BRITISH AIRWAYS SIX MONTH RESULTS (unaudited)

1 January 2016 – 30 June 2016

British Airways Plc ('BA' or the 'Group') presents its consolidated results for the six month period ended 30 June 2016. All of the information below was included within the results announcement presented by International Consolidated Airlines Group S.A. ('IAG') on 29 July 2016.

Period highlights

- Total revenue of £5,350 million (2015: £5,469 million) down 2.2 per cent from last year.
- Operating profit (before exceptional items) of £487 million (2015: £356 million) £131 million better than last year.
- Fuel cost down 24.6 per cent from last year.
- Non fuel unit costs per ASK up 2.2 per cent from last year.
- Non-operating gain down by £1,419 million to £60 million (2015: £1,479 million gain) driven mainly by the gain on deconsolidation of Avios Group (AGL) Limited ("AGL") recognised in 2015.

Performance summary

Financial data £ million	**2016**	*2015*[1]	**Better/(Worse)**
Passenger revenue	**4,860**	*4,932*	(1.5)%
Total revenue	**5,350**	*5,469*	(2.2) %
Total expenditure on operations	**(4,863)**	*(5,113)*	4.9 %
Operating profit before exceptional items	**487**	*356*	36.8%
Exceptional items	**40**		nm
Non-operating items	**60**	*1,479*	nm
Profit before tax	**587**	*1,835*	nm

[1] The prior year Consolidated income statement includes reclassifications to conform to the current year presentation. Refer to note 1 for further details.
nm = not meaningful

Operating figures	**2016**	*2015*[1]	**Better/(Worse)**
Available seat kilometres (ASK[2]) (m)	**87,602**	*85,872*	2.0 %
Revenue passenger kilometres (RPK[2]) (m)	**69,896**	*68,225*	2.4 %
Cargo tonne kilometres (CTK[2]) (m)	**2,075**	*2,109*	(1.6)%
Seat factor[2] (%)	**79.8**	*79.4*	0.4pts
Passengers carried (000)	**21,189**	*20,629*	2.7%
Passenger revenue per ASK (p)	**5.55**	*5.74*	(3.3) %
Passenger revenue per RPK (p)	**6.95**	*7.23*	(3.9) %
Non-fuel costs per ASK (p)	**4.15**	*4.06*	(2.2) %

[1] The prior year Consolidated income statement includes reclassifications to conform to the current year presentation. Refer to note 1 for further details.
[2] These KPIs are defined in the Annual Report and Accounts for the year ended 31 December 2015 and should be read in conjunction with this document.

Management review
BA has made an operating profit before exceptional items of £487 million for the half year (2015: £356 million), showing further growth from the strong results in 2015. Total revenue is down by 2.2 per cent from last year and this is predominantly driven by the reduction in passenger revenues of 1.5 per cent compared to the prior period following a decline in corporate bookings, weak trading conditions leading up to the referendum vote to remain or exit the EU and the impact of terrorism. The Company continues to focus on cost initiatives and investment decisions to improve our operations and products, including replacing old obsolete systems.

We invest where it matters most to ensure that we deliver our brand by offering customers new routes and products. During the year we are taking delivery of new aircraft which will further enhance our service offering. BA received its final A380 during the period, bringing the total to twelve. We have taken on a further five B787 aircraft in the period giving a total of 18 in our fleet at 30 June 2016.

Outlook
Despite generating an operating profit in the first half of 2016, BA will ensure that it is financially robust and is able to respond quickly to the ever-changing industry environment and market conditions, including responding to the impact of the current weaker trading environment in the UK. Management is committed to delivering significant structural change to the cost base. BA continues to take delivery of new generation wide-bodied aircraft and the advanced technology of this new fleet is set to unlock fuel savings, whilst also contributing to BA's sustained efforts to minimise its environmental impact.

Financial Review

Consolidated income statement

For the six months ended 30 June

£ million	2016	*2015*[1]	Better/(Worse)
Passenger revenue	**4,860**	*4,932*	(1.5)%
Cargo revenue	**272**	*304*	(10.5)%
Other revenue	**218**	*233*	(6.4)%
Total revenue	**5,350**	*5,469*	**(2.2)%**
Employee costs	**1,233**	*1,227*	(0.5)%
Depreciation, amortisation and impairment	**375**	*385*	2.6%
Aircraft operating lease costs	**63**	*55*	(14.5)%
Fuel, oil costs and emission charges	**1,224**	*1,623*	24.6%
Engineering and other aircraft costs	**329**	*339*	2.9%
Landing fees and en-route charges	**419**	*387*	(8.3)%
Handling charges, catering and other operating costs	**716**	*642*	(11.5)%
Selling costs	**211**	*211*	0.0%
Currency differences	**31**	*10*	nm
Property, IT and other costs	**262**	*234*	(12.0)%
Total expenditure on operations[2]	**4,863**	*5,113*	**4.9%**
Operating profit before exceptional items	**487**	*356*	**36.8%**
Exceptional item	**40**		nm
Non-operating items	**60**	*1,479*	nm
Profit before tax	**587**	*1,835*	nm
Tax	**(91)**	*(67)*	nm
Profit after tax	**496**	*1,768*	nm

[1] The prior year Consolidated income statement includes reclassifications to conform to the current year presentation. Refer to note 1 for further details.
[2] Total operating expenditure excluding fuel, oil costs and emission charges was £3,639 million (2015: £3,490 million).
nm = not meaningful

Total revenue

Overall capacity, measured by ASKs, was up by 2.0 per cent in the first six months of the year and traffic increased by 2.4 per cent, increasing seat factor by 0.4 pts. This translated to total revenue for the first half of the year of £5,350 million (2015: £5,469 million). The decrease in revenue is driven by falling yields which saw passenger revenue per RPK drop by 3.9 per cent following a decline in corporate bookings, weak trading conditions leading up to the referendum vote to remain or exit the EU and the attacks in Europe.

Expenditure on operations

There has been a significant drop in half year operating costs to £4,863 million (2015: £5,113 million). Fuel, oil and emission costs reduced by 24.6 per cent driven by the reduction in average fuel price net of the impact of hedging and the continued introduction of more fuel-efficient aircraft.

Group expenditure excluding fuel increased to £3,639 million (2015: £3,490 million) principally driven by an increase in ASKs of 2.0 per cent. This increase in ASKs has contributed to a 2.2 per cent increase in non-fuel cost per ASK as well as the weakening pound sterling against other major currencies, including the euro and US dollar.

Depreciation, amortisation and impairment have decreased by 2.6 per cent due to the impact of aircraft retirements, partially offset by new aircraft deliveries during the period and the capitalisation of IT projects. Engineering and other aircraft costs have decreased by 2.9 per cent due to the renegotiation of certain maintenance agreements and cost saving initiatives. Handling charges, catering and other operating costs increased by 11.5 per cent owing to an increase in ASKs and adverse exchange movements.

Exceptional items

During the period BA made changes to the US PRMB (Post-Retirement Medical Benefits) to further bring the level of benefits in line with national trends seen in the US. This scheme is accounted for in a similar way to a defined benefit plan, so any reduction in benefit results in the recognition of a past service gain when the plan amendment occurs. This change has resulted in a one-off gain in employee costs of £40 million in the period, and a related tax charge of £8 million.

Non-operating items

On 28 January 2015, BA entered into a business transfer agreement with Avios Group (AGL) Limited ('AGL') which transferred certain parts of the BA Executive Club business, relating to the frequent flyer programme, to AGL in return for additional shares in AGL. BA's shareholding in the new, larger, AGL business is 86 per cent. BA has the power to participate in the financial and operating policy decisions of AGL but does not control or jointly control those policies. From 28 January 2015 AGL was derecognised as a subsidiary of BA and recognised as an associate at the fair value of the retained interest. A gain on loss of control of a subsidiary of £1.5 billion was recognised within non-operating costs, representing the fair value of the shares received above the net assets disposed. An additional gain on loss of control of a subsidiary of £70 million has been recognised in the current period following an adjustment to the net assets that were disposed.

Tax

The tax charge on continuing operations for the period ended 30 June 2016 was £91 million (2015: £67 million). After removing non-taxable gain related to the transfer of the British Airways Executive Club business to Avios Group Ltd and share of after-tax profits of associates, the effective tax rate for the period was 19.4 per cent (2015: 19.3 per cent).

Capital expenditure

Total capital expenditure in the period amounted to £956 million (2015: £305 million) which includes £896 million (2015: £223 million) of fleet related spend. During the year to date, the Group took delivery of two Airbus A380 aircraft, five Boeing 787-9 aircraft and one Embraer E190 aircraft.

Liquidity

The Group's liquidity position remains robust with £2.5 billion of cash and cash equivalents and other interest bearing deposits (31 December 2015: £2.0 billion). Net debt stood at £2.9 billion (31 December 2015: £2.5 billion).

Principal risks and uncertainties

The UK referendum vote to remain or exit the EU resulted in economic uncertainty throughout the period and in particular quarter two. The Group experienced weak trading conditions in June leading up to and following the vote, with an emphasis in our premium cabins. The weak trading conditions have impacted the Group's profitability. The reduction in interest rates increased BA's employee pension accounting obligation and decreased other reserves. Sensitivities on our pension plans are included in note 31 of the 2015 Annual Report and Accounts and the impact of changes in assumptions for the six months to 30 June 2016 are included in note 17.

BA remains sensitive to economic conditions in the markets in which it operates. Deterioration in either the domestic market or the global economy may have a material impact on our financial position, while foreign exchange and interest rate movements create volatility. The risk of economic uncertainty within the UK may extend into the longer term following the UK's vote to exit the EU.

Following the UK's vote to exit the EU, there has been no immediate regulatory impact on the Group's ability to operate its business effectively. Regulation of the airline industry covers many of our activities including route flying rights, airport landing rights, departure taxes, security and environmental controls. Excessive taxes or increases in regulation may impact on our operational and financial performance. The terms of the UK withdrawal from the other EU member states must be negotiated. At this stage, we do not believe it will have a significant impact on our business, as disclosed in our 2015 Annual Report and Accounts.

We have continued to maintain and operate our structure and processes to identify, assess and manage risks. The impact of the UK referendum has been considered as part of BA's overall risk assessment. The principal risks and uncertainties affecting us, detailed on pages 8 to 9 of the 2015 Annual Report and Accounts, remain relevant for the remaining six months of the year.

DTR and Companies Act 2006 requirement

This half year announcement represents BA's half-yearly financial report for the purposes of the Disclosure and Transparency Rules made by the UK Financial Conduct Authority. Pages 1-3 represent the interim management report, the Directors' responsibility statement can be found on page 3 and the condensed consolidated interim financial statements can be found on pages 5-21.

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	Steve Gunning
Executive Chairman	Chief Financial Officer
22 September 2016	22 September 2016

Ends

Forward-looking statements:

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

Forward-looking statements can typically be identified by the use of forward-looking terminology, such as "expects", "may", "will", "could", "should", "intends", "plans", "predicts", "envisages" or "anticipates" and include, without limitation, any projections relating to results of operations and financial conditions of British Airways Plc and its subsidiary undertakings from time to time (the "Group"), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditures and divestments relating to the Group and discussions of the Group's Business plan. All forward-looking statements in this report are based upon information known to the Group on the date of this report. The Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the forward-looking statements in this report to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Further information on the primary risks of the business and the risk management process of the Group is given in the Annual Report and Accounts 2015; these documents are available on www.iagshares.com.

IAG Investor Relations - 2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, HOUNSLOW, TW6 2SF
Tel: +44 (0)208 564 2900
Investor.relations@iairgroup.com

BRITISH AIRWAYS PLC

Unaudited Condensed Consolidated Interim Financial Statements
1 January 2016 – 30 June 2016

Consolidated income statement

For the six months ended 30 June £ million	Note	2016	*2015*
Passenger revenue		**4,860**	*4,932*
Cargo revenue		**272**	*304*
Traffic revenue		**5,132**	*5,236*
Other revenue		**218**	*233*
Total revenue	4	**5,350**	*5,469*
Employee costs		**1,233**	*1,227*
Depreciation, amortisation and impairment		**375**	*385*
Aircraft operating lease costs		**63**	*55*
Fuel, oil costs and emission charges		**1,224**	*1,623*
Engineering and other aircraft costs		**329**	*339*
Landing fees and en route charges		**419**	*387*
Handling, catering and other operating costs		**716**	*642*
Selling costs		**211**	*211*
Currency differences		**31**	*10*
Property, IT and other costs		**262**	*234*
Total expenditure on operations		**4,863**	*5,113*
Operating profit before exceptional items		**487**	*356*
Exceptional items	3	**40**	
Operating profit after exceptional items		**527**	*356*
Gains on derivatives not qualifying for hedge accounting		**9**	*10*
Finance costs	6	**(76)**	*(77)*
Finance income	6	**11**	*11*
Net financing credit/(charge) relating to pensions		**6**	*(4)*
Net currency retranslation charges		**(10)**	*(9)*
Profit on sale of property, plant and equipment and investments		**68**	*1,483*
Share of post-tax profits in associates accounted for using the equity method		**48**	*64*
Net gain relating to available-for-sale financial assets		**4**	*1*
Profit before tax		**587**	*1,835*
Tax	7	**(91)**	*(67)*
Profit after tax for the period		**496**	*1,768*
Attributable to:			
Equity holders of the parent		**488**	*1,761*
Non-controlling interest		**8**	*7*
		496	*1,768*

The above results are all in respect of continuing operations.

The prior year consolidated income statement includes reclassifications to conform to the current year presentation. Refer to note 1 for further details.

Consolidated statement of other comprehensive income

For the six months ended 30 June			
£ million	Note	**2016**	*2015*
Profit for the period		**496**	*1,768*
Other comprehensive income:			
Items that will not be re-classified to the income statement			
Remeasurement of post-employment benefit obligations		**(1,220)**	*(141)*
Income taxes		**240**	*28*
		(980)	*(113)*
Items that may be re-classified to the income statement			
Currency translation differences		**27**	*(9)*
Fair value movements in equity on cash flow hedges		**(386)**	*122*
Fair value of cash flow hedges re-classified to the income statement		**430**	*426*
Share of other movements in reserves of associates	12	**2**	
Available-for-sale financial assets - fair value movements	12		*(1)*
Income taxes		**(5)**	*(71)*
		68	**467**
Total other comprehensive (loss)/income		**(912)**	*354*
Total comprehensive (loss)/income for the period (net of tax)		**(416)**	*2,122*
Attributable to:			
Equity holders of the parent		**(424)**	*2,115*
Non-controlling interest		**8**	*7*
		(416)	*2,122*

Consolidated balance sheet

£ million	Note	30 June 2016	31 December 2015
Non-current assets			
Property, plant and equipment:			
Fleet		**7,607**	*7,066*
Property		**791**	*802*
Equipment		**241**	*252*
	8	**8,639**	*8,120*
Intangibles:			
Goodwill		**40**	*40*
Landing rights		**668**	*665*
Emissions allowances			*6*
Software		**292**	*270*
	8	**1,000**	*981*
Investments in associates	12	**1,790**	*1,775*
Available-for-sale financial assets	16	**48**	*47*
Employee benefit assets	17	**731**	*697*
Derivative financial instruments	16	**46**	*12*
Loan to related party		**300**	*263*
Other non-current assets		**77**	*77*
Total non-current assets		**12,631**	*11,972*
Non-current assets held for sale	11	**1**	*4*
Current assets and receivables			
Inventories		**126**	*139*
Trade receivables		**746**	*541*
Other current assets		**691**	*585*
Derivative financial instruments	16	**86**	*59*
Loan to related party		**33**	*29*
Current tax recoverable		**16**	
Other current interest-bearing deposits		**1,795**	*1,199*
Cash and cash equivalents		**672**	*848*
		2,467	*2,047*
Total current assets and receivables		**4,165**	*3,400*
Total assets		**16,797**	*15,376*
Shareholders' equity			
Issued share capital		**290**	*290*
Share premium		**1,512**	*1,512*
Other reserves		**2,172**	*2,596*
Total shareholders' equity		**3,974**	*4,398*
Non-controlling interests		**200**	*200*
Total equity		**4,174**	*4,598*
Non-current liabilities			
Interest-bearing long-term borrowings	14	**4,544**	*3,782*
Employee benefit obligations	17	**1,389**	*618*
Deferred tax liability		**161**	*282*
Provisions for liabilities and charges	15	**366**	*233*
Derivative financial instruments	16	**28**	*101*
Other long-term liabilities		**56**	*62*
Total non-current liabilities		**6,544**	*5,078*
Current liabilities			
Current portion of long-term borrowings	14	**790**	*728*
Trade and other payables		**5,041**	*4,197*
Derivative financial instruments	16	**193**	*548*
Current tax payable			*69*
Provisions for liabilities and charges	15	**55**	*158*
Total current liabilities		**6,079**	*5,700*
Total liabilities		**12,623**	*10,778*
Total equity and liabilities		**16,797**	*15,376*

Consolidated cash flow statement

For the six months ended 30 June £ million	Note	2016	2015
Cash flow from operating activities			
Operating profit		**487**	*356*
Depreciation, amortisation and impairment	8	**375**	*385*
Movement in working capital			
Increase in trade and other receivables, prepayments, inventories and current assets		**(275)**	*(518)*
Increase in trade and other payables, deferred revenue on ticket sales and current liabilities		**959**	*918*
Payments related to restructuring		**(16)**	*(27)*
Employer contributions to pension schemes		**(522)**	*(346)*
Pension scheme service costs		**83**	*94*
Provision and other non-cash movement		**71**	*12*
Interest paid		**(59)**	*(63)*
Taxation		**(80)**	*(27)*
Net cash generated from operating activities		**1,023**	*784*
Cash flow used in investing activities			
Acquisition of property, plant and equipment and intangible assets		**(956)**	*(305)*
Sale of property, plant and equipment and intangible assets		**4**	
Interest received		**9**	*12*
Increase in other current interest-bearing deposits	13	**(596)**	*(497)*
Dividends received	12	**52**	
Loan to related party			*(285)*
Other investing movements		**4**	*2*
Net cash used in investing activities		**(1,483)**	*(1,073)*
Cash flow from financing activities			
Net proceeds from long-term borrowings	13	**541**	*147*
Repayment of borrowings	13	**(51)**	*(42)*
Repayment of finance leases	13	**(165)**	*(173)*
Distributions made to holders of perpetual securities and other		**(9)**	*(7)*
Net cash flow from financing activities		**316**	*(75)*
Net change in cash and cash equivalents		**(144)**	*(364)*
Net foreign exchange differences		**(32)**	*4*
Cash and cash equivalents at 1 January		**848**	*674*
Cash and cash equivalents at 30 June		**672**	*314*

At 30 June 2016 cash and cash equivalents includes £21 million of restricted cash in Nigeria. BA also held receivables of £23 million at 30 June 2016 in Nigeria.

Consolidated statement of changes in equity

For the six months ended 30 June 2016

£ million	Issued capital	Share premium	Other reserves[1]	**Total shareholders' equity**	Non-controlling interest	**Total equity**
Balance at 1 January 2016	290	1,512	2,596	**4,398**	200	**4,598**
Profit for the period			488	**488**	8	**496**
Other comprehensive income for the period			(912)	**(912)**		**(912)**
Total comprehensive income for the period (net of tax)			(424)	**(424)**	8	**(416)**
Distributions made to holders of perpetual securities					(8)	**(8)**
At 30 June 2016	**290**	**1,512**	**2,172**	**3,974**	**200**	**4,174**

For the six months ended 30 June 2015

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

[1]The retained earnings for the Group at 30 June 2016 were £2,540 million (2015: £2,329 million). Excluding pensions restatement: retained earnings at 30 June 2016 were £4,230 million (2015: retained earnings were £4,019 million).

Notes to the accounts

For the six months ended 30 June 2016

1 Corporate information and basis of preparation

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

The financial information shown in this publication, which was approved by the Board of Directors on 22 September 2016, is unaudited and does not constitute statutory financial statements. BA's Annual Report and Accounts 2015 have been filed with the Registrar of Companies in England and Wales; the report of the auditors on those accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the UK Companies Act 2006.

The basis of preparation and accounting policies set out in the Annual Report and Accounts for the year ended 31 December 2015 have been applied in the preparation of these condensed consolidated interim financial statements, except as disclosed in note 2. BA's financial statements for the year to 31 December 2015 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.

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

The financial statements for the prior year include reclassifications that were made to conform to the current year presentation.

In 2016 the Group reviewed and amended the reporting of individual line items in the consolidated income statement to better reflect the nature of underlying transactions and improve comparability between reporting periods. As a result, for the year ended 31 December 2015, revenue previously reported as Other revenue has been reclassified to Passenger revenue and Cargo revenue. Expenditure in respect of certain subcontracted services, previously allocated to Property, IT and other costs, has been reclassified to Handling, catering and other operating costs. Other expenditure reclassifications are not material in aggregate or isolation. These reclassifications have not affected reported total revenue, expenditure or operating profit for 2015. Details of these adjustments are provided in the table below.

	Consolidated Income statement for the six months to 30 June 2015		
£ million	Previously reported	Reclassification	After reclassification
Passenger revenue	4,888	44	4,932
Cargo revenue	281	23	304
Other revenue	300	(67)	233
Total revenue	5,469		5,469
Handling, catering and other operating costs	591	51	642
Property, IT and other costs	287	(53)	234
Other expenditure on operations	4,235	2	4,237
Total expenditure on operations	5,113		5,113
Operating profit	356		356

2 Accounting policies

The Group has adopted the following standards, interpretations and amendments for the first time in the six months to 30 June 2016:

IAS 1 (Amendment) 'Presentation of financial statements' disclosure initiative; effective for periods beginning on or after 1 January 2016. The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements, and the disclosure of accounting policies. The adoption of the amendments has not resulted in a significant change to the presentation and disclosures in the Group's financial statements.

IAS 19 (Amendment) 'Defined Benefit plans: Employee contributions'; effective for periods beginning on or after 1 February 2015. The amendments clarify the application of IAS 19 'Employee Benefits' (2011) to plans that require employees or third parties to contribute towards the cost of benefits. The amendments have not resulted in a change to the financial position or performance of the Group.

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

Notes to the accounts (continued)

For the six months ended 30 June 2016

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	**2016**	*2015*
Revision in US past service cost benefits	**40**	
Total before tax	**40**	

Revision in US past service cost benefits

During the period the Group made changes to the US PRMB (Post-Retirement Medical Benefits) to further bring the level of benefits in line with national trends seen in the US. This scheme is accounted for in a similar way to a defined benefit plan, so any reduction in benefit results in the recognition of a past service gain when the plan amendment occurs. This change has resulted in a one-off gain in employee costs of £40 million in the period, and a related tax charge of £8 million.

4 Segment information

a Business segments

The Group's network passenger and cargo operations are managed as a single business unit. The Leadership Team makes resource allocation decisions based on route profitability, which considers aircraft type and route economics, based primarily by reference to passenger economics with limited reference to cargo demand. The objective in making resource allocation decisions is to optimise the consolidated financial results. While the operations of certain subsidiaries are considered to be separate operating segments, their activities are considered to be sufficiently similar in nature to aggregate all segments. The primary financial information reviewed by the Leadership Team is based on the consolidated results of the Group. Based on the way the Group aggregates its operating business, and the manner in which resource allocation decisions are made, the Group has only one reportable segment for financial reporting purposes, being the consolidated results of the Group.

b Geographical analysis - by area of original sale

For the six months ended 30 June £ million	**2016**	*2015*
UK	**2,641**	*2,631*
USA	**1,041**	*1,070*
Rest of the world	**1,668**	*1,768*
Revenue	**5,350**	*5,469*

The total of non-current assets excluding available-for-sale financial assets, employee benefit assets, other non-current assets, loans to related parties and derivative financial instruments located in the UK is £11,250 million (31 December 2015: £10,718 million) and the total of these non-current assets located in other countries is £180 million (31 December 2015: £162 million).

5 Seasonality

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

6 Finance costs and income

For the six months ended 30 June £ million	**2016**	*2015*
Finance costs		
Interest payable on bank and other loans, finance charges payable under finance leases	**(75)**	*(78)*
Unwinding of discounting on provisions (note 15)	**(1)**	*(1)*
Capitalised interest	**1**	*1*
Change in fair value of cross currency swaps	**(1)**	*1*
Total finance costs	**(76)**	*(77)*
Finance income		
Bank interest receivable	**11**	*11*
Total finance income	**11**	*11*

7 Tax

The total tax charge through the income statement for the six month period ended 30 June 2016 was £91 million (2015: £67 million) on a profit before tax of £587 million (2015: £1,835 million). After removing the non-taxable gain related to the transfer of the British Airways Executive Club business to Avios Group Ltd and share of after-tax profits of associates, the effective tax rate for the period was 19.4 per cent (2015: 19.3 per cent) being lower (2015: lower) than the tax charge at the standard UK corporation tax rate of 20 per cent (2015: 20.25 per cent).

The UK corporation tax rate is reducing from 20 per cent to 19 per cent effective from 1 April 2017 and from 19 percent to 18 per cent effective from 1 April 2020. A further reduction to 17 per cent effective from 1 April 2020 has been announced and is expected to be enacted later in 2016. The effect of the corporation tax rate reduction is expected to be a deferred tax credit of £35 million through the income statement.

8 Property, plant, equipment and intangibles

a Property, plant and equipment

£ million	**30 June 2016**	*30 June 2015*
Net book value at 1 January	**8,120**	*7,990*
Additions	**910**	*262*
Disposals	**(26)**	*(18)*
Depreciation	**(356)**	*(377)*
Reclassifications	**(9)**	
Net book value at period end	**8,639**	*7,857*

b Intangibles

£ million	**2016**	*2015*
Net book value at 1 January	**981**	*949*
Additions	**32**	*36*
Disposals	**(6)**	*(20)*
Amortisation	**(19)**	*(8)*
Reclassifications	**9**	*(2)*
Exchange differences	**3**	
Net book value at period end	**1,000**	*955*

Notes to the accounts (continued)

For the six months ended 30 June 2016

9 Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £6,315 million (31 December 2015: £6,458 million). The majority of capital expenditure commitments are denominated in US dollars, as such the commitments are subject to exchange movements.

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 2015. For the six months to 30 June 2016, following consideration of the impact of the UK referendum, there are no indicators that the carrying value exceeds the recoverable amount.

11 Non-current assets held for sale

The non-current assets held for sale of £1 million in the Group represents one Boeing 737-400 engine that has been stood down from use and is being marketed for sale.

At 31 December 2015, the non-current assets held for sale of £4 million in the Group consisted of three Boeing 737-400 airframes and nine Boeing 737-400 engines.

12 Investment in associates

£ million	2016	*2015*
Balance at 1 January	1,775	*76*
Additions		*1,569*
Exchange differences	17	*(8)*
Share of attributable results	48	*64*
Share of movements on other reserves	2	
Dividends received	(52)	
Balance at 30 June	1,790	*1,701*

On 28 January 2015, BA entered into a business transfer agreement with Avios Group (AGL) Limited ("AGL") which transferred certain parts of the BA Executive Club business, relating to the frequent flyer programme, to AGL in return for additional shares in AGL. BA's shareholding continues to be 86 per cent of AGL. BA has the power to participate in the financial and operating policy decisions of AGL but does not control or jointly control those policies. From 28 January 2015 AGL was derecognised as a subsidiary of BA and recognised as an associate at the fair value of the retained interest. A gain on loss of control of a subsidiary of £1.5 billion was recognised, representing the fair value of the shares received above the net assets disposed. An additional gain on loss of control of a subsidiary of £70m has been recognised in the current period following an adjustment to the net assets that were disposed.

13 Reconciliation of net cash flow to movement in net debt

£ million	2016	*2015*
Decrease in cash and cash equivalents from continuing operations	(144)	*(364)*
Increase in other current interest-bearing deposits	596	*497*
Net cash outflow from decrease in debt and lease financing	216	*215*
New loans and finance leases taken out	(541)	*(147)*
Decrease in net debt resulting from cash flow	127	*201*
Exchange differences and other non-cash movements	(531)	*109*
(Increase)/decrease in net debt during the period	(404)	*310*
Net debt at 1 January	(2,463)	*(2,026)*
Net debt at 30 June	(2,867)	*(1,716)*

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

14 Long-term borrowings

£ million	**30 June 2016**	*31 December 2015*
a Current		
Bank and other loans	**415**	*396*
Finance leases	**375**	*332*
	790	*728*
b Non-current		
Bank and other loans	**467**	*480*
Finance leases	**4,077**	*3,302*
	4,544	*3,782*

15 Provisions for liabilities and charges

£ million	Restoration and handback	Restructuring	Legal claims	Other	**Total**
Balance at 1 January 2016					
Current	23	26	80	29	158
Non-current	219		1	13	233
	242	26	81	42	391
Arising during the period	20	10	3	30	63
Utilised	(6)	(16)	(2)	(34)	(58)
Release of unused amounts	(3)	(4)			(7)
Exchange differences	24		11	(4)	31
Unwinding of discount				1	1
As at 30 June 2016	**277**	**16**	**93**	**35**	**421**
Analysis:					
Current	14	16	1	24	**55**
Non-current	263		92	11	**366**
	277	**16**	**93**	**35**	**421**

Notes to the accounts (continued)

For the six months ended 30 June 2016

16 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 30 June 2016 and 31 December 2015 by nature and classification for measurement purposes is as follows:

At 30 June 2016

£ million	Financial assets				
	Loans and receivables	Derivatives used for hedging	Available-for-sale	Non-financial assets	**Total carrying amount**
Non-current financial assets					
Available-for-sale financial assets			48		**48**
Derivative financial instruments		46			**46**
Loan to related party	300				**300**
Other non-current assets	60			17	**77**
Current financial assets					
Trade receivables	746				**746**
Derivative financial instruments		86			**86**
Other current assets	238			453	**691**
Other current interest-bearing deposits	1,795				**1,795**
Loan to related party	33				**33**
Cash and cash equivalents	672				**672**

£ 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	4,544			**4,544**
Derivative financial instruments		28		**28**
Other long-term liabilities	3		53	**56**
Current financial liabilities				
Current portion of long-term borrowings	790			**790**
Trade and other payables	1,731		3,310	**5,041**
Derivative financial instruments		193		**193**

16 Financial instruments (continued)

a Financial assets and liabilities by category (continued)

At 31 December 2015

£ million	Financial assets: Loans and receivables	Financial assets: Derivatives used for hedging	Financial assets: Available-for-sale	Non-financial assets	Total carrying amount
Non-current financial assets					
Available-for-sale financial assets			47		**47**
Derivative financial instruments		12			**12**
Other non-current assets	326			14	**340**
Current financial assets					
Trade receivables	541				**541**
Derivative financial instruments		59			**59**
Other current assets	259			355	**614**
Other current interest-bearing deposits	1,199				**1,199**
Cash and cash equivalents	848				**848**

£ million	Financial liabilities: Loans and payables	Financial liabilities: Derivatives used for hedging	Non-financial liabilities	Total carrying amount
Non-current financial liabilities				
Interest-bearing long-term borrowings	3,782			**3,782**
Derivative financial instruments		101		**101**
Other long-term liabilities	3		59	**62**
Current financial liabilities				
Current portion of long-term borrowings	728			**728**
Trade and other payables	1,548		2,649	**4,197**
Derivative financial instruments		548		**548**

b Fair values of financial assets and financial liabilities

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying amounts and fair values of the Group's financial assets and liabilities as at 30 June 2016 are set out below:

£ million	Level 1	Level 2	Level 3	Fair value Total	Carrying value Total
Financial assets:					
Available-for-sale financial assets	8		40	**48**	**48**
Derivatives[1]		132		**132**	**132**
Financial liabilities:					
Interest-bearing loans and borrowings	252	5,328		**5,580**	**5,334**
Derivatives[2]		221		**221**	**221**

[1] Current portion of derivative financial assets is £86 million. [2] Current portion of derivative financial liabilities is £193 million.

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 31 December 2015 are set out below:

				Fair value	Carrying value
£ million	Level 1	Level 2	Level 3	**Total**	**Total**
Financial assets:					
Available-for-sale financial assets	7		40	**47**	**47**
Derivatives[1]		71		**71**	**71**
Financial liabilities:					
Interest-bearing loans and borrowings	261	4,539		**4,800**	**4,510**
Derivatives[2]		649		**649**	**649**

[1] Current portion of derivative financial assets is £59 million
[2] Current portion of derivative financial liabilities is £548 million

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

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

Available-for-sale financial assets and loan notes
Listed fixed asset investments (Level 1) are stated at market value as at 30 June 2016. For unquoted investments (Level 3) where the fair value cannot be measured reliably, the investment is stated at historic cost less accumulated impairment losses.

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

Bank and other loans, finance leases, hire purchase arrangements and the non-Japanese yen denominated portions of hire purchase arrangements carrying fixed rates of interest
The fair value of the Group's interest-bearing borrowings including leases, are determined by discounting the remaining contractual cash-flows at the relevant market interest rates as at 30 June 2016 (Level 2).

Euro-sterling bond 2016
This is stated at quoted market value (Level 1).

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

c Level 3 financial assets reconciliation

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

£ million	**Six months ended 30 June 2016**	Year ended 31 December *2015*
Balance at 1 January	**40**	*44*
Repayment of loan notes (classified as available-for-sale financial assets)		*(4)*
As at period end	**40**	*40*

Notes to the accounts (continued)

For the six months ended 30 June 2016

17 Employee benefits

The Group operates two principal funded defined benefit pension schemes in the UK, the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS'), both of which are closed to new members.

				As at 30 June 2016
£ million	APS	NAPS	Other	**Total**
Scheme assets at fair value	**7,700**	**13,850**	**316**	**21,866**
Present value of scheme liabilities	**(6,550)**	**(15,000)**	**(541)**	**(22,091)**
Net pension asset/(liability)	**1,150**	**(1,150)**	**(225)**	**(225)**
Effect of the asset ceiling	**(423)**			**(423)**
Other employee benefit obligations			**(10)**	**(10)**
	727	**(1,150)**	**(235)**	**(658)**
Represented by:				
Employee benefit assets				**731**
Employee benefit obligations				**(1,389)**
				(658)

				As at 31 December 2015
£ million	*APS*	*NAPS*	*Other*	***Total***
Scheme assets at fair value	*7,232*	*13,126*	*304*	*20,662*
Present value of scheme liabilities	*(6,130)*	*(13,464)*	*(571)*	*(20,165)*
Net pension asset / (liability)	*1,102*	*(338)*	*(267)*	*497*
Effect of the asset ceiling	*(409)*			*(409)*
Other employee benefit obligations			*(9)*	*(9)*
	693	*(338)*	*(276)*	*79*
Represented by				
Employee benefit assets				*697*
Employee benefit obligations				*(618)*
				79

At 30 June, 2016, the assumptions used to determine the obligations under the APS and NAPS were reviewed and updated to reflect market conditions at that date. The change in assumptions has resulted in a charge to Other comprehensive income of £980 million (net of tax). Key assumptions were as follows:

	At 30 June 2016			*At 31 December 2015*		
Per cent per annum	**APS**	**NAPS**	**Other schemes**	*APS*	*NAPS*	*Other schemes*
Discount rate	**2.70**	**2.90**	**3.8 – 4.4**	*3.60*	*3.85*	*3.8 – 4.4*
Rate of increase in pensionable pay[1]	**2.70**	**2.70**	**3.0 – 4.0**	*2.85*	*3.00*	*3.0 – 4.0*
Rate of increase of pensions in payment	**1.60**	**1.60**	**1.5 – 3.5**	*1.85*	*2.00*	*1.5 – 3.5*
RPI rate of inflation[2]	**2.70**	**2.70**	**3.0 – 3.1**	*2.85*	*3.00*	*3.0 – 3.1*
CPI rate of inflation[2]	**1.60**	**1.60**	**2.1 – 3.0**	*1.85*	*2.00*	*2.1 – 3.0*

[1] Rate of increase in salaries is assumed to be in line with the RPI rate of inflation.

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

Pension contributions for APS and NAPS were determined by an actuarial valuation made as at 31 March 2012 using assumptions and methodologies agreed with the Trustees of each scheme.

The Group is currently in discussions with the Trustees of the APS and NAPS over the latest actuarial valuations as at 31 March 2015. Although discussions have been constructive, further work is required beyond 30 June 2016 (the date set by the statutory framework) to finalise the valuations and conclude a satisfactory agreement.

18 Contingent liabilities

There were contingent liabilities at 30 June 2016 in respect of tax returns, guarantees and indemnities entered into as part of the ordinary course of the Group's business. At 30 June 2016 these contingent liabilities amounted to £104 million (31 December 2015: £90 million). No material losses are likely to arise from such contingent liabilities.

The Group is party to a number of legal proceedings in the English courts relating to a decision by the European Commission in 2010 which fined BA and ten other airline groups for participating in a cartel in respect of air cargo prices. The decision was partially annulled as against BA following an appeal to the general court of the European Union and the fine was refunded in full. It is not yet clear what the European Commission's next steps will be.

The original decision has led to a large number of claimants seeking, in proceedings brought in the English courts, to recover damages from BA which they claim arise from the alleged cartel activity. It is not possible at this stage to predict the outcome of the proceedings, which BA will vigorously defend. BA has joined the other airlines alleged to have participated in cartel activity to these proceedings to contribute to such damages, if any are awarded.

The Group 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.

We are currently unable to determine whether the Group has an existing obligation as a result of the past event.

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	**2016**	2015[3]
Parent[1]:		
Sales to/purchases on behalf of IAG	**26**	*17*
Purchases from IAG	**21**	*22*
Amounts owed by IAG	**44**	*36*
Amounts owed to IAG	**30**	*18*
Subsidiary undertakings of the parent:		
Sales to subsidiary undertakings of the parent	**27**	*53*
Purchases on behalf of subsidiary undertakings of the parent	**59**	*36*
Amounts owed by subsidiary undertakings of the parent	**344**	*303*
Amounts owed to subsidiary undertakings of the parent	**59**	*48*
Associates[2]:		
Sales to associates	**191**	*128*
Purchases from associates	**179**	*165*
Amounts owed by associates	**151**	*40*
Amounts owed to associates	**988**	*926*

[1] The transactions between the Group and International Consolidated Airlines Group S.A. ('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 on an arms length basis 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 2015 for income statement items and 31 December 2015 for balance sheet items.

In addition, costs borne by the Group on behalf of the Group's retirement benefit plans amounted to £2 million in relation to the Pension Protection Fund levy (2015: £3 million).

The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the period ended 30 June 2016 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (year ended 31 December 2015: £nil).

Directors' and officers' loans and transactions

There were no loans or credit transactions with Directors or officers of the Group at 30 June 2016 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 (continued)

Number in service with Group companies at 30 June 2016[1]

	On Balance Sheet fixed assets	Off Balance Sheet operating leases	Total June 2016	Total December 2015	Changes since December 2015	Future deliveries	Options
Airbus A318	2		**2**	*2*			
Airbus A319	31	13	**44**	*44*			
Airbus A320	40	26	**66**	*66*		26	33
Airbus A321	14	4	**18**	*18*		10	
Airbus A350						18	36
Airbus A380	12		**12**	*10*	2		7
Boeing 747-400	39		**39**	*40*	(1)		
Boeing 757-200	1	2	**3**	*3*			
Boeing 767-300	11		**11**	*12*	(1)		
Boeing 777-200	41	5	**46**	*46*			
Boeing 777-300	9	3	**12**	*12*			
Boeing 787-8	8		**8**	*8*		4	
Boeing 787-9	10		**10**	*5*	5	8	6
Boeing 787-10						12	
Embraer E170	6		**6**	*6*			
Embraer E190	9	4	**13**	*12*	1	1	15
TOTAL	**233**	**57**	**290**	**284**	**6**	**79**	**97**

Note:

1. Includes those operated by British Airways Plc, BA Cityflyer Limited and OpenSkies SASU.
2. Two Airbus A380, five Boeing 787-9 and one Embraer E190 were delivered and went into service during the period. One Boeing 767-300 aircraft was stood down from service and disposed of, One Boeing 747-400 was stood down.
3. Future deliveries have decreased by eight. Two Airbus A380, five Boeing B787-9 and one Embraer E190 were delivered during the period.
4. There have been no changes to options held during the period.