

BRITISH AIRWAYS SIX MONTH RESULTS (unaudited)

1 January 2019 – 30 June 2019

British Airways Plc ('BA' or the 'Group') presents its consolidated results for the six month period ended 30 June 2019.

Period highlights

- Total revenue of £6,446 million (2018: £6,124 million) up 5.3 per cent from last year.
- Operating profit (before exceptional items) of £761 million (2018: £762 million) £1 million lower than last year.
- Fuel cost up 15.6 per cent from last year.
- Non fuel unit costs per ASK adverse 0.7 per cent from last year.
- Non-operating items (excluding exceptional items) down by £16 million to £56 million (2018: £72 million) driven primarily by an increase in finance costs following the adoption of IFRS 16 partially offset by net gains on foreign exchange relating to financial liabilities and derivatives.
- No exceptional items in the current period. There was a one off exceptional credit in 2018 of £598 million following closure to future accrual of the main defined benefit scheme and defined contribution scheme offset by other restructuring costs.

Performance summary

For the six months ended 30 June

Financial data £ million	2019	2018 ¹	Better/(Worse)
Passenger revenue	5,785	5,481	5.5%
Total revenue	6,446	6,124	5.3%
Total expenditure on operations ²	(5,685)	(5,362)	(6.0)%
Operating profit before exceptional items	761	762	(0.1)%
Exceptional items	-	547	nm
Non-operating items	56	72	(22.2)%
Profit before tax	817	1,381	(40.8)%

nm = not meaningful

Operating figures	2019	2018 ¹	Better/(Worse)
Available seat kilometres (ASK ³) (m)	92,170	90,325	2.0%
Revenue passenger kilometres (RPK ³) (m)	75,643	73,461	3.0%
Cargo tonne kilometres (CTK ³) (m)	2,146	2,154	(0.4)%
Passenger load factor ³ (%)	82.1%	81.3%	0.8%
Passengers carried (000)	23,114	22,475	2.8%
Passenger revenue per ASK (p)	6.28	6.07	3.5%
Passenger revenue per RPK (p)	7.65	7.46	2.5%
Non-fuel costs per ASK (p)	4.44	4.41	(0.7)%

¹ IFRS 16 'Leases' was adopted by the Group from 1 January 2019. The Group elected to use the modified retrospective transition approach which does not allow comparative information to be restated. Please refer to note 2 for the effect of transition to IFRS 16.

² Total operating expenditure excluding fuel, oil costs and emission charges was £4,089 million (2018: £3,981).

³ Defined in the Annual Report and Accounts for the year ended 31 December 2018 and should be read in conjunction with this document.

Management review

BA has made an operating profit before exceptional items of £761 million for the first six months of the year (2018: £762 million). The 5.3 per cent increase in revenue has been more than offset by higher fuel costs and the impact of a weaker Sterling compared to the same period last year.

In February 2019, the airline announced an order of 18 Boeing 777-9Xs with an additional 24 options. BA also unveiled a new Club Suite which will feature direct-aisle access, a suite door and flat-bed seats in a 1-2-1 configuration. The new 56-seat Club World cabin was launched on the airline's first A350 aircraft in July 2019 which also feature the latest World Traveller Plus cabin.

Subject to obtaining the approval of the High Court, the Trustee Directors of the Airways Pension Scheme unanimously agreed with British Airways terms for an out-of-Court settlement. This would bring to an end the litigation that commenced in 2013 and which is otherwise due to proceed to appeal at the Supreme Court later this year. Under the terms of the proposed settlement, the Trustee of APS will be permitted, subject to some affordability tests, to award Discretionary increases so that APS pensions are increased up to the annual change in the Retail Prices Index (RPI) from 2021 with interim catch-up increases. British Airways will cease paying further deficit recovery contributions, including cash sweep payments, and the APS Trustee will withdraw its appeal to the Supreme Court. British Airways will provide a £40 million indemnity, payable in part or full as appropriate in late 2027/2028, in the event of adverse experience leading to the 2027 valuation showing the scheme is not able to pay pension increases at RPI for the remaining life of the scheme. The Court process to seek approval for this settlement has started but, given the timeline for securing a hearing date, the settlement may not receive approval until the fourth quarter of 2019 at the earliest.

Outlook

The Group continues to focus on customers, shareholders and colleagues; to be the best airline to connect Britain with the world. In November 2018, the Group announced planned investment of £6.7 billion over the next five years. This includes the roll out of the new Club World seat and new aircraft with improved cabin experience and improved engine efficiency resulting in lower impact on the environment and cost efficiencies. Front line colleagues are receiving additional training to deliver an upgraded service proposition.

British Airways will move to a new location in Terminal 8 at John F. Kennedy airport and is investing in the new terminal with American Airlines as part of a significant reinvestment by the Port Authority of New York and New Jersey. Changes will include additional aircraft stands, enhanced state-of-the-art baggage systems, new lounges, premium check-in areas and upgraded concessions.

Financial Review

Consolidated income statement

£ million	2019	2018 ²	Better/(Worse)
Passenger revenue	5,785	5,481	5.5%
Cargo revenue	355	363	(2.2)%
Other revenue	306	280	9.3%
Total revenue	6,446	6,124	5.3%
Employee costs	1,293	1,267	(2.1)%
Depreciation, amortisation and impairment	544	387	(40.6)%
Aircraft operating lease costs	-	113	nm
Fuel, oil costs and emission charges	1,596	1,381	(15.6)%
Engineering and other aircraft costs	363	353	(2.8)%
Landing fees and en route charges	459	457	(0.4)%
Handling, catering and other operating costs	916	852	(7.5)%
Selling costs	278	257	(8.2)%
Currency differences	13	7	nm
Property, IT and other costs	223	288	22.6%
Total expenditure on operations¹	5,685	5,362	(6.0)%
Operating profit before exceptional items	761	762	(0.1)%
Exceptional items	-	547	nm
Non-operating items	56	72	22.2%
Profit before tax from continuing operations	817	1,381	(40.8)%
Tax	(145)	(184)	21.2%
Profit after tax from continuing operations	672	1,197	(43.9)%

¹ Total operating expenditure excluding fuel, oil costs and emission charges was £4,089 million (2018: £3,981 million).

² IFRS 16 'Leases' was adopted by the Group from 1 January 2019. The Group elected to use the modified retrospective transition approach which does not allow comparative information to be restated.

Total revenue

Overall capacity, measured by ASKs, was up by 2.0 per cent in the first six months of the year and the number of passengers carried increased by 2.8 per cent, increasing passenger load factor by 0.8 pts. This translated to total revenue for the first six months of the year of £6,446 million (2018: £6,124 million). The increase in revenue is driven by rising yields which saw passenger revenue per RPK increase by 2.5 per cent in line with strong business sector performance across North Atlantic routes. The Group carried 23.1 million passengers during the period. Cargo revenue decreased by 2.2 per cent due to lower yields and volumes on Asia Pacific routes.

Expenditure on operations

Operating costs have increased to £5,685 million (2018: £5,362 million) in the first six months of the year. Fuel costs increased by £215 million, or 15.6 per cent, to £1,596 million compared to £1,381 million in the prior period, despite lower market prices, mainly due to a higher effective hedged fuel price in 2019 compared to 2018. 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 increased by 2.7 per cent to £4,089 million (2018: £3,981 million). Depreciation costs increased by £157 million and this is partially offset by a decrease in aircraft operating lease costs by £113 million as a result of the adoption of IFRS 16 'Leases' from 1 January 2019. The decrease in property, IT and other costs is primarily driven by the removal of property leasing costs following the implementation of IFRS 16 'Leases'. In 2018, leasing costs were recorded as an expense. Engineering and other aircraft costs increased 2.5 per cent. Compensation for Rolls-Royce Trent 1000 engine issues has offset increased wet leasing costs to compensate for the associated reduced capacity and other increases related to contractual price rises and volume. Selling costs have increased by 8.2 per cent due to increased investment in marketing and adverse foreign exchange. Handling, catering and other operating costs increased 7.5 per cent due to adverse foreign exchange and increased investment in the catering offering. The Group is upgrading the product in both

Financial Review (continued)

First and World Traveller Plus cabins where customers will enjoy enhanced catering and amenities with more food choices and new tableware introduced in the First cabin. A third meal choice will be included in the World Traveller Plus service.

Exceptional items

There were no exceptional items in the first six months of the year. The exceptional gain of £547 million in 2018 included the one-off reduction of the NAPS IAS 19 defined benefit liability of £770 million following the closure of NAPS to future accrual in March 2018. This was offset 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. The tax charge related to exceptional items in 2018 was £42 million.

Non-operating items

Non-operating items include gains of £62 million (2018: £2 million) relating to revaluation of foreign currency denominated debts, £59 million (2018: £93 million) relating to the share of post-tax profits in associates offset by £103 million (2018: £53 million) of finance costs primarily relating to borrowings and lease liabilities and £2 million gain (2018: £12 million loss) on disposal of non-current assets.

Tax

The tax charge on continuing operations for the period ended 30 June 2019 was £145 million (2018: £184 million). After removing the share of after-tax profits of associates, the effective tax rate for the period was 19.1 per cent (2018: 19.1 per cent – which also includes the removal of pension, subject to withholding tax) compared to the standard UK corporation tax rate of 19 per cent (2018: 19 per cent).

Capital expenditure

Total capital expenditure in the period amounted to £493 million (2018: £587 million) which included £411 million (2018: £449 million) of fleet related spend (aircraft, aircraft progress payments, spares, modifications and refurbishments) and £82 million (2018: £138 million) on property, equipment and software.

Liquidity

The Group's liquidity position remains robust with £3.3 billion of cash and cash equivalents and other interest bearing deposits (31 December 2018: £2.5 billion). Net debt stood at £2.9 billion (31 December 2018: £1.9 billion).

Principal risks and uncertainties

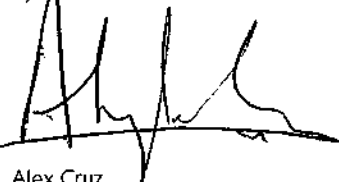
The Group continued to maintain and operate a structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting BA are detailed on pages 10 to 13 of the 2018 Annual Report and Accounts and remain relevant for this period and the remaining six months of the year.

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
6 August 2019



Rebecca Napier
Chief Financial Officer
6 August 2019

Ends

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Forward-looking statements:

Certain statements included in this announcement are forward-looking. These statements can be identified by the fact that they do not relate only to historical or current facts. By their nature, they involve risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Actual results could differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements can typically be identified by the use of words such as "expects", "may", "will", "could", "should", "intends", "plans", "predicts", "envisages" or "anticipates" or other words of similar meaning. They include, without limitation, any and all projections relating to the results of operations and financial conditions of International Consolidated Airlines Group S.A. 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 expenditure and divestments relating to the Group and discussions of the Group's business plan. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

It is not reasonably possible to itemise all of the many factors and specific events that could the forward-looking statements in this announcement to be incorrect or 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 Group's risk management process is set out in the 'Risk management and principal risk factors' section in the Annual Report and Accounts 2018; these documents are available on www.iagshares.com.

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BRITISH AIRWAYS PLC

Unaudited Condensed Consolidated Interim Financial Statements
1 January 2019 – 30 June 2019

Consolidated income statement (unaudited)

£ million	Note	Six months to 30 June	
		2019	2018
CONTINUING OPERATIONS			
Passenger revenue		5,785	5,481
Cargo revenue		355	363
Traffic revenue		6,140	5,844
Other revenue		306	280
Total revenue	5	6,446	6,124
Employee costs		1,293	1,267
Fuel, oil costs and emission charges		1,596	1,381
Handling, catering and other operating costs		916	852
Landing fees and en route charges		459	457
Engineering and other aircraft costs		363	353
Property, IT and other costs		223	288
Selling costs		278	257
Depreciation, amortisation and impairment	9	544	387
Aircraft operating lease costs		-	113
Currency differences		13	7
Total expenditure on operations before exceptional items		5,685	5,362
Operating profit before exceptional items		761	762
Exceptional items	3	-	547
Operating profit		761	1,309
Finance costs	6	(103)	(53)
Finance income	6	18	18
Profit /(loss) on sale of property, plant and equipment and investments		2	(12)
Gain relating to equity investments		2	2
Share of post-tax profits in associates accounted for using the equity method	12	59	93
Realised gains on derivatives not qualifying for hedge accounting		3	2
Unrealised gains on derivatives not qualifying for hedge accounting		2	10
Net financing credit relating to pensions		11	10
Net currency retranslation credits		62	2
Profit before tax		817	1,381
Tax	7	(145)	(184)
Profit after tax for the period		672	1,197
Attributable to:			
Equity holders of the parent		672	1,188
Non-controlling interest		-	9
		672	1,197

Consolidated statement of other comprehensive income (unaudited)

£ million	Note	Six months to 30 June	
		2019	2018
Profit after tax for the period		672	1,197
Items that may be reclassified to net profit			
Cash flow hedges:			
Fair value movements in equity		381	498
Reclassified and reported in net profit		55	(171)
Movements in cost of hedges		(2)	(4)
Other movements in comprehensive income of associates	12	19	-
Currency translation differences		(4)	3
Income taxes		(86)	(61)
		<u>363</u>	<u>265</u>
Items that will not be reclassified to net profit			
Cash flow hedges:			
Subsequently transferred to the balance sheet		(1)	-
Movements in cost of hedges		25	-
Fair value movements on equity instruments		(4)	(6)
Remeasurement of post-employment benefit obligations		(117)	(75)
Income taxes		58	75
		<u>(39)</u>	<u>(6)</u>
Total comprehensive income for the period, net of tax		324	259
Profit after tax for the period		672	1,197
Total comprehensive income for the period		996	1,456
Attributable to:			
Equity holders of the parent		996	1,447
Non-controlling interest		-	9
		<u>996</u>	<u>1,456</u>

Items in the consolidated Statement of other comprehensive income above are disclosed net of tax.

Consolidated balance sheet (unaudited)

£ million	Note	30 June 2019	31 December 2018
Non-current assets			
Property, plant and equipment	9	9,807	8,134
Intangible assets	9	1,053	1,067
Investments accounted for using the equity method	12	1,777	1,701
Other equity investments	13	52	56
Employee benefit assets	16	1,224	1,016
Derivative financial instruments	13	208	120
Other non-current assets	13	301	300
		14,422	12,394
Current assets			
Inventories		154	175
Trade receivables	13	1,174	901
Other current assets	13	757	644
Derivative financial instruments	13	139	65
Other current interest-bearing deposits ¹		1,890	1,175
Cash and cash equivalents		1,394	1,327
		5,508	4,287
Total assets		19,930	16,681
Shareholders' equity			
Issued share capital		290	290
Share premium		1,512	1,512
Other reserves		4,477	3,865
Total shareholders' equity		6,279	5,667
Total equity		6,279	5,667
Non-current liabilities			
Interest-bearing long-term borrowings	15	5,340	3,953
Employee benefit obligations	16	253	258
Deferred tax liabilities		399	335
Provisions for liabilities and charges	17	461	380
Derivative financial instruments	13	108	210
Other non-current liabilities	13	39	40
		6,600	5,176
Current liabilities			
Current portion of long-term borrowings	15	890	473
Trade and other payables	13	2,066	1,893
Deferred revenue on ticket sales		3,703	2,807
Derivative financial instruments	13	127	341
Current tax payable		130	144
Provisions for liabilities and charges	17	135	180
Total current liabilities		7,051	5,838
Total equity and liabilities		19,930	16,681

¹ At 30 June 2019, British Airways held £250 million (2018: £nil) of restricted cash within interest-bearing deposits which has been set aside in escrow relating to certain contingent payments to the Group's pension schemes, APS and NAPS. Under the proposed APS Settlement Agreement (subject to obtaining the approval of the High Court), the full £250 million would be payable to the NAPS scheme. Refer to Note 16.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June

£ million	Note	2019	2018
Cash flow from operating activities			
Operating profit from continuing operations after exceptional items		761	1,309
Exceptional items		-	(547)
Operating profit before exceptional items from continuing operations		761	762
Depreciation, amortisation and impairment		544	387
Employer contributions to defined benefit pension schemes		(320)	(427)
Defined benefit pension scheme service costs		2	46
Movement in working capital and other non-cash movements		725	645
<i>Increase in trade and other receivables, prepayments, inventories and current assets</i>		(395)	(374)
<i>Increase in trade and other payables, deferred revenue on ticket sales and current liabilities</i>		1,120	1,019
Payments related to restructuring		(30)	(27)
Payments related to NAPS closure		(2)	(159)
Interest paid		(71)	(39)
Interest received		15	11
Taxation		(97)	(71)
Net cash generated from operating activities		1,527	1,128
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets		(493)	(587)
(Increase)/decrease in other current interest-bearing deposits		(715)	35
Sale of property, plant and equipment and intangible assets		375	5
Loan repaid by fellow group undertaking		5	-
Loan paid to parent company		(1)	(50)
Other investing movements		2	-
Dividends received	12	-	3
Disposal of Openskies		-	(17)
Net cash used in investing activities		(827)	(611)
Cash flow from financing activities			
Proceeds from long-term borrowings		-	395
Repayments of borrowings		(24)	(42)
Repayments of lease liabilities		-	(289)
Repayments of right of use liabilities		(350)	-
Dividends paid	8	(260)	(125)
Distributions made to holders of perpetual securities		-	(9)
Net cash flow used in financing activities		(634)	(70)
Increase in cash and cash equivalents		66	447
Net foreign exchange differences		1	(12)
Cash and cash equivalents at 1 January		1,327	973
Cash and cash equivalents as at 30 June		1,394	1,408
Interest-bearing deposits maturing after more than six months¹		1,890	1,805
Cash, cash equivalents and other interest-bearing deposits at 30 June		3,284	3,213

¹ At 30 June 2019, British Airways held £250 million (2018: £nil) of restricted cash within interest-bearing deposits which has been set aside in escrow relating to certain contingent payments to the Group's pension schemes, APS and NAPS. Under the proposed APS Settlement Agreement (subject to obtaining the approval of the High Court), the full £250 million would be payable to the NAPS scheme. Refer to Note 16.

Consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2019

	Group					
£ million	Issued share capital	Share premium	Other reserves ¹	Total shareholders' equity	Non- controlling interest	Total equity
Balance at 1 January 2019	290	1,512	3,865	5,667	-	5,667
IFRS16 transition adjustment	-	-	(124)	(124)	-	(124)
Balance at 1 January 2019	290	1,512	3,741	5,543	-	5,543
Profit for the period	-	-	672	672	-	672
Other comprehensive income for the period	-	-	324	324	-	324
Total comprehensive income for the period	-	-	996	996	-	996
Dividends	-	-	(260)	(260)	-	(260)
As at 30 June 2019	290	1,512	4,477	6,279	-	6,279

For the six months ended 30 June 2018

	Group					
£ million	Issued share capital	Share premium	Other reserves ¹	Total shareholders' equity	Non- controlling interest	Total equity
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 loss for the period	-	-	259	259	-	259
Total comprehensive income for the period	-	-	1,447	1,447	9	1,456
Dividends	-	-	(125)	(125)	-	(125)
Distributions made to holders of perpetual securities	-	-	-	-	(9)	(9)
As at 30 June 2018	290	1,512	4,943	6,745	200	6,945

¹The retained earnings for the Group at 30 June 2019 were £4,478 million (2018: £4,675 million).

Notes to the accounts (unaudited)

For the six months ended 30 June 2019

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 6 August 2019. The condensed consolidated interim financial statements herein are not the Company's statutory accounts and are unaudited. The Directors consider that the Group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the interim financial statements.

The same basis of preparation and accounting policies set out in the BA Annual Report and Accounts for the year ended 31 December 2018 have been applied in the preparation of these condensed consolidated interim financial statements, except as adjusted for the implementation of IFRS 16 as described below. BA's Annual Report and Accounts 2018 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 financial statements was unqualified.

2 Accounting policies

2.1 Impact of new International Financial Reporting Standards

IFRS 16 'Leases' was adopted by the Group from 1 January 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model.

The main changes arising on the adoption of IFRS 16 are as follows:

1. Interest-bearing borrowings and non-current assets increased on implementation of the standard as obligations to make future payments under leases previously classified as operating leases were recognised on the Balance sheet, along with the related 'right of use' (ROU) asset. The Group has used the practical expedients in respect of leases of less than 12 months duration and leases for low value items and excluded them from the scope of IFRS 16. Rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease. No adjustment has been made to the recognition and measurement of assets previously recognised as 'finance leases' under IAS 17, which were transferred to ROU assets on adoption of IFRS 16 with the related borrowings transferred to ROU lease liabilities.
2. Expenditure on operations has decreased and finance costs have increased, as operating lease costs have been replaced by depreciation and lease interest expense.
3. On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. No adjustments have been made to leases previously accounted for as finance leases under IAS 7.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

2 Accounting policies (continued)

2.1 Impact of new International Financial Reporting Standards (continued)

4. The adoption of IFRS 16 required the Group to make a number of judgements, estimates and assumptions. These included:
- The approach to be adopted on transition - The Group used the modified retrospective transition approach. Lease liabilities were determined based on the value of the remaining lease payments, discounted by the appropriate incremental borrowing rates and translated at the rates of exchange at the date of transition (1 January 2019). ROU assets in respect of aircraft were measured at the appropriate incremental borrowing rates at the date of transition and rates of exchange at the commencement of each lease, and depreciated from the lease commencement date to 1 January 2019. Other ROU assets were measured based on the related lease liability as at the date of transition, adjusted for prepaid or accrued lease payments. Deferred gains on sale and operating leasebacks, previously recognised in current and non-current liabilities, were reclassified to the related ROU asset. IFRS 16 does not allow comparative information to be restated if the modified retrospective transition approach is used.
 - The estimated lease term - The term of each lease is based on the original lease term unless management is 'reasonably certain' to exercise options to extend the lease. Further information used to determine the appropriate lease term includes fleet plans which underpin approved business plans, and historic experience regarding extension options.
 - The discount rate used to determine the lease liability - The rates used on transition to discount future lease payments were the Group's incremental borrowing rates. These rates have been calculated for each airline, reflecting the underlying lease terms and based on observable inputs. The risk-free rate component was based on LIBOR rates available in the same currency and over the same term as the lease and was adjusted for credit risk. For future aircraft lease obligations, the Group will use the interest rate implicit in the lease.
 - Terminal arrangements. The Group has reviewed its arrangements at airport terminals to determine whether any agreements previously considered to be service agreements should be classified as leases. No additional leases have been identified following this review.
 - Restoration obligations - The Group has identified certain obligations associated with the maintenance condition of its aircraft on redelivery to the lessor, such as the requirement to complete a final airframe check, repaint the aircraft and reconfigure the cabin. Under IAS 17 these costs were recognised as a maintenance expense over the lease term. On adoption of IFRS 16, they were recognised as part of the ROU asset on transition, resulting in an increase in restoration and handback provisions. Judgement has been used to identify the appropriate obligations and estimation has been used (based on observable data) to measure them. Other maintenance obligations associated with these assets, comprising obligations that arise as the aircraft is utilised, such as engine overhauls and periodic airframe checks, are recognised as a maintenance expense over the lease term.
5. Foreign exchange movements on lease obligations, which are predominantly denominated in US dollars, are remeasured at each balance sheet date, with the ROU asset recognized at the historic exchange rate. The Group manages foreign exchange risk arising on these US dollar obligations as part of its risk management strategy.
6. At transition, the Group was not required to make any transition adjustments to IFRS 16 for leases in which it acts as lessor, except for where there is a subleasing arrangement. Under IFRS 16, the Group is required to assess the subleasing element with reference to the right-of-use asset and not the underlying asset. On transition to IFRS 16, the Group recognised right-of-use sublease assets of £8 million within other non-current assets.

The following table reconciles the amount disclosed as operating lease commitments at 31 December 2018 disclosed in the Group's 2018 consolidated financial statements to the amount recognised on the balance sheet in respect of ROU lease liabilities on adoption of IFRS 16.

£ million	2019
Operating lease commitments at 31 December 2018	3,339
Weighted average incremental borrowing rate at 1 January 2019	5.1%
Discounted using the incremental borrowing rate at 1 January 2019	1,722
Less: Leases considered to be short-term (less than 12 months)	(20)
Leases for assets considered to be substitutable	(9)
Future variable lease payments based on index or rate	(4)
Prepayments	(10)
Add: Rentals associated with extension options reasonably certain to be exercised	6
Service contracts	206
Lease liability recognised on operating leases at 1 January 2019	1,891
Add: Finance lease reclassified into right of use liabilities	4,108
Lease liability recognised at 1 January 2019	5,999

Notes to the accounts (continued)

For the six months ended 30 June 2019

2 Accounting policies (continued)

2.1 Impact of new International Financial Reporting Standards (continued)

The Group recognised the following assets and liabilities on the consolidated balance sheet at 1 January 2019, on adoption of IFRS 16:

Consolidated balance sheet (extract as at 1 January 2019):

E million	As reported	IFRS16 adjustments	Restated
Non-current assets			
Property, plant and equipment			
Fleet	7,111	1,195	8,306
Property and equipment	1,023	606	1,629
Intangibles	1,067	-	1,067
Other non-current assets	3,193	8	3,201
	12,394	1,809	14,203
Current assets			
Other current assets	4,287	(23)	4,264
	4,287	(23)	4,264
Total assets	16,681	1,786	18,467
Total equity	5,667	(124)	5,543
Non-current liabilities			
Interest-bearing long-term borrowings	3,953	1,558	5,511
Deferred tax liability	335	(26)	309
Provisions for liabilities and charges	380	47	427
Other non-current liabilities	508	(2)	506
	5,176	1,577	6,753
Current liabilities			
Current portion of interest bearing long-term borrowings	473	333	806
Other current liabilities	5,365	-	5,365
	5,838	333	6,171
Total liabilities	11,014	1,910	12,924
Total equity and liabilities	16,681	1,786	18,467

The Group has not adopted any other standards, amendments or interpretations in the six months to 30 June 2019 that have had a significant change to its financial performance or position.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

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	Group	
	2019	2018
Restructuring costs	-	(51)
Net gains relating to closure of pension schemes	-	598
Exceptional items	-	547

The exceptional items noted above relate to the following consolidated income statement categories:

£ million	Group	
	2019	2018
Employee costs	-	554
Property, IT and other costs	-	(7)
Exceptional items	-	547

The exceptional gain of £547 million in 2018 included the one-off reduction of the NAPS IAS 19 defined benefit liability of £770 million following the closure of NAPS to future accrual in March 2018. This was offset by other cash costs of £172 million linked to the closure of the NAPS and BARP schemes. The remaining exceptional cost of £51 million related to the transformation programme implemented by the Group to develop a more efficient and cost effective structure. The overall costs of the programme principally comprised employee severance costs.

The tax charge related to exceptional items was £42 million in 2018.

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 than in 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 makes resource allocation decisions based on route profitability, which consider 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	Group	
	2019	2018
UK	3,205	2,876
USA	1,348	1,249
Rest of the world	1,893	1,999
Revenue	6,446	6,124

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

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 and derivative financial instruments located in the UK is £12,166 million (30 June 2018: £10,860 million), USA is £230 million (30 June 2018: £19 million) and the total of these non-current assets located in other countries is £241 million (30 June 2018: £211 million).

6 Finance costs and income

For the six months ended 30 June	Group	
	2019	2018
Finance Costs		
Interest payable on bank and other loans, finance charges payable under finance leases	(111)	(58)
Capitalised interest on progress payments	8	5
Total Finance costs	(103)	(53)
Finance income		
Interest on other investments and interest-bearing deposits (financial assets not at fair value through income statement)	18	12
Other finance income	-	6
Finance income	18	18

7 Tax

The total tax charge through the income statement for the six month period ended 30 June 2019 was £145 million (2018: £184 million) on a profit before tax of £817 million (2018: £1,381 million). After removing non-taxable items, the effective rate for the period was 19.1 per cent (2018: 19.1 per cent) being higher (2018: higher) than the tax charge at the standard UK corporation tax rate of 19 per cent (2018: 19 per cent).

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

8 Dividends

For the six months ended 30 June		
£ million	2019	2018
A1 Ordinary shares: £227.28 per share (2018: £109.27)	204	98
A2 Ordinary shares: £227.28 per share (2018: £109.27)	22	11
C Ordinary shares: £227.28 per share (2018: £109.27)	34	16
	260	125

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

9 Property, plant, equipment and intangibles

a. Property, plant and equipment

2019

£ million	Property, plant and equipment	Right of use asset	Total property, plant and equipment
Net book value at 1 January	8,134	-	8,134
Adjustment for change in accounting policy, see note 2	(3,654)	5,455	1,801
Additions	469	279	748
Disposals	(354)	-	(354)
Depreciation	(373)	(149)	(522)
Reclassifications	80	(80)	-
Net book value at 30 June	4,302	5,505	9,807

The net book value of the Right of Use assets includes £3,566 million (2018: £3,631 million) in respect of assets previously classified as finance leases before the adoption of IFRS 16.

2018

£ million	Property, plant and equipment	Right of use asset	Total property, plant and equipment
Net book value at 1 January	7,938	-	7,938
Additions	480	-	480
Disposals	(19)	-	(19)
Depreciation	(357)	-	(357)
Net book value at 30 June	8,042	-	8,042

b. Intangibles

£ million	2019	2018
Net book value at 1 January	1,067	991
Additions	43	91
Disposals	(35)	(8)
Amortisation	(22)	(30)

10 Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £7,452 million (31 December 2018: £4,889 million). The majority of capital expenditure commitments are denominated in US dollars, as such the commitments are subject to changes in exchange rates.

11 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 of the cash generating unit are disclosed in the Annual Report and Accounts for the year ended 31 December 2018. For the six months to 30 June 2019, there are no indicators that the carrying value may exceed the recoverable amount.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

12 Investment in associates

£ million	Group	
	2019	2018
Balance at 1 January	1,701	1,577
Exchange differences	(2)	(1)
Share of attributable results	59	93
Share of movements in comprehensive income of associates	19	-
Dividends received	-	(1)
As at 30 June	1,777	1,668

13 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 30 June 2019 and 31 December 2018 by nature and classification for measurement purposes is as follows:

At 30 June 2019 £ million	Financial assets			Non-financial assets	Total carrying amount by balance sheet item
	Amortised cost	Fair value through Other comprehensive income	Fair value through income statement		
Non-current assets					
Other equity investments	-	52	-	-	52
Derivative financial instruments	-	-	208	-	208
Other non-current assets	193	-	-	108	301
Current assets					
Trade receivables	1,174	-	-	-	1,174
Other current assets	358	-	-	399	757
Derivative financial instruments	-	-	139	-	139
Other current interest-bearing deposits	1,890	-	-	-	1,890
Cash and cash equivalents	1,394	-	-	-	1,394

£ million	Financial liabilities			Non-financial liabilities	Total carrying amount by balance sheet item
	Amortised cost	Fair value through Other comprehensive income	Fair value through income statement		
Non-current liabilities					
Interest-bearing long-term borrowings	5,340	-	-	-	5,340
Derivative financial instruments	-	-	108	-	108
Other non-current liabilities	10	-	-	29	39
Current liabilities					
Current portion of long-term borrowings	890	-	-	-	890
Trade and other payables	2,025	-	-	41	2,066
Derivative financial instruments	-	-	127	-	127

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

13 Financial instruments (continued)

a Financial assets and liabilities by category (continued)

At 31 December 2018	Financial assets			Non-financial assets	Total carrying amount by balance sheet item
	Amortised cost	Fair value through Other comprehensive income	Fair value through income statement		
£ million					
Non-current assets					
Other equity investments	-	56	-	-	56
Derivative financial instruments	-	-	120	-	120
Other non-current assets	198	-	-	102	300
Current assets					
Trade receivables	901	-	-	-	901
Other current assets	287	-	-	357	644
Derivative financial instruments	-	-	65	-	65
Other current interest-bearing deposits	1,175	-	-	-	1,175
Cash and cash equivalents	1,327	-	-	-	1,327
Financial liabilities					
	Amortised cost	Fair value through Other comprehensive income	Fair value through income statement	Non-financial liabilities	Total carrying amount by balance sheet item
£ million					
Non-current financial liabilities					
Interest-bearing long-term borrowings	3,953	-	-	-	3,953
Derivative financial instruments	-	-	210	-	210
Other non-current liabilities	6	-	-	34	40
Current financial liabilities					
Current portion of long-term borrowings	473	-	-	-	473
Trade and other payables	1,853	-	-	40	1,893
Derivative financial instruments	-	-	341	-	341

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 and using methods and assumptions as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices present actual and regularly occurring market transactions on an arm's length basis. Level 1 methodologies (market values at the balance sheet date) were used to determine the fair value of listed asset investments classified as equity investments and listed interest-bearing borrowings.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Derivative instruments are measured based on the market value of instruments with similar terms and conditions at the balance sheet date using forward pricing models. Counterparty and own credit risk is deemed to be not significant. The fair value of the Group's interest bearing borrowings including leases is determined by discounting the remaining contractual cash flows at the relevant market interest rates at the balance sheet date.
- Level 3: Inputs for the asset or liability that are not based on observable market data. 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.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

13 Financial instruments (continued)

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

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 value largely due to the short-term maturities of these instruments.

The carrying amounts and fair values of the Group's financial assets and liabilities as at 30 June 2019 are set out below:

£ million				Fair value	Group
	Level 1	Level 2	Level 3	Total	Carrying value
					Total
Financial assets:					
Equity investments	12	-	40	52	52
Amounts owed by associated group undertakings	-	301	-	301	291
Derivative financial assets	-	347	-	347	347
Financial liabilities:					
Interest-bearing loans and borrowings:	-	329	-	329	324
Derivative financial liabilities	-	235	-	235	235

The carrying amounts and fair values of the Group's financial assets and liabilities as at 31 December 2018 are set out below:

£ million				Fair value	Group
	Level 1	Level 2	Level 3	Total	Carrying value
					Total
Financial assets:					
Equity investments	16	-	40	56	56
Amounts owed by associated group undertakings	-	303	-	303	298
Derivative financial assets	-	185	-	185	185
Financial liabilities:					
Interest-bearing loans and borrowings ¹ :	-	4,571	-	4,571	4,426
Derivative financial liabilities	-	551	-	551	551

¹Includes amounts in relation to finance leases which were reclassified to borrowings on right of use assets on adoption of IFRS 16.

There have been no transfers between levels of fair value hierarchy during the period.

The financial instruments listed in the previous table are measured at fair value in the financial statements, with the exception of interest-bearing borrowings, which are measured at amortised cost.

c Level 3 financial assets reconciliation

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

£ million	Group	
	Six months ended 30 June 2019	Year ended 31 December 2018
Balance at 1 January	40	40
As at period end	40	40

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

14 Share capital

The number of shares in issue at 30 June 2019 was 996,000 ordinary A shares (31 December 2018: 996,000) with a par value of £289.70 each and 1,148,000 ordinary B and C shares with a par value of £1 each (31 December 2018: 1,148,000).

15 Borrowings

£ million	Group	
	30 June 2019	31 December 2018
a Current		
Bank and other loans	47	48
Finance leases	-	425
	47	473
Leases previously classified as finance leases ¹	502	-
Leases on right of use assets	341	-
Borrowings on right of use assets	843	-
	890	473
b Non-current		
Bank and other loans	277	270
Finance leases	-	3,683
	277	3,953
Leases previously classified as finance leases ¹	3,385	-
Leases on right of use assets	1,678	-
Borrowings on right of use assets	5,063	-
	5,340	3,953

¹On adoption of IFRS 16 'Leases' on 1 January 2019, the carrying amount of leases previously classified as finance leases was transferred to 'Borrowings on right of use assets' in accordance with the modified transition approach. In the comparative information in the table above these leases are presented as 'Finance leases'.

16 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. 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. British Airways currently makes deficit contributions to NAPS of £300 million per annum until September 2027 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 to future accrual, 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.

APS has been closed to new members since 1984. The benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to inflationary increases in payment in line with the Government's Pension Increase (Review) Orders (PIRO), which are based on the CPI. The Trustee of APS proposed an additional discretionary increase above CPI for pensions in payment for the year ended 31 March 2014. British Airways challenged the decision and initiated legal proceedings to determine the legitimacy of the discretionary increase. The High Court issued a judgment 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 judgment, upholding British Airways' appeal, concluding the Trustee did not have the power to introduce a discretionary increase rule. Following the judgment, the Trustee was allowed permission to appeal to the Supreme Court; and has appealed. In April 2019, subject to obtaining the approval of the High Court, the Trustee Directors of the Airways Pension Scheme unanimously agreed with British Airways terms for an out-of-court settlement ("the agreement"). This would bring to an end the litigation that commenced in 2013 and which is otherwise due to proceed to appeal at the Supreme Court later this year. Under the terms of the proposed settlement, the Trustee of APS will be permitted, subject to some affordability tests, to award Discretionary Increases so that APS pensions are increased up to the annual change in the Retail Prices Index (RPI) from 2021 with interim catch-up increases. British Airways will cease paying further deficit recovery contributions, including cash sweep payments, and the APS Trustee will withdraw its appeal to the Supreme Court. British Airways will provide a £40 million indemnity, payable in part or full as appropriate in late 2027/2028, in the event of adverse experience leading to the 2027 valuation showing the scheme is not able to pay pension increases at RPI for the remaining life of the scheme.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

16 Employee benefits (continued)

The Court process to seek approval for this settlement has started but may not receive court approval until the last quarter of 2019 at the earliest, therefore the assumptions to determine the Defined Benefit Obligation (DBO) for APS at 30 June 2019 do not reflect the agreement and does not make any allowance for the potential additional benefits that may be provided to members. If the High Court approves the proposed settlement the potential IAS 19 past service cost of providing additional benefits to members would be approximately £800 million and would be recognised in the income statement. This is an estimate assuming an effective date of 31 March 2019, based on the assumptions at 31 March 2019. The past service cost will depend on the prevailing assumptions at the date of approval.

On 26 October 2018 the High Court's judgment in the Lloyd's Bank case confirmed that pension schemes are required to equalise for the effects of unequal GMPs accrued over the period since 17 May 1990 ("GMP equalisation"). The APS and NAPS estimated DBO as at 30 June 2019 includes allowance for the estimated effect of GMP equalisation based on the assessments made by the respective APS and NAPS Scheme Actuaries.

£ million	As at 30 June 2019			
	APS	NAPS	Other	Total
Scheme assets at fair value	7,714	18,621	349	26,684
Present value of scheme liabilities	(6,610)	(17,147)	(580)	(24,337)
Net pension asset/(liability)	1,104	1,474	(231)	2,347
Effect of the asset ceiling ¹	(411)	(955)	-	(1,366)
Other employee benefit obligations	-	-	(10)	(10)
	693	519	(241)	971
Represented by:				
Employee benefit assets				1,224
Employee benefit obligations				(253)
				971

£ million	As at 31 December 2018			
	APS	NAPS	Other	Total
Scheme assets at fair value	7,536	16,965	342	24,843
Present value of scheme liabilities	(6,400)	(15,868)	(578)	(22,846)
Net pension asset / (liability)	1,136	1,097	(236)	1,997
Effect of the asset ceiling ¹	(422)	(807)	-	(1,229)
Other employee benefit obligations	-	-	(10)	(10)
	714	290	(246)	758
Represented by				
Employee benefit assets				1,016
Employee benefit obligations				(258)
				758

¹ Both APS and NAPS are in an IAS 19 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.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

16 Employee benefits (continued)

At 30 June 2019, the assumptions used to determine the obligations under the APS and NAPS were reviewed and updated to reflect market conditions at that date. The key assumptions were as follows:

Per cent per annum	At 30 June 2019			At 31 December 2018		
	APS	NAPS	Other schemes	APS	NAPS	Other schemes
Discount rate	2.15%	2.35%	2.9% - 4.4%	2.65%	2.85%	2.9% - 4.4%
Rate of increase in pensionable pay	3.25%	n/a	2.5% - 3.7%	3.20%	n/a	2.5% - 3.7%
Rate of increase of pensions in payment	2.25%	2.15%	2.0% - 3.5%	2.10%	2.05%	2.0% - 3.5%
RPI rate of inflation	3.25%	3.15%	2.5% - 3.2%	3.20%	3.15%	2.5% - 3.2%
CPI rate of inflation	2.25%	2.15%	2.1% - 3.0%	2.10%	2.05%	2.1% - 3.0%

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 2018.

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.

17 Provisions for liabilities and charges

£ million	Group				
	Restoration and handback	Restructuring	Legal claims	Other	Total
Current	32	95	29	24	180
Non-current	337	19	5	19	380
Balance at 1 January 2019	369	114	34	43	560
IFRS 16 transition (see note 2)	47	-	-	-	47
Provisions recorded during the period	45	1	1	45	92
Utilised during the period	(4)	(30)	(9)	(43)	(86)
Release of unused amounts	(15)	(1)	(2)	(2)	(20)
Exchange differences	3	-	-	-	3
As at 30 June 2019	445	84	24	43	596
Analysis:					
Current	26	65	19	25	135
Non-current	419	19	5	18	461
	445	84	24	43	596

The provision for restoration and handback costs is maintained to meet the contractual maintenance and return conditions on aircraft held under leases. The provision also includes amounts relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Where such costs arise as a result of capital expenditure on the leased asset, the restoration costs are capitalised. The provisions relate to leases up to 2030.

Restructuring provisions represents the estimated costs of settling employee obligations under the Group's restructuring plans (see note 3). The costs associated with this programme have been incurred from 2016 to 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.

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. The provision also consists of staff leaving indemnities that were set up based on Collective Labour Agreements or local jurisdiction regulations. The payments associated with these provisions are made when the employee leaves the Group.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

18 Contingent liabilities & guarantees

a Contingent Liabilities

The Group has the following claims:

Cargo

The European Commission issued a decision in which it found that British Airways, and 10 other airline groups, had engaged in cartel activity in the air cargo sector (Original Decision). British Airways 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) (General Court Judgment), 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 European Commission chose not to appeal the General Court Judgment, 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. British Airways was therefore again fined €104 million. British Airways has appealed the New Decision to the GC again (as have other carriers).

A large number of claimants 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. British Airways joined the other airlines alleged to have participated in cartel activity to those proceedings to contribute. A number of those claims were concluded in 2018.

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 on the claimants will need to be assessed.

Pensions

The Trustees of the Airways Pension Scheme (APS) had proposed an additional discretionary increase above CPI for pensions in payment for the year to 31 March 2014. British Airways challenged the decision and initiated legal proceedings to determine the legitimacy of the discretionary increase. The outcome of the legal proceedings was issued in May 2017, which concluded the Trustees had the power to grant discretionary increases, whilst reiterating they must take into consideration all relevant factors, and ignore irrelevant factors. The Group appealed the judgment to the Court of Appeal. On 5 July 2018 the Court of Appeal gave its judgment, upholding British Airways' appeal, concluding the amendment was within the scope of the Trustees' power, but was exercised for an improper purpose. The consequence of this is that the Trustees' amendment to introduce the discretionary increase power was invalid. The Trustees appealed to the Supreme Court.

In April 2019, subject to obtaining the approval of the High Court, the Trustee Directors of the Airways Pension Scheme unanimously agreed with British Airways terms for an out-of-court settlement. This would bring to an end the litigation that commenced in 2013 and which is otherwise due to proceed to appeal at the Supreme Court later this year. Under the terms of the proposed settlement, the Trustee of APS will be permitted, subject to some affordability tests, to award Discretionary Increases so that APS pensions are increased up to the annual change in the Retail Prices Index (RPI) from 2021 with interim catch-up increases. British Airways will cease paying further deficit recovery contributions, including cash sweep payments, and the APS Trustee will withdraw its appeal to the Supreme Court. British Airways will provide a £40 million indemnity, payable in part or full as appropriate in late 2027/2028, in the event of adverse experience leading to the 2027 valuation showing the scheme is not able to pay pension increases at RPI for the remaining life of the scheme.

The Court process to seek approval for this settlement has started but, given the timeline for securing a hearing date, the settlement may not receive approval until the fourth quarter of 2019 at the earliest.

Theft of customer data at British Airways

On 6 September 2018 British Airways announced the theft of certain of its customers' personal data. Following an investigation into the theft, British Airways announced on 25 October 2018 that further personal data had potentially been compromised. On 4 July 2019, British Airways received a Notice of Intent from the Information Commissioner's Office (ICO) in which it informed the airline of its intention to fine it approximately £183 million (€205 million) under the UK Data Protection Act.

British Airways will be making representations to the ICO regarding the proposed fine. The ICO will follow its own procedures to seek the views of other EU data protection authorities and, potentially, an external panel of advisers. It has six months from issuing the Notice of Intent to British Airways within which it could issue a penalty notice (subject to any extension agreed by the ICO and British Airways). If a penalty notice is issued, British Airways has 28 days within which to lodge an appeal with the First-tier Tribunal in the General Regulatory Chamber. A decision by the First-tier Tribunal may, with permission, be appealed to the Upper Tribunal. Any appeal of the Upper Tribunal decision would be to the Court of Appeal. It is British Airways' intention to vigorously defend itself in this matter, including using all available appeal routes should they be required.

It has not been proven that British Airways failed to comply with its obligations under GDPR and the UK Data Protection Act. Further, given the absence of the calculation methodology applied in determining the amount included in the Notice of Intent, the processes available to the company to challenge the Notice and the lack of precedent of final assessments under the new data protection regulations, the Directors do not believe that a fine, should it be issued by the ICO, can be estimated reliably at this stage. As such no provision has been made at 30 June 2019.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

18 Contingent liabilities & guarantees (continued)

b Guarantees

Pensions

British Airways has provided collateral on certain payments amounting to £250 million at 30 June 2019 to the Company's pension scheme, APS and NAPS, which was paid in escrow in January 2019. Under the proposed APS Settlement Agreement (subject to obtaining the approval of the High Court) the full £250 million would be payable to the NAPS scheme.

The Group also has other guarantees and indemnities entered into as part of the normal course of business, which at 30 June 2019 are not expected to result in material losses for the Group.

Audit exemptions

The Company has issued guarantees in relation to statutory audit exemptions that certain subsidiary companies are taking. See note 36 in respect of audit exemptions BA's Annual Report and Accounts 2018.

19 Related party transactions

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

£ million	2019	2018 ³
Parent:		
Sales to/purchases on behalf of IAG	46	76
Purchases from IAG	24	11
Amounts owed by IAG	182	152
Amounts owed to IAG	24	11
Subsidiary undertakings of the parent:		
Sales to subsidiary undertakings of the parent	88	15
Purchases on behalf of subsidiary undertakings of the parent	73	89
Amounts owed by subsidiary undertakings of the parent	303	245
Amounts owed to subsidiary undertakings of the parent	92	40
Associates²:		
Sales to associates	290	248
Purchases from associates	207	182
Amounts owed by associates	157	232
Amounts owed to associates	1,048	977

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 2018 for income statement items and 31 December 2018 for balance sheet items.

In addition, payments made on behalf of the Group's retirement benefit plans amounted to £4.7 million in relation to the Pension Protection Fund levy (2018: £3 million).

The Group has not benefited from any guarantees for any related party receivables or payables. During the period ended 30 June 2019 the Group has not made any provision for credit losses relating to amounts owed by related parties (year ended 31 December 2018: £nil).

Directors' and officers' loans and transactions

There were no loans or credit transactions with Directors or officers of the Group at 30 June 2019 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.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2019

20 Post balance sheet events

As of the date of this report, the Company has reported the following post balance sheet events:

EETC

After the period, British Airways successfully launched a \$806 million Enhanced Equipment Trust Certificates (EETC) bond issue to fund aircraft deliveries. The bonds are planned to be combined with Japanese Operating Leases with Call Options of \$314 million, bringing the total raised to \$1,120 million. The transaction includes Class AA certificates with an annual coupon of 3.3 per cent and maturity of 13.4 years and Class A Certificates with an annual coupon of 3.35 per cent and a maturity of 9.9 years, supported by a collateral pool of Airbus A320 NEO and Airbus A350-1000 aircraft.

ICO

Theft of customer data at British Airways

On 6 September 2018 British Airways announced the theft of certain of its customers' personal data. Following an investigation into the theft, British Airways announced on 25 October 2018 that further personal data had potentially been compromised. On 4 July 2019, British Airways received a Notice of Intent from the ICO in which it informed the airline of its intention to fine it approximately £183 million (£205 million) under the UK Data Protection Act. For further information see note 17 'Contingent liabilities'.

Fleet table

Number in service with Group companies at 30 June 2019

	On balance sheet Owned	On balance sheet Right of Use	Off balance sheet leases	Total June 2019	Total December 2018	Changes since December 2018 (Note 2)	Future deliveries	Options (note 3)
Continuing airline operations (note 1)								
Airbus A318	-	1	-	1	1	-	-	-
Airbus A319	18	24	-	42	42	-	-	-
Airbus A320	23	54	-	77	74	3	12	10
Airbus A321	13	10	-	23	19	4	8	-
Airbus A340	-	-	1	1	-	1	-	-
Airbus A350	-	-	-	-	-	-	18	36
Airbus A380	2	10	-	12	12	-	-	-
Boeing 747-400	33	-	-	33	35	(2)	-	-
Boeing 777-200	36	10	-	46	46	-	-	-
Boeing 777-300	2	10	-	12	12	-	4	-
Boeing 777-9	-	-	-	-	-	-	18	24
Boeing 787-8	-	12	-	12	12	-	-	-
Boeing 787-9	1	17	-	18	18	-	-	6
Boeing 787-10	-	-	-	-	-	-	12	-
Embraer E170	6	-	-	6	6	-	-	-
Embraer E190	9	8	2	19	16	3	-	-
Saab 2000	-	-	1	1	1	-	-	-
Total Continuing Operations	143	156	4	303	294	9	72	76

Notes:

1. Includes aircraft operated by British Airways Plc and BA Cityflyer Limited.
2. The addition of one Airbus A340 was a new wet lease during the period.
3. Twenty three options on Airbus 320 expired during the period and twenty four options on Boeing 777-900 aircraft were acquired in the period.