BRITISH AIRWAYS SIX MONTH RESULTS (unaudited)

1 January 2018 – 30 June 2018

British Airways Plc ('BA' or the 'Group') presents its consolidated results for the six month period ended 30 June 2018. All of the information below was included within the results announcement presented by International Consolidated Airlines Group S.A. ('IAG') on 3 August 2018.

Period highlights

- Total revenue of £6,124 million (2017: £5,840 million) up 4.9 per cent from last year.
- Operating profit (before exceptional items) of £762 million (2017: £632 million) £130 million better than last year.
- Fuel cost up 12.5 per cent from last year.
- Non fuel unit costs per ASK improved 2.2 per cent from last year.
- Non-operating items (excluding exceptional items) up £65 million to £72 million (2017: £7 million) driven mainly by interest credit on the defined benefit pension scheme.
- One off exceptional credit of £598 million following closure of defined benefit scheme and defined contribution scheme.

Performance summary

For the six months ended 30 June

Financial data £ million	2018	*2017 Restated²*	Better/(Worse)
Passenger revenue	**5,481**	*5,254*	4.3%
Total revenue	**6,124**	*5,840*	4.9%
Total expenditure on operations	**(5,362)**	*(5,208)*	(3.0)%
Operating profit before exceptional items	**762**	*632*	20.6%
Exceptional items	**547**	*(66)*	nm
Non-operating items	**72**	*7*	(928.6)%
Profit before tax	**1,381**	*573*	141.0%

nm = not meaningful

Operating figures	2018	*2017 Restated²*	Better/(Worse)
Available seat kilometres (ASK¹) (m)	**90,325**	*88,228*	2.4%
Revenue passenger kilometres (RPK¹) (m)	**73,461**	*70,823*	3.7%
Cargo tonne kilometres (CTK¹) (m)³	**2,154**	*2,198*	(2.0)%
Passenger load factor¹ (%)	**81.3%**	*80.3%*	1.0%
Passengers carried (000)	**22,475**	*21,607*	4.0%
Passenger revenue per ASK (p)	**6.07**	*5.95*	2.0%
Passenger revenue per RPK (p)	**7.46**	*7.42*	0.5%
Non-fuel costs per ASK (p)	**4.41**	*4.51*	2.2%

¹ Defined in the Annual Report and Accounts for the year ended 31 December 2017 and should be read in conjunction with this document.
² Please refer to note 2 for further details on transition adjustments relating to IFRS 15 and IFRS 9 and note 18 for discontinued operations.
³ Statistics include both continuing and discontinued operations

Management review

BA has made an operating profit before exceptional items of £762 million for the half year (2017: £632 million), mainly driven by stronger revenue performance across North Atlantic and short haul routes. Total revenue is up by 4.9 per cent from last year and this is predominantly driven by higher yields (passenger revenue/revenue passenger kilometre) and improved passenger load factor.

The Group closed the New Airways Pension Scheme (NAPS) to future accrual and British Airways Retirement Plan (BARP) to future contributions from 31 March 2018. The schemes have been replaced by a flexible defined contribution scheme, the British Airways Pension Plan (BAPP). The changes resulted in a one-off reduction of the NAPS IAS 19 defined benefit liability of £770 million and associated transitional arrangement cash costs of £169 million. The net impact of cash transition payments, the liability reduction and BARP closure costs is treated as an exceptional gain of £598 million. In July 2018, BA was successful in the appeal in the Airways Pension Sceme (APS) litigation. Refer to note 19 for further information.

During the period, British Airways successfully launched a $609 million EETC bond issue to fund aircraft deliveries. The bonds were combined with Japanese Operatng Leases with Call Option ("JOLCO") of $259 million. The total sum raised was $868 million. The transaction includes Class AA and Class A Certificates with an underlying collateral pool consisting of 11 aircraft: two new Boeing 787-9, two new Boeing 787-8 and seven new Airbus A320 NEO aircraft. The Class AA Certificates ($410 million) have an annual coupon, payable quarterly, of 3.800 per cent and the Class A Certificates ($199 million) have an annual coupon, payable quarterly, of 4.125 per cent.

Outlook
We are investing £4.5 billion over the next five years to improve customer experience. This will include 66 new aircraft. A new top tier business class seat will begin to be rolled out in 2019. We are using technology and training to empower front line colleagues to deliver an upgraded service proposition.

Financial Review

Consolidated income statement
For the six months ended 30 June

£ million	2018	*2017 Restated[2]*	Better/(Worse)
Passenger revenue	**5,481**	*5,254*	4.3%
Cargo revenue	**363**	*344*	5.5%
Other revenue	**280**	*242*	15.7%
Total revenue	**6,124**	*5,840*	**4.9%**
Employee costs	**1,267**	*1,273*	0.5%
Depreciation, amortisation and impairment	**387**	*377*	(2.7)%
Aircraft operating lease costs	**113**	*113*	-
Fuel, oil and emission charges	**1,381**	*1,228*	(12.5)%
Engineering and other aircraft costs	**353**	*399*	11.5%
Landing fees and en-route charges	**457**	*454*	(0.7)%
Handling, catering and other operating costs	**852**	*853*	0.1%
Selling costs	**257**	*240*	(7.1)%
Currency differences	**7**	*4*	nm
Property, IT and other costs	**288**	*267*	(7.9)%
Total expenditure on operations[1]	**5,362**	*5,208*	**(3.0)%**
Operating profit before exceptional items	**762**	*632*	**20.6%**
Exceptional item	**547**	*(66)*	nm
Non-operating items	**72**	*7*	(928.6)%
Profit before tax	**1,381**	*573*	141.0%
Tax	**(184)**	*(100)*	80.4%
Profit after tax	**1,197**	*471*	154.1%

[1] Total operating expenditure excluding fuel, oil costs and emission charges was £3,981 million (2017: £3,980 million).
[2] Please refer to note 2 for further details on transition adjustments relating to IFRS 15 and IFRS 9 and note 18 for discontinued operations.
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 4.0 per cent, increasing passenger load factor by 1.0 pts. This translated to total revenue for the first half of the year of £6,124 million (2017: £5,840 million). The increase in revenue is driven by rising yields which saw passenger revenue per RPK increase by 0.5 per cent in line with strong business sector performance across Rest of the World and North Atlantic routes. The Group carried 22,475 thousand passengers during the period. Cargo revenue increased by 5.5 per cent in response to increased demand of Asia Pacific exports to South and North America.

Expenditure on operations
There has been an increase in half year operating costs to £5,362 million (2017: £5,208 million). Fuel costs increased by £153 million, or 12.5 per cent, to £1,381 million compared to £1,228 million in the prior period. The increase is mainly attributed to adverse jet fuel prices which have increased from $508 per metric ton in 2017 to $663 per metric ton. British Airways continues to invest in next generation aircraft to benefit from improved fuel performance. The Group plans to retire the last Boeing 747 by 2024.

Group expenditure excluding fuel was similar to the last period at £3,981 million (2017: £3,980 million). Engineering and other aircraft costs decreased 11.5 per cent mainly driven by favourable foreign exchange rates partially offset by increased wet lease costs. Selling costs have increased by 7.1 per cent following the implementation of the new distribution capability (NDC) from 1 November 2017. Handling, catering and other operating costs remained similar despite higher traffic, mainly reflecting the higher disruption costs that were incurred in 2017, including the impact of the power outage in May 2017.

Exceptional items
The exceptional gain of £547 million (2017: £66 miilion loss) includes the one-off reduction of NAPS IAS 19 defined benefit liability of £770 million (2017: £nil) following closure of NAPS to future accrual in March 2018. This was offser by other cash costs of £172 million linked to the closure of the NAPS and BARP schemes. The remaining exceptional cost relates to the transformation programme implemented by the Group to develop a more efficient and cost effective structure. The overall costs of the programme principally comprise employee severance costs. Costs incurred in the six

Financial Review (continued)

Exceptional items (continued)
months to 30 June 2018 in respect of this programme amount to £51 million (2017: £66 million). The tax charge related to exceptional items is £42 million (2017: £13 million credit).

Non-operating items
Non-operating items include gains of £12 million (2017: £8 million losses) mainly from fuel derivatives, £93 million (2017: £72 million) relating to the share of post tax profits in associates offset by £53 million (2017: £55 million) of finance costs primarily relating to loan and finance lease interest and £12 million (2017: £4 million) loss on disposal of non-current assets.

Tax
The tax charge on continuing operations for the period ended 30 June 2018 was £184 million (2017: £102 million). After removing the share of after-tax profits of associates, the effective tax rate for the period was 14.3 per cent (2017: 20.3 per cent).

Capital expenditure
Total capital expenditure in the period amounted to £587 million (2017: £208 million) which includes £449 million (2017: £151 million) of fleet related spend (aircraft, aircraft progress payments, spares, modifications and refurbishments) and £74 million (2017: £57 million) on property, equipment and software.

Liquidity
The Group's liquidity position remains robust with £3.2 billion of cash and cash equivalents and other interest bearing deposits (31 December 2017: £2.8 billion). Net debt stood at £1.2 billion (31 December 2017: £1.5 billion).

Principal risks and uncertainties
The Group continued to maintain and operate a structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting BA are detailed on pages 10 to 12 of the 2017 Annual Report and Accounts and remain relevant for this period and 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 interim financial statements can be found on pages 5-25.

Directors' responsibility statement

The Directors 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 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

Alex Cruz Chairman and Chief Executive Officer 2 August 2018	Steve Gunning Chief Financial Officer 2 August 2018

Ends

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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 2017; these documents are available on www.iagshares.com.

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BRITISH AIRWAYS PLC

Unaudited Condensed Consolidated Interim Financial Statements
1 January 2018 – 30 June 2018

Consolidated income statement

For the six months ended 30 June £ million	Note	2018	*2017 Restated*[1]
CONTINUING OPERATIONS			
Passenger revenue		**5,481**	*5,254*
Cargo revenue		**363**	*344*
Other revenue		**280**	*242*
Total revenue	5	**6,124**	*5,840*
Employee costs		**1,267**	*1,273*
Depreciation, amortisation and impairment		**387**	*377*
Aircraft operating lease costs		**113**	*113*
Fuel, oil costs and emission charges		**1,381**	*1,228*
Engineering and other aircraft costs		**353**	*399*
Landing fees and en route charges		**457**	*454*
Handling, catering and other operating costs		**852**	*853*
Selling costs		**257**	*240*
Currency differences		**7**	*4*
Property, IT and other costs		**288**	*267*
Total expenditure on operations		**5,362**	*5,208*
Operating profit before exceptional items		**762**	*632*
Exceptional items	3	**547**	*(66)*
Operating profit after exceptional items		**1,309**	*566*
Finance costs	6	**(53)**	*(55)*
Finance income	6	**18**	*10*
(Loss)/profit on sale of property, plant and equipment and investments		**(12)**	*(4)*
Net gain relating to equity investments		**2**	*1*
Share of post-tax profits in associates accounted for using the equity method		**93**	*72*
Realised gains/(losses) on derivatives not qualifying for hedge accounting		**2**	*(6)*
Unrealised gains/(losses) on derivatives not qualifying for hedge accounting		**10**	*(2)*
Net financing credit/(charge) relating to pensions		**10**	*(13)*
Net currency retranslation charges		**2**	*4*
Profit before tax from continuing operations		**1,381**	*573*
Tax	7	**(184)**	*(102)*
Profit after tax from continuing operations		**1,197**	*471*
DISONTINUED OPERATIONS			
Loss after tax from discontinued operations	18	**-**	(6)
Profit after tax		**1,197**	465
Attributable to:			
Equity holders of the parent		**1,188**	*456*
Non-controlling interest		**9**	*9*
		1,197	*465*

[1] Please refer to note 2 for further details on transition adjustments relating to IFRS 15 and IFRS 9 and note 18 for discontinued operations.

Consolidated statement of other comprehensive income

For the six months ended 30 June £ million	Note	2018	*2017 Restated*[1]
Profit after tax for the period		**1,197**	*464*
Other comprehensive income:			
Items that will not be reclassified to net profit			
Remeasurement of post-employment benefit obligations		**(75)**	*193*
Income taxes		**75**	*(36)*
		-	*157*
Items that may be reclassified to net profit			
Currency translation differences		**4**	*9*
Fair value movements on cash flow hedges		**494**	*(313)*
Fair value of cash flow hedges reclassified to net profit		**(171)**	*15*
Equity investments – fair value movements in equity		**(6)**	*3*
Other movements in comprehensive income of associates	12	**(1)**	*(10)*
Income taxes		**(61)**	*57*
		259	*(239)*
Total other comprehensive loss		**259**	*(82)*
Total comprehensive income/(loss) for the period (net of tax)		**1,456**	*382*
Total comprehensive income is attributable to:			
Equity holders of the parent		**1,447**	*373*
Non-controlling interest		**9**	*9*
		1,456	*382*

1 Please refer to note 2 for further details on transition adjustments relating to IFRS 15 and IFRS 9 and note 18 for discontinued operations.

Consolidated balance sheet

£ million	Note	30 June 2018	31 December 2017 Restated[1]
Non-current assets			
Property, plant and equipment	8	**8,042**	*7,938*
Intangible assets	8	**1,044**	*991*
Investments in associates accounted for using the equity method	12	**1,668**	*1,577*
Equity investments	16	**55**	*60*
Employee benefit assets	17	**1,547**	*904*
Derivative financial instruments	16	**199**	*73*
Loan to related party	16	**222**	*177*
Other non-current assets	16	**68**	*105*
Total non-current assets		**12,845**	*11,825*
Current assets			
Inventories		**175**	*131*
Trade receivables	16	**952**	*766*
Other current assets	16	**724**	*509*
Derivative financial instruments	16	**354**	*206*
Loan to related party	16	**92**	*88*
Other current interest-bearing deposits		**1,805**	*1,840*
Cash and cash equivalents		**1,408**	*956*
Assets held for sale	18	**-**	*22*
Total current assets		**5,510**	*4,518*
Total assets		**18,355**	*16,343*
Shareholders' equity			
Issued share capital		**290**	*290*
Share premium		**1,512**	*1,512*
Other reserves		**4,943**	*3,621*
Total shareholders' equity		**6,745**	*5,423*
Non-controlling interests		**200**	*200*
Total equity		**6,945**	*5,623*
Non-current liabilities			
Interest-bearing long-term borrowings	14	**3,855**	*3,716*
Employee benefit obligations	17	**253**	*698*
Deferred tax liability		**526**	*372*
Provisions for liabilities and charges	15	**348**	*337*
Derivative financial instruments	16	**33**	*57*
Other long-term liabilities	16	**53**	*52*
Total non-current liabilities		**5,068**	*5,232*
Current liabilities			
Current portion of long-term borrowings	14	**546**	*572*
Trade and other payables	16	**1,962**	*1,936*
Deferred revenue on ticket sales		**3,602**	*2,665*
Derivative financial instruments	16	**26**	*52*
Current tax payable		**61**	*116*
Provisions for liabilities and charges	15	**145**	*125*
Liabilities directly associated with the assets held for sale	18	**-**	*22*
Total current liabilities		**6,342**	*5,488*
Total liabilities		**11,410**	*10,720*
Total equity and liabilities		**18,355**	*16,343*

[1] Please refer to note 2 for further details on transition adjustments relating to IFRS 15 and IFRS 9.

Consolidated cash flow statement

For the six months ended 30 June £ million	Note	**2018**	*2017 Restated*[1]
Cash flows from operating activities			
Operating profit from continuing operations after exceptional items		**1,309**	*565*
Exceptional items		**(547)**	*66*
Operating profit before exceptional items from continuing operations		**762**	*631*
Operating loss from discontinued operations		**-**	*(6)*
		762	*625*
Depreciation, amortisation and impairment	8	**387**	*377*
Movement in working capital			
Increase in trade and other receivables, prepayments, inventories and current assets		**(374)**	*(75)*
Increase in trade and other payables, deferred revenue on ticket sales and current liabilities		**991**	*907*
Payments related to restructuring		**(27)**	*(50)*
Employer contributions to defined benefit pension schemes		**(427)**	*(479)*
Defined benefit pension scheme service costs		**46**	*100*
Provision and other non-cash movement		**(131)**	*(16)*
Interest paid		**(39)**	*(38)*
Interest received		**11**	*11*
Taxation		**(71)**	*(32)*
Net cash flows generated from operating activities		**1,128**	*1,330*
Cash flows used in investing activities			
Aquisition of property, plant and equipment and intangible assets		**(587)**	*(208)*
Proceeds from sale of property, plant and equipment and intangible assets		**5**	*-*
Disposal of subsidiary, net of cash disposed		**(17)**	*-*
Decrease/(Increase) in other current interest-bearing deposits	13	**35**	*(580)*
Dividends received	12	**3**	*69*
Loan to parent company		**(50)**	*-*
Net cash flows used in investing activities		**(611)**	*(719)*
Cash flows from financing activities			
Net proceeds from long-term borrowings	13	**395**	*-*
Repayment of borrowings	13	**(42)**	*(76)*
Repayment of finance leases	13	**(289)**	*(214)*
Dividends paid	11	**(125)**	*(100)*
Distributions made to holders of perpetual securities		**(9)**	*(9)*
Net cash flows from financing activities		**(70)**	*(399)*
Net change in cash and cash equivalents		**447**	*212*
Net foreign exchange differences		**(12)**	*(31)*
Cash and cash equivalents at 1 January		**973**	*1,070*
Cash and cash equivalents at 30 June		**1,408**	*1,251*
Interest-bearing deposits maturing after more than three months		**1,805**	*2,005*
Cash and cash equivalents and other interest-bearing deposits at 30 June		**3,213**	*3,256*

[1] Please refer to note 2 for further details on transition adjustments relating to IFRS 15 and IFRS 9 and note 18 for discontinued operations.

Consolidated statement of changes in equity

For the six months ended 30 June 2018

£ million	Issued capital	Share premium	Other reserves[1]	**Total shareholders' equity**	Non-controlling interest	**Total Equity**
Balance at 1 January 2018	290	1,512	3,972	**5,774**	200	**5,974**
IFRS 15 adjustments (note 2)	-	-	(351)	**(351)**	-	**(351)**
Adjusted balance at 1 January 2018	290	1,512	3,621	**5,423**	200	**5,623**
Profit for the period	-	-	1,188	**1,188**	9	**1,197**
Other comprehensive income for the period	-	-	259	**259**	-	**259**
Total comprehensive income for the period (net of tax)	-	-	1,447	**1,447**	9	**1,456**
Dividends	-	-	(125)	**(125)**	**-**	**(125)**
Distributions made to holders of perpetual securities	-	-	-	**-**	(9)	**(9)**
At 30 June 2018	**290**	**1,512**	**4,943**	**6,745**	**200**	**6,945**

For the six months ended 30 June 2017

£ million	*Issued capital*	*Share premium*	*Other reserves[1]*	*Total shareholders' equity*	*Non-controlling interest*	*Total equity*
Balance at 1 January 2017	*290*	*1,512*	*2,239*	*4,041*	*200*	*4,241*
IFRS 15 adjustments (note 2)	-	-	*(312)*	*(312)*	-	*(312)*
Adjusted balance at 1 January 2017	*290*	*1,512*	*1,927*	*3,729*	*200*	*3,929*
Profit for the period	-	-	*456*	*456*	*9*	*465*
Other comprehensive income for the period	-	-	*(82)*	*(82)*	-	*(82)*
Total comprehensive income for the period (net of tax)	-	-	*374*	*374*	*9*	*383*
Dividends	-	-	*(100)*	*(100)*	-	*(100)*
Distributions made to holders of perpetual securities	-	-	-	-	*(9)*	*(9)*
At 30 June 2017	*290*	*1,512*	*2,201*	*4,003*	*200*	*4,203*

[1]The retained earnings for the Group at 30 June 2018 were £4,675 million (2017: £2,585 million).

Notes to the accounts
For the six months ended 30 June 2018

1 Corporate information and basis of preparation

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

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 and authorised for issue by the Board of Directors on 2 August 2018. The condensed consolidated interim financial statements herein are not the Company's statutory financial statements and are unaudited. The Directors consider that the Group has adequate resources to remain in operation for the forseeable future and have therefore continued to adopt the going concern basis in preparing the interim financial statements.

The basis of preparation and accounting policies set out in the BA Annual Report and Accounts for the year ended 31 December 2017 have been applied in the preparation of these condensed consolidated interim financial statements, with the exception of the newly effective accounting standards, amendments and interpretations described in note 2. BA's Annual Report and Accounts 2017 have been filed with the Registrar of Companies in England and Wales; and are in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and with those of the Standing Interpretations issued by the IFRS Interpretations Committee of the International Accounting Standards Board (IASB). 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.

2 Accounting policies

2.1 Impact of new International Financial Reporting Standards

The Group has adopted IFRS 15 'Revenue from contracts with customers' from 1 January 2018. The standard establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services have been satisfied.

The Group has identified the following changes to revenue recognition on adoption of the standard:

- Passenger revenue – revenue associated with ancillary services that was previously recognised when paid, such as administration fees, is deferred to align with the recognition of revenue associated with the related travel.
- Cargo revenue – interline cargo revenue is presented gross rather than net of related costs as BA is considered to be principal rather than agent in these transactions.
- Other revenue – Revenue associated with maintenance activities and holiday revenue with performance obligations that are fulfilled over time, is recognised over the performance obligation period.
- Investment in associates – The Group's associate investment Avios Group (AGL) Limited adopted IFRS 15 from 1 January 2018. Revenue associated with performance obligations arising on the sale of loyalty points, including revenue allocated to brand and marketing services and revenue allocated to Avios points, has been determined based on the relative stand-alone selling price of each performance obligation. Revenue associated with brand and marketing services is recognised as the points are issued. Revenue allocated to the Avios points is deferred and recognised when the points are redeemed. The impact of assessing the stand-alone selling price of the points was higher than the fair value applied under IFRIC 13 'Customer loyalty programmes'. The adoption of IFRS 15 by the Group's associate investment has resulted in a reduction of the carrying value of the Group's investments in associates and a corresponding reduction in the Group's retained earnings.

The Group has applied the standard on a fully retrospective basis and restated prior year comparatives on adoption of IFRS 15, and there has been an adjustment to opening retained earnings at 1 January 2017 of £312 million. Revenue for the six months ended 30 June 2017 has increased by £18 million and operating expenditure has increased by £26 million, resulting in a reduction in operating profit of £8 million. Share of post-tax profits in associates accounted for using the equity method has decreased by £14 million, resulting in a reduction in post tax profit of £22 million.

The Group has adopted IFRS 9 'Financial Instruments' from 1 January 2018. The standard amends the classification and measurement models for financial assets and adds new requirements to address the impairment of financial assets. It also introduces a new hedge accounting model to more closely align hedge accounting with risk management strategies and objectives.

The Group will continue to recognise most financial assets at amortised cost. Equity investments, previously classified as available-for-sale, are measured at fair value through other comprehensive income, with no recycling of gains and losses to the income statement. In addition, the Group has adopted a new impairment model for trade receivables and other financial assets, with no material adjustments to existing provisions.

2 Accounting policies

2.1 Impact of new International Financial Reporting Standards (continued)

The Group continues to undertake hedging activity in line with its financial risk management objectives and policies. Movements in the time value of options are now classified as cost of hedging and recognised in other comprehensive income, with prior year comparatives restated. At 1 January 2017 there was a reclassification of £21 million of post-tax gains from retained earnings to unrealised gains and losses in other reserves to reflect this reclassification. In addition, a £34 million post-tax charge previously recognised in the income statement for the six months ended 30 June 2017 has been recognised in other comprehensive income in the same period.

The Group has not adopted any other standards, amendments or interpretations in the six months to June 2018 that have had a significant change to its financial performance or position.

IFRS 16 'Leases' will be adopted by the Group from 1 January 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. The Group has a number of operating leases for assets including aircraft, property and other equipment. Details of the Group's operating lease commitments are disclosed in note 25 of BA's 2017 Annual Report and Accounts.

The Group is currently assessing the impact of the new standard and expects its implementation to have a significant impact on the financial statements from the date of adoption. The main changes will be as follows:

1. The amounts recognised as assets and liabilities on adoption of IFRS 16 will be subject to a number of judgements, estimates and assumptions. This includes:

    a. Judgements when reviewing current agreements (such as agreements for terminal capacity) to determine whether they contain leases as defined under the new standard.
    b. Assumptions used to calculate the discount rate to apply to lease obligations, which is likely to be based on the incremental borrowing rate for the estimated lease term.
    c. Estimation of the lease term, including options to extend the lease where the Group is reasonably certain to extend.

2. Interest-bearing borrowings and non-current assets will increase on implementation of the standard as obligations to make further payments under leases currently classified as operating leases will be recognised on the Balance sheet, along with the related 'right-of-use' asset. On adoption, it is expected that the Group will adopt the modified retrospective transition approach, with lease obligations, which are predominantly US dollar denominated, recognised at the exchange rate ruling on the date of adoption and the appropriate incremental borrowing rate at that date. The related 'right-of-use' asset will be recognised at the exchange rate ruling at the commencement of the lease.

3. There will be a reduction in expenditure on operations and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense.

4. The Group's operating and financial statistics will also be impacted. These comprise Operating profit margin and operating profit before exceptional items margin; EBITDAR and net debt/total capital ratio. The definitions of these metrics will be reviewed on adoption of IFRS 16 to ensure that they continue to measure the outcome of the Group's strategy and monitor performance against long-term planning targets.

For future reporting periods after adoption, foreign exchange movements on lease obligations which are predominantly denominated in US dollars, will be remeasured at each balance sheet date, however the right-of-use asset will be recognised at the historic exchange rate. This will create volatility in the Income statement.

2.2 Restatement of financial information

Extract of the consolidated income statement

For the six months ended 30 June 2017

£ million	Previously reported	IFRS 15 Adjustment	IFRS 9 Adjustment	Restated Amount[1]
Passenger revenue	5,285	(10)	-	5,275
Cargo revenue	320	25	-	345
Other revenue	239	3	-	242
Total revenue	**5,844**	**18**	**-**	**5,862**
Handling, catering and other operating costs	833	26	-	859
Other expenditure on operations	4,378	-	-	4,378
Total expenditure on operations	**5,211**	**26**	**-**	**5,237**
Exceptional items	(66)	-	-	(66)
Operating profit after exceptional items	**567**	**(8)**	**-**	**559**
Unrealised (losses)/gains on derivatives not qualifying for hedge accounting	(35)	-	33	(2)
Net currency retranslation charges	(5)	-	9	4
Share of post-tax profits in associates accounted for using the equity method	86	(14)	-	72
Non-operating items	(67)	-	-	(67)
Profit before tax	**546**	**(22)**	**42**	**566**
Tax	(96)	2	(8)	(102)
Profit after tax for the period	450	(20)	34	464

[1]The restated amounts do not include the disposal of the Openskies operation. The amounts relating to the Openskies operation are detailed in note 18.

Extract of the consolidated balance sheet

As at 31 December 2017

£ million	Previously reported	IFRS 15 Adjustment	Restated Amount
Shareholder's equity			
Issued share capital	290	-	290
Share premium	1,512	-	1,512
Other reserves	3,972	(351)	3,621
Total shareholders' equity	**5,774**	**(351)**	**5,423**
Non-current assets			
Investment in associates accounted for using the equity method	1,912	(335)	1,577
Non-current liabilities			
Deferred tax liability	(376)	4	(372)
Current liabilities			
Trade and other payables	(1,943)	7	(1,936)
Deferred revenue on ticket sales	(2,638)	(27)	(2,665)

3 Exceptional items

Exceptional items are those that in management's view need to be disclosed by virtue of their size or incidence. The following items are deemed to be exceptional:

For the six months ended 30 June £ million	2018	2017
Restructuring costs	**51**	*66*
Net gains relating to closure of pension schemes	**(598)**	*-*
Exceptional items	**(547)**	*66*

The Group has embarked on a transformation programme to develop a more efficient and cost effective structure. The overall costs of the programme principally comprise employee severance costs and include other directly associated costs. Costs incurred in the six months ended 30 June 2018 in respect of this programme amount to £51 million (2017: £66 million).

British Airways has closed its New Airway Pension Scheme (NAPS) to future accrual and its British Airways Retirement Plan (BARP) to future contributions from 31 March 2018.

NAPS active members were offered a choice of transition arrangements. Cash transition costs, paid either directly to members or into their pension accounts amounted to £169 million. The closure of NAPS to future accrual and awarding of non-cash options to increase future NAPS pensions amounted to a past service gain of £770 million. BARP closure costs amounted to £3 million.

The tax charge related to exceptional items is £42 million (2017: £13 million credit).

4 Seasonality

The Group's business is 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 compared to the first six months.

5 Segment information

a Business segments

The Group's network passenger and cargo operations are managed as a single business unit. The Management Committee make 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 businesses, their activities are considered to be sufficiently similar in nature to aggregate all segments. The primary financial information reviewed by the Management Committee is based on the consolidated results of the Group. Based on the way the Group manages 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's airline operations.

b Geographical analysis - by area of original sale

For the six months ended 30 June £ million	2018	2017 Restated[1]
UK	**2,876**	*2,634*
USA	**1,249**	*1,293*
Rest of the world	**1,999**	*1,914*
Revenue	**6,124**	*5,840*

[1] Please refer to note 2 for further details on transition adjustments relating to IFRS 15 and IFRS 9.

5 Segment information (continued)

b Geographical analysis - by area of original sale (continued)

The total of non-current assets excluding equity investments, employee benefit assets, other non-current assets, loans to related parties and derivative financial instruments located in the UK is £10,860 million (31 December 2017: £10,612 million), USA is £19 million (31 December 2017: £9 million) and the total of these non-current assets located in other countries is £211 million (31 December 2017: £200 million).

6 Finance costs and income

For the six months ended 30 June

£ million	2018	2017
Finance costs		
Interest payable on bank and other loans, finance charges payable under finance leases	**(58)**	*(57)*
Capitalised interest on progress payments	**5**	*2*
Total finance costs	**(53)**	*(55)*
Finance income		
Interest on other interest-bearing deposits	**12**	*10*
Other finance income	**6**	*-*
Total finance income	**18**	*10*

7 Tax

The total tax charge through the income statement for the six month period ended 30 June 2018 was £184 million (2017: £102 million) on a profit before tax of £1,381 million (2017: £573 million). After removing non-taxable items, the effective rate for the period was 14.3 per cent (2017: 20.3 per cent) being lower (2017: higher) than the tax charge at the standard UK corporation tax rate of 19 per cent (2017: 19.25 per cent).

The main rate of corporation tax applicable from 1 April 2020 is reducing from 19 per cent to 17 per cent.

8 Property, plant, equipment and intangibles

a Property, plant and equipment

£ million	2018	2017
Net book value at 1 January	**7,938**	*8,124*
Additions	**480**	*176*
Disposals	**(19)**	*(8)*
Depreciation	**(357)**	*(350)*
Net book value at 30 June	**8,042**	*7,942*

b Intangibles

£ million	2018	2017
Net book value at 1 January	**991**	*992*
Additions	**91**	*33*
Disposals	**(8)**	*(6)*
Amortisation	**(30)**	*(27)*
Net book value at 30 June	**1,044**	*992*

9 Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £5,107 million (31 December 2017: £5,377 million). The majority of capital expenditure commitments are denominated in US dollars, as such the commitments are subject to changes in exchange rates.

10 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 for the year ended 31 December 2017. For the six months to 30 June 2018, there are no indicators that the carrying value may exceed the recoverable amount.

11 Dividends

For the six months ended 30 June £ million	2018	*2017*
A1 Ordinary shares: £109.27 per share (2017: £87.41)	**98**	*78*
A2 Ordinary shares: £109.27 per share (2017: £87.41)	**11**	*9*
C Ordinary shares: £109.27 per share (2017: £87.41)	**16**	*13*
	125	*100*

12 Investment in associates

£ million	2018	*2017 Restated[1]*
Balance at 1 January	**1,577**	*1,565*
Exchange differences	**(1)**	*-*
Share of associates' profit	**93**	*72*
Share of movements on other reserves	**-**	*(10)*
Dividends received	**(1)**	*(69)*
Balance at 30 June	**1,668**	*1,558*

[1] Please refer to note 2 for further details on transition adjustments relating to IFRS 15.

13 Reconciliation of net cash flow to movement in net debt

£ million	2018	*2017*
Increase in cash and cash equivalents from continuing operations	**447**	*212*
Disposal of subsidiary, net of cash disposed	**17**	*-*
(Decrease)/increase in other current interest-bearing deposits	**(35)**	*580*
Net cash outflow from decrease in debt and lease financing	**331**	*290*
New loans and finance leases taken out	**(395)**	*-*
Decrease in net debt resulting from cash flow	**365**	*1,082*
Exchange differences and other non-cash movements	**(61)**	*(69)*
Decrease in net debt during the period	**304**	*1,013*
Net debt at 1 January	**(1,492)**	*(2,656)*
Net debt at 30 June	**(1,188)**	*(1,643)*

13 Reconciliation of net cash flow to movement in net debt (continued)

Net debt is calculated as total cash and cash equivalents and current interest bearing deposits less total interest bearing borrowings.

14 Borrowings

£ million	**30 June 2018**	*31 December 2017*
a Current		
Bank and other loans	**75**	*83*
Finance leases	**471**	*489*
	546	*572*
b Non-current		
Bank and other loans	**360**	*393*
Finance leases	**3,495**	*3,323*
	3,855	*3,716*

15 Provisions for liabilities and charges

£ million	Restoration and handback provision	Restructuring provision	Legal claims provision	Other provision	**Total provision**
Balance at 1 January 2018					
Current	17	54	33	21	125
Non-current	308	20	2	7	337
Balance at 1 January 2018	325	74	35	28	462
Provisions recorded during the period	34	54	4	197	289
Utilised during the period	(8)	(27)	(5)	(185)	(225)
Release of unused amounts	(24)	(3)	-	(4)	(31)
Exchange differences	(2)	-	-	-	(2)
As at 30 June 2018	**325**	**98**	**34**	**36**	**493**
Analysis:					
Current	18	80	31	16	**145**
Non-current	307	18	3	20	**348**
As at 30 June 2018	**325**	**98**	**34**	**36**	**493**

The provision for restoration and handback costs is maintained to meet the contractual maintenance and return conditions on aircraft held under operating leases. The provision also includes amounts relating to leased land and buildings where restoration costs are contractually required at the end of the lease. The provisions relate to leases up to 2028.

Restructuring provisions mainly represent the estimated costs of settling employee obligations under the Group's restructuring programme (see note 3). The remaining costs associated with this programme are expected to be incurred in 2018 and the payments will be made over a maximum of five years.

Legal claims provisions include amounts for multi-party claims from groups or employees on a number of matters related to the Group's operations, including claims for additional holiday pay.

15 Provisions for liabilities and charges (continued)

Other provisions include: compensation due to customers whose flights were significantly delayed and are entitled to receive compensation; a provision for the EU Emissions Trading Scheme that represents the excess of BA's CO2 emitted on a flight within the EU in excess of the EU Emission Allowances granted; and provisions relating to unfavourable contracts. The provision also consists of staff leaving indemnities that were set up based on Collective Labour Agreements or local country regulations. The payments associated with these provisions will be made when an employee leaves the Group.

16 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 30 June 2018 and 31 December 2017 by nature and classification for measurement purposes is as follows:

At 30 June 2018

£ million	Financial assets				
	Loans and receivables	Derivatives used for hedging	Equity Investments	Non-financial assets	**Total carrying amount**
Non-current financial assets					
Equity investments	-	-	55	-	**55**
Derivative financial instruments	-	199	-	-	**199**
Other non-current assets	222	-	-	68	**290**
Current financial assets					
Trade receivables	952	-	-	-	**952**
Derivative financial instruments	-	354	-	-	**354**
Other current assets	354	-	-	462	**816**
Other current interest-bearing deposits	1,805	-	-	-	**1,805**
Cash and cash equivalents	1,408	-	-	-	**1,408**

£ million	Financial liabilities			
	Loans and payables	Derivatives used for hedging	Non-financial liabilities	**Total carrying amount**
Non-current financial liabilities				
Interest-bearing long-term borrowings	3,856	-	-	**3,856**
Derivative financial instruments	-	33	-	**33**
Other long-term liabilities	16	-	37	**53**
Current financial liabilities				
Current portion of long-term borrowings	546	-	-	**546**
Trade and other payables	1,923	-	39	**1,962**
Derivative financial instruments	-	26	-	**26**

a Financial assets and liabilities by category (continued)

At 31 December 2017

£ million	Financial assets				
	Loans and receivables	Derivatives used for hedging	Equity Investments	Non-financial assets	**Total carrying amount**
Non-current financial assets					
Equity investments	-	-	60	-	**60**
Derivative financial instruments	-	73	-	-	**73**
Other non-current assets	177	-	-	105	**282**
Current financial assets					
Trade receivables	766	-	-	-	**766**
Derivative financial instruments	-	206	-	-	**206**
Other current assets	229	-	-	368	**597**
Other current interest-bearing deposits	1,840	-	-	-	**1,840**
Cash and cash equivalents	956	-	-	-	**956**

£ million	Financial liabilities			
	Loans and payables	Derivatives used for hedging	Non-financial liabilities	**Total carrying amount**
Non-current financial liabilities				
Interest-bearing long-term borrowings	3,716	-	-	**3,716**
Derivative financial instruments	-	57	-	**57**
Other long-term liabilities	12	-	40	**52**
Current financial liabilities				
Current portion of long-term borrowings	572	-	-	**572**
Trade and other payables	1,901	-	35	**1,936**
Derivative financial instruments	-	52	-	**52**

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.

16 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 30 June 2018 are set out below:

£ million	Level 1	Level 2	Level 3	Fair value Total	Carrying value Total
Financial assets:					
Equity investments	15	-	40	**55**	**55**
Amounts owed by parent	-	50	-	**50**	**50**
Amounts owed by associated group undertakings	-	264	-	**264**	**264**
Derivatives	-	553	-	**553**	**553**
Financial liabilities:					
Interest-bearing borrowings	-	4,523	-	**4,523**	**4,401**
Derivatives	-	59	-	**59**	**59**

The carrying amounts and fair values of the Group's financial assets and liabilities as at 31 December 2017 are set out below:

£ million	Level 1	Level 2	Level 3	Fair value Total	Carrying value Total
Financial assets:					
Equity investments	20	-	40	**60**	**60**
Amounts owed by associated group undertakings	-	269	-	**269**	**265**
Derivatives	-	279	-	**279**	**279**
Financial liabilities:					
Interest-bearing borrowings	-	4,418	-	**4,418**	**4,288**
Derivatives	-	109	-	**109**	**109**

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:

Equity investments
Listed fixed asset investments (Level 1) are stated at market value as at 30 June 2018. For unquoted investments (Level 3) where the fair value cannot be measured reliably, the investment is stated at historic cost less accumulated impairment losses.

Amounts owed by parent and associated group undertakings
The fair value of the amounts owed by related parties are determined by discounting the remaining contractual cash-flows at the relevant market interest rate as at 30 June 2018 (Level 2).

Forward currency transactions, interest rate swaps 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.

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

Bank and other loans and finance leases
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 2018 (Level 2).

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 ended 30 June 2018**	Year ended 31 December *2017*
Balance at 1 January	**40**	*40*
As at period end	**40**	*40*

For unquoted investments, fair value has been determined based on the most recent arm's length transaction for an identical instrument. The Group monitors transactions of these instruments on a regular basis to ensure the fair value is based on the most recent arm's length price.

17 Employee benefits

The principal funded defined benefit pension schemes within the Group are the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS').

NAPS was closed to future accrual from 31 March 2018, resulting in a reduction of the defined benefit obligation. Following closure members' deferred pensions will now be increased annually by inflation up to five per cent per annum (measured using CPI), which is generally lower than the previous assumption for pay growth which included pay rises and promotions. NAPS members were offered a choice of transition arrangements, including non-cash options to increase their NAPS pensions prior to closure. The financial effect of the closure and the non-cash transition arrangements was a past service gain of £770 million. Transition costs of £169 million were paid either directly to members or into their pension accounts. British Airways currently makes deficit contributions to NAPS of £300 million per annum, plus additional contributions of up to £150 million per year depending on the cash balance at the end of March each year. As part of the closure of NAPS, British Airways agreed to make certain additional transition payments to NAPS members, if the deficit had reduced more than expected at either the 2018 or 2021 valuations. No allowance for such payments has been made in the valuation of the defined benefit obligation at half year.

				As at 30 June 2018
£ million	APS	NAPS	Other	**Total**
Scheme assets at fair value	**7,917**	**17,356**	**511**	**25,784**
Present value of scheme liabilities	**(6,423)**	**(15,848)**	**(744)**	**(23,015)**
Net pension asset/(liability)	**1,494**	**1,508**	**(233)**	**2,769**
Effect of the asset ceiling[1]	**(535)**	**(932)**	**-**	**(1,467)**
Other employee benefit obligations	**-**	**-**	**(8)**	**(8)**
	959	**576**	**(241)**	**1,294**
Represented by:				
Employee benefit assets				**1,547**
Employee benefit obligations				**(253)**
				1,294

Notes to the accounts (continued)
For the six months ended 30 June 2018

17 Employee benefits (continued)

As at 31 December 2017

£ million	APS	NAPS	Other	Total
Scheme assets at fair value	8,119	17,288	376	25,783
Present value of scheme liabilities	(6,723)	(17,732)	(610)	(25,065)
Net pension asset / (liability)	1,396	(444)	(234)	718
Effect of the asset ceiling[1]	(504)	-	-	(504)
Other employee benefit obligations	-	-	(8)	(8)
	892	(444)	(242)	206
Represented by				
Employee benefit assets				904
Employee benefit obligations				(698)
				206

[1] Both APS and NAPS are in an IAS19 accounting surplus, which would be available to the Company as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee.

At 30 June 2018, the assumptions used to determine the obligations under the APS and NAPS were reviewed and updated to reflect market conditions at that date. Key assumptions were as follows:

Per cent per annum	**At 30 June 2018**			*At 31 December 2017*		
	APS	**NAPS**	**Other schemes**	*APS*	*NAPS*	*Other schemes*
Discount rate	**2.65**	**2.80**	**2.50 – 3.60**	2.45	2.55	2.50 – 3.60
Rate of increase in pensionable pay	**3.10**	**n/a**	**2.50 – 3.60**	3.15	3.15	2.50 – 3.60
Rate of increase of pensions in payment	**2.00**	**1.95**	**0.00 – 3.50**	2.05	2.05	0.00 – 3.50
RPI rate of inflation	**3.10**	**3.05**	**2.50 – 3.10**	3.15	3.15	2.50 – 3.10
CPI rate of inflation	**2.00**	**1.95**	**2.00 – 3.00**	2.05	2.05	2.00 – 3.00

Further information on the basis of the assumptions is included in note 32 of the Annual Report and Accounts for the year to 31 December 2017.

Pension contributions for APS and NAPS were determined by actuarial valuations made as at 31 March 2012 and 31 March 2015 respectively, using assumptions and methodologies agreed between the Company and Trustees of each scheme.

The triennial valuation as at 31 March 2015 for APS was deferred as a result of legal proceedings (note 19).

18 Discontinued operations and assets and liabilities held for sale

Discontinued operations

On 19 December 2017, BA entered into an agreement to sell its 100 per cent shareholding in Openskies SASU ('Openskies') to FLY LEVEL S.L. effective on 1 January 2018 for a consideration of €1. FLY LEVEL S.L. is another company within the IAG Group. As a result of this transaction, the assets and liabilities of Openskies constituted a disposal group under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' because it represented a separate major operation with a distinct brand and was treated as a separate cash generating unit ('CGU') for the purpose of impairment testing in the period ending 31 December 2017. The Openskies operation was unique from the rest of the Group in that it was the only part of the Group operating flights entirely outside of the UK. The disposal of Openskies resulted in 100 per cent of BA Group's airline operations consisting of flights departing or arriving in the UK. In the period ending 31 December 2017 the assets and liabilities of Openskies have been therefore presented separately on the face of the balance sheet and the associated operations treated as discontinued. The carrying amount of the net assets of Openskies as at 31 December 2017 was more than the fair value less costs to sell (determined to be the consideration of €1), therefore the carrying amount was written down to €1, resulting in an impairment charge of £14 million with a provision for loss on disposal of £10 million. Openskies was disposed of on 1 January 2018.

18 Discontinued operations and assets and liabilities held for sale (continued)

a Results from discontinued operations

£ million	*2017*
Passenger revenue	*21*
Other revenue	*1*
Total revenue	***22***
Employee costs	*7*
Aircraft operating lease costs	*2*
Fuel, oil and emission charges	*8*
Engineering and other aircraft costs	*1*
Landing fees and en route charges	*3*
Handling, catering and other operating costs	*6*
Selling costs	*1*
Property, IT and other costs	*1*
Total operating costs	***29***
Operating loss and loss before tax from discontinued operations	***(7)***
Tax	-
Loss after tax from discontinued operations	***(7)***

b Cash flows relating to discontinued operations

The discontinued operations had a net cash outflow of £7 million as reported in the cash flow statement.

£ million	*2017*
Net cash outflow from operating activities	*(7)*
Net decrease in cash and cash equivalents	***(7)***

Assets and liabilities held for sale

Assets held for sale as at 31 December 2017 represents the assets and liabilities of Openskies SASU, a 100 per cent owned subsidiary of BA. The carrying amount of the net assets of Openskies as at 31 December 2017 was more than the fair value less cost to sell (determined to be the consideration receivable of €1), therefore the carrying amount was written down to €1.

£million	*2017*
Property, plant and equipment	*1*
Intangible assets	*13*
Trade receivables	*3*
Other current assets	*2*
Cash and cash equivalents	*17*
Impairment of net assets held for sale	*(14)*
Assets held for sale	***22***
Trade and other payables	*10*
Provision for loss on disposal	*10*
Current provisions	*2*
Liabilities directly associated with assets held for sale	***22***
Net assets classified as held for sale	**-**

Notes to the accounts (continued)

For the six months ended 30 June 2018

19 Contingent liabilities

Regulatory proceedings and litigation

The European Commission issued a decision in November 2010 in which it found that BA, and 10 other airline groups, had engaged in cartel activity in the air cargo sector (Original Decision). BA was fined €104 million. Following an appeal, the decision was subsequently partially annulled against British Airways (and annulled in full against the other appealing airlines) (GC Judgement), and the fine was refunded in full. British Airways appealed the partial annulment to the Court of Justice, but that appeal was rejected.

In parallel, the EC chose not to appeal the GC Judgement, and instead adopted a new decision in March 2017 (New Decision). The New Decision re-issued fines against all the participating carriers, which match those contained in the Original Decision. BA has therefore again been fined €104 million. BA has appealed the New Decision to the GC again (as have other carriers).

A large number of claimants have brought proceedings in the English courts, to recover damages from British Airways which, relying on the findings in the Commission decisions, they claim arise from the alleged cartel activity. It is not possible at this stage to predict the outcome of the proceedings, which British Airways will vigorously defend. British Airways has joined the other airlines alleged to have participated in cartel activity to these proceedings to contribute to such damages, if any are awarded.

British Airways is also party to similar litigation in a number of other jurisdictions including Germany, the Netherlands 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 of the claimants will need to be assessed.

Pensions
The Trustees of the Airways Pension Scheme (APS) have proposed an additional discretionary increase above CPI for pensions in payment for the year to 31 March 2014. British Airways has challenged the decision and initiated legal proceedings to determine the legitimacy of the discretionary increase. The High Court issued a judgement in May 2017 which determined that the Trustee had the power to grant discretionary increases, whilst reiterating the Trustee must take into consideration all relevant factors, and ignore irrelevant factors. British Airways appealed the judgment to the Court of Appeal. On 5 July 2018 the Court of Appeal released its judgement, upholding British Airways' appeal, concluding the Trustee did not have the power to introduce a discretionary increase rule. British Airways will not have to reflect the increase in liabilities of £12 million that would have applied had the proposed increase for 2013/14 scheme year been paid by the Trustee. Following the judgement, the Trustee was allowed permission to appeal to the Supreme Court. Whether an appeal will be made is not yet certain.

There were no other significant movements in contingent liabilities and guarantees occurring during the period.

20 Related party transactions

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

£ million	**2018**	*2017[3]*
Parent[1]:		
Sales to/purchases on behalf of IAG	**76**	*32*
Purchases from IAG	**11**	*20*
Amounts owed by IAG	**178**	*42*
Amounts owed to IAG	**33**	*11*
Subsidiary undertakings of the parent:		
Sales to subsidiary undertakings of the parent	**15**	*55*
Purchases on behalf of subsidiary undertakings of the parent	**89**	*81*
Amounts owed by subsidiary undertakings of the parent	**299**	*309*
Amounts owed to subsidiary undertakings of the parent	**33**	*43*
Associates[2]:		
Sales to associates	**248**	*227*
Purchases from associates	**182**	*185*
Amounts owed by associates	**77**	*92*
Amounts owed to associates	**903**	*843*

[1] The transactions between the Group and IAG principally comprise 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. Transactions with IAG are carried out on an arm's length basis.
[2] Sales and purchases with associates are made at normal market rates and outstanding balances are unsecured and interest free. Cash settlement is expected within the standard settlement terms.
[3] Comparatives in the above table are 30 June 2017 for income statement items and 31 December 2017 for balance sheet items.

Notes to the accounts (continued)
For the six months ended 30 June 2018

20 Related party transactions (continued)

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 (2017: £3 million).

The Group has not benefited from any guarantees for any related party receivables or payables. During the period ended 30 June 2018 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (year ended 31 December 2017: £nil).

Directors' and officers' loans and transactions

There were no loans or credit transactions with Directors or officers of the Group at 30 June 2018 or that arose during the period that need to be disclosed in accordance with the requirements of Sections 412 and 413 to the Companies Act 2006.

21 Post balance sheet events

The company paid an interim dividend of £109.27 per share on 24 July 2018.

Fleet table

Number in service with Group companies at 30 June 2018

	On Balance Sheet fixed assets	Off Balance Sheet operating leases	Total June 2018	Total December 2017	Changes since December 2016 (Note 2)	Future deliveries (Note 3)	Options (note 4)
Continuing airline operations (note 1)							
Airbus A318	1	-	**1**	*1*	**-**	-	-
Airbus A319	19	24	**43**	*44*	**(1)**	-	-
Airbus A320	43	27	**70**	*67*	**3**	22	33
Airbus A321	13	5	**18**	*18*	**-**	10	-
Airbus A350	-	-	**-**	-	**-**	18	36
Airbus A380	12	-	**12**	*12*	**-**	-	7
Boeing 747-400	36	-	**36**	*36*	**-**	-	-
Boeing 757-200	-	-	**-**	*3*	**(3)**	-	-
Boeing 767-300	7	-	**7**	*8*	**(1)**	-	-
Boeing 777-200	41	5	**46**	*46*	**-**	-	-
Boeing 777-300	9	3	**12**	*12*	**-**	3	-
Boeing 787-8	10	-	**10**	*9*	**1**	2	-
Boeing 787-9	9	9	**18**	*16*	**2**	-	6
Boeing 787-10	-	-	**-**	-	**-**	12	-
Embraer E170	6	-	**6**	*6*	**-**	-	-
Embraer E190	9	7	**16**	*15*	**1**	-	-
Total Continuing Operations	**215**	**80**	**295**	**295**	**2**	**71**	**82**

Notes:

1. Includes those operated by British Airways Plc, BA Cityflyer Limited and OpenSkies SASU.
2. One Boeing 747-400 was temporarily stood down from service in the period.
3. Future deliveries are unchanged from prior quarter.
4. Fifteen options on Embraer E190 aircraft expired in the period.