 (2014: £269 million), BA will continue to ensure that it is financially robust and is able to respond quickly to the ever-changing environment of the industry. Management is committed to delivering significant structural change to the cost base. BA continues to take delivery of new generation wide-bodied aircraft and the advanced technology of this new fleet is set to unlock fuel savings, whilst also contributing to BA's continued efforts to minimise its environmental impact.

## Financial Review

### Consolidated income statement<sup>1</sup>

For the six months ended 30 June

£ million	2015	2014	Higher/(Lower)
Passenger revenue	4,888	4,970	(1.6)%
Cargo revenue	281	302	(7.0)%
Other revenue	300	305	(1.6)%
<b>Total revenue</b>	<b>5,469</b>	<b>5,577</b>	<b>(1.9)%</b>
Employee costs	1,232	1,216	1.3%
Depreciation, amortisation and impairment	385	404	(4.7)%
Aircraft operating lease costs	54	35	54.3%
Fuel, oil and emission costs	1,623	1,769	(8.3)%
Engineering and other aircraft costs	341	304	12.2%
Landing fees and en route charges	385	385	0%
Handling charges, catering and other operating costs	591	665	(11.1)%
Selling costs	205	231	(11.3)%
Currency differences	10	(9)	nm
Accommodation, ground equipment and IT costs	287	308	(6.8)%
<b>Total Group expenditure on operations<sup>2</sup></b>	<b>5,113</b>	<b>5,308</b>	<b>(3.7)%</b>
<b>Operating profit</b>	<b>356</b>	<b>269</b>	<b>32.3%</b>
Non-operating items	1,479	(49)	nm
Profit before tax	1,835	220	nm
Tax	(67)	(45)	48.9%
Profit after tax	1,768	175	nm

<sup>1</sup> Results attributable to discontinued operations in the six months ended 30 June 2015 were nil (2014: less than £1 million).

<sup>2</sup> Total Group operating expenditure excluding fuel, oil and emission cost was £3,490 million (2014: £3,539 million).

nm = not meaningful

#### Total Revenue

Overall capacity, measured by ASKs, was up by 2.4 per cent in the first six months of the year and traffic increased by 2.8 per cent, increasing load factor by 0.3 pts. This translated to revenue for the first half of the year of £5,469 million (2014: £5,577 million). The decrease in revenue is driven by falling yields which saw passenger revenue per RPK drop by 4.4 per cent due to weakening oil routes and increased competitor capacity on transatlantic routes in addition to the impacts of currency dislocation.

#### Group expenditure on operations

There has been a significant drop in half year operating costs to £5,113 million (2014: £5,308 million). Fuel, oil and emission costs reduced by 8.3 per cent driven by the reduction in average fuel price net of the impact of hedging.

Group expenditure excluding fuel reduced to £3,490 million (2014: £3,539 million) as BA continues to monitor costs in light of the pressures on yields given ASKs have increased by 2.4 per cent. This translates to a 3.8 per cent reduction in non-fuel cost per ASK and at a constant exchange rate non-fuel cost per ASK decreased by 4.3 per cent compared to the prior year.

Depreciation, amortisation and impairment have decreased by 4.7 per cent due to the impact of aircraft retirements, changes to the useful lives of assets, including the lease at JFK, partially offset by new aircraft deliveries during the year.

Engineering and other aircraft costs are up by 12.2 per cent due to the impact of higher maintenance costs, which is offset by the cancellation of the long haul freighter service. Handling charges, catering and other operating costs and selling costs decreased by 11.1 per cent and 11.3 per cent respectively owing to reduced revenue and the impact of cost saving initiatives across the business. Accommodation, ground equipment and IT costs decreased by 6.8 per cent due to contract renegotiations and other cost saving initiatives.

#### Non-operating items

On 28 January 2015, BA entered into a business transfer agreement with AGL which transferred certain parts of the BA Executive Club business, relating to the frequent flyer programme, to AGL in return for additional shares in AGL. Following the restructure, BA's shareholding reduced from 100% of the AGL business to 86% of the combined customer loyalty business. BA no longer has the power to affect the returns of AGL as it now falls within the governance structure of IAG. From 28 January 2015 AGL was derecognised as a subsidiary of BA and recognised as an associate at the fair value of the retained interest. On initial recognition the fair value of the retained investment in AGL was measured at £1.6 billion with a gain recognised on loss of control of a subsidiary (below operating profit) of £1.5 billion.

### *Tax*

The tax charge on continuing operations for the period ended 30 June 2015 was £67 million (2014: £45 million). The Group effective tax rate was 19.3 per cent compared to the UK corporation tax rate of 20.25 per cent after removing the impact of the deconsolidation of AGL.

### *Capital expenditure*

Total capital expenditure in the period amounted to £305 million (2014: £886 million) which includes £223 million (2014: £789 million) of fleet related spend. During the year, the Group took delivery of three Airbus A320 and one Airbus A380.

### **Liquidity**

The Group's liquidity position remains strong with £2.7 billion of cash and cash equivalents and other interest bearing deposits (2014: £2.5 billion). Net debt stood at £1.7 billion (2014: £2.0 billion).

### **Principal risks and uncertainties**

During the period we have continued to maintain and operate our structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting us, detailed on pages 8 to 9 of the 2014 Annual Report and Accounts, remain relevant for the remaining six months of the year.

### **DTR and Companies Act 2006 requirement**

This half year announcement represents BA's half-yearly financial report for the purposes of the Disclosure and Transparency Rules made by the UK Financial Conduct Authority. Pages 1-3 represent the interim management report, the Directors' responsibility statement can be found on page 3 and the condensed consolidated set of financial statements can be found on pages 4-18.

### **Directors' responsibility statement**

The Directors as listed in the Annual Report and Accounts for the year ended 31 December 2014, confirm that, to the best of each person's knowledge:

- The condensed consolidated interim financial statements in this report, which have been prepared in accordance with IAS 34 as adopted by the European Union, 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/loss of the Group; and
- The management report contained in this report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the board

Keith Williams  
Executive Chairman  
30 July 2015

Nick Swift  
Chief Financial Officer  
30 July 2015

Ends

### **Forward-looking statements:**

Certain statements included in this report are forward-looking and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements can typically be identified by the use of forward-looking terminology, such as "expects", "may", "will", "could", "should", "intends", "plans", "predicts", "envisages" or "anticipates" and include, without limitation, any projections relating to results of operations and financial conditions of British Airways Plc and its subsidiary undertakings from time to time (the 'Group'), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditures and divestments relating to the Group and discussions of the Group's Business plan. All forward-looking statements in this report are based upon information known to the Group on the date of this report. The Group 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 forward-looking statements in this report 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 2014; these documents are available on [www.iagshares.com](http://www.iagshares.com).

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**BRITISH AIRWAYS PLC**

Unaudited Condensed Consolidated Interim Financial Statements  
1 January 2015 – 30 June 2015

## Consolidated income statement

For the six months ended 30 June

£ million	2015	2014
Passenger revenue	4,888	4,970
Cargo revenue	281	302
Traffic revenue	5,169	5,272
Other revenue	300	305
<b>Total revenue</b>	<b>5,469</b>	<b>5,577</b>
Employee costs	1,232	1,216
Depreciation, amortisation and impairment	385	404
Aircraft operating lease costs	54	35
Fuel, oil and emission costs	1,623	1,769
Engineering and other aircraft costs	341	304
Landing fees and en route charges	385	385
Handling charges, catering and other operating costs	591	665
Selling costs	205	231
Currency differences	10	(9)
Accommodation, ground equipment and IT costs	287	308
<b>Total expenditure on operations</b>	<b>5,113</b>	<b>5,308</b>
<b>Operating profit</b>	<b>356</b>	<b>269</b>
Gains on fuel derivatives not qualifying for hedge accounting	10	12
Finance costs	(77)	(67)
Finance income	11	7
Net financing expense relating to pensions	(4)	(1)
Net currency retranslation charges	(9)	
Gain on sale of property, plant and equipment and investments	1,483	4
Share of post-tax profits/(losses) in associates accounted for using the equity method	64	(14)
Gains relating to available-for-sale financial assets	1	10
<b>Profit before tax</b>	<b>1,835</b>	<b>220</b>
Tax	(67)	(45)
<b>Profit after tax</b>	<b>1,768</b>	<b>175</b>
<b>Attributable to:</b>		
Equity holders of the parent	1,761	167
Non-controlling interest	7	8
	<b>1,768</b>	<b>175</b>

## Consolidated statement of other comprehensive income

For the six months ended 30 June

£ million	2015	2014
Profit for the year	1,768	175
Other comprehensive income:		
<b>Items that will not be re-classified to the income statement</b>		
Pension remeasurements	(113)	
	(113)	
<b>Items that may be re-classified to the income statement</b>		
Exchange losses	(9)	(3)
Net gains on cash flow hedges	477	63
Share of other movements in reserves of associates		(2)
Net movement on available for sale financial assets	(1)	34
	467	92
<b>Total other comprehensive income</b>	354	92
<b>Total comprehensive income for the period (net of tax)</b>	2,122	267
Attributable to:		
Equity holders of the parent	2,115	259
Non-controlling interest	7	8
	2,122	267

## Consolidated balance sheet

£ million	30 June 2015	31 December 2014
<b>Non-current assets</b>		
Property, plant and equipment	7,857	7,990
Intangibles	955	949
Investments in associates	1,701	76
Available-for-sale financial assets	59	63
Employee benefit assets	595	673
Derivative financial instruments	10	18
Other non-current assets	73	69
<b>Total non-current assets</b>	<b>11,250</b>	<b>9,838</b>
<b>Non-current assets held for sale</b>	<b>4</b>	<b>5</b>
<b>Current assets and receivables</b>		
Inventories	131	133
Trade receivables	757	531
Other current assets	355	326
Derivative financial instruments	55	70
Loan to related party	285	
Other current interest-bearing deposits	2,346	1,849
Cash and cash equivalents	314	674
<b>Total current assets and receivables</b>	<b>4,243</b>	<b>3,583</b>
<b>Total assets</b>	<b>15,497</b>	<b>13,426</b>
<b>Shareholders' equity</b>		
Issued share capital	290	290
Share premium	1,512	1,512
Other reserves	2,211	98
<b>Total shareholders' equity</b>	<b>4,013</b>	<b>1,900</b>
Non-controlling interests	200	200
<b>Total equity</b>	<b>4,213</b>	<b>2,100</b>
<b>Non-current liabilities</b>		
Interest-bearing long-term borrowings	3,833	4,121
Employee benefit obligations	853	1,042
Provisions for deferred tax	330	222
Non-current provisions	225	210
Derivative financial instruments	46	139
Other non-current liabilities	95	90
<b>Total non-current liabilities</b>	<b>5,382</b>	<b>5,824</b>
<b>Current liabilities</b>		
Current portion of long-term borrowings	542	428
Trade and other payables	4,930	4,220
Derivative financial instruments	349	691
Current tax payable	9	36
Current provisions	72	127
<b>Total current liabilities</b>	<b>5,902</b>	<b>5,502</b>
<b>Total equity and liabilities</b>	<b>15,497</b>	<b>13,426</b>

## Consolidated cash flow statement

For the six months ended 30 June

£ million	2015	2014
<b>CONTINUING OPERATIONS</b>		
<b>Cash flow from operating activities</b>		
Operating profit	356	269
Depreciation, amortisation and impairment	385	404
Cash payments to pension schemes (net of service costs)	(252)	(11)
Movement in working capital and other non-cash movements	385	524
Interest paid	(63)	(53)
Taxation	(27)	
<b>Net cash generated from operating activities</b>	<b>784</b>	<b>1,133</b>
<b>Cash flow used in investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(305)	(886)
Purchase of available for sale investements		(6)
Sale of available for sale financial assets		16
Sale of property, plant and equipment		7
Deconsolidation of AGL	2	
Loans made to related parties	(285)	
Interest received	12	9
Other investing movements		4
Increase in other current interest-bearing deposits	(497)	(563)
<b>Net cash used in investing activities</b>	<b>(1,073)</b>	<b>(1,419)</b>
<b>Cash flow from financing activities</b>		
Proceeds from long-term borrowings	147	599
Repayments of borrowings	(42)	(129)
Payment of finance lease liabilities	(173)	(115)
Distributions made to holders of perpetual securities	(7)	(8)
<b>Net cash flow from financing activities</b>	<b>(75)</b>	<b>347</b>
Net change in cash and cash equivalents from continuing operations	(364)	61
<b>DISCONTINUED OPERATIONS</b>		
Net cash flow used in discontinued operations		(4)
Net change in cash and cash equivalents	(364)	57
Net foreign exchange differences	4	7
Cash and cash equivalents at 1 January	674	630
<b>Cash and cash equivalents as at 30 June</b>	<b>314</b>	<b>694</b>



## Consolidated statement of changes in equity

For the six months ended 30 June 2015

£ million	Issued capital	Share premium	Other reserves	Total shareholders' equity	Non-controlling interest	Total equity
Balance at 1 January 2015	290	1,512	98	1,900	200	2,100
Profit for the year			1,761	1,761	7	1,768
Other comprehensive income for the year			354	354		354
Total comprehensive income for the year (net of tax)			2,115	2,115	7	2,122
Cost of share-based payment (net of tax)			(2)	(2)		(2)
Distributions made to holders of perpetual securities					(7)	(7)
<b>At 30 June 2015</b>	<b>290</b>	<b>1,512</b>	<b>2,211</b>	<b>4,013</b>	<b>200</b>	<b>4,213</b>

For the six months ended 30 June 2014

£ million	Issued capital	Share premium	Other reserves	Total shareholders' equity	Non-controlling interest	Total equity
Balance at 1 January 2014	290	1,512	453	2,255	200	2,455
Profit for the year			167	167	8	175
Other comprehensive income for the year			92	92		92
Total comprehensive income for the year (net of tax)			259	259	8	267
Cost of share-based payment (net of tax)			(4)	(4)		(4)
Distributions made to holders of perpetual securities					(8)	(8)
<b>At 30 June 2014</b>	<b>290</b>	<b>1,512</b>	<b>708</b>	<b>2,510</b>	<b>200</b>	<b>2,710</b>

# Notes to the accounts

For the six months ended 30 June 2015

## 1 Corporate information and basis of preparation

British Airways Plc (the Group, 'BA') is a public limited company incorporated and domiciled in England and Wales.

The financial information shown in this publication, which was approved by the Board of Directors on 30 July 2015, is unaudited and does not constitute statutory financial statements. BA's Annual Report and Accounts 2014 have been filed with the Registrar of Companies in England and Wales; the report of the auditors on those accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the UK Companies Act 2006.

The basis of preparation and accounting policies set out in the Annual Report and Accounts for the year ended 31 December 2014 have been applied in the preparation of these condensed consolidated interim financial statements, except as disclosed in note 2. These are in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB), in accordance with IAS 34 'Interim Financial Reporting' and in accordance with the provisions of the UK Companies Act 2006. References to 'IFRS' hereafter should be construed as references to IFRSs as adopted by the EU.

The summary condensed consolidated financial statements have been prepared on the going concern basis. The Directors consider this appropriate given that the Group has adequate resources to continue in operational existence for the foreseeable future.

## 2 Accounting policies

The Group has adopted IFRIC 21 Levies from 1 January 2015. The adoption of this interpretation did not have a significant impact on the Group's net result or net assets.

## 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 the consolidated financial results. While the operations of certain subsidiaries are considered to be separate operating segments, their activities are considered to be sufficiently similar in nature to aggregate all segments. The primary financial information reviewed by the Leadership Team is based on the consolidated results of the Group. Based on the way the Group aggregates its operating business, and the manner in which resource allocation decisions are made, the Group has only one reportable segment for financial reporting purposes, being the consolidated results of the Group.

### b Geographical analysis - by area of original sale

For the six months ended 30 June

£ million	2015	2014
UK	2,631	2,617
USA	1,070	1,034
Rest of the world	1,768	1,926
<b>Revenue</b>	<b>5,469</b>	<b>5,577</b>

The 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 £10,352 million (2014: £8,897 million) and the total of these non-current assets located in other countries is £165 million (2014: £123 million).

## 4 Seasonality

The Group's business is highly seasonal with demand strongest during the summer months. Accordingly, higher revenues and operating profits are usually expected in the latter six months of the financial year than in the first six months.

## Notes to the accounts (continued)

For the six months ended 30 June 2015

### 5 Finance costs and income

For the six months ended 30 June

£ million	2015	2014
<b>Finance costs</b>		
Interest payable on bank and other loans, finance charges payable under finance leases	(78)	(68)
Unwinding of discounting on provisions (note 12)	(1)	(1)
Capitalised interest	1	1
Change in fair value of cross currency swaps	1	1
<b>Total finance costs</b>	<b>(77)</b>	<b>(67)</b>
<b>Finance income</b>		
Bank interest receivable	11	7
<b>Total finance income</b>	<b>11</b>	<b>7</b>

### 6 Tax

The total tax charge through the income statement for the six month period ended 30 June 2015 was £67 million (2014: £45 million) on a profit before tax of £1,835 million (2014: £220 million). After removing non-taxable items arising from the transfer of the British Airways Executive Club business to Avios Group Ltd the effective tax rate for the period was 19.3 per cent (2014: 20.5 per cent) being lower (2014: lower) than the tax charge at the standard UK corporation tax rate of 20.25 per cent (2014: 23.25 per cent).

Following announcements in the recent UK budget, legislation is due to be enacted in the second half of the year reducing the UK rate of corporation tax to 19 per cent effective from 1st April 2017, and 18 per cent effective from 1st April 2020. The effect of the corporation tax rate reduction is expected to be a deferred tax credit of £61 million through the income statement and a deferred tax charge of £4 million through reserves.

### 7 Property, plant, equipment and intangibles

a. Property, plant and equipment

£ million	30 June 2015	31 December 2014
Net book value at 1 January	7,990	7,487
Additions	262	1,424
Disposals	(18)	(105)
Depreciation	(377)	(819)
Reclassifications		3
Net book value at period end	7,857	7,990

b. Intangibles

£ million	30 June 2015	31 December 2014
Net book value at 1 January	949	881
Additions	36	82
Disposals	(20)	
Amortisation	(8)	(12)
Reclassifications	(2)	(2)
Net book value at period end	955	949

## Notes to the accounts (continued)

For the six months ended 30 June 2015

### 8 Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £6,389 million (31 December 2014: £6,658 million). The majority of capital expenditure commitments are denominated in US dollars, as such the commitments are subject to exchange movements.

### 9 Impairment review

Goodwill and intangible assets with indefinite lives are tested for impairment annually (in the fourth quarter) and when circumstances indicate the carrying value may be impaired. The key assumptions used to determine the recoverable amount for the different cash generating units are disclosed in the Annual Report and Accounts 2014. For the six months to 30 June 2015 there are no indicators that the carrying value may exceed the recoverable amount.

### 10 Investments

On 28 January 2015, BA entered into a business transfer agreement with its wholly-owned subsidiary Avios Group (AGL) Limited ("AGL"). This transferred certain parts of the BA Executive Club business, relating to the frequent flyer programme, to AGL in return for additional shares in the amount of £1.6 billion fully paid up Class A Shares in AGL.

Following the restructure, BA's shareholding has reduced from 100% of the existing AGL business to 86% of the combined customer loyalty business. As a result BA no longer has the power to affect the returns of AGL as it now falls within the governance structure of IAG.

From 28 January 2015, AGL was derecognised as a subsidiary of BA and recognised as an associate at the fair value of the retained interest. On initial recognition the investment in AGL was measured at £1.6 billion with a gain measured on loss of control of a subsidiary of £1.5 billion.

### 11 Long-term borrowings

£ million	30 June	31 December
	2015	2014
<b>a Current</b>		
Bank and other loans	128	112
Finance leases	414	316
	<b>542</b>	<b>428</b>
<b>b Non-current</b>		
Bank and other loans	646	570
Finance leases	3,187	3,551
	<b>3,833</b>	<b>4,121</b>

## Notes to the accounts (continued)

For the six months ended 30 June 2015

### 12 Provisions for liabilities and charges

£ million	Restoration and handback	Restructuring	Legal claims	Other	Total
<b>Balance at 1 January 2015</b>					
Current	19	42	3	63	127
Non-current	188		1	21	210
	<b>207</b>	<b>42</b>	<b>4</b>	<b>84</b>	<b>337</b>
Arising during the year	27	20		25	72
Utilised	(5)	(27)		(40)	(72)
Release of unused amounts	(1)	(6)	(1)	(29)	(37)
Exchange differences	(3)			(1)	(4)
Unwinding of discount	1				1
<b>As at 30 June 2015</b>	<b>226</b>	<b>29</b>	<b>3</b>	<b>39</b>	<b>297</b>
Analysis:					
Current	19	29	2	22	72
Non-current	207		1	17	225
	<b>226</b>	<b>29</b>	<b>3</b>	<b>39</b>	<b>297</b>

## Notes to the accounts (continued)

For the six months ended 30 June 2015

### 13 Financial instruments

#### a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 30 June 2015 and 31 December 2014 by nature and classification for measurement purposes is as follows:

##### At 30 June 2015

£ million	Financial assets			Non-financial assets	Total carrying amount
	Loans and receivables	Derivatives used for hedging	Available for sale		
<b>Non-current financial assets</b>					
Available-for-sale financial assets			59		59
Derivative financial instruments		10			10
Other non-current assets	57			16	73
<b>Current financial assets</b>					
Trade receivables	757				757
Derivative financial instruments		55			55
Other current assets	80			275	355
Other current interest-bearing deposits	2,346				2,346
Loan to related party	285				285
Cash and cash equivalents	314				314

£ million	Financial liabilities			Non-financial liabilities	Total carrying amount
	Loans and payables	Derivatives used for hedging			
<b>Non-current financial liabilities</b>					
Interest-bearing long-term borrowings		3,833			3,833
Derivative financial instruments			46		46
Other long-term liabilities		4		91	95
<b>Current financial liabilities</b>					
Current portion of long-term borrowings		542			542
Trade and other payables		1,515		3,415	4,930
Derivative financial instruments			349		349

## Notes to the accounts (continued)

For the six months ended 30 June 2015

### 13 Financial instruments (continued)

#### a Financial assets and liabilities by category (continued)

At 31 December 2014

£ million	Financial assets			Non-financial assets	Total carrying amount
	Loans and receivables	Derivatives used for hedging	Available for sale		
<b>Non-current financial assets</b>					
Available-for-sale financial assets			63		63
Derivative financial instruments		18			18
Other non-current assets	52			17	69
<b>Current financial assets</b>					
Trade receivables	531				531
Derivative financial instruments		70			70
Other current assets	84			242	326
Other current interest-bearing deposits	1,849				1,849
Cash and cash equivalents	674				674

£ million	Financial liabilities			Non-financial liabilities	Total carrying amount
	Loans and payables	Derivatives used for hedging			
<b>Non-current financial liabilities</b>					
Interest-bearing long-term borrowings		4,121			4,121
Derivative financial instruments			139		139
Other long-term liabilities		4		86	90
<b>Current financial liabilities</b>					
Current portion of long-term borrowings		428			428
Trade and other payables		1,505		2,715	4,220
Derivative financial instruments			691		691

#### b Fair values of financial assets and financial liabilities

The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying amounts and fair values of the Group's financial assets and liabilities as at 30 June 2015 are set out below:

£ million	Fair value			Carrying value
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Available-for-sale financial assets	15		44	59
Derivatives <sup>1</sup>		65		65
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings	267	4,477		4,744
Derivatives <sup>2</sup>		395		395

<sup>1</sup> Current portion of derivative financial assets is £55 million.

<sup>2</sup> Current portion of derivative financial liabilities is £349 million.

## Notes to the accounts (continued)

For the six months ended 30 June 2015

### 13 Financial instruments (continued)

#### b Fair values of financial assets and financial liabilities (continued)

The carrying amounts and fair values of the Group's financial assets and liabilities as at 31 December 2014 are set out below:

£ million				Fair value	Carrying value
	Level 1	Level 2	Level 3	Total	Total
<b>Financial assets:</b>					
Available-for-sale financial assets	19		44	63	63
Derivatives <sup>1</sup>		88		88	88
<b>Financial liabilities:</b>					
Interest-bearing loans and borrowings	273	4,554		4,827	4,549
Derivatives <sup>2</sup>		830		830	830

<sup>1</sup> Current portion of derivative financial assets is £70 million

<sup>2</sup> Current portion of derivative financial liabilities is £691 million

The fair value of financial assets and liabilities is included at the amount at which the Group would expect to receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of cash and cash equivalents, other current interest bearing deposits, trade receivables, other current assets and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used by the Group in estimating its fair value disclosures for financial instruments:

#### Available-for-sale financial assets and loan notes

Listed fixed asset investments (Level 1) are stated at market value as at 30 June 2015. For unquoted investments (Level 3) where the fair value cannot be measured reliably, the investment is stated at historic cost less accumulated impairment losses.

#### Forward currency transactions and over-the-counter (OTC) fuel derivatives

These derivatives are entered into with various counter-parties, principally financial institutions with investment grade ratings. These are measured at the market value of instruments with similar terms and conditions at the balance sheet date (Level 2) using forward pricing models. Changes in counterparty and own credit risk are deemed to be not significant.

#### Bank and other loans, finance leases, hire purchase arrangements and the non-Japanese yen denominated portions of hire purchase arrangements carrying fixed rates of interest

The fair value of the Group's interest-bearing borrowings including leases, are determined by discounting the remaining contractual cash-flows at the relevant market interest rates as at 30 June 2015 (Level 2).

#### Euro-sterling bond 2016

This is stated at quoted market value (Level 1).

There have been no transfers between levels of the fair value hierarchy during the period. Out of the financial instruments listed in the table above, only the interest-bearing loans and borrowings are not measured at fair value on a recurring basis.

#### c Level 3 financial assets reconciliation

The following table summarises key movements in Level 3 financial assets:

£ million	Six months	Year ended
	ended 30 June	31 December
	2015	2014
Balance at 1 January	44	10
Repayment of loan notes (classified as available-for-sale financial assets)		(5)
Interest accrued on loan notes (classified as available-for-sale financial assets)		1
Fair value uplift on available-for-sale financial asset <sup>1</sup>		38
<b>As at 30 June</b>	<b>44</b>	<b>44</b>

<sup>1</sup> During 2014 certain shareholders disposed of their combined interest in The Airline Group Limited, allowing the Group to estimate the fair value of the investment held which resulted in a fair value uplift of £38m in the year ended 31 December 2014.



## 14 Employee benefits

The Group operates two principal funded 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.

£ million	As at 30 June 2015			
	APS	NAPS	Other	Total
Scheme assets at fair value	7,300	13,250	346	20,896
Present value of scheme liabilities	(6,350)	(13,800)	(635)	(20,785)
Net pension asset/(liability)	950	(550)	(289)	111
Effect of the asset ceiling	(360)			(360)
Other employee benefit obligations			(9)	(9)
	590	(550)	(298)	(258)
Represented by:				
Employee benefit assets				595
Employee benefit obligations				(853)
				(258)

£ million	As at 31 December 2014			
	APS	NAPS	Other	Total
Scheme assets at fair value	7,509	12,750	334	20,593
Present value of scheme liabilities	(6,446)	(13,484)	(626)	(20,556)
Net pension asset / (liability)	1,063	(734)	(292)	37
Effect of the asset ceiling	(395)			(395)
Other employee benefit obligations			(11)	(11)
	668	(734)	(303)	(369)
Represented by:				
Employee benefit assets				673
Employee benefit obligations				(1,042)
				(369)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Per cent per annum	At 30 June 2015			At 31 December 2014		
	APS	NAPS	Other schemes	APS	NAPS	Other schemes
Discount rate	3.65	3.90	3.4 – 4.1	3.45	3.80	3.4 – 4.1
Rate of increase in pensionable pay <sup>1</sup>	3.00	3.10	3.5 – 4.0	2.85	2.95	3.5 – 4.0
Rate of increase of pensions in payment	2.00	2.10	1.5 – 3.5	1.85	1.95	1.5 – 3.5
RPI rate of inflation <sup>2</sup>	3.00	3.10	3.0 – 3.1	2.85	2.95	3.0 – 3.1
CPI rate of inflation <sup>2</sup>	2.00	2.10	2.1 – 3.0	1.85	1.95	2.1 – 3.0

<sup>1</sup> Rate of increase in salaries is assumed to be in line with the RPI rate of inflation.

<sup>2</sup> The inflation rate assumptions for NAPS and APS are based on the difference between the yields on index-linked and fixed-interest long-term government bonds. The inflation assumptions are used to determine the rate of increase for pensions in payment and the rate of increase in deferred pensions where there is such an increase.

## 15 Contingent liabilities

There were contingent liabilities at 30 June 2015 in respect of tax returns, guarantees and indemnities entered into as part of the ordinary course of the Group's business. At 30 June 2015 these contingent liabilities amounted to £123 million (31 December 2014: £100 million). No material losses are likely to arise from such contingent liabilities.

The Group is party to a number of legal proceedings in the English courts relating to a decision by the European Commission in 2010 which fined BA and ten other airline groups for participating in a cartel in respect of air cargo prices. The European Commission's decision is currently the subject of appeal, but has led to a large number of claimants seeking, in proceedings brought in the English courts and elsewhere, to recover damages from BA and the other airlines which they claim arise from the alleged cartel activity. It is not possible at this stage to predict the outcome of the proceedings, which BA will vigorously defend. BA has, or will, join in to the proceedings the other airlines alleged to have participated in cartel activity to obtain a contribution to such damages, if any, awarded.

The Group is also party to similar litigation in a number of other jurisdictions, including Germany, the Netherlands, Israel and Canada, together with a number of other airlines. At present, the outcome of the proceedings is unknown. In each case, the precise effect, if any, of the alleged cartelising activity on the claimants will need to be assessed.

On the basis of latest information obtained and advice from legal counsel, we are currently unable to determine whether the Group has an existing obligation as a result of the past event.

## 16 Related party transactions

The Group had transactions in the ordinary course of business during the six months ended 30 June with related parties.

£ million	2015	2014 <sup>1</sup>
<b>Parent:</b>		
Sales to/purchases on behalf of IAG	17	13
Purchases from IAG	22	16
Amounts owed by IAG	11	17
Amounts owed to IAG	12	13
<b>Significant shareholder of the parent:</b>		
Sales to/purchases on behalf of the significant shareholder of the parent	2	
Purchases from the significant shareholder of the parent	2	
Amounts owed by significant shareholder of the parent	1	
<b>Subsidiary undertakings of the parent:</b>		
Sales to subsidiary undertakings of the parent	53	16
Purchases on behalf of subsidiary undertakings of the parent	321	14
Amounts owed by subsidiary undertakings of the parent	22	8
Amounts owed to subsidiary undertakings of the parent	307	9
<b>Associates:</b>		
Sales to associates	128	34
Purchases from associates	165	79
Amounts owed by associates	81	11
Amounts owed to associates	1,120	31

<sup>1</sup> Values for amounts owed represent balances at 31 December 2014

In addition, costs borne by the Group on behalf of the Group's retirement benefit plans amounted to £3 million in relation to the Pension Protection Fund levy (2014: £2 million).

The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the period ended 30 June 2015 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (year ended 31 December 2014: £nil).

### *Directors' and officers' loans and transactions*

There were no loans or credit transactions with Directors or officers of the Group at 30 June 2015 or that arose during the year that need to be disclosed in accordance with the requirements of Sections 412 and 413 to the Companies Act 2006.

## Fleet Table

### Number in service with Group companies at 30 June 2015<sup>1</sup>

	On Balance Sheet fixed assets	Off Balance Sheet operating leases	Total June 2015	Total December 2014	Changes since December 2014	Future deliveries	Options
Airbus A318	2		2	2			
Airbus A319	31	13	44	44			
Airbus A320 <sup>3</sup>	40	22	62	59	3	18	50
Airbus A321	14	4	18	18		7	
Airbus A330							
Airbus A350						18	36
Airbus A380 <sup>3</sup>	9		9	8	1	3	7
Boeing 737-400 <sup>2</sup>	3		3	5	(2)		
Boeing 747-400 <sup>4</sup>	42		42	43	(1)		
Boeing 757-200	1	2	3	3			
Boeing 767-300	14		14	14			
Boeing 777-200	41	5	46	46			
Boeing 777-300	9	3	12	12			
Boeing 787	8		8	8		34	6
Embraer E170	6		6	6			
Embraer E190	9	2	11	11		1	15
<b>TOTAL</b>	<b>229</b>	<b>51</b>	<b>280</b>	<b>279</b>	<b>1</b>	<b>81</b>	<b>114</b>

#### Note:

1. Includes those operated by British Airways Plc, BA Cityflyer Limited and OpenSkies SASU.
2. Two Boeing B737-400 aircraft were temporarily stood down from service during the period.
3. Future deliveries have decreased by 3. One Airbus A320 and one Airbus A380 aircraft were delivered in the period.
4. One Boeing B747-400 disposed.