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British Airways Plc

Annual Report and Accounts
Year ended 31 December 2024

Company registration number: 1777777

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Officers and professional advisers

Directors

Sean Doyle	(Chairman and Chief Executive Officer)
Alison Brittain	(Deputy Chairman)
José Antonio Barrionuevo Urgel	(Chief Financial and Transformation Officer)
Martha Lane-Fox	
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Secretary
Andrew Fleming

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Strategic report

The Directors present their strategic report for the year ended 31 December 2024.

British Airways Plc ('British Airways', 'BA', 'the airline' or 'the Group') is the UK's flag carrier airline and one of the world's leading global airlines. The Group's principal place of business is London with significant presence at Heathrow, Gatwick and London City airports. As part of International Airlines Group ('IAG'), and together with joint business, codeshare and franchise partners, British Airways operates one of the most extensive international scheduled airline networks. British Airways is a founding member of the **oneworld** alliance, whose member airlines serve more than 900 destinations in more than 170 countries worldwide.

The strategic report is presented in the following five sections:

- Management review and outlook;
- Financial review;
- Principal risks and uncertainties;
- Directors' Section 172 statement; and
- Climate-related financial disclosures

Management review and outlook

Overview

- Total revenue of £14,568 million, up 2% (2023: £14,322 million);
- A strong operating profit of £2,060 million, up 44% (2023: £1,431 million);
- Net debt decreased by £800 million to £6,388 million (2023: £7,188 million);
- Passengers increased to 46.2 million, up 7% (2023: 43.0 million);
- Punctuality improved by 15 percentage points to 73% (2023: 58%); and
- Dividend paid of £530 million, the first dividend paid since 2019.

For the year ended 31 December 2024, the Group made a profit before tax of £2,835 million (2023: £1,424 million).

British Airways Holidays (BA Holidays) has grown to become one of the leading holiday companies in the UK and in order to best accelerate the growth of the business, the ownership of BA Holidays was transferred from British Airways Plc to Avios Group (AGL) Limited, trading as IAG Loyalty on 1 April 2024. This strategic move provides an opportunity to bring two capital light businesses together and build better propositions for customers and the wider IAG. The operation, leadership and brand identity of BA Holidays remains unchanged. As a result of the sale, British Airways recognised a gain of £654 million through Non-operating items in the Group consolidated income statement.

Overall capacity, measured in available seat kilometres (ASKs), increased by 4.4% and passenger load factor increased by 1.6 percentage points. This was driven by increased leisure and business volumes as greater demand and capacity returned compared to 2023. The increase in passenger load factor, coupled with a small drop in average passenger yields of 0.5%, led to an overall increase in passenger revenue of 6.3% compared to 2023.

Our Operation

British Airways continued to work closely with stakeholders across the business and the wider industry to ensure it delivered for its customers and placed an increased focus on driving improvements in operational performance and resilience. The airline continues to deliver a strong revenue performance, particularly across premium leisure, and has seen gradual improvements in business travel, however the airline recognises the sector dynamics have shifted towards a greater mix of leisure travel in a post-pandemic era.

Operational Performance

As part of its £7 billion transformation plan which commenced in 2024, British Airways is making a multi-million-pound investment across the whole airline operation, including making changes at Heathrow through the introduction of new ways of working. Colleagues now work in smaller teams with a dedicated line manager who is responsible for an operational zone. This is made possible by an investment in an additional 350 roles across several frontline teams, including ticketing, loaders, baggage handlers and management. British Airways has also introduced new technology such as Pathfinder and Mission Control to help with decision making which has led to notable improvements in its operational performance.

The airline continued to see an increase in its departure within 15 minutes performance metric (D15) at Heathrow and across the network achieving 78.6% during the first quarter, 71.8% in the second quarter, 63.7% in the third quarter and 78.0% in the fourth quarter - the highest performance since the Covid-19 pandemic, all of which are positive improvements compared to the same periods in 2023. During the summer, 37% of British Airways flights were disrupted due to Air Traffic Control regulations, which explains the drop in performance during the third quarter. The airline's D15 performance at Heathrow continued to outperform some of its main UK and European competitors from their own respective UK and European hubs and set a record for the number of passengers flown from Heathrow T3 and T5 in one day – a total of 65,000 passengers.

British Airways opened its new Airport Operations Control Centre (AOCC) within Heathrow Terminal 5, which follows on from the refurbishment of the airlines Integrated Operations Control Centre (IOCC) at its headquarters in 2023. The new spaces provide operational colleagues with a refreshed environment to work in and manage the 24/7 operation – including the rollout of new technology such as Mission Control and Pathfinder which helps inform colleagues to make data-driven decisions. The airline also announced a multi-million-pound investment into its engineering facilities at British Airways Maintenance Cardiff (BAMC), where it will expand one of three existing maintenance bays to allow more complex and detailed maintenance to be completed on its fleet of long-haul aircraft.

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Management review and outlook continued

Resilience

During 2024, British Airways experienced disruption to flights arising from a combination of factors, some of which were outside of the airline's control. These included periods of third-party industrial action across the UK and Europe, airport capacity constraints, aircraft delivery delays, engine issues, aircraft serviceability, and adverse weather events, resulting in air traffic control imposing restrictions on the number of aircraft that could safely take off and land per hour. The airline took action where necessary to adjust its schedule by consolidating a small number of flights to high frequency destinations. Those customers that were impacted were offered a range of options, including rebooking onto alternative flights, including those on other carriers, or offered the option of a full refund. British Airways continues to place an increased focus on the factors it can control to ensure it delivers for its customers. An example of this is where British Airways has enhanced its Service Recovery proposition, giving customers the ability to rebook onto other airlines during disruption.

In June 2024, British Airways encountered a temporary technical fault with the third-party IT system used to provide baggage allocation services, which caused disruption to its operation. The issue was swiftly resolved and the airline worked closely with all partners, including standing up its emergency customer support schemes, to aid efforts to reunite customers with their bags as quickly as possible.

In July 2024, British Airways' operation was largely unaffected by the global CrowdStrike outage and the airline's teams worked hard to ensure any affected customers were able to travel as close to their original departure time as possible.

In mid-November 2024, the airline experienced a temporary systems outage affecting access to all internal systems. The issue was swiftly resolved which meant that no flights were cancelled as a result of the temporary outage, and the airline was able to complete its published operating schedule as normal.

As a result of ongoing supply chain challenges affecting the delivery of the spare parts and the Trent 1000 engines from Rolls-Royce which are used on the airline's Boeing 787 fleet, British Airways regrettably had to make adjustments to its long-haul flying programme for the winter 2024 season. Actions included temporarily suspending flights between London Gatwick and New York, London Heathrow to Kuwait, and reducing the frequency of weekly flights from Heathrow to; Chicago and Doha, and enacting cancellations on selected high-frequency flights. The airline also took the decision to delay the resumption of flights from Heathrow to Kuala Lumpur to April 2025. Affected customers were offered a range of options including rebooking onto alternative flights operated by British Airways or another carrier, or the option of a full refund. British Airways continues to work closely with Rolls-Royce and its partners to seek reassurances on the delivery of essential aircraft parts and components and provide certainty to its customers.

Our People

British Airways continued to focus on putting its people at the heart of its business and welcomed more than 5,500 colleagues into the business during 2024. The airline announced a £21 million investment to give up to 200 prospective pilots the chance to follow their dream of flying for a commercial airline through the Speedbird Pilot Academy, following its success the previous year. The airline also continued to act upon feedback and improve the colleague experience through several initiatives, including the introduction of improved parental leave and time off policies to provide colleagues with greater flexibility and support when its needed most. The airline also continued to refurbish and upgrade its workspaces across the UK and overseas and made improvements to its staff travel offerings by introducing standby business class agreements on other airlines for the first time.

The airline continued to place inclusion and diversity at the heart of its strategy and continues to take positive action in driving inclusion across the business. It reached its target of having 40% of women in senior management positions by 2025 a year early. The airline also launched its first ever Women's Leadership Development Programme in partnership with AllBright – a leading global organisation which is committed to improving gender equity in the workplace. In addition, all senior leaders within British Airways have recently completed inclusive leadership and diversity training, helping to increase the airlines efforts in driving inclusion across the business. British Airways also launched a Black and Asian Leadership programme and a new work experience programme for operational colleagues.

To mark National Apprenticeship Week, in February 2024 more than 40 current and former apprentices from across the airline took responsibility for departing a Boeing 777 flight to Cape Town. Apprentices were stationed at various touchpoints across the customer journey including at check-in, at the boarding gate and within ground operations. The flight demonstrated the value and importance of apprentices as part of British Airways' emerging talent strategy. The airline also picked up an award for the "Best Apprenticeship in Hospitality and Tourism" for its Level 3 Business Professional Apprenticeship scheme at the Apprenticeship Guide Awards.

As part of the airline's commitment to supporting the wellbeing of its people, British Airways announced a new charity partnership with MIND, the UK's leading mental health charity. Through the BA Better World Community Fund, the airline has pledged to donate £100,000 over the next two years. British Airways recognised colleague wellbeing as a key enabler of performance and the partnership will help shift the dial on wellbeing to create a more supportive culture in the workplace.

Our Customers

British Airways continued to invest in customer experience and in March, held a "Showcase in the Skies" event in Central London to share further detail on its £7 billion transformation programme. The event featured senior leaders and colleagues from across the airline, providing customers, media and government stakeholders with insight into some of the changes taking place across the airline, including interactive exhibits and fireside conversations which reinforced British Airways' ongoing investment into transforming the customer and colleague experience and creating a responsible business.

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At the event, the airline unveiled its next-generation short-haul cabins with new Euro Traveller and Club Europe seating which are being introduced on new Airbus A320neo and A321neo aircraft, as the airline continues to take delivery of new fuel-efficient aircraft. The airline also shared design concepts ahead of the construction of new lounges in Miami and Dubai, and announced members of the airline's loyalty programme, formerly known as the Executive Club, will be able stay connected in the air with the introduction of free Wi-Fi messaging on connected aircraft. The airline also announced a change to align the tier point collection cycle for Executive Club members, which is in line with similar frequent flyer schemes at other airlines.

In November 2024, British Airways held an event at its headquarters where the airline unveiled its new First seat which is expected to debut on the airline's Airbus A380 aircraft in 2026. The new product has been designed for the modern traveler and features an ultra-private space with a 36.5 inch-wide seat which converts into a 6 foot 6 inch fully flat bed, 32 inch 4K high-definition inflight entertainment screen, wireless charging, and the option for customers to elect for buddy dining with a travel companion.

The airline completed 617 transformation initiatives in 2024, which is more than half of the 1,200 initiatives on its plan to transform the business for its customers, investors and its people over the next three years. This includes the redevelopment of BA.com and the BA app, with the rollout beginning in the second quarter and good progress being made throughout the year.

As part of a re-brand of its loyalty programme, British Airways has unveiled new ways for Members to earn Tier Points, including spend on co-brand credit cards and when paying for extras such as seat selection and additional baggage. Re-named from April 2025, 'The British Airways Club', the programme will also recognise milestones between Tiers and will introduce a permanent, limitless Tier Point earning proposition on holiday packages from British Airways Holidays. It follows changes last year to award customers Avios based on their spend, which has seen 70% of customers collecting the same or more Avios as they did under the previous model.

British Airways took delivery of 13 new aircraft during 2024, including an Airbus A350-1000, four 787-10's, six A320neo and two A321neo aircraft. The airline also continued to fit its award-winning business class seat, the Club Suite onto its existing long-haul fleet. Currently, more than 64% of Heathrow-based aircraft are flying with the new business class product. British Airways also began fitting the Club Suite onto its fleet of Boeing 787-8 aircraft.

From a network perspective, British Airways resumed operations to Abu Dhabi (suspended for summer 2025) following a four-year hiatus and launched new flights from Heathrow to Izmir and Kos, and Gatwick to Dublin. The airline also launched new services from Heathrow to Tromso and Nuremberg and resumed operations to Jeddah from Heathrow. In addition, the airline increased the frequency of services to Riyadh and launched new flights from Gatwick to Bangkok operating three times per week. These routes mark a significant step forward in the airline's ambition to restore capacity to pre-pandemic levels. British Airways also announced the launch of new short-haul routes to Tbilisi and Rimini, and frequency increases to a number of North America destinations for summer 2025, including Austin, Pittsburgh, Las Vegas, Vancouver and Cancun.

BA Euroflyer continued to grow with the launch of new routes from Gatwick to Agadir, resumption of Jersey and announced new routes to Lapland and Larnaca for winter 2024 and Salerno for summer 2025, whilst BA Cityflyer launched weekend flights from London Stansted to Florence, Nice, Ibiza and Split, alongside new services from Edinburgh to Olbia and San Sebastian. BA Cityflyer also announced new flights for winter 2024 between Gatwick and Chambéry, and Stansted to Chambéry and Amsterdam, and flights to Olbia in summer 2025.

British Airways signed a new interline agreement with South African regional carrier CemAir and launched a new codeshare agreement with Greek airline Sky Express, enabling customers to fly to 33 additional destinations in Greece served by the carrier. The airline also re-introduced its codeshare agreements with China Southern and Bangkok Airways, launched a new codeshare with Alaska Airlines and expanded its agreements with LATAM and IndiGo. British Airways also filed a submission with the US Department of Transport to create a new codeshare agreement with JetBlue. Pending approval, the agreement would provide customers with increased choice and availability to more than 75 destinations within North America.

British Airways was named as the World's Most Family Friendly Airline in the Skytrax 2024 World Airline Awards and collected multiple awards at the Head for Points Travel and Loyalty Awards, including Best Premium Economy Seat and Service, Best UK Airport Lounge and Best Airline Loyalty Scheme.

During the pandemic, British Airways offered customers the flexibility to change their travel plans by providing them with vouchers for future travel. In order to give customers greater flexibility to use their vouchers, the book and travel by date has been extended to 30 September 2025.

Our Planet

British Airways continued to invest into new and existing technologies as part of its efforts to reduce its carbon emissions and celebrated three years since the launch of its BA Better World sustainability programme by announcing its Million Tonne Mission to reduce one million metric tonnes of CO_2 emissions by 2030.

The airline continued to grow its consumption of sustainable aviation fuel (SAF) to more than 132,000 tonnes during 2024. In January 2024, the airline also welcomed the opening of LanzaJet's Freedom Pines facility in Georgia which is expected to become operational in the first half of 2025, and is the world's first ethanol to sustainable aviation fuel plant. British Airways is a contracted offtaker and this supply marks another step in aviation's roadmap to decarbonisation. IAG also announced its largest SAF purchase agreement to date with e-SAF provider, Twelve. Furthermore, in November, IAG announced a new e-SAF agreement with US-based producer, Infinium, who will provide e-SAF to all IAG airlines, including British Airways, as part of a new ten-year agreement. Overall, IAG has now secured over a third of its 2030 target, which is to fly with 10% SAF by 2030.

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During New York Climate Week in September, British Airways announced an extended partnership with CUR8 to purchase more than £9 million worth of carbon removal credits in the UK and overseas as part of a six-year agreement. By signing this deal, British Airways is playing an active role in helping to stimulate UK and global removals, forging deeper relationships with key carbon removals suppliers and building a better understanding of this nascent but vital market. The airline also announced a partnership with The Earthshot Prize, an organisation that works to discover, spotlight and scale innovative climate solutions across the globe, including aviation fuels and carbon removals.

The airline also launched its Customer Accessibility Advisory Panel which continues to provide invaluable feedback and an opportunity to discuss new initiatives at a panel comprising of individuals with both visible and non-visible disabilities. The panel continues to meet every few months with an aim to ensure our products and services are designed and built with accessibility and inclusion at the forefront.

Through generous donations and fundraising efforts by customers and colleagues, British Airways raised more than £1.5 million for Red Nose Day 2024 which helps to support thousands of people in communities around the world. Through Flying Start, the airlines charity partnership with Comic Relief, the airline has raised more than £30 million since the partnership began in 2010.

Furthermore, as part of the airline's continued focus on supporting communities in the UK and around the world, all UK-based colleagues were gifted a £20 voucher to donate to a charity of their choice from the BA Better World Community Fund, raising for than £200,000 of additional funding to over 120 registered charities.

British Airways' Sustainability Report is available at www.britishairways.com/babetterworld

Government Affairs

British Airways continued to closely engage with the Government to promote policy positions that support aviation growth and wider economic benefits that the sector bring to the UK. The airline invited the current Secretary of State for Transport to meet and engage with colleagues at the Farnborough International Airshow in her first month in post and hosted a winter event at the Houses of Parliament to showcase the importance of the UK aviation industry to the UK economy. The event was attended by a number of MPs as well as the Minister for Aviation and allowed the business the opportunity to showcase its commitment to connecting Britain with the world, creating employment opportunities and to build a sustainable future. The airline also continued to work closely with the Department for Transport and engaged with officials and Ministers on several occasions throughout the year to inform them of British Airways' approach to maintaining resilience, responding to global supply chain challenges and continued commitment in delivering for its customers. British Airways also worked with international governments to maintain good relationships and resolve any issues that occurred during the year.

Our Outlook

British Airways remains committed to operating a strong and stable schedule and delivering for its customers and colleagues, whilst managing its costs and operating safely and efficiently. The airline continues to transform and invest in its customer and colleague experience and has made strong progress in 2024. The airline remains fully committed to reducing its environmental impact at every stage and continues to work at pace to create a better British Airways for everyone.

Non-financial and sustainability information statement

Pursuant to the Companies Act 2006 s.414CA (7), British Airways is not required to include all requirements of the non-financial and sustainability information statement as a consolidated management report containing non-financial information has been included in IAG's Annual Report and Accounts for the year ended 31 December 2024.

British Airways' Climate-related financial disclosures are set out from pages 21 to 32 to meet the UK requirements of the Climate-related Financial Disclosure Regulations.

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Financial review

The financial review provides a summary of the Group's financial results for the year ended 31 December 2024.

Summary financial performance

£ million	**2024**	2023	*Higher/(lower)*
Total revenue	**14,568**	14,322	*1.7%*
Total expenditure on operations	**(12,508)**	(12,891)	*(3.0)%*
Operating profit	**2,060**	1,431	*44.0%*
Non-operating items	**775**	(7)	*nm*
Profit before tax	**2,835**	1,424	*99.1%*
Tax charge	**(446)**	(263)	*69.6%*
Profit after tax	**2,389**	1,161	*nm*

	2024	2023	*Higher/(lower)*
Available seat kilometres (ASK) (m)	**175,141**	167,695	*4.4%*
Revenue passenger kilometres (RPK) (m)	**149,156**	140,135	*6.4%*
Passenger load factor (%)	**85.2**	83.6	*1.6 pts*
Passenger revenue per ASK (p)	**7.69**	7.55	*1.9%*
Passenger revenue per RPK (p)	**9.03**	9.04	*(0.1)%*
Non-fuel costs per ASK at constant currency (p)[1]	**5.08**	5.34	*(4.9)%*

[1]Excluding the cost base of BA Holidays from both years, Non-fuel costs per ASK at constant currency would have reduced by 0.3% on a like-for-like basis.

nm = not meaningful; m = millions; p = pence

Revenue

£ million	**2024**	2023	*Higher/(lower)*
Passenger revenue	**13,466**	12,668	*6.3%*
Cargo revenue	**789**	757	*4.2%*
Other revenue	**313**	897	*(65.1)%*
Total revenue	**14,568**	14,322	*1.7%*

Overall capacity for the year reached 94.1% of that operated in the same period during 2019. This is higher than the 90.1% of 2019 capacity operated during 2023 as pre-pandemic levels are gradually restored following the retirement of the Boeing 747-400 fleet in 2020. Passenger load factors reached 85.2%, an increase of 1.9 percentage points versus 2019. This translated to total passenger revenue for the year of £13,466 million (2023: £12,668 million), an increase of 6.3% compared to the same period in 2023. Passenger unit revenue (passenger revenue per ASK) was 1.8% higher than in 2023, and 20.3% higher than in 2019.

Cargo carried, measured in cargo tonne kilometres (CTKs), increased by 11.2%, however Cargo revenue only increased by 4.2% compared to 2023 at £789 million which is largely due to lower yields caused by the increase in cargo capacity in the market following the recovery in air travel overall, which has added incremental cargo hold capacity.

Other revenue decreased by £584 million or 65.1% to £313 million (2023: £897 million), the majority of which is driven by ground services (including accommodation) following the sale of the BA Holidays business to Avios Group (AGL) Limited on 1 April 2024.

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Financial review continued

Operating costs

£ million	**2024**	2023	*Higher/(lower)*
Employee costs	**2,876**	2,577	*11.6%*
Fuel costs and emission charges	**3,676**	3,825	*(3.9)%*
Handling, catering and other operating costs	**1,794**	2,302	*(22.1)%*
Landing fees and en-route charges	**1,098**	1,127	*(2.6)%*
Engineering and other aircraft costs	**852**	913	*(6.7)%*
Property, IT and other costs	**632**	646	*(2.2)%*
Selling cost	**430**	493	*(12.8)%*
Depreciation and amortisation	**1,136**	1,017	*11.7%*
Net gain on disposal of property, plant and equipment	**(1)**	(2)	*nm*
Currency differences	**15**	(7)	*nm*
Total Group expenditure on operations	**12,508**	12,891	*(3.0)%*
Total Group expenditure excluding fuel	**8,832**	9,066	*(2.6)%*

Total operating costs decreased by 3.0% to £12,508 million (2023: £12,891 million) in 2024. Fuel costs decreased by £149 million, or 3.9%, to £3,676 million largely reflecting the strengthening of the pound against US dollar denominated purchases which was partially offset by an increase in flying.

Operating expenditure excluding fuel decreased by 2.6% to £8,832 million (2023: £9,066 million). Handling, catering and other operating costs decreased by £508 million, or 22.1%, to £1,794 million which is driven by a number of factors; a few to mention include benefits associated with BA's transformation programme, a decrease in disruption costs compared to 2023 and the sale of the BA Holidays business on 1 April 2024. Employee costs increased by £299 million, or 11.6%, to £2,876 million largely due to the full year impact of new pay deals which were agreed with non-management colleagues and pilots in 2023 together with an increase in flying as capacity is gradually restored.

Exceptional items

There were no exceptional items recognised during the year ended 31 December 2024 (2023: £nil).

Non-operating items

£ million	**2024**	2023	*Higher/(lower)*
Finance costs	**(443)**	(605)	*(26.8)%*
Finance income	**123**	140	*(12.1)%*
Net financing credit relating to pensions	**54**	89	*nm*
Net currency retranslation credit	**1**	49	*nm*
Share of profits in investments accounted for using the equity method	**358**	315	*13.7%*
Gain on sale of investments	**654**	-	*nm*
Other non-operating credits	**28**	5	*nm*
Total net non-operating credit/(cost)	**775**	(7)	*nm*

The Group's Total net non-operating credit for the year was £775 million (2023: cost of £7 million) which includes a Gain on sale of investments of £654 million (2023: £nil) relating to the sale of the BA Holidays business. The decrease in finance costs of 26.8% or £162 million compared to 2023 is largely driven by the repayment of the £2 billion UKEF loan which was settled in full during the latter half of 2023. Other non-operating credits includes a credit of £22 million (2023: credit of £5 million) relating to derivatives not qualifying for hedge accounting and income received from other equity investments of £6 million (2023: £nil).

Taxation

The tax charge for the period was £446 million (2023: £263 million charge). The effective rate for the period was 15.7% (2023: 18.5%) being lower (2023: lower) than the tax charge (2023: tax charge) at the standard UK corporation tax rate of 25.0% (2023: 23.5%) mainly due to the share of associates' profits and the non-taxable gain on the sale of British Airways Holidays Limited (2023: share of associates' profits). Refer to note 8 for further detail.

Capital expenditure

Total capital expenditure paid in the period amounted to £1,718 million (2023: £1,628 million) which included £1,322 million (2023: £1,335 million) of fleet related spend (aircraft, aircraft progress payments, spares, modifications, heavy maintenance costs and refurbishments) and £396 million (2023: £293 million) on software, equipment and property. During the year the Group took delivery of 13 new aircraft, including an Airbus A350-1000, four 787-10's, six A320neo and two A321neo aircraft (2023: ten aircraft comprising an Airbus A320neo, three Airbus A321neos, four Airbus A350-1000s and two Boeing 787-10s).

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Financial review continued

Dividend

British Airways paid a dividend of £530 million in December 2024, the first dividend British Airways has paid since December 2019.

Liquidity

The Group's liquidity position decreased by £523 million to £4,030 million at 31 December 2024 (31 December 2023: £4,553 million), comprising cash, cash equivalents and interest-bearing deposits of £2,094 million (2023: £1,174 million), £1,936 million of undrawn committed general facilities (31 December 2023: £3,057 million) and no undrawn committed aircraft facilities (31 December 2023: £322 million). Net debt decreased to £6,388 million at 31 December 2024 (31 December 2023: £7,188 million).

On 14 June 2024, the Group entered into a five-year $2,421 million, sustainability-linked, secured Revolving Credit Facility, with two 1-year extension options available subject to the approval of lenders. At 31 December 2024, no amounts had been drawn under the facility. Concurrent to entering into the facility, the Group cancelled its $1,346 million secured Revolving Credit Facility, which was due to mature in part in March 2025, with the remainder maturing in March 2026.

On 28 June 2024, as a result of securing the aforementioned Revolving Credit Facility, British Airways cancelled its two £1.0 billion Export Development Guarantee Facilities that were partially guaranteed by the UK Export Finance, which were due to mature in equal amounts in November 2026 and September 2028.

Throughout the year the airline continued to strengthen its balance sheet and is regarded as investment grade by several credit ratings agencies.

Pensions

The Group operates two significant defined benefit pension schemes, the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS'), both of which are in the UK and are closed to new members. British Airways closed NAPS to future accrual from 31 March 2018. The main defined contribution scheme is the British Airways Pension Plan ('BAPP'). The most recent triennial actuarial valuation discussions with effective dates of 31 March 2021 were concluded for APS and NAPS in 2022. At 31 December 2024, the triennial valuations as at 31 March 2024 for both APS and NAPS had not been finalised.

APS remained in a technical provisions surplus as at 31 March 2021, being the date of the last completed triennial valuation, of £295 million (31 March 2018: £599 million).

NAPS remained in a technical provisions deficit of £1.65 billion as at 31 March 2021 (31 March 2018: £2.40 billion). Since that valuation, the funding level of the scheme has considerably improved to the extent that NAPS was in a surplus on the same basis as the 2021 valuation throughout 2023 and 2024. Due to the overfunding protection mechanism in place, British Airways has not made any contributions to NAPS in 2023 and 2024 and is not expecting to be required to make contributions for the foreseeable future, however the position is monitored monthly and deficit contributions would restart automatically under the funding agreement if the NAPS scheme were to move into a deficit position.

Under the scheme funding agreement between British Airways and the Trustee NAPS, any dividends paid to IAG from 2024 will trigger a pension contribution of 50% of the amount of the dividend. From 2025 British Airways may pay dividends of up to 50% of pre-exceptional profit after tax for that financial year without being required to mitigate the scheme. Any payments triggered under the funding agreement by dividend payments are only paid if the scheme is in a deficit position. As NAPS was in a surplus position as at 31 December 2024, no payment was due to the scheme as a result of British Airways' dividend payment in December 2024.

As part of the triennial valuation as at 31 March 2021 for NAPS, British Airways has agreed to provide certain property assets as security, which will remain in place until 30 September 2028 unless otherwise modified in the 31 March 2024 triennial valuation.

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Principal risks and uncertainties

The highly regulated and commercially competitive environment, together with the operational complexity in the aviation sector and reliance on critical third parties for the provision of goods and services, exposes BA to risks, where its influence and ability to directly manage the risks may be limited. Examples include aircraft, engines and component availability; delays in airframe and engine manufacturer production; issues with fleet and engine performance and reliability; the wider ongoing fundamental weaknesses in the resilience of the supply chain; air traffic control (ATC) restrictions; underperformance at airports, particularly London airports; the impact of resource gaps, industrial unrest or strikes; measures taken by governments including protectionism towards domestic economies, tariff regimes or policy proposals that could impact BA's ability to set capacity and/or pricing.

External threats which remain heightened include: the impact of slowdown in growth, threat of introduction of tariff regimes, increases in inflation or interest rates on demand and customer confidence; higher costs in the supply chain; and the impact of escalating and ongoing geopolitical tensions and conflict in various regions. All of these impacting our customers and flight operations as well as creating further airspace restrictions.

In assessing its principal risks, BA has considered its operational and technical resilience, maintenance capacity and specialist resource requirements; the status of the financial markets; customer mix changes and route network adaption, political risk and government changes, including potential policy change with new governments, pace of transformation, Artificial Intelligence (AI) adoption and future skillset, managing the cost base; BA's industrial relations landscape and securing collective agreements; and people engagement and securing talent and expertise to deliver digitalisation; end-to-end domain transformation and cultural change.

Business responses implemented by management and that effectively mitigate or reduce the risk are reflected in BA's latest business plan ("the plan") and related risk scenarios. The BA Management Committee and the IAG Head of Enterprise Risk Management review the risk heatmap twice yearly to ensure that risks are appropriately evaluated, and any further actions identified. This is then reported to the BA Board to assist in the management of risk. BA escalates risks that have an IAG group-wide impact or require IAG consideration in line with the IAG Enterprise Risk Management (ERM) framework.

Following a review of the principal risks in the year, BA's principal risks have been reframed and simplified to improve insight into the root of risk causes and identify combining events that could challenge BA.

Where there are particular circumstances that mean that the risk is more likely to materialise, those circumstances are described. Additional key business responses implemented by management are also set out.

The list is not intended to be exhaustive but does reflect those risks that the BA Board and BA Management Committee believe to be the most likely to have a potential material impact on BA during the plan period.

Brand, customer and competition
Status Customer sentiment to travel and their expectations when they travel are intrinsic to brand health. BA's ability to attract and secure bookings and generate revenue depends on our customers' perception of and affinity with the BA brand and reputation for customer service and value. Operational resilience and customer satisfaction underpin customer trust. The BA brand is, and will continue to be, vulnerable to adverse events impacting service and operations, many of which remain outside of BA's control. Reliability and consistency of service and product delivery, including on-time performance (OTP), and customer support through disruption, are key elements of brand value and of each customer's experience. BA continues to improve its disruption management capabilities and customer communication through each journey in light of the extent of the ongoing external disruption due to ATC restrictions, lack of resilience at London airports and industry-wide third-party resilience issues, particularly over aircraft availability and engine reliability. BA remains focused on strengthening its customer-centricity and continues to support its customers through any disruption including schedule adaptions where required. The resilience and engagement of its people as customer service ambassadors to deliver excellent customer service combined with investment in new fleet, cabin and service propositions, helps ensure that our customers chose to fly with BA. BA continues to adapt and focus its business model, product and customer proposition to meet changing customer expectations and needs (including those with additional needs). The potential for distortionary effects of government policy and/or aviation-specific taxation or other regional or country-specific measures on the competitive landscape continue to be monitored. These include increases in Air Passenger Duty (APD) or fragmented application of mandates or policies on carbon offsets.

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Principal risks and uncertainties continued

Brand, customer and competition continued	
Risk description	**Mitigation**
Erosion of the brand and customer trust through poor customer service or lack of reliability in operations, may adversely impact BA's leadership position with customers and ultimately affect future revenue and profitability. If BA is unable to meet the expectations of its customers and does not engage effectively to maintain their emotional attachment, then BA may face brand erosion and loss of market share. Some of the markets in which BA operates remain regulated by governments, in some instances controlling capacity and/or restricting market entry. Changes in such restrictions may have a negative impact on margins. Regulatory or policy changes may create competitive distortion, impacting BA and its competitiveness or business model.	Brand initiatives have been identified and are aligned to the plan. Product investment to enhance the customer experience supports the brand proposition and is provided for in the plan. BA tracks and reports internally on its OTP and Net Promoter Score (NPS) to measure customer satisfaction. Reviews of resilience, resourcing levels and schedule operability. Enhanced disruption management tools to allow customers to manage their travel preferences. Increased focus on the end-to-end customer journey from flight search through to arrival and baggage reclaim. BA investing in ba.com functionality and telephony solutions to allow customers to contact us more effectively. IAG Loyalty and BA loyalty strategy builds customer loyalty. BA's revenue management departments and systems optimise market share and yield through pricing and inventory management activity. BA maintains rigorous cost control and targeted investment to remain competitive. BA is focused on customer centricity and operational resilience.

Critical third parties in the supply chain	
Status The aviation sector continues to be affected by global supply chain disruption, which has impacted new aircraft deliveries; engine and component availability and reliability; resource availability and/or threat of industrial action in critical third parties and airport services; the resilience of airports, particularly London airports and their ability to adapt to a high demand environment, with increasing airport congestion; and ATC capability and restrictions, particularly given skillset shortages and weather events. BA pro-actively assesses its schedules for operability and continues to work with all critical suppliers to understand any potential disruption within their supply chains caused by either a shortage of available resource, strike action or production delays which could impact the availability of new fleet, engines or critical goods or reliability of critical services, particularly third-party application and network services. Focus has been placed on key suppliers to understand any business or operational continuity impacts, and where possible identify other suitable suppliers. BA continues to be impacted by reliability and performance issues with Rolls-Royce Trent 1000 engines, which is mitigated by using replacement aircraft and invoking remedy support from the engine manufacturer. Many elements of the supply chain remain outside of BA's ability to directly manage, including aircraft deliveries and availability of components, airports performance and ATC resilience. BA and IAG continues to consult stakeholders and raise awareness of the negative impacts of ATC airspace restrictions and performance issues on the aviation sector and economies across Europe, particularly with the continued closure of airspace driven by geopolitical events. IAG continues to challenge unreasonable levels of increases in airport charges, especially at London Heathrow, which could make the airport uncompetitive versus other European hubs.	
Risk description	**Mitigation**
BA is dependent on the timely entry of new aircraft and the engine performance of aircraft to improve operational efficiency and resilience and meet the commitments of the IAG's sustainability programme. BA is dependent on the timely, on-budget delivery of infrastructure changes, particularly at key airports. BA is dependent on resilience within the operations of ATC services to ensure that its flight operations are delivered as scheduled. BA is dependent on the performance and costs of critical third-party suppliers that provide services to its customers, such as airport operators, border control and caterers. Increases in costs or where suppliers face financial stress may impact BA's operations. BA is dependent on the availability and production of alternative fuels to meet its carbon reduction commitments. This may require investments in infrastructure in the markets in which BA operates.	BA mitigates engine and fleet performance risks, including delays to delivery and unacceptable levels of carbon emissions, to the extent possible by working closely with the engine and fleet manufacturers, as well as retaining flexibility with existing aircraft return requirements and aircraft lessors. BA is particularly sensitive to Heathrow and Gatwick charges and how infrastructure developments are prioritised at these airports. BA and IAG engage in regulatory reviews of supplier pricing, such as the UK Civil Aviation Authority's periodic review of charges at London Heathrow and London Gatwick airports. BA pro-actively works with suppliers to ensure operations are maintained and the impact to their business understood, with mitigations implemented where necessary and inflation minimised. IAG's procurement function has oversight of all critical BA contracts. Alternative suppliers are identified where feasible. Transformation initiatives have been identified to offset inflation.

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Principal risks and uncertainties continued

Data and cybersecurity

Status The risks from cyber threats continue as threat actors seek to exploit any weaknesses in defences, particularly through social engineering and human behaviours. The threat of malware attacks on critical infrastructure and services remains high due to ongoing geopolitical tensions, with BA exposed to threat actors targeting the airline and its suppliers. BA continues to improve its cybersecurity posture, either through major IT transformational change or additional monitoring tools and is focused on better understanding the risk presented by its suppliers.

The regulatory regimes associated with data and infrastructure security are also becoming more complex with different regulators applying different framework approaches and guidance for reporting. BA is subject to the requirements of privacy legislation such as GDPR and the Network and Information Systems Directive (NISD).

The emergence and usage of AI to enhance existing tactics, techniques and procedures (TTPs), produce phishing emails and deploy malware has also accelerated attempts to access organisations' systems and data and increases the threat and scale of social engineering or cyberattacks.

Investment in cybersecurity systems and controls continues as planned, although addressing the risk is also dependent on business capacity and the delivery of solutions to address technical obsolescence. All planned investment is linked to an IAG group-wide maturity assessment based on the National Institute of Standards and Technology (NIST) cybersecurity framework, a leading industry standard benchmark. Data centre migration activity to the Cloud at BA will further help to improve the security controls environment. As BA improves its security posture and maturity, it better understands the rapid nature of potential attack vectors and how to detect and respond to them.

Risk description	Mitigation
BA could face financial loss, disruption or damage to brand reputation arising from an attack on BA's systems by criminals, foreign governments or hacktivists. If BA does not adequately protect customer and employee data, it could breach regulation and face penalties and loss of customer trust. Transformation or changes in environments for BA and its third-party suppliers could result in new weaknesses in the cyber and data security control environment. The emergence and usage of AI to bypass cyber security controls, produce sophisticated phishing campaigns or allow accelerated deployment of malware could increase the scale, severity and impact of cyberattacks and cyber-related fraud. BA fails to meet AI regulations, particularly as it emerges, from different geographical regions. Lack of accuracy or insufficient human oversight of AI could increase the risk of data misuse. Increased digitalisation and integration with suppliers could increase the risk of contagion from third-party breaches or a cyberattack.	IAG has a Board approved cyber strategy that drives investment and operational planning. BA operates under the IAG cyber risk management framework. BA's Cyber Governance Board assesses its portfolio of cyber projects. The IAG Chief Information, Procurement, Services and Innovation Officer provides assurance and expertise around strategy, policy, training and security operations for BA. External attack surface monitoring and threat Intelligence is used to analyse cyber risks to BA. External benchmarking exercises conducted on cyber posture. Regular cyber awareness training run by BA, including annual mandatory training on cyber risk and data protection for all staff. Oversight of critical systems and suppliers to ensure that BA understands the data it holds, that it is secure, and regulations are adhered to. BA has a Data Protection Officer in place and they coordinate activities through the IAG Privacy Steering Group. All third-party suppliers must adhere to IAG security requirements within any revised security protocols. Desktop and simulated exercises to test business response plans.

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Principal risks and uncertainties continued

Economic, political and regulatory environment

Status Geopolitical risk and uncertainty remains high and wider macroeconomic events may continue to drive market volatility, impacting demand. BA continues to monitor the implications for trade and any imposition of extensive tariff regimes may disrupt the markets or economic confidence and drive cost inflation. Increased regulation and political intervention drive increased levels of cost and impact BA's ability to set capacity and pricing, which may impact its revenue streams and business model. The rise of populist governments and government policy globally sees increased protectionism which could result in market or competitive distortion and a trend for increased scrutiny from regulators and tax authorities which could see changes that increase BA's costs.

The tone of dialogue between the US, Russia, China and the UK which can influence markets and result in imposition of misaligned policies or tariffs and any potential impact to BA is also kept under review.

Ongoing conflicts, wars and heightened tensions across the Middle East and elsewhere continue to cause airspace restrictions and congestion for flows to Asia.

Recent supply chain disruptions have occurred in many markets and the level of disruption and potential impacts are considered. BA also considers changes in government in key markets and the implications for trade, respective economic health and how governments view the aviation industry, with elections and changes of government in the UK and the US in 2024.

Developments in relevant international relationships, where they affect air services agreements to which the UK is party, are monitored throughout the year and BA's position advocated with the relevant national governments. Recent government proposals to set floor or ceiling caps on pricing, including the scope of ancillaries that airlines may be allowed to charge their customers for, may impact the ability freely set pricing, sell ancillaries to meet customer needs and/or set capacity. BA and IAG have worked through trade associations and IATA, as well as national governments to put their case on issues of importance of aviation to international trade and customer connectivity and the value that it brings.

Any further macro-economic trends or potential requirements arising from Brexit are monitored by the IAG Government Affairs function.

Risk description	Mitigation
Economic deterioration or structural change in either a domestic market, key customer segment or the global economy may have a material impact on BA's financial position, while foreign exchange, fuel price and interest rate movements create volatility. Failure to adequately plan for and be able to respond to uncertainty driven by geopolitical or market events or health-related concerns impacts the operations, costs and customers of BA. Changes in government may result in a change in sentiment to aviation and access to markets. Government policy asymmetry impacting a domestic market could increase the burden of regulation and cost to BA's passengers.	The BA Board and BA's Management Committee review the financial outlook and business performance through the monthly trading results, financial planning process and quarterly reforecasting process. Reviews to assess and drive BA's financial performance through the management of capacity, together with appropriate cost control measures including the balance between fixed and variable costs, management of capital expenditure, and actions to improve liquidity. External economic outlook, fuel prices and exchange rates are carefully considered when developing strategy and plans and are regularly reviewed by the BA Board and BA's Management Committee as part of business performance monitoring. IAG and BA engages with its regulators, governments and other political representatives and trade associations to help represent the views and contribution of BA and aviation to society and economies. BA has increased its focus on enhanced disruption management tools to increase operational resilience to restrictions e.g. capacity constraints at airports or health-related measures. IAG's Government Affairs function, in conjunction with BA's Corporate Affairs team, monitors government initiatives, represents BA's interest, forecasts likely changes to relevant laws and regulations and responds to consultations on regulatory change or policy that could impact the aviation industry or create competitive distortion.

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Principal risks and uncertainties continued

Financial risk	
Status Access to the secured and unsecured debt markets may be disrupted by geopolitical and economic uncertainty, impacting interest rates available to BA. Fuel cost volatility driven by geopolitical events is partly mitigated by fuel hedging. Reduced access to fuel hedging instruments or the inability to pass increased fuel costs on to consumers could impact BA's profits. BA continues to assess the strength of the US dollar against pound sterling and the potential impacts on BA's operating results. BA hedges currency risk in line with the IAG Treasury hedging policy. BA has two significant employer funded defined benefit schemes, APS and NAPS. The triennial valuations of the APS and NAPS pension schemes were agreed and signed-off in June 2022 and December 2022 respectively.	
Risk description	**Mitigation**
Failure to finance ongoing operations, committed aircraft orders and future fleet growth plans. Higher interest rates in the market, or more restrictive terms, for new finance arrangements or refinancing may impact BA's floating finance debt, floating operating leases and cost base. Failure to manage the volatility in the price of oil and petroleum products. Failure to manage currency risk on revenue, purchases, cash and borrowings in foreign currencies other than BA's local currency of sterling. Failure to manage the financial counterparties' credit exposure arising from cash investments and derivatives trading. BA is exposed to tax risks arising from either changes to tax legislation or challenges by tax authorities on the interpretation or application of tax legislation. BA is exposed to the risks of operating underfunded defined benefit schemes.	The BA Board and BA Management Committee review BA's financial position regularly. BA has maintained its clear focus on managing liquidity and ensuring that critical investment is maintained. BA's Chief Financial & Transformation Officer, in conjunction with IAG Treasury, regularly reviews BA's fuel and currency positions. BA hedges in line with the IAG hedging policy under IAG Treasury oversight. BA reviews routes to countries with exchange controls to monitor delays in the repatriation of cash and/or the risk of material local currency devaluation. BA has a financial counterparty credit limit allocation by type of exposure and monitors the financial and counterparty risk on an ongoing basis. BA has a trapped cash review policy to monitor cash balances which may be subject to government or central bank restrictions for certain countries. Tax risk is managed by BA in conjunction with the IAG Tax function and takes expert advice on tax matters as required. Management regularly reviews the funding status of its pension schemes and is in regular dialogue with the schemes' Trustees on funding and investment decisions.

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Principal risks and uncertainties continued

Operational and IT resilience	
Status Shortages in the supply chain; airspace and ATC restrictions; availability of experienced licensed resource, including engineers and pilots; industrial unrest or strike action, combined with goods availability shortages in the supply chain, especially engines, and airspace and ATC restrictions can all impact BA's operational environment and its customer experience. This increases the costs of running operations to provide additional resilience, as well as impacting the costs and operations of the businesses on which BA relies. BA is focused on minimising any unplanned schedule changes or flight cancellations with additional buffers and resilience built into its network. BA continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estate. The IAG Chief Information, Procurement, Services and Innovation Officer works with BA to ensure appropriate prioritisation and investment, to maximise value from IT investment, and to provide oversight and challenge over ambition and pace of delivery. BA is progressing with its digitalisation agenda, migration to the Cloud from on-premises data centres, remediation and transformation of its networks and addressing obsolescence. It has moved more resources into product teams more closely aligned to business needs. BA is reliant upon the resilience of its systems and networks for key customer and business processes and is exposed to risks that relate to poor performance, vulnerability or failure of these systems. This includes major programmes and upgrades to modernise, including new commercial capabilities and customer-centric enhancements using agile based models, as well as replacing core IT infrastructure and improving network connectivity and reducing redundancy. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans for the go-live of IT systems-related changes with focus on minimising unplanned outages.	
Risk description	**Mitigation**
BA is reliant on critical third parties to deliver goods and services to maintain operations and any failure of the level of service or reliability and delivery of goods may impact resilience and BA customers. The ATC infrastructure and resource model does not adapt and optimise aircraft movements, impacting operations. Lack of resilience or provision of airport services at London or other key or constrained airports impacts operational resilience. Ongoing engine problems create operational complexity and additional costs. An event causing significant network disruption or the inability to promptly recover from short-term disruptions may result in lost revenue, customer disruption and additional costs. Public health concerns impacting populations at scale could see an adverse effect on BA where governments choose to impose restrictions, as would any other material event impacting customers, employees, the supply chain and flight operations. The dependency on IT systems and networks for key business and customer processes is increasing and the failure of a critical system may cause significant disruption. Obsolescence within legacy infrastructure could result in service outages and disruption	Management has business continuity plans to mitigate this risk to the extent feasible, with focus on operational and financial resilience and customer and colleague safety and recovery. BA has standby aircraft and crew in place. Resilience to minimise the impact of ATC airspace, poor performance or constraints at airports and/or strike action on BA's customers and operations is in place. BA focused on developing customer disruption management tools to help its customers in times of disruption. BA works to deliver digital and IT change initiatives to enhance security and stability. Robust portfolio process to determine the right investments across BA. BA's IT governance board reviews delivery timelines. Reversion plans are developed for migrations of critical IT infrastructure. System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.

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Principal risks and uncertainties continued

People, culture and employee relations	
Status BA's people and their engagement, cultural appetite and mindset for change are critical to BA's current performance and future success. BA recognises the efforts of its staff and their commitment through the continued operational challenges facing the airline. Shortages in technical licensed staff across the aviation sector and in BA may impact maintenance delivery timelines unless resource levels can be secured. Additionally, pilot entry is critical to keep the operations resilient and meet future growth plans. Across BA, collective bargaining is in place with various unions. Where agreements are open, BA engages in discussions with unions, as well as the government where relevant, to address concerns arising within the negotiations, manage customer disruption and enable BA to secure sustainable collective agreements and growth. BA continues to monitor potential changes to employment legislation to ensure compliance. BA is focused on staff wellbeing and people morale and motivation, and initiatives to build trust and engagement continue. BA has identified the skills and capabilities that are required to manage its transformation. BA recognises the critical role that employees will play in its transformation and future success and is focusing on improving organisational health and employee engagement. BA maintains its focus on behaviours and compliance with key regulations.	
Risk description	**Mitigation**
Any breakdowns in the bargaining process with the unionised workforces may result in subsequent industrial or strike action which may disrupt operations and adversely affect business performance and customer perceptions. BA's people are not engaged, or they do not display the required leadership or cultural behaviours. BA fails to attract, motivate, retain or develop its people to deliver service and brand experience. Critical skillsets are not in place to execute on the required transformation plan or to exploit innovation and AI opportunities and drive the business forward. Technical licensed staff, including pilots and engineers, need to be secured to maintain operations. BA is exposed to the risk of an individual employee's or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses.	Ongoing information sharing, consultation and collective bargaining with unions across BA takes place on a regular basis, led by human resources specialists, who have a strong skillset in industrial relations. Ensuring that renumeration is aligned to local markets in terms of productivity and pay. BA people strategy in place, with succession plans developed. Focus on recruiting and developing skills to run and transform the business. BA is investing in apprenticeship programmes and retention initiatives to develop and secure critical skillsets. Engagement and organisational health surveys have been conducted with action plans developed to create a positive and inclusive culture. Access to support individuals' wellbeing. BA has clear frameworks in place, including comprehensive policies designed to ensure compliance. IAG Code of Conduct is supported by annual awareness programmes and mandatory training, with additional focus for higher-risk areas. 'Speak Up' and whistleblowing channels are available.
Safety and security and other regulatory compliance	
Status The BA Safety Board continue to monitor the safety performance of BA. The safety and security of customers and employees are fundamental values for BA. Any failure to prevent or respond effectively to a major safety or security incident could impact the BA brand and result in regulatory censure. IAG has refreshed its compliance framework in the year, including a review of all Group framework and compliance policies as well as a review and relaunch of its Code of Conduct. Training materials have also been updated and rolled out across BA. BA maintains its focus on compliance with key regulations, and mandatory training programmes have continued through the year.	
Risk description	**Mitigation**
A failure to prevent or respond effectively to a major safety or security incident or intelligence may adversely impact BA's brand, operations and financial performance. A failure to meet legal or regulatory standards may result in breach with the potential to hurt or impact our customers, employees, or third parties, or impact our operations, and lead to reputational damage, fines or losses to BA.	BA's Safety Board satisfies itself that BA has the appropriate resources and procedures, which include compliance with Air Operator Certificate requirements. BA has comprehensive training and maintenance programmes in place, supported by a just culture environment, where everyone is accountable for their actions, and their performance is reflective of the knowledge, behaviours and skills they have. There is ongoing security engagement with airports, regulators and public authorities across BA's network. Incident centres respond in a structured way in the event of a safety or security incident or intelligence. BA has clear frameworks in place, including comprehensive policies designed to ensure compliance. Compliance, human resources and legal professionals specialising in competition law, anti-bribery and other legislation and regulations that apply to BA, support and advise the business. IAG's Code of Conduct is supported by annual awareness programmes and mandatory training, with additional focus for higher-risk areas. 'Speak Up' and whistleblowing channels are available.

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Principal risks and uncertainties continued

Sustainable aviation

Status BA is committed to the IAG target of net zero carbon emissions across its operations and supply chain by 2050 along with 2030 targets. The IAG Procurement function has a key role to play in ensuring delivery of the Scope 3 commitment for the Group with supplier sustainability ratings and sustainability clauses in supplier contracts key considerations for future contract negotiations and renewals. IAG has also committed to 10% Sustainable Aviation Fuel (SAF) usage on average across its fleet by 2030, which is subject to the production and availability of SAF.

Plans implemented by the UK, EU and US governments to decarbonise aviation have resulted in fragmentation of policy measures and support offered by governments for green initiatives across the different regions in which BA operates. SAF infrastructure and availability still lags demand, impacting the ability to achieve the aviation industry's carbon reduction commitments. Mandates and other tax-based measures may disproportionately impact BA versus its competitors.

BA has agreed deals for the production of SAF to meet IAG's target for its use on the path to decarbonisation. Overall aviation industry requirements will require infrastructure investments across markets to support the production of SAF to meet demand expectations. Industry-wide new fleet entry delays may also impact fuel efficiency.

BA continues to model potential impacts and costs, with mitigation plans embedded into strategic and financial planning. BA completed a double materiality assessment in the year as part of IAG's Corporate Sustainability Reporting Directive reporting requirements.

IAG continues with its assessment of climate-related risks under the Task Force on Climate-related Financial Disclosures (TCFD) guidelines, by testing and revising its assumptions against updated forecasts for future business growth, the regulatory context and future carbon pricing. BA has embedded forecasting of its climate impacts into its strategic, business and financial planning processes and has assessed that it is resilient to material climate-related impacts.

Risk description	Mitigation
Increasing global concern about climate change and the impact of carbon affects BA's performance as customers seek alternative methods of transport or reduce their levels of travel. New taxes, the potential removal of aviation jet fuel tax exemptions and increasing price of carbon allowances impact on price and demand. The airline industry sector is subject to increased regulatory requirements and policy asymmetry driving costs, distortion, and operational complexity, as well as the potential for sub-optimal outcomes for the planet. Demand exceeds supply to meet sustainable fuel mandates or infrastructure and production is not available in the markets that BA serves. SAF policy fragmentation results in different in-scope allowances across markets, distorting the competitive environment and levels of carbon costs. BA may face an increasing challenge by external parties over decarbonisation when utilising offsets to meet compliance obligations. Increasing severity of weather events results in operational and customer disruption.	IAG climate change strategy to meet target of net zero carbon emissions by 2050. IAG's commitment to SAF usage, with BA continuing to secure mid- and long-term supply agreements. Fleet replacement plan is introducing aircraft into the fleet that are more carbon-efficient. Participating in CORSIA, the ICAO global aviation carbon offsetting scheme, EU ETS and UK-ETS emission trading schemes. Horizon scanning for potential partners and technology. Engagement across UK and global trade associations to shape effective climate policy and drive support for low-carbon solutions.

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Principal risks and uncertainties continued

Transformation, innovation and AI	
Status BA continues to focus on its cost base to offset price increases in the supply chain, particularly costs from fleet and engine manufacturers and the additional costs of resilience, to ensure that BA is well prepared for any further external headwinds that may impact the aviation industry. Opportunities for AI adoption to drive efficiencies and better insights have been identified across BA with business cases and implementation subject to guardrails to help protect against unexpected outcomes. The people impact of change and the talent and skillsets needed for the future size and shape of BA are considered as part of BA's transformation and innovation programmes. BA has an established Transformation Programme Management Office which has oversight of an agreed portfolio of initiatives focused on improving customer service, revenue and cost efficiency, and the transformation mindset is becoming part of its culture. Many of the programmes are multi-year and all are subject to the ongoing review and investment approvals that include the BA Board as per the governance structure. This has strengthened BA's focus on addressing its legacy estates to deliver digital customer experiences.	
Risk description	**Mitigation**
Failure to transform the business to effectively deliver cost-efficiency initiatives, maintain or grow share in the new competitive environment, fully implement all programmes across BA and realise the benefits of the change initiatives to deliver BA's digital platforms and customer propositions. The pace of change may expose BA to execution risk as multiple initiatives are delivered across processes and systems that serve its operations and customers. The impact on BA's people of the wide-ranging change agenda, if poorly managed or uncoordinated, could lead to logistical and engagement challenges, with the potential to negatively impact NPS, revenue and efficiency benefits. Competitors, or new entrants, may invest and innovate deploying digital technologies, AI, sustainability initiatives and/or platforms ahead of BA. Technology disruptors may use tools to position themselves between BA's brand and its customers. The levels of data capture, data storage and security and availability of data, are not sufficient and ready to exploit AI use cases. Lack of accuracy or insufficient human oversight of AI tools and outputs could result in errors or suboptimal business decisions. BA does not understand the scope or depth of the use of AI across its third parties as its prevalence accelerates.	BA's Chief Financial & Transformation Officer has clear oversight of all programmes under the transformation agenda. Consistent core metrics and dashboard reporting is used to assess performance against plan. The dashboard and progress against delivery is assessed regularly. BA's transformation agenda is subject to BA Board approval. IAG AI governance committee to assess AI initiatives to allow BA to exploit AI capabilities. BA communicates to employees on change initiatives and changes that may affect them. Consideration is given to BA's sustainability commitments and agenda for all programmes. Any potential changes that could impact the brand are reviewed to mitigate against reputational and brand damage.

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Section 172 statement

During 2024, the Board and designated subcommittees acted in a way, they consider, in good faith, would most likely promote the success of British Airways for the benefit of its members as a whole, based on information available to them at the time. The following disclosure describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Stakeholders

The directors consider that the following groups are the Group's key stakeholders. The Board seeks to understand the interests of the stakeholder groups so that they may be properly considered in the decision-making process. This is done through direct engagement, receiving reports and updates from members of management and inclusion of relevant stakeholder interests in board presentations and papers as appropriate.

Customers	
Why it is important to engage and what matters to them?	Customers are central to the success of BA and engagement enables the Company to understand and drive the product and service initiatives that will deliver the greatest value to the customer. If the airline is unable to meet the expectations of customers and does not engage effectively to maintain their emotional attachment to the brand, then the brand will be eroded and market share lost. British Airways provides a loyalty scheme to customers through the acquisition of Avios from IAG Loyalty which are then issued to Executive Club members (re-named 'The British Airways Club' from April 2025) as part of the ticket. Customers value the Tier benefits associated with the loyalty scheme, for example, access to lounges and the ease of redeeming Avios. Customers continue to value safety, reliability, value for money and a seamless and unique customer experience throughout their journey from booking to arrival at their destination. There is a growing trend in ethical and sustainability concerns being a factor in consumer choices.
How management and/or Directors engaged and what was the impact of the engagement?	The Board and Management Committee receive regular updates regarding customer relationships, development and engagement, including results of customer feedback surveys, net promoter score (NPS) and complaints data. At times throughout the year, British Airways experienced disruption to flights. As punctuality is one of the main drivers of NPS, the airline continued to work closely with its partners and suppliers across the aviation ecosystem to ensure contingency measures were put in place to limit disruption and deliver a better service to disrupted customers. The strategic report on pages 2 to 8 describes the investment in customer experience that the Group has delivered during 2024.
Workforce	
Why it is important to engage and what matters to them?	The Group's long-term success is predicated on the commitment of the workforce to the airline's purpose and demonstrating British Airways' values on a daily basis. To be able to compete in a challenging commercial aviation environment, the workforce needs to be adaptive and have a constantly evolving skill base. Engagement with the workforce is essential to ensure the Group fosters an environment that the workforce is motivated to work in and that best supports their wellbeing.
How management and/or Directors engaged and what was the impact of the engagement?	The section of the Directors' report on page 36 explains how the Company engages with the workforce. During the year, the Executive Directors visited areas across the business to meet with colleagues and gain insight into the challenges faced by colleagues on a day-to-day basis. There's a renewed emphasis on making sure colleagues understand the company's vision and strategic plan, and how their contribution makes a difference to the company's success. Information is shared with colleagues about the aviation industry, the business and its financial performance via emails from their local leaders, the Company intranet and the CEO's vlog, as well as team briefings. Colleagues are encouraged to share their views on all matters with senior management. In March 2024 British Airways continued its employee listening strategy by asking colleagues to complete the RealityCheck survey to understand what matters most to colleagues. A shorter RealityCheck Pulse survey followed later in the year. The results from the surveys showed that employee engagement continues to increase across the business. The business also continues to participate in the Organisational Health Index (OHI) survey, which takes place across all IAG operating companies. The insight gathered from the employee listening strategy is helping build a Better BA and shape the future activity in building an engaged workforce. British Airways continues to introduce and promote a number of resources to support colleagues' mental, physical and financial wellbeing. Colleagues, including third-party contractors, can raise concerns through the whistleblowing line, regarding any form of malpractice, fraud, improper action or wrongdoing with the assurance of being protected from reprisals or victimisation for speaking out in good faith. The Board receives data on whistleblowing through the Compliance Report. Throughout the year, the airline continued to build more constructive relationships with the trade unions that represent its people and agreed new pay deals with non-management colleagues and pilots.

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Suppliers	
Why it is important to engage and what matters to them?	The Group's suppliers are fundamental to ensuring that the airline meets the high standards of conduct that customers and other key stakeholders expect. Suppliers are an extension of the airline, sometimes representing the brand and enabling the Group to run uninterrupted operations. Key suppliers include aircraft manufacturers, fuel suppliers and worldwide airports. Suppliers value operational stability ensuring predictable demand, transparency and integrity at all times in all business dealings and timely settlement avoiding liquidity challenges.
How management and/or Directors engaged and what was the impact of the engagement?	There is active supplier management including contingency planning. IAG GBS provides a centralised procurement function for the IAG Group and manages supplier engagement. The IAG Group Supplier Code of Conduct sets out the standards to which suppliers engaging with BA must comply. The Company has extensive and regular engagement with multiple key partners and suppliers, including original equipment manufacturers, and keeps appraised of developments in any supplier safety investigations where appropriate. Material safety information is reported to the Board through the Board Safety and Security Review Committee, who ensure any appropriate recommendations are implemented. The Board receives updates regarding material developments in key supplier relationships, including updates through internal audit and risk management.
Investors	
Why it is important to engage and what matters to them?	Continued access to capital is of vital importance to the long-term success of British Airways. The key investors of British Airways are its parent company, IAG, and lenders that finance the acquisition of aircraft. Lenders value meeting coupon and repayment commitments on time. For IAG, return on invested capital, operating margins and free cash generated are important as value is created by generating strong and sustainable results that translate into dividends and share price appreciation. In addition to these financial measures, operating within the Group's policies and maintaining and enhancing brand and reputation are also important.
How management and/or Directors engaged and what was the impact of the engagement?	The IAG Investor Relations and Treasury teams engage with the Group shareholders, equity investors and lenders. BA's CEO is a member of the IAG Management Committee and attends weekly meetings for regular engagement with IAG management as well as the monthly IAG Management Committee meetings where the Group's operational and financial performance, strategic plans, risks and opportunities are reviewed. Challenges are raised and addressed by management ahead of approval. The British Airways Management Committee provides regular operational and financial performance communications to IAG. The BA CFTO attends monthly IAG operating company CFO meetings with the IAG Chief Financial & Sustainability Officer and CFOs from the other operating companies within IAG. The IAG Chief Financial & Sustainability Officer is also a Director on the BA Board.
Communities and environment	
Why it is important to engage and what matters to them?	The communities in which the airline operates require British Airways to operate in a socially responsible manner and protect the environment. Sustainability is crucial, and communities expect the Group to provide means to minimise the effect of flying on the environment from reduced noise levels, waste management and reducing or offsetting carbon emissions. Communities expect the airline to minimise the negative effects of globalisation, for example employing ethically responsible supply chains and preventing illegal global trafficking.
How management and/or Directors engaged and what was the impact of the engagement?	The Group's culture and commitment to corporate responsibility continues to grow. The Group's long-term commitment to sustainability and corporate social responsibility is embedded in its strategy, from interactions with its customers, employees, suppliers, and communities. Tackling the effect of aviation on the climate requires a multi-faceted response and British Airways is committed to this. Sustainability is embedded into the Group's business plans that are reviewed and approved by the Board and IAG. The Board Sustainability Committee receives regular updates from Management on sets BA's corporate responsibility strategy and monitors progress on key initiatives. British Airways is contributing to IAG's commitment to achieving net zero CO_2 emissions by 2050 and in 2021 the airline launched its BA Better World sustainability programme, a further commitment to put sustainability at the heart of the business across three pillars – People, Planet and Responsible Business, including good governance and giving back to the communities it serves. The Company continues to work closely with government and industry partners as part of its BA Better World sustainability programme. The Group continues to support charitable giving, through Flying Start and working closely with non-profit organisations delivering change. The strategic report from page 4 provides more information on BA Better World.

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Section 172 statement continued

Pension Trustees	
Why it is important to engage and what matters to them?	As described in note 28 of the annual report and accounts, the Group has two main funded pension schemes, APS and NAPS which a significant number of current and former employees are members of. The Pension Trustees are concerned with BA's covenant to the scheme, to ensure that BA's financial stability is sufficient to meet any required deficit recovery plan such that the scheme can meet all its future liabilities to members.
How management and/or Directors engaged and what was the impact of the engagement?	Senior management form part of the Trustee boards. Additional management representatives attend Trustee investment strategy meetings. Senior management met with the NAPS Trustee Board during the year to discuss the Group's financial performance and updated forecasts and certain transactions. Under the scheme funding agreement between British Airways and the Trustee NAPS, any dividends paid to IAG from 2024 will trigger a pension contribution of 50% of the amount of the dividend. From 2025 British Airways may pay dividends of up to 50% of pre-exceptional profit after tax for that financial year without being required to mitigate the scheme. At 31 December 2024, any payments triggered under the funding agreement by dividend payments are only paid if the scheme is in a deficit position. As NAPS was in a surplus position, no payment was due to the scheme as a result of British Airways' dividend payment in December 2024.

Principal decisions

Principal decisions are those that are material to the Group and significant to any of the key stakeholder groups. In making the principal decisions outlined in the section 172 statement, the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of British Airways. The Company's business plan includes significant investment to transform the business, including investing in fleet, lounges and new technology. The Board approves BA's business plan, annual budget and capital expenditure over the value of €10 million (IAG's presentation currency). Principal decisions taken during the year included:

Fleet

The fleet is constantly reviewed to ensure alignment to the delivery of the Company's strategy. The Board approved investment to acquire new A320neos from Airbus. In approving the investment, the Board had regard to an amalgamation of factors including the strategic rationale, the financial analysis, suppliers, investment in customer experience and the environment. The Board reviewed the environmental benefits of the aircraft relative to the previous generation aircraft and noise reductions.

Lounges

The Board approved an investment to refurbish and extend the lease of the BA lounge at Newark Liberty International Airport (EWR) and to renew the airport use and lease agreement at Washington Dulles International Airport (IAD). This investment supports the Company's lounge strategy and provides an opportunity to enhance the customer experience at two important locations and improve customer satisfaction scores.

New Technology

The board approved investment in new technology to streamline the company's operation and modernise the IT estate. This investment included the migration from physical data centers to the cloud, building a unified data platform and new digital tools to support operational needs. This investment will contribute towards a foundation of resilience and efficient decision making. Alongside this the sustainability benefits from the decommissioning of two physical data centers was considered.

Engineering Facilities

Investment to expand one of three existing maintenance bays at British Airways Maintenance Cardiff (BAMC) was approved. This will enable the facility to accommodate larger A350 aircraft and allow more complex and detailed maintenance to be completed. The project will increase the company's efficiency across maintenance operations.

In each instance, the Board also considered the potential alternatives to the proposed decisions, the benefits, risks, and financial analysis.

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Climate-related financial disclosure

Executive Summary

The Group's strategic approach to climate resilience centres on quantifiable impact reduction and working with the industry in sustainability transformation. Building on our established environmental targets, this reporting year marked significant advancement in operationalising our net zero transition pathway. This integration encompasses both climate risk management and strategic opportunities, with particular emphasis on near-term deliverables through 2030.

The Group's exposure to climate-related financial risks encompasses both physical and transition risks, requiring a comprehensive mitigation strategy. Our pathway to net zero by 2050 is underpinned by strategic investment in three key technological pillars: next-generation aircraft fleet and operational efficiency, sustainable aviation fuel (SAF) development, and carbon markets. 'Net Zero' means any residual emissions from BA operations in 2050, or by the manufacture and transport of good supplied to the Group, will be mitigated by an equivalent amount of CO_2 removed from the atmosphere via carbon removals. The Group actively shapes the aviation sectors' decarbonisation agenda through strategic partnerships and policy advocacy. Our commitment is demonstrated through tangible actions, including significant SAF offtake agreements and a portfolio of over £8m of carbon removals purchased to date. These investments serve dual purposes: accelerating the commercialisation of essential decarbonisation technologies while providing regulatory readiness for emerging carbon markets.

The Group's climate strategy creates distinct competitive advantages through stakeholder-inclusive transformation. We systematically engage customers and key stakeholders in our sustainability initiatives, fostering transparency and active participation in our decarbonisation journey. This engagement strategy enhances brand value while accelerating industry-wide adoption of sustainable practices.

Our early-mover approach to climate-related purchase agreements positions the Group as an influential voice in policy development and industry standards. This strategic positioning enables us to help shape the regulatory framework necessary for aviation's net zero transition while building long-term competitive advantages that the Group can further leverage to reach our stated goals in an economically viable way.

The Group maintains robust progress against established climate targets across multiple time horizons. Key performance indicators demonstrate consistent advancement, particularly in the adoption of SAF. With secured SAF supply agreements, strategic investments in production capacity, and constructive engagement with UK Government policy frameworks, we are well-positioned to achieve our ambitious target of 10% SAF utilisation across global operations by 2030.

Governance

The Group maintains robust governance of climate-related matters through its Board Sustainability Committee. This Committee, which convenes quarterly, comprises the Chief Executive Officer, Chief People, Corporate Affairs and Sustainability Officer, and two Non-Executive Directors. The Committee provides strategic oversight and direction for the Group's sustainability initiatives.

At the IAG level, additional governance is provided through the IAG Sustainability Steering Group, which meets at minimum quarterly intervals. This forum brings together senior leadership from across IAG, including British Airways Plc's Director of Sustainability, under the chairmanship of the IAG Chief Financial & Sustainability Officer. The Steering Group maintains oversight of environmental and social initiatives, ensuring aligned reporting and strategic implementation across the Group's operating companies. IAG also provides oversight and direction for environmental programmes via the Safety, Environment and Corporate Responsibility (SECR) Committee.

The Board

The Board of British Airways Plc (the Board) is responsible for setting the long-term strategy of the business, including managing and assessing all business risks (including climate-related risks and opportunities).

The Management Committee

The Board delegates authority for day-to-day operations and activities of the business to a group, known internally as the Management Committee. The Management Committee consists of the following:

- Chief Executive Officer (CEO)
- Chief Financial & Transformation Officer (CFTO)
- Chief Commercial Officer
- Chief Technical Officer
- Chief Customer Officer
- Chief Operating Officer
- Chief Information & Digital Officer
- Chief People, Corporate Affairs & Sustainability Officer (CPCASO)
- Director of Network & Alliances
- General Counsel & Company Secretary

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Climate-related financial disclosure continued

Risk Management

The Management Committee oversees the Group's strategic direction, ensuring alignment between business strategy, organisational culture and core values. The Committee has established and published internally the British Airways Environmental Policy, which outlines the Group's pathway to carbon net zero by 2050, incorporating measurable environmental objectives to monitor and evaluate progress.

The Business Plan

A key part of the risk management process for the Group is the business plan. The business plan is a three-year strategic forecast led by the Group with involvement from key stakeholders in the Group's finance, sustainability, strategy teams. IAG provide key sustainability assumptions (e.g. ETS, CORSIA & SAF) which are used to model detailed cost and KPI impacts. The business plan is reviewed and approved by the Group's Management Committee and Board as well as IAG's Management Committee and Board.

IAG TCFD and Double Materiality Assessment

The Group plays a significant role in IAG's TCFD process. In particular, the Group's sustainability team formally engage in discussions and regular working groups to inform the risk & opportunity assessment as well as other key parts of the disclosure. The double materiality assessment led by IAG helped to determine the most prioritised topics for the Group from an impact and financial perspective. The double materiality assessment was conducted with reference to European Sustainability Reporting Standard (ESRS) requirements and builds on the previous materiality assessment conducted by IAG in 2021.

IAG commissioned Transcendent (a third-party sustainability consultant) to review the IAG's sustainability information and information disclosed by other aviation stakeholders to identify relevant sustainability topics for the business. Information sources included IAG's 2023 NFIS, external sustainability disclosures, the Group's sustainability reports and OHI and employee engagement documentation. Transcendent prepared a comparative analysis of material topics reported by IAG with 21 competitors to validate the topics identified. Transcendent also considered third-party standards which IAG and the Group comply with (e.g. IATA's Environmental Assessment (IEnvA)). The IAG Sustainability team reviewed the findings, and 23 sustainability topics were defined and aligned with the CSRD topics. This list was presented to the IAG Safety, Environment and Corporate Responsibility Board committee.

Specific impacts, risks & opportunities (IROs) were identified using a bottom-up approach, drawing on input from workshops held with subject matter experts within IAG and the Group. A comprehensive review identified 164 preliminary IROs, comprising 82 impacts, 58 risks and 24 opportunities, which were grouped into 21 sustainability topics.

Transcendent led a consultation exercise by issuing a questionnaire to more than 60 subject-matter experts across IAG and the Group, including representatives from the Sustainability, People, Government Affairs, Finance, Risks, Customer, and Legal teams. IAG utilised a 4-point scoring system that aligned to its ERM risk assessment. Each impact was given specific criteria to inform the severity analysis, and the probability of occurrence was scored as a percentage likelihood. Impacts scored against CSRD evaluation criteria, based on the assessment of the scale (the severity of the current or future impact), scope (number of individuals or perimeter affected), irremediability (limit in the capacity to restore the affected situation), and probability of occurrence of each impact. The impact materiality scores were calculated as an average, with topics being represented by their highest impact score.

The financial materiality assessment was performed top-down by the IAG Finance, Risk and Sustainability teams. Risks and opportunities were scored according to the CSRD evaluation criteria for financial materiality. The financial materiality score comprised of the magnitude of financial impact (through changes to revenue, capital expenditure or operating expenditure) and the probability of occurrence, using a 4-point scoring system which aligned to IAG's ERM risk assessment. The risk and opportunity materiality scores were calculated as an average, with topics being represented by their highest impact score. For IROs not currently covered by IAG's ERM risk assessment, and opportunities (which require a quantification of the benefit of action), a subjective assessment was made using available financial information.

A central group of IAG experts representing the IAG Finance, Risk and Sustainability teams, including the Chief Financial and Sustainability Officer, evaluated the results of the double materiality assessment. This group selected 'critical' as the applicable threshold for material issues under this assessment as it aligns to IAG's classification of 'critical' in IAG's ERM risk assessment definitions. This meant any IROs, and their relevant CSRD topic which scored as 'critical' based on impact materiality, financial materiality or both would be reported in this statement. The final results of the double materiality assessment, including the threshold set, was approved by the IAG Sustainability, Environment and Corporate Responsibility Board Committee and Audit and Compliance Committees in November 2024. IAG met with its European Works Council on 27 November 2024 to present how this double materiality assessment was conducted and the material topics identified.

Strategic Planning

Business planning is conducted annually through a comprehensive process that encompasses detailed three-year financial forecasting ("the business plan") and a ten-year strategic outlook which encompasses capital allocation and related sustainability considerations. During this process, strategy and sustainability teams collaborate across business units to integrate climate-related risks and opportunities into both short and medium-term planning horizons. This integration ensures appropriate capital allocation for climate-related objectives in the business plan, particularly regarding fleet modernisation technology and operational efficiency enhancements.

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Climate-related financial disclosure continued

Risk Management continued

Business Case Governance

Sustainability considerations are systematically embedded within the Group's business case governance framework, ensuring comprehensive evaluation of environmental impacts in capital investment and significant contract decisions. The framework includes:

- Detailed guidance for business case owners on sustainability impact assessments;
- Support from the central sustainability team for complex evaluations;
- Assessment of both direct and indirect financial implications;
- Quantification of environmental impacts, particularly:
  - Aircraft weight modifications and subsequent effects on fuel consumption, emissions trading scheme (ETS) and CORSIA credits, and carbon emissions;
  - Waste generation and management; and
  - Energy utilisation.

Climate Target Governance and Performance Monitoring

The central sustainability function, supported by the transformation office, maintains responsibility for establishing and monitoring climate-related targets and key performance indicators (KPIs). Bi-weekly stakeholder reviews assess initiative progress, with monthly oversight sessions attended by senior representatives of the sustainability team and relevant business area functions. These sessions provide executive scrutiny of achievements and planned activities whilst facilitating rapid identification and resolution of implementation challenges. Progress against the key metric of Carbon Intensity ($kgCO_2$/epk) is shared quarterly with the BA Management Committee and Remuneration Committee.

Environmental Management and Certification

The Group achieved IEnVA Stage 2 Certification in 2023 (valid two years from date of issuance), awarded by the International Air Transport Association (IATA), validating our environmental management practices. Our Environmental Management System (EMS) continues to adapt and develop to maintain certification through 2025, encompassing:

- Regulatory compliance monitoring;
- Environmental incident reporting protocols;
- Comprehensive environmental training programmes; and
- Internal audit procedures and corrective action processes.

Risk Management and Reporting

Environmental risk reporting is integrated into the Group's safety and security risk management framework, enabling employees to report potential environmental compliance issues or hazards through established channels. These reports undergo review by the safety and security team, with escalation to the sustainability team where appropriate.

Incentive Alignment

Climate-related performance metrics are embedded within the annual incentive structure for all management colleagues (approximately 4,800 employees). This integration, communicated through quarterly Director of Reward directives, demonstrates the Group's commitment to embedding sustainability throughout decision-making.

Principal Risk Assessment

Sustainable aviation risk is formally documented as a principal risk within the annual report. A comprehensive assessment of climate-related risks and opportunities has been conducted specifically for this disclosure, ensuring alignment between risk reporting frameworks and mitigation strategies.

Climate Risks and Opportunities

The following table summarises the relevant climate related risks and opportunities and the Group's assessment of each on the business model and strategy. The following time horizons have been identified to categorise the risks:

Short (S): 1-3 years

- Aligned with the detailed business planning cycle; and
- Focuses on immediate operational adaptions and risks.

Medium (M): up to 5 years

- Corresponds with strategic planning framework; and
- Addresses emerging technological and regulatory transitions.

Long (L): 5+ years

- Extends to 2050, aligned with the Group's Net Zero commitment;
- Encompasses scenario modelling with particular focus on 2030 climate impact intensification; and
- Enables comprehensive assessment of transformation requirements.

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Climate-related financial disclosure continued

Climate Risks and Opportunities continued

The risk trending descriptor is used to help illustrate whether the Group anticipates the likelihood of the risk to decline, grow or remain stable versus the prior period; this enables a transparent view of its risk assessment process and its view on key climate related risks.

Transitional risks primarily affect airline activity between European destinations due to the maturity of local carbon related regulations, which contributed to 20.1% of flying activity in 2024. Physical risks could affect the Group's operations across its global network, reflecting the global nature of climate change.

The Group considers the relevant risk factors that could impact each risk by region and timescale. Such variability may arise from fragmented policy definition, scope and implementation, changeable market perceptions, or unpredictable delivery of new technology (among other causes). The Group considers its mitigation strategy for each risk accordingly. Please refer to the 'Risk and Opportunities' table for more information.

The carbon-reduction targets in the Flightpath Net Zero strategy are the key measures for assessing the mitigation or resilience to these risks, along with the consideration of these risks in relevant governance processes. The external risk environment, materiality of risks, mitigation actions and KPIs for these mitigating actions are reviewed regularly.

The table below lists risks assessed through the ERM and the double materiality assessment. The most material risks are policy risks.

Climate related-opportunities refer to the potential positive effects derived from the deployment of efforts to mitigate and adapt to the effects of climate change, such as through resource and cost efficiency, the adoption and utilisation of low-emissions technologies, the development of new products and services, and reinforcing resilience along the supply chain. Opportunities are identified as potential actions to be taken at Group level to reduce our exposure to climate related risks. The opportunities presented below align to those identified in IAG's double materiality assessment.

CFD Risk Type	Risk Description	Time Frame	Trend
Physical	Resilience to acute weather events	M	Up
	Resilience of routes and assets to chronic climate changes	L	Stable
Market	Customer spend due to perceptions of BA and industry ESG progress	S	Down
	Perceived quality of offset and removal projects	M	Up
	Activism and direct action protests for climate inaction	S	New
	Supply chain readiness	L	Stable
	SAF delivery against committed offtake agreement volumes	M	Up
Policy	Litigation against claimed carbon reductions from offsetting	S	Up
	Demand impact of EU and UK climate policy	L	Stable
	Resilience to changes in ETS/CORSIA pricing	M	Up
	Policy asymmetry across regions	M	Up
	Extra regulations on activity rather than emissions	L	Stable
	Lack of supporting SAF infrastructure or policy	M	Down
	Regulation of non-CO_2 effects	M	Up
Technology	Access to and readiness for lower-emission technologies	L	Stable
	Access to SAF supply	M	Down
	Investing in product innovation and sustainable material transition	M	Stable

CFD Opportunity Type	Opportunity Description	Time Frame	Trend
Market	Strategic SAF purchase agreements	S	Stable
	Incorporation of new and more efficient fleet	S	Stable
Technology	Investment in lower emission technologies	S	Up

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Climate-related financial disclosure continued

Table 1: Risks

Risk Type	Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
Physical	Resilience to acute weather events	M	Up	Increase in weather-related flight delays, diversions, and cancellations leading to increased disruption and compensation costs. Lost revenue due to payload restrictions for safe flight operations. Increase in frequency and severity of in-flight turbulence and bird strikes, impacting flight safety. Greater exposure to extreme weather increasing the risk of absence & operational disruption. Negative impact on workforce health and wellbeing leading to reduced resources and operational disruption. Increased difficulty in rostering variation adds increased complexity and additional costs to incentivise certain routes.	Investment in improved weather-forecasting tools to better predict extreme and temporary weather events that may impact our ability to operate. Examples include severe weather (turbulence, depressions, high precipitation) that alter flight schedules and lead to cancellations and diversions of flights. Investment in improved flight planning software to identify safer and more efficient flight paths. Flexible fleet and network to adapt to climate trends and maintain commercial and operational viability of the flying programme. Better utilisation of technology to maintain safe conditions for colleagues and customers, e.g. through pre-conditioned air systems to cool aircraft at times of extreme heat. Participating in the UN World Meteorological Organisation (WMO) and EASA expert groups to assess atmospheric trends and the associated physical impacts of climate change on aviation. Improved workforce training and awareness of climate risk. Investment in improved uniforms and personal protective equipment (PPE).
	Resilience of routes and assets to chronic climate changes	L	Stable	Damage to aircraft, ground vehicles and equipment, increasing operational and maintenance costs. Damage to property such as hangars, terminal buildings and airport lounges increasing maintenance costs. Increasing cost of insurance and compensation payments. Reduction in operations and revenue at coastal destinations due to the risk of sea-level rise.	Movement of mobile assets to different locations to reduce risk of damage. Developing resilience plans with local geography physical risk committee (flooding, severe cold and heat) in collaboration with local authorities, airport operators and government. Investment in remote working technology and IT resilience to maintain resourcing levels and minimise operational disruption. Proactive and strategic network planning to identify risks and opportunities as they materialise. Considering climate resilience into capital infrastructure projects and investments, e.g. new building projects.

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	Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
Market	Customer spend due to perceptions of BA and industry ESG progress	S	Down	Customers change frequency of flying, duration of trips or spend less relative to other carriers/modes of transport resulting in reduced revenue.	**Delivering emissions reductions:** - Increasing the proportion of sustainable aviation fuel (SAF) used on flights, including a target to utilise 10% SAF by 2030. (2.7% in 2024) - Replacement of current fleet with newer and more efficient models. - Spend of over £5 million electrifying the Group's operational vehicles and making the property portfolio more energy efficient. - Reviewing all operational processes to realise efficiencies, specifically in relation to the weight of aircraft and decision making regarding outsourced maintenance. - Investing in technologies such as advanced flight navigational software to increase operational efficiency and reducing reliance on fossil fuel energy sources. - Proactive investment in carbon removal technologies, establishing the Group as the largest purchaser of carbon removals in the United Kingdom as well as participating in innovative financing approaches to unlock debt financing for carbon removals. **Expanding customer communication:** - Communication of BA Better World, relevant targets and metrics as well as action to date primarily through key customer touchpoints such as airport lounges and onboard the aircraft as well as the annual BA Better World Sustainability report. **Integrating the customer into BA's sustainability journey:** - Providing opportunities for the customer to contribute to the CO_2 emissions reduction of the Group through the CO_2llaborate platform. - From 2025, allowing the customer to contribute money to the purchase of SAF in return for The British Airways Club tier points and Avios. - Encouraging the customer to make use of recycling facilities across airport lounges and other airport spaces, including the removal of plastic water bottles from lounges. **SAF Scope 3 Sales:** - Increasingly corporate partners are utilising data to understand their CO_2 footprint from business travel. These customers are more commonly partnering with BA and IAG to purchase SAF to mitigate their Scope 3 flight emissions.
	Perceived quality of offset and removal projects	M	Up	Exposure to sudden variability in prices, cost of CORSIA credits, scale of growth in revenue by 2050 due to available volume of removals to deliver net zero. Challenge from customers and other stakeholders on the quality and robustness of carbon credits purchased.	Continuing to advocate for policy support and rigorous monitoring regimes. Ensuring that we partner with a diverse range of partners to minimise the risk of unsuccessful projects. Continue to assess the governance surrounding removals projects to ensure the integrity and quality of such initiatives. For example, supporting the Oxford Offsetting principals on how to transition to removals. Engaging with third party due diligence partners such as CUR8 who utilise science-based criteria to assess the quality and rigour of removal projects. Commit to providing regular transparent reporting to customers on projects and their contributions.

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	Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
	Activism and direct action protests for climate inaction	S	New	Risk of shareholder activism, where NGOs or activists may legally challenge the Group for perceived climate inaction or Greenwashing, potentially resulting in costly legal battles and reputational damage.	Increasing transparency of information to our stakeholders and maintaining active communication with them via the appropriate channels. Maintaining best practice in communicating our sustainability strategy and progress. Continue partnerships with reputable climate leadership organisations such as the Earthshot Prize and their finalists to demonstrate a commitment to sustainable innovation and problem solving. Continuing to enhance third-party assurance of key metrics, including carbon emissions and carbon intensity, to further support performance claims.
	Supply chain readiness	L	Stable	Sustainability compliance or technology change causing unplanned changes in cost of goods and services provided to BA or associated supplier management costs, margin erosion. The delay in low-carbon technology solutions being developed by supply chain partners impacting the rate at which BA can reduce its emissions. Operational difficulties and disruption implementing new technology and achieving relevant safety standards.	Supply chain sustainability programmes at a group level developed by IAG GBS Procurement (Global Business Services) which includes ESG scorecards and supplier risk screening, subsequently administered and implemented by the Group. These allow for BA to evaluate and assess different suppliers based on a variety of factors to ensure its scope 3 emissions are minimised. BA have worked closely with IAG GBS to develop and deploy a scope 3 carbon accounting tool to better understand supply chain emissions and how they can be reduced. BA will continue to work with these stakeholders to gain further insight and optimise the accuracy of the tool. Collaborating with a diverse range of major suppliers, including aircraft and engine manufacturers, on the development of low-carbon technologies to aid BA's carbon reduction programme. This mitigation relies on appropriate levels of supply chain resilience and on-time aircraft deliveries and the clearing of existing backlogs is key to preventing delays in the rollout of new technologies.
	SAF delivery against committed offtake agreement volumes	M	Up	SAF delivery from agreed commitments fail to materialise from weak market supply, or failed project development.	Securing SAF purchase agreements as part of IAG in early-stage projects where relevant. Monitoring SAF project development and seeking volume above target and mandated levels.
Policy	Litigation against claimed carbon reductions from offsetting and sustainability related activity	S	Up	Litigation against BA for use of credits towards voluntary or compliance offsetting that do not deliver stated emission reductions leads to legal costs. Litigation against BA for alleged misleading advertising and communications about its sustainability progress and commitments.	Due diligence conducted on carbon offsetting projects; internal guidance prepared for external communications. Thorough legal reviews of advertising standards and working cross functionally between legal, marketing and sustainability teams to ensure the Group is compliant in the information it advertises. The Group continues to comply with regulatory requirements to use CORSIA credits under a government backed ICAO CORSIA programme.
	Demand impact of EU and UK climate policy	L	Stable	Ability to pass-through industry-wide costs affects ticket prices and therefore demand.	Impacts of emerging policy assessed as part of longer-term financial planning and strategy. Continue ongoing approach to reductions in emissions (e.g., SAF purchase agreements, replacement of less efficient aircraft, electrification of ground operations) to reduce our exposure to carbon pricing. Working with policy makers to encourage further investments in SAF and carbon removals to ensure there is adequate supply to reduce our exposure to carbon pricing.

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Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
Resilience in changes in ETS/CORSIA pricing	M	Up	Exposure to long-term price increases affects compliance costs.	Mitigate impact of price volatility by using carbon prices business case assessment and financial planning. Continue the purchase of carbon credits and ETS (Emissions Trading Scheme) allowances utilising IAG's hedging strategy to reduce the cost impact of compliance to the business.
Policy asymmetry across regions	M	Up	Changing numbers of customers relative to other carriers who are under more favourable or more restrictive policy regimes. The UK and EU SAF mandates are likely to cause disproportionately higher costs of compliance versus competitors based in other geographies that this would not directly impact. There is therefore a risk of reduced competitiveness without a globally aligned mandate.	Advocacy for global solutions such as the ICAO Long-Term Aspirational Goal.
Additional regulation on activity, not emissions	L	Stable	Industry-wide taxes or levies increase operating costs and the ability to pass on these costs to the customer potentially impacts demand, leading to further demand management measures.	Transparent and rigorous reporting on sustainability data and performance against public targets. Robust approach to ensuring all environmental claims are evidenced and use wording in line with relevant sustainability communication and reporting guidelines. Monitoring the evolution of regulatory guidelines and industry best practice.
Lack of supporting SAF infrastructure or policy	M	Down	Higher prices of SAF due to lack of investment in SAF production or cost of inputs	Advocacy for SAF policy, e.g. via UK Jet Zero Council, and strategy and investment to procure SAF in regions where supportive policy exists. Engaging governments in providing investment to support this emerging industry.
Regulation of non-CO_2 effects	M	Up	Potential multiplier on existing ETS and CORSIA costs. Potential reduction in operational efficiency and increase in costs due to contrail avoidance initiatives. Potential loss of revenue due to perceived non-management of non-CO_2 effects (including contrails).	Continue to monitor non-CO_2 policy development to ensure fairness and consistency. Participating in the UK's Jet Zero Council non-CO2 group and its activities. Conduct flight trials with research partners to assess the operational feasibility of contrail avoidance and opportunities to reduce non-CO2 impacts. Noise restrictions are not included in this risk but are reviewed as a separate risk through the ERM framework.

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	Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
	Access to and readiness for lower-emission technologies	L	Stable	Higher ETS costs if technology access is restricted, or technology development is slow. Lack of availability would impact the ability to work towards and maintain the net zero target. Next-generation aircraft could be procured but airport infrastructure may not be advanced enough to support such aircraft, leading to hampered utilisation	Hangar 51 Ventures team (IAG's innovation & investment team) aligns research and work with the Flightpath Net Zero strategy. Collaborating with major suppliers, including aircraft and engine manufacturers, on the development of low-carbon technologies to aid BA's carbon reduction programme. Replacement of current fleet with newer and more efficient models. Participating in the UK's Jet Zero Council Zero Emission Flight group and its activities.
Technology	Access to SAF	M	Down	Changing unit prices of SAF in core markets.	Securing SAF purchase agreements in early-stage projects where relevant. Agreements so far include: - Phillips 66: 1G SAF; - Neste: 1G SAF; - BP: 1G SAF; - LanzaJet US: 2G SAF; - Aemetis: 2G SAF, future supply; - GEVO: 2G SAF, future supply; and - Twelve: 3G SAF, future supply. 1G = 1st generation SAF, made from HEFA (hydrogenated esters & fatty acids) 2G = 2nd generation SAF, made from carbon-containing sustainable feedstocks 3G = 3rd generation SAF, made from CO_2, water and renewable energy These deals are providing the required foundations to facilitate a longer-term shift to greater SAF production, both in the UK and globally. Continued investment in these production processes is key to achieving the Group's net zero target.

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Climate-related financial disclosure continued

Table 2: Opportunities

Opp. Type	Opportunity Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Action(s): Implemented and planned
Market	Strategic SAF purchase agreements	S	Stable	Securing purchase agreements for quantities of SAF to meet internal and regulatory targets not only reduces the Group's climate impact, but also offers a significant potential operating cost reduction per year against the Group's carbon market obligations.	Monitoring SAF project development and seeking volume above target and mandated levels. Advocacy for SAF policy, e.g. via UK Jet Zero Council, and strategy and investment to procure SAF in regions where supportive policy exists. Engaging governments in providing investment to support this emerging industry. Securing SAF purchase agreements in early-stage projects where relevant. Agreements so far include: - Phillips 66: 1G SAF - Neste: 1G SAF - BP: 1G SAF - LanzaJet US: 2G SAF - Aemetis: 2G SAF, future supply - GEVO: 2G SAF, future supply - Twelve: 3G SAF, future supply 1G = 1st generation SAF, made from HEFA (hydrogenated esters & fatty acids) 2G = 2nd generation SAF, made from carbon-containing sustainable feedstocks 3G = 3rd generation SAF, made from CO_2, water and renewable energy These deals are providing the required foundations to facilitate a longer-term shift to greater SAF production, both in the UK and globally. Continued investment in these production processes is key to achieving the Group's net zero target.
	Incorporation of new and more efficient fleet	S	Stable	By introducing new, more fuel-efficient aircraft to the fleet, the Group is able to mitigate compliance costs incurred under carbon markets, which regulate carbon emissions on the routes they operate.	Updated internal carbon pricing modelling to assess the contribution of new, more fuel-efficient aircraft towards delivering the Group's climate objectives, and the reduction in associated operational costs.
Technology	Investment in lower emission technologies	S	Up	Implementing new technologies such as lighter on-board equipment or software to enable better matching of fuel volumes to in-flight needs presents an opportunity for higher fuel efficiency, which can help reduced operating costs.	Several initiatives have been planned and delivered to reduce unnecessary additional weight on-board aircraft, including reviews of potable water and catering equipment for example. Spend of over £5 million electrifying the Group's operational vehicles and making the property portfolio more energy efficient. Investing in technologies such as advanced flight navigational software to increase operational efficiency and reducing reliance on fossil fuel energy sources. Proactive investment in carbon removal technologies, establishing the Group as the largest purchaser of carbon removals in the United Kingdom as well as participating in innovative financing approaches to unlock debt financing for carbon removals.

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Climate-related financial disclosure continued

Scenario Analysis

Overview

BA engages in IAG's Enterprise Risk Management (ERM) reporting process, which includes scenario analysis and collaboration across IAG. In 2024, the IAG Sustainability team and the IAG ERM team reviewed all IAG group-wide climate-related risks and potential impacts to 2027 and 2030. The impacts of material risks are quantified as part of the IAG Group wide ERM process which receives IAG Board oversight. IAG also considered in its TCFD analysis risks and opportunities identified following its double materiality assessment, which also received IAG Board oversight.

British Airways Plc supported this process by:

- Participating in the IAG double materiality assessment and reviewing its own results alongside those of other businesses in IAG;
- Modelling compliance-related costs alongside other group airlines, from those including UK and EU ETS and CORSIA, to 2050;
- Supporting an IAG Sustainability team led TCFD analysis, which included scenario analysis using a dual timeframe of 2030 and 2050; and
- Providing IAG with ongoing analysis carried out on the Flightpath Net Zero strategy to 2050.

This scenario work informs strategy, planning, risk management and financial management. The Group takes a proactive approach to managing climate-related risks and opportunities, and is committed to managing their regulatory, reputational, financial, market and technology aspects.

Applying carbon prices

The Group concurrently applies carbon prices to financial planning and to future scenario analysis. The Group's emissions from aviation activities are largely regulated by explicit carbon prices under participation in carbon markets including the EU Emissions Trading System, UK Emissions Trading Scheme, and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

The fleet team uses updated carbon prices and price forecasts for short-haul and long-haul fleet purchasing decisions, based on market values and reputable external sources. The Group airlines use carbon prices in financial planning, and flight operations teams.

For the period 2024-27, UK ETS prices of £48-£55/tonne, EU ETS prices of €73-€101/tonne and CORSIA prices of $13-$24/tonne were used for modelling compliance costs. EU and UK ETS prices are based on market prices and the UK Department for Transport (DfT) Aviation Forecast, and CORSIA prices are based on internal analysis and ICAO industry price forecasts.

TCFD-aligned scenario analysis

The Group engages and contributes to the IAG TCFD-aligned scenario analysis. IAG has been incorporating the TCFD recommended guidance on climate risk disclosure. In 2024, IAG repeated a TCFD-aligned scenario analysis exercise, building on previous years' exercises.

This was a structured, qualitative discussion of potential climate-related impacts and business responses, using the latest evidence and analysis from reputable sources like the UN, EUROCONTROL and Climate Action Tracker (CAT). IAG conducted its 2024 analysis in line with the latest TCFD guidance published in 2021. The TCFD assessment was aligned with findings from the Double Materiality Assessment used to determine the scope of IAG's sustainability statement.

Temperate scenarios of 1.5°C scenarios[1] were chosen for transitional risks, in recognition of IAG and global targets. 2°C and 3°C warming scenarios were chosen for physical risks, based on the latest UN projections. A new 5°C extreme warming scenario has been included in this year's assessment, to understand our capability to adapt to a world where our operations would change significantly due to very high temperatures.

The year 2030 was chosen as the key timeframe, based on IAG and Group targets and key policy timelines such as SAF mandates. This also aligns to IAG's Enterprise Risk Management sustainability risk assessment which primarily focuses on the next three years as well as an extended view to 2030; this analysis informs the basis of the TCFD. The year 2040 was also considered due to the possibility of the world overshooting 1.5°C in the 2030s leading to faster societal changes.

IAG exercises involved representatives from the IAG's Sustainability Network which includes colleagues from Strategy, Treasury, Flight Operations, Finance, Government Affairs, Commercial Planning, Investor Relations, People, Enterprise Risk Management, IAG GBS, IAG Loyalty and sustainability representatives from all operating airlines. The IAG Sustainability team collated inputs, which were reviewed by the IAG Sustainability Steering Group and the Safety, Environment and Corporate Responsibility (SECR) Committee.

The Group remains resilient to the most material climate-related impacts – industry-wide policy shifts – and these have been quantified at an IAG level and mitigation plans embedded into financial and strategic planning. Industry-wide changes also create opportunities for the Group to move to become more resilient than its competitors. To address significant uncertainty around future policy, technology and market trends, IAG is repeating scenario analysis annually. The Group will keep implementing action plans in the coming years to further improve resilience to wider changes.

[1] 'Orderly' and 'disorderly' scenarios were chosen as per TCFD definitions. These scenarios compare smooth, predictable and idealised climate-related changes with abrupt, variable and disjointed changes across regions.

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Climate-related financial disclosure continued

Scenario Analysis continued

Metrics and Targets

Overall, the Group's transition plan focuses on reducing CO_2 from jet fuel use, as this represents over 99% of Scope 1 emissions. The Group measures its full carbon footprint and tracks multiple metrics each quarter to ensure progress is made against the primary contribution source.

2024 saw strong progress against the key metric of carbon intensity, including the impacts from the use of SAF with a 4% improvement to 83g CO_2/pkm.

Calculation methodology

Emissions are calculated by multiplying fuel and energy use by appropriate conversion factors that are aligned with the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report. 2023 UK Government conversion factors are applied across the Group as these are deemed to be the most robust available.

The group discloses methane (CH_4) and nitrous oxide (N_2O) as Scope 1 non-CO_2 greenhouse gases (GHGs), in line with the UK conversion factors.

Emissions of CH_4 were 10,981 tonnes in 2022 and N_2O were 132,306 tonnes.

Target	Related KPI(s)	Calculation Methodology	Performance to Date
Net Zero 2050	Absolute Scope 1+2 CO_2e emissions per year (tonnes)	UK government conversion factors	2019 – 19,091,720 tonnes* 2022 – 11,886,669 tonnes 2023 – 15,019,941 tonnes 2024 – 15,537,812 tonnes
10% SAF usage on flights by 2030	% SAF used on flights	Tonnes SAF utilised / total fuel utilised	2023 – 0.98% SAF 2024 - 2.70% SAF
86gCO_2/pkm by 2025	CO_2**/pkm	Total fuel utilised / (ASKs + CTKs)	2023 – 86.2 CO_2/pkm 2024 – 83.0 CO_2/pkm
IEnvA Stage 2 Compliance achieved by 2023	Compliant	-	Certification achieved in November 2023.
20% reduction in waste (kg per passenger) 2025 versus 2019	% waste reduction (tonnes)	kg waste on board / total passenger numbers @ hub	2019 – 0.47 kg/pax @ hub 2023 – 0.54 kg/pax @ hub 2024 - 0.55 kg/pax @ hub

*2019 is used as a comparative baseline as this was the last full year of normal operations prior to COVID-19.
** Scope 1 emissions only.

The strategic report is approved by the Board and signed on its behalf by:

Signed by:
F7E973D712884B8...

Sean Doyle
Chairman and Chief Executive Officer
4 March 2025

Signed by:
E6849F09DD44478...

José Antonio Barrionuevo Urgel
Chief Financial and Transformation Officer
4 March 2025

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Directors' report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2024.

Business review
A review of the Group's business, future developments and principal risks is detailed further on pages 2 to 17 of the strategic report.

The Group flies to a number of destinations around the world. In addition to the overseas branches established in many of these countries, there are also branches in countries to which British Airways does not fly. A full list of destinations can be found on the website www.ba.com.

Results and dividends
The operating profit for the year ended 31 December 2024 was £2,060 million (2023: £1,431 million).

The Company paid an interim dividend of £530 million in December 2024. The Board has decided not to recommend the payment of a final dividend in respect of the year ended 31 December 2024 (2023: £nil).

Going concern
In its assessment of going concern, the Group and Company have modelled two scenarios referred to as the Base Case and the Downside Case over the period of at least twelve months from the date of the approval of the Group and Company financial statements (the 'going concern period'). The Group and Company's three-year business plan, used in the creation of the Base Case, was prepared for and approved by the Board in December 2024. The business plan reflects the ongoing uncertainty of the wider economic and geopolitical environments on the Group and Company across the going concern period.

Having reviewed the Base Case and the Downside Case, the Directors have a reasonable expectation that the Group and Company have sufficient liquidity to continue in operational existence for a period of at least twelve months from the date of approval of the Group and Company financial statements, and hence continue to adopt the going concern basis in preparing the Group and Company financial statements at 31 December 2024.

Events after the balance sheet date
No significant events have taken place post the balance sheet date.

Directors
The Directors who served during the year and since the year end are as follows:

Sean Doyle
Alison Reed (resigned 1 November 2024)
Alison Brittain
José Antonio Barrionuevo Urgel
Martha Lane-Fox (appointed 1 November 2024)
Nicholas Cadbury

Company Secretary
Andrew Fleming

Directors' and Officers' liability insurance and indemnities
IAG purchases insurance against Directors' and Officers' liability covering the IAG Group, as permitted by the Companies Act 2006, for the benefit of the Directors and Officers.

British Airways has granted rolling indemnities to the Directors and the Secretary, uncapped in amount but subject to applicable law, in relation to certain losses and liabilities which they may incur in the course of acting as Officers of companies within the Group. These indemnities also set out the terms on which British Airways may, in its discretion, advance defence costs. The indemnities were in force during the whole of the financial year or from the date of appointment in respect of Officers who joined during 2024 and remain in force.

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Directors' and Officers' liability insurance and indemnities continued

British Airways has granted qualifying pension scheme indemnities in the form permitted by the Companies Act 2006 to the Directors of four companies, British Airways Pension Trustees Limited, British Airways Pension Trustees (No 2) Limited, Airways Pension Scheme Trustee Limited and New Airways Pension Scheme Trustee Limited, that act as trustees of British Airways' UK pension schemes. These indemnities were in force throughout 2023 or from the date of appointment in respect of Officers who joined during 2024 and remain in force.

Corporate Governance

Effective corporate governance is a key requirement for the Group. For the year ended 31 December 2024, under The Companies (Miscellaneous Reporting) Regulations 2018, British Airways has applied the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles") as its framework for disclosure regarding its corporate governance arrangements.

Principle 1 – Purpose and leadership

British Airways launched A Better BA, a strategy to transform the business, which sets out British Airways' purpose, values, strategy and behaviours. This is supported by British Airways' business plan, which is refreshed and reviewed annually by the Board.

British Airways' purpose is to connect Britain with the world, and the world with Britain.

British Airways' purpose is delivered through its values, strategy and behaviours. British Airways' values are – safe and secure, caring, excellence, creative and open minded. These values unite and guide colleagues. The strategy is based around five imperatives – London leadership, premium proposition, colleague centricity, efficient execution and sustainable strategy. The Group's behaviours will enable and drive delivery of its strategy – trusting, curious, empowering, courageous, and collaborative. In 2024 colleagues were asked to focus on three principles – Every Second Counts, Every Colleague Matters and Every Customer Unique.

The IAG Group Code of Conduct outlines the key behaviours expected of all employees and provides guidance on how to identify and report concerns. The Code outlines the IAG commitment to placing integrity at the core of all the business's activities and applies to all employees and Directors of British Airways and the other operating companies within IAG.

Principle 2 – Board composition

In 2024 the Board comprised of two Executive Directors (the CEO and the CFTO) and three Non-Executive Directors. One of the Non-Executive Directors has an executive role within IAG and two are external to IAG. The roles of Chairman and CEO are combined and it is considered that the two appointed external Non-Executive Directors provide appropriate challenge and scrutiny to the Board's decision-making process. Significant financial decisions must also be approved by the IAG Management Committee and the IAG Board. In accordance with the Articles of Association, the CEO is appointed by the shareholders. The Board comprises two female Directors and three male Directors, and there is a diverse range of experience and skills to enable the Board to effectively fulfil its responsibilities. In accordance with the obligations for appointments and succession set out in the Articles of Association, the majority of members of the Board are United Kingdom nationals. The Directors have equal voting rights.

The Board is collectively responsible for the management and effective oversight of British Airways' business. The Chairman leads the Board and is responsible for ensuring the overall effectiveness of the Board and to ensure that Directors have access to information in order to inform Board decision making. Some of the duties of the Board are executed partially through committees. There are three Board Committees; the Board Safety and Security Review Committee, the Remuneration Committee and the Sustainability Committee. Membership of each committee is drawn from both the Non-Executive Directors and Executive Directors and includes non-Director attendees.

In order to inform the Board of the operations and performance of the business, the Board has access to members of senior management who regularly attend Board meetings. All Directors have access to professional advice and the services of the Company Secretary. Directors update their skills, knowledge and familiarity of the business by meeting with employees and by attending appropriate external seminars and training courses. There is an induction programme for all new Directors which provides access to all parts of the business.

Principle 3 – Director responsibilities

Whilst the Board maintains effective oversight of British Airways' business and has ultimate responsibility for major policy and financial expenditure issues, some key decisions are made by members of the Board, committees and senior management with the appropriate knowledge and experience. British Airways policies on governance, decision making and delegation ensure that every decision is taken with the right safeguards in place and is underpinned by appropriate considerations and processes. At the IAG level, further oversight and direction is provided by the IAG Board, IAG Management Committee and the IAG Audit and Compliance Committee. IAG carries out detailed risk management reviews under the IAG risk management framework.

The Board delegates authority for day-to-day management of British Airways to the Management Committee which meets weekly and is chaired by the CEO and whose membership includes the CFTO and leaders of each business area. The Management Committee is responsible for considering and recommending to the Board the Group's business plans, financial plans, strategic matters, major projects and programmes (including acquisitions, disposals, joint ventures), other capital investment or divestment decisions and other significant matters affecting British Airways. The Board retains responsibility for reviewing the recommendations of the Management Committee and exercises an oversight role, constructively challenging recommendations and decisions. Where financial approval is also required, this must also be obtained via the capital investment approval process.

The Board aims to meet eight times per year. During 2024, there were eight meetings.

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Corporate Governance continued

The Board receives regular and timely information on all key aspects of the business, including business risks and opportunities, the financial performance of the business, strategy, operational matters, safety, market conditions and sustainability, supported by Key Performance Indicators. Key financial information is collated from the Group's accounting systems and the finance function is appropriately qualified to ensure the integrity of this information. Financial controls are reviewed by the IAG internal audit function.

The Board agrees on how conflicts of interest should be identified and managed by the Company Secretary, with the conflicts register being reviewed regularly and interests authorised at each meeting of the Board.

Principle 4 – Opportunity and risk
Opportunities
Long term strategic opportunities are identified through the business planning process which includes input from all areas of the business. The three-year plan is presented to the Board for approval each year.

Internal control framework
IAG complies with the Spanish corporate governance requirement regarding reporting on internal controls. The Group has an internal control framework to ensure it maintains a strong and effective internal control environment. This is independently assessed by the IAG internal audit function on an annual basis with results reported to the British Airways Board and the IAG Audit and Compliance Committee. The Board is responsible for ensuring findings are remediated and the effectiveness of the framework was regularly reviewed by the Management Committee during the year.

Business controls are reviewed on an ongoing basis by the IAG internal audit function through a programme based on risk assessment. Professionally qualified personnel manage the department with experience gained from both inside and outside the industry. A risk-based audit plan, which provides assurance over key business processes and commercial and financial risks facing British Airways, is approved by the IAG Audit and Compliance Committee half-yearly.

The Board considers significant control matters raised by management and both the internal and external auditors. Where weaknesses are identified, the British Airways Board ensures that management takes appropriate action.

Internal control and risk management systems in relation to British Airways' financial reporting process and the process for the preparation of consolidated financial statements are in place. There were no changes in risk management and internal control systems over financial reporting that have occurred during the year that have materially affected, or are reasonably likely to materially affect, its financial reporting. All in scope Internal Control over Financial Reporting (ICFR) processes and key IT General Controls (ITGCs) have been tested. No material weaknesses were detected.

Risk management
IAG has a group wide Enterprise Risk Management (ERM) policy which sets out a framework for a comprehensive risk management process and methodology, ensuring a robust identification and assessment of the risks, including emerging risks. British Airways manages its risks within the IAG ERM framework, supported by risk management professionals in IAG. Enterprise risks are defined as any risk that could impact the three-year strategic business plan. They are assessed and, if the impact is above a threshold, plotted on an enterprise risk heat map, based on probability and impact. Consideration is given to changes in the speed of potential impact and how principal risks influence other principal risks to help assess where key mitigations can have a greater effect on reducing overall risk to the business. Risks are also assessed in combining events where a number of risks could occur together, particularly in the supply chain. Risk owners are responsible for identifying risks in their area of responsibility. All risks are assessed for likelihood and impact against British Airways' business plan and strategy and are plotted on a risk heatmap. Key controls and mitigations are documented including appropriate response plans. Every risk has appropriate British Airways Management Committee oversight. The risk framework allows British Airways to develop an assessment of the interdependencies of risks, use scenarios to quantify risk impacts under different assumptions, and to consider the risks within British Airways' risk map that have increased either as a result of the external environment or as a result of decisions made by the business in response to the external environment. British Airways reviews macro-economic and geopolitical events to identify emerging risks and implications for existing principal risks as well as competition and market risk changes, particularly those that could impact operational resilience, British Airways' sustainability ambitions or its transformation, innovation and change agenda. Where further action has been required, the British Airways Board has considered potential mitigations and, where appropriate or feasible, British Airways has implemented or confirmed plans that would address these risks.

The risk heatmap is reviewed twice yearly by the British Airways Management Committee and the IAG Head of ERM to ensure that risks are appropriately evaluated and any further actions identified. This is then reported to, and discussed at, the British Airways Board to assist in the management of risk. This comprehensive risk management process and methodology has been in place throughout the reporting period to which these statements apply and up to their date of approval. The principal risks and uncertainties that are reviewed by the Board are detailed further on pages 9 to 17 of the strategic report.

Principle 5 – Remuneration
The Remuneration Committee is responsible for setting remuneration for the Management Committee (excluding the CEO and CFTO which are set by IAG). Remuneration is aligned to individual performance and behaviours, as well as achievement of British Airways' purpose, value and strategies and is set at a market competitive level to ensure that British Airways can attract and retain quality senior management.
The Remuneration Committee is chaired by a Non-Executive Director and has clearly defined terms of reference.

Principle 6 – Stakeholder relationships and engagement
Information relating to the Board's engagement with key stakeholders is set out in the Section 172 statement on pages 18 to 20. The Group has an independent whistleblowing hotline through which stakeholders are encouraged to report any concerns for investigation by senior management.

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People

In 2024, British Airways strengthened its commitment to its people by investing in a broad range of initiatives aimed at enhancing engagement, development and inclusion across the organisation. The efforts have been reflected in strong results in both the internal engagement survey and the widely recognised Organisational Health Index (OHI). These surveys highlighted improvements in motivation, leadership and career development, showcasing the positive impact of people-focused initiatives and helping to guide future priorities. Further actions are being identified to continue to improve the OHI score.

British Airways welcomed over 5,500 new colleagues into the business during the year to 31 December 2024. The airline also expanded its Speedbird Pilot Academy, welcoming 151 aspiring pilots, including 20% women and 21% from Asian, Black, and Mixed ethnicities. This initiative continues to remove barriers to entry across careers in aviation.

Representation of women and ethnic minorities in senior leadership reached 40% and 14%, respectively, keeping the airline on track for its 2025 targets. British Airways further embedded I&D principles through tools like language bias software, mandatory e-learning, and an Inclusive Leadership Programme for senior leaders. The Soar work experience program also supported social mobility by providing operational colleagues from working class backgrounds opportunities to develop employability skills in head office roles.

The BA Better Leader program and Women's Leadership Development Programme enhanced leadership capabilities, accelerating gender equality across leadership roles. Meanwhile, the Grow Your Talent campaign continued to empower colleagues to assess and develop their potential.

British Airways launched The Big Conversation, providing structured opportunities for banded colleagues and managers to discuss goals, progress, and career aspirations, fostering stronger feedback and a culture of continuous development. The airline's Predictive Index behavioural assessment tool also enabled better alignment between talent and roles, boosting individual and team effectiveness.

This year, British Airways has also revised its time-off policies to ensure fairness and provide greater support for colleagues. New allowances for bereavement leave, carer's leave, and compassionate support now offer employees essential time away from work for personal matters. These changes reflect our commitment to promoting colleague wellbeing and were implemented in response to feedback that these were previous drivers of absenteeism. Building on the wellbeing offering, the financial empowerment programme offered resources on budgeting, saving, and pensions, alongside a no-fee digital mortgage broker service for colleagues.

British Airways maintained its strong focus on colleague experience with a discovery programme designed to deep dive into areas where it has historically seen lower engagement and identifying initiatives to enhance the employee experience. Investments in workplace renovations also continued, with upgrades to head office spaces and operational rest areas, creating environments that are both motivating and functional. Additionally, the airline's staff travel offering was improved, introducing the first-ever option for business class standby travel with partner airlines, further enhancing this valued benefit and delivering on colleague feedback.

Looking ahead to 2025, British Airways recently initiated a Ways of Working project to streamline head office operations, increase clarity on roles and decision making, and align activities with operational and financial targets. Upcoming investments for next year in other areas include a large software transformation across its in-house Medical Services team, VR training for flight crew, and a new job evaluation system alongside a transition to a skills-based organisational model.

Through the airline's continued focus on its people, British Airways continues to build a future-ready workforce capable of delivering exceptional experiences for colleagues and customers.

Energy and carbon

In accordance with the Streamlined Energy and Carbon Reporting ('SECR') requirements, the Group discloses the following energy and carbon metrics for 2024 and 2023:

BA Group	Metric	Measure	2024	2023
Annual GHG emissions in tonnes of CO_2 equivalent	Scope 1	tCO_2 equivalent	15,501,152	14,987,232
	Scope 2 location-based	tCO_2 equivalent	34,736	32,188
	Scope 2 market-based	tCO_2 equivalent	13,522	10,878
	Scope 3	tCO_2 equivalent	3,559,474	3,341,190
Energy in kWh	Electricity	kWh	147,012,747	130,798,804
	Total energy	MWh	64,255,240	61,167,204
Intensity ratio	Flight emissions intensity	gCO_2/pkm	83.0	86.2

Refer to pages 21 to 32 of the strategic report for efficiency actions taken by the Group. The Group has followed the 2019 HM Government Environmental Reporting Guidelines and has used the 2024 UK Government's Conversion Factors for Company Reporting.

Political donations

The Group does not make political donations or incur political expenditure and has no intention of doing so.

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Auditors
In accordance with Section 489 of the Companies Act 2006, resolutions concerning the appointment of the auditor, KPMG LLP and authorising the Directors to set their remuneration will be proposed at the next Annual General Meeting.

Directors' statement as to disclosure of information to the auditor
The Directors who are members of the Board at the time of approving the Directors' report and business review are listed above. Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

- To the best of each Director's knowledge and belief there is no information relevant to the preparation of the auditor's report of which the Group's auditor is unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to make himself or herself aware of relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements
The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by

DocuSigned by:
Andrew Fleming
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Andrew Fleming
Company Secretary
4 March 2025
Company registration number - 1777777

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Independent auditor's report to the members of British Airways Plc

Opinion

We have audited the financial statements of British Airways Plc ("the Company") for the year ended 31 December 2024 which comprise the Group consolidated income statement, Consolidated statement of other comprehensive income, Group and Company balance sheets, Group cash flow statement, Group and Company statements of changes in equity and related notes, including the material accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least twelve months from the date of approval of the financial statements ("the going concern period").

We have used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and evaluate how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and the Company's available financial resources over this period were:

- The risk that the operating capacity and passenger volumes do not continue at the levels projected during the going concern period.
- The risk that macroeconomic conditions and uncertainty (including volatile fuel prices and heightened inflation) could adversely impact operating costs, ticket pricing and consumer demand.
- The risk that operational disruption adversely affects the Group and Company during the going concern period.
- Our procedures also included:
- Critically assessing assumptions in the directors' forecast relevant to liquidity, by comparing to external forecasts for the aviation industry's growth and other economic forecasts, overlaying our knowledge of the Group and Company's plans based on approved budgets and our knowledge of the sector in which they operate.
- Specifically challenging the assumptions underpinning the 'downside case' scenario prepared by the directors to evaluate whether this represented a sufficiently severe but plausible downside scenario.
- Inspecting loan facility agreements with lenders to confirm the level of facilities available and expiration dates.
- We also considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies and related sensitivities.
- Our conclusions based on this work:
- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure in note 2 to be acceptable.
- However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

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Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Group and parent Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group and parent Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors, including their short and long-term incentive plans.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. As required by auditing standards, and taking into account the degree of judgement and estimation uncertainty in relation to breakage revenue, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular, the risk of bias in these accounting judgements and estimates.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted by infrequent posters, and those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group and the Company's regulatory and legal correspondence. We also discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group and parent Company are subject to laws and regulations that directly affect the financial statements including financial reporting legislation, distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and parent Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: aviation regulations, health and safety laws, data protection laws, anti-bribery, employment law, environmental laws, competition laws, consumer protection legislation and certain aspects of company legislation recognising the nature of the Group and parent Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 37, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Nichols

Paul Nichols (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
4 March 2025

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Group consolidated income statement

For the year ended 31 December 2024

			Group
£ million	Note	**2024**	2023
Passenger revenue		**13,466**	12,668
Cargo revenue		**789**	757
Other revenue		**313**	897
Total revenue		**14,568**	14,322
Employee costs	6	**2,876**	2,577
Fuel costs and emission charges	4b	**3,676**	3,825
Handling, catering and other operating costs		**1,794**	2,302
Landing fees and en-route charges		**1,098**	1,127
Engineering and other aircraft costs		**852**	913
Property, IT and other costs	4c	**632**	646
Selling costs		**430**	493
Depreciation and amortisation	4a	**1,136**	1,017
Net gain on sale of property, plant and equipment		**(1)**	(2)
Currency differences		**15**	(7)
Total expenditure on operations		**12,508**	12,891
Operating profit		**2,060**	1,431
Finance costs	7a	**(443)**	(605)
Finance income	7b	**123**	140
Net financing credit relating to pensions	7c	**54**	89
Net currency retranslation credit		**1**	49
Share of profits in investments accounted for using the equity method	14a	**358**	315
Gain on sale of investments	14a	**654**	-
Other non-operating credits	7d	**28**	5
Total net non-operating credits/(cost)		**775**	(7)
Profit before tax		**2,835**	1,424
Tax	8	**(446)**	(263)
Profit after tax		**2,389**	1,161

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Consolidated statement of other comprehensive income

For the year ended 31 December 2024

		Group	
£ million	Note	**2024**	2023
Items that may be reclassified subsequently to net profit			
Cash flow hedges:			
Fair value movements in equity		**51**	(128)
Reclassified and reported in net profit		**47**	(50)
Fair value movements on cost of hedging		**11**	(66)
Cost of hedging reclassified and reported in net profit		**31**	49
Currency translation differences		**(12)**	3
Other movements in comprehensive income of associates	14	**7**	11
		135	(181)
Items that will not be reclassified to net profit			
Fair value movements on other equity investments		**-**	20
Remeasurements of post-employment benefit obligations		**175**	(938)
		175	(918)
Total other comprehensive income/(loss) for the year, net of tax		**310**	(1,099)
Profit after tax for the year		**2,389**	1,161
Total comprehensive income for the year		**2,699**	62

Items in the Consolidated statement of other comprehensive income above are disclosed net of tax.

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Balance sheets

Company registration number 1777777

As at 31 December 2024

£ million	Note	Group 2024	Group 2023[1]	Company 2024	Company 2023[1]
Non-current assets					
Property, plant and equipment	10	**11,656**	11,050	**11,474**	10,859
Intangible assets[1]	13	**1,218**	1,051	**1,178**	1,002
Investments in subsidiaries	14	**-**	-	**1,266**	1,271
Investments accounted for using the equity method	14	**2,553**	2,275	**1,570**	1,570
Other equity investments		**22**	22	**22**	22
Employee benefit assets	28	**1,412**	1,191	**1,412**	1,191
Derivative financial instruments	24	**93**	21	**96**	22
Deferred tax assets	8	**-**	229	**-**	329
Carbon-related and other non-current assets[1]	20	**488**	383	**538**	445
		17,442	16,222	**17,556**	16,711
Current assets					
Inventories	16	**122**	98	**117**	97
Trade receivables	15	**804**	876	**804**	861
Carbon-related and other current assets[1]	15	**1,094**	846	**1,154**	914
Derivative financial instruments	24	**114**	37	**121**	41
Other current interest-bearing deposits	17	**470**	270	**470**	270
Cash and cash equivalents	17	**1,624**	904	**1,485**	850
		4,228	3,031	**4,151**	3,033
Total assets		**21,670**	19,253	**21,707**	19,744
Shareholders' equity					
Issued share capital	25	**290**	290	**290**	290
Share premium	25	**1,512**	1,512	**1,512**	1,512
Other reserves[2]	27	**3,015**	798	**2,754**	706
Total shareholders' equity		**4,817**	2,600	**4,556**	2,508
Total equity		**4,817**	2,600	**4,556**	2,508
Non-current liabilities					
Borrowings	21	**7,598**	7,112	**7,582**	7,098
Employee benefit obligations	28	**111**	151	**111**	150
Deferred tax liability	8	**227**	-	**125**	-
Provisions	22	**551**	568	**520**	529
Derivative financial instruments	24	**44**	56	**46**	56
Other non-current liabilities	20	**191**	70	**187**	67
		8,722	7,957	**8,571**	7,900
Current liabilities					
Borrowings	21	**884**	1,250	**875**	1,239
Trade and other payables	18	**2,637**	2,654	**3,152**	3,354
Deferred revenue	19	**4,178**	4,231	**4,178**	4,211
Derivative financial instruments	24	**89**	279	**93**	281
Current tax payable	8	**33**	-	**17**	4
Provisions	22	**310**	282	**265**	247
		8,131	8,696	**8,580**	9,336
Total liabilities		**16,853**	16,653	**17,151**	17,236
Total equity and liabilities		**21,670**	19,253	**21,707**	19,744

[1]The 2023 results include a reclassification to conform with the current period presentation for Carbon-related assets. There is no impact on the total assets or total liabilities of the Group. Further information is given in note 2.
[2]The profit for the year for the Company was £2,216 million (2023: £751 million).

Approved by the Board and signed on its behalf by:

Signed by:
F7E973D712884B8...

Sean Doyle
Chairman and Chief Executive Officer
4 March 2025

Signed by:
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José Antonio Barrionuevo Urgel
Chief Financial and Transformation Officer
4 March 2025

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Cash flow statement

For the year ended 31 December 2024		Group	
£ million	Note	**2024**	2023[1]
Cash flow from operating activities			
Operating profit		**2,060**	1,431
Depreciation and amortisation		**1,136**	1,017
Net gain on disposal of property, plant and equipment		**(1)**	(2)
Employer contributions to defined benefit pension schemes net of service and administration costs	28	**(12)**	(29)
Increase in provisions (excluding carbon-related obligations)[1]	34	**(21)**	(16)
Purchase of carbon-related assets net of the change in carbon-related obligations[1]		**43**	13
Unrealised currency differences		**4**	17
Other movements	34	**34**	63
Realised gains on derivatives not qualifying for hedge accounting		**-**	5
Interest paid		**(416)**	(575)
Interest received		**104**	131
Tax paid		**(84)**	(24)
Net cash flows generated from operating activities before movements in working capital		**2,847**	2,031
Increase in inventories		**(24)**	(28)
Decrease/(increase) in trade receivables		**51**	(68)
Increase in other receivables and current assets (excluding carbon-related assets)[1]		**(652)**	(113)
(Decrease)/increase in trade payables		**(64)**	102
Increase in deferred revenue		**406**	72
Increase in other payables and current liabilities		**80**	57
Net cash flows generated from operating activities		**2,644**	2,053
Cash flow from investing activities			
Acquisition of property, plant, equipment and intangible assets[1]		**(1,599)**	(1,572)
Proceeds from the sale of property, plant, equipment and intangible assets		**5**	538
Net proceeds from sale of investments		**549**	-
Dividends received	14, 7d	**88**	1
Loan repaid by parent company		**-**	84
Loan to associate		**-**	(3)
Increase in interest-bearing deposits		**(200)**	(130)
Other investing movements		**6**	8
Net cash flows used in investing activities		**(1,151)**	(1,074)
Cash flow from financing activities			
Proceeds from borrowings		**1,163**	777
Repayments of borrowings		**(222)**	(2,182)
Repayment of lease liabilities		**(922)**	(970)
Dividends paid	9	**(530)**	-
Settlement of derivative financial instruments		**(177)**	(23)
Net cash flows used in financing activities		**(688)**	(2,398)
Increase/(decrease) in cash and cash equivalents		**805**	(1,419)
Net foreign exchange differences		**(85)**	(53)
Cash and cash equivalents at 1 January		**904**	2,376
Cash and cash equivalents at 31 December	17	**1,624**	904

Reconciliation to Total cash, cash equivalents and other interest-bearing deposits			
Cash and cash equivalents at 31 December	17	**1,624**	904
Interest-bearing deposits maturing after more than three months	17	**470**	270
Cash, cash equivalents and other interest-bearing deposits at 31 December	17	**2,094**	1,174

[1]The 2023 results include reclassifications to conform with the current period presentation for Carbon-related assets. Further information is given in note 2.

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Statements of changes in equity

For the year ended 31 December 2024				Group
£ million	Issued share capital	Share premium	Other reserves (note 27)	**Total equity**
At 1 January 2024	290	1,512	798	**2,600**
Profit for the year	-	-	2,389	**2,389**
Transactions with owners, recorded directly in equity				
Share-based payment charge	-	-	17	**17**
Share-based payment recharge	-	-	(17)	**(17)**
Total contributions by and distributions to owners	-	-	-	**-**
Other comprehensive income for the year	-	-	310	**310**
Total comprehensive income for the year, net of tax	-	-	2,699	**2,699**
Cost of share-based payments	-	-	6	**6**
Hedges transferred and reported in property, plant and equipment	-	-	(3)	**(3)**
Hedges transferred and reported in sales in advance of carriage	-	-	45	**45**
Dividend	-	-	(530)	**(530)**
As at 31 December 2024	**290**	**1,512**	**3,015**	**4,817**

For the year ended 31 December 2023				Group
£ million	Issued share capital	Share premium	Other reserves (note 27)	Total equity
At 1 January 2023	290	1,512	681	2,483
Profit for the year	-	-	1,161	1,161
Transactions with owners, recorded directly in equity				
Share-based payment charge	-	-	10	10
Share-based payment recharge	-	-	(10)	(10)
Total contributions by and distributions to owners	-	-	-	-
Other comprehensive loss for the year	-	-	(1,099)	(1,099)
Total comprehensive income for the year, net of tax	-	-	62	62
Hedges transferred and reported in property, plant and equipment	-	-	(15)	(15)
Hedges transferred and reported in sales in advance of carriage	-	-	70	70
As at 31 December 2023	290	1,512	798	2,600

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Statements of changes in equity

For the year ended 31 December 2024				Company
£ million	Issued share capital	Share premium	Other reserves (note 27)	**Total equity**
At 1 January 2024	290	1,512	706	**2,508**
Profit for the year	-	-	2,216	**2,216**
Transactions with owners, recorded directly in equity				
Share-based payment charge	-	-	17	**17**
Share-based payment recharge	-	-	(17)	**(17)**
Total contributions by and distributions to owners	-	-	-	**-**
Other comprehensive income for the year	-	-	314	**314**
Total comprehensive income for the year, net of tax	-	-	2,530	**2,530**
Cost of share-based payments	-	-	6	**6**
Hedges transferred and reported in property, plant and equipment	-	-	(3)	**(3)**
Hedges transferred and reported in sales in advance of carriage	-	-	45	**45**
Dividend	-	-	(530)	**(530)**
As at 31 December 2024	**290**	**1,512**	**2,754**	**4,556**

For the year ended 31 December 2023				Company
£ million	Issued share capital	Share premium	Other reserves (note 27)	Total equity
At 1 January 2023	290	1,512	1,005	2,807
Profit for the year	-	-	751	751
Transactions with owners, recorded directly in equity				
Share-based payment charge	-	-	10	10
Share-based payment recharge	-	-	(10)	(10)
Total contributions by and distributions to owners	-	-	-	-
Other comprehensive loss for the year	-	-	(1,105)	(1,105)
Total comprehensive loss for the year, net of tax	-	-	(354)	(354)
Hedges transferred and reported in property, plant and equipment	-	-	(15)	(15)
Hedges transferred and reported in sales in advance of carriage	-	-	70	70
As at 31 December 2023	290	1,512	706	2,508

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1 Authorisation of financial statements and compliance with international accounting standards

The Group's and Company's financial statements for the year ended 31 December 2024 were authorised for issue by the Board of Directors on 4 March 2025 and the balance sheets were signed on the Board's behalf by Sean Doyle and José Antonio Barrionuevo Urgel. British Airways Plc is a public limited company limited by shares incorporated in the United Kingdom and registered in England and Wales. The Company's registered office is Waterside, Speedbird Way, Harmondsworth, United Kingdom, UB7 0GB.

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish the Company income statement and related notes.

2 Material accounting policies

Basis of preparation

The Group has prepared the consolidated financial statements in accordance with UK-adopted international accounting standards. The Company has elected to prepare its financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) in order to take advantage of disclosure exemptions. The recognition and measurement criteria of FRS 101 are the same as those within IFRS, but with reduced disclosure requirements.

The following disclosure exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements, in accordance with FRS 101:

- The requirements of paragraphs 10(d), 38A and 111 of IAS 1 'Presentation of financial statements';
- Paragraph 38 of IAS 1 'Presentation of financial statements' – comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- IAS 7, 'Statement of cash flows';
- The requirements of paragraphs 130(f)(ii), 130(f)(iii) 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets';
- IFRS 7, 'Financial instruments: Disclosures'; and
- The requirements of paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

The Group's and Company's financial statements have been prepared on a historical cost convention except for certain financial assets and liabilities, including derivative financial instruments and equity investments that are measured at fair value. The carrying value of recognised assets and liabilities that are subject to fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The Group's and Company's financial statements are presented in pounds sterling and all values are rounded to the nearest million pounds (£ million), except where indicated otherwise.

The Directors have considered the Group's business activities (as set out from page 2), principal risks and uncertainties (as set out on pages 9 to 17) and the Group's financial position, including cash flows, liquidity position and available committed facilities (as set out on pages 6 to 8). Further information is provided in note 21 of the financial statements.

Change in presentation of results

Carbon-related assets and carbon-related obligations

During the course of 2024, with the increased prominence of Emission Trading Systems/Schemes (ETS) and the introduction of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) from 1 January 2024, the Group has elected to make a number of amendments to its presentation and disclosure of the Group's emissions assets and obligations:

- Purchased emission allowances, previously presented within Intangible assets, have been reclassified to Carbon-related and other assets, to reflect their operating nature;
- Those purchased emission allowances expected to be extinguished or retired within 12 months of the reporting date have now been classified within current assets; and
- The associated presentation within the Cash flow statement of these purchased emission allowances has been reclassified from Acquisition of property, plant and equipment and intangible assets within Net cash flows from investing activities to a separate line item within Net cash flows from operating activities. This reclassification aligns with the recognition of such expenses within Operating profit in the Income statement.

The disaggregation between emission schemes, for both the associated assets and obligations, is presented in note 2.

These changes have resulted in the Balance sheet at 31 December 2023 and Cash flow statement for the year to 31 December 2023 being updated to conform with the current year presentation which are shown below:

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2 Material accounting policies continued

Change in presentation of results continued

Consolidated balance sheet (extract as at 31 December 2023)

Group - £ million	As reported	Carbon-related adjustments	**Restated**
Non-current assets			
Intangible assets	1,320	(269)	**1,051**
Carbon-related and other non-current assets	200	183	**383**
Other	14,788	-	**14,788**
	16,308	(86)	**16,222**
Current assets			
Carbon-related and other current assets	760	86	**846**
Other	2,185	-	**2,185**
	2,945	86	**3,031**
Total assets	19,253	-	**19,253**

Company - £ million	As reported	Carbon-related adjustments	**Restated**
Non-current assets			
Intangible assets	1,271	(269)	**1,002**
Carbon-related and other non-current assets	262	183	**445**
Other	15,264	-	**15,264**
	16,797	(86)	**16,711**
Current assets			
Carbon-related and other current assets	828	86	**914**
Other	2,119	-	**2,119**
	2,947	86	**3,033**
Total assets	19,744	-	**19,744**

Consolidated cash flow statement (extract for the year ended 31 December 2023)

Group - £ million	As reported	Carbon-related adjustments	**Restated**
Cash flows from operating activities			
Operating profit	1,431	-	**1,431**
Increase in provisions (excluding carbon-related obligations)	53	(69)	**(16)**
Purchase of carbon-related assets net of the change in carbon-related obligations	-	13	**13**
Other cash flows from operating activities	625	-	**625**
Net cash flows generated from operating activities	2,109	(56)	**2,053**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	(1,628)	56	**(1,572)**
Other cash flows from investing activities	498	-	**498**
Net cash flows used in investing activities	(1,130)	56	**(1,074)**
Net cash flows used in financing activities	(2,398)	-	**(2,398)**
Net decrease in cash and cash equivalents	(1,419)	-	**(1,419)**
Net foreign exchange differences	(53)	-	**(53)**
Cash and cash equivalents at 1 January	2,376	-	**2,376**
Cash and cash equivalents at period end	904	-	**904**

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2 Material accounting policies continued

Going concern
At 31 December 2024, the Group had total liquidity of £4,030 million (31 December 2023: total liquidity of £4,553 million), comprising cash, cash equivalents and interest-bearing deposits of £2,094 million (31 December 2023: £1,174 million), £1,936 million of committed and undrawn general facilities (31 December 2023: £3,057 million) and £nil (31 December 2023: £321 million) of committed and undrawn aircraft specific facilities. The Company had total liquidity of £3,891 million at 31 December 2024 (31 December 2023: £4,499 million). The Group and Company's facilities do not contain financial covenants.

In its assessment of going concern, the Group and Company have modelled two scenarios referred to below as the Base Case and the Downside Case over the period of at least twelve months from the date of the approval of the Group and Company financial statements (the 'going concern period'). The Group and Company's three-year business plan, used in the creation of the Base Case, was prepared for and approved by the Board in December 2024. The business plan takes into account the Board's and management's views on capacity, based on the potential impact of the wider economic and geopolitical environments on the Group's businesses across the going concern period. The key inputs and assumptions underlying the Base Case through to 31 March 2026, include:

- The Group and Company have assumed that the committed and undrawn general facilities of £1,936 million will not be drawn over the going concern period; and
- Of the capital commitments detailed in note 12, £1,134 million is due to be paid over the going concern period to 31 March 2026. The Group and Company have forecast securing 100% of the aircraft financing that is currently uncommitted, to align with the timing and payments for those aircraft deliveries it expects to finance.

The Downside Case applies stress to the Base Case to model adverse commercial and operational impacts over the going concern period, represented by a combination of: reduced levels of capacity operated in each month, including reductions of 25% for three months over the going concern period; reduced passenger unit revenue per ASK; increases in the price of jet fuel by 20% above that assumed in the Base Case; and increased operational costs. In the Downside Case, over the going concern period capacity would be 11% down when compared to the Base Case. The Downside Case assumes that British Airways would be required to partially draw down its portion of the available US dollar Revolving Credit Facility (further information given in note 21). The Directors consider the Downside Case to be a severe but plausible scenario.

Having reviewed the Base Case and the Downside Case, the Directors have a reasonable expectation that the Group and Company have sufficient liquidity to continue in operational existence for a period of at least twelve months from the date of approval of the Group and Company financial statements, and hence continue to adopt the going concern basis in preparing the Group and Company financial statements at 31 December 2024.

Consolidation
The Group financial statements include the financial statements of the Company and its subsidiaries, each made up to 31 December, together with the attributable share of results and reserves of associates, adjusted where appropriate to conform with the Group's accounting policies.

Subsidiaries are consolidated from the date of their acquisition, which is the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group applies the acquisition method to account for business combinations. The consideration paid is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed.

All intragroup account balances, including intragroup profits, are eliminated in preparing the consolidated financial statements.

Disposal of a subsidiary
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any resulting gain or loss is recognised in the Income statement.

Unconsolidated structured entities
The Group regularly uses sale and leaseback transactions to finance the acquisition of aircraft. In certain instances the Group will undertake several such sale and leaseback transactions at once through Enhanced Equipment Trust Certificates (EETCs). Under each of these financing structures, a company or companies (the EETC Issuer) are established to facilitate such financing on behalf of a number of unrelated investors. In certain of these financing structures, additional special purpose vehicles (the Lessor SPV) are established to provide additional financing from a number of further unrelated investors to the EETC Issuer. The proceeds from the issuance of the EETCs by the EETC Issuer, and where relevant the proceeds obtained from the Lessor SPV, are then used to purchase aircraft solely from the Group. The Group will then enter into fixed rate lease arrangements (which meet the recognition criteria of Asset financed liabilities) with the EETC Issuer, or where relevant the Lessor SPV, with payments made by the Group to the EETC Issuer, or the Lessor SPV, distributed, through a trust, to the aforementioned unrelated investors. The main purpose of the trust structure is to enhance the credit-worthiness of the Group's debt obligations through certain bankruptcy protection provisions and liquidity facilities, and also to lower the Group's total borrowing cost.

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2 Material accounting policies continued

Unconsolidated structured entities continued
The EETCs Issuer and the Lessor SPV are established solely with the purpose of providing the asset-backed financing and upon maturity of such financing are expected to have no further activity. The relevant activities of the EETCs Issuer and the Lessor SPV are restricted to pre-established financing agreements and the retention of the title of the associated financed aircraft. Accordingly, the Group has determined that each EETCs Issuer and the Lessor SPVs are structured entities. Under the contractual terms of the financing structures, the Group has no exposure to losses in these entities, does not own any of the share capital of the EETC Issuer or the Lessor SPV, does not have any representation on the respective boards and has no ability to influence decision making.

In addition to the above, such financial transactions expose the Group to no further significant financial or economic risks, such as no variability over time in interest rates.

In considering the aforementioned facts, management has concluded that the Group does not have access to variable returns from the EETC Issuers and Lessor SPVs because its involvement is limited to the payment of principal and interest under the arrangement and therefore, it does not control the EETCs Issuers or the Lessor SPVs and as such does not consolidate them.

Further information as to the financial impact of these financial transactions are given in note 21.

Joint Business Agreements
The Group has established various contractual joint arrangements with carriers outside of the IAG Group, commonly referred to as Joint Business Agreements, that enable the Group and those carriers involved to cooperate on flights between particular destinations and the sharing of the resultant revenues. These Joint Business Agreements are not structured through separate legal entities. Each such arrangement includes a reference year to which the carriers party to that arrangement determine their share of the total revenues generated on the aforementioned flights within a fiscal year. The resultant impact of the revenue shared is presented net within Passenger revenue in the Income statement.

Foreign currency translation
a Functional and presentational currency
The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

b Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency using the rate of exchange prevailing on the date of the transaction. Monetary foreign currency balances are translated into the functional currency at the rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement, except where hedge accounting is applied. Foreign exchange gains and losses arising on the retranslation of monetary assets and liabilities classified as non-current on the Balance sheet are recognised within Net currency retranslation (charges)/credits in the Income statement. All other gains and losses arising on the retranslation of monetary assets and liabilities are recognised in operating profit.

c Group companies
The net assets of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Profits and losses of such operations are translated into sterling at average rates of exchange during the year. The resulting exchange differences are taken directly to a separate component of equity, the Currency translation reserve, until all or part of the interest is sold, when the relevant portion of the cumulative exchange difference is recognised in the Income statement.

Property, plant and equipment
Property, plant and equipment is held at cost. The Group has a policy of not revaluing property, plant and equipment. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis, over the economic life of the asset. Residual values, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis.

a Fleet
All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits and pre-delivery instalment payments (referred to as progress payments). Fleet assets owned, or Right of use ("ROU") assets, are disaggregated into separate components and depreciated at rates calculated to write down the cost of each component to the estimated residual value at the end of their planned operational lives (which is the shorter of their useful life or lease term) on a straight-line basis. Depreciation rates are specific to aircraft type, based on the Group's fleet plans, within overall parameters of up to 23 years and up to 5% residual value for shorthaul aircraft and between 23 and 29 years (depending on aircraft) and up to 5% residual value for longhaul aircraft.

Right of use assets are depreciated over the shorter of the lease term and the aforementioned depreciation rates. Where the lease includes a purchase option, at the discretion of the Group, and it is expected that the purchase option will be exercised, the associated right of use asset is depreciated using the aforementioned depreciation rates to reflect the reasonably certain life of the aircraft, irrespective of the lease.

Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over the lower of 12 years and the remaining economic life of the aircraft, whether owned or leased.

Spare parts for aircraft and engines acquired on the introduction or expansion of a fleet, as well as rotable spares purchased separately, are carried as property, plant and equipment and generally depreciated in line with the fleet to which they relate.

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2 Material accounting policies continued

Property, plant and equipment continued

b Other property, plant and equipment
Owned property, with the exception of freehold land, is depreciated over its expected useful life over periods not exceeding 50 years on a straight-line basis. Right of use assets arising from leasehold properties are depreciated over the lease term, on a straight-line basis. Equipment is depreciated over periods ranging from four to 20 years on a straight-line basis.

c Capitalisation of interest on assets under construction
Interest costs attributed to progress payments made on account of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset concerned. All other borrowing costs are recognised in the Income statement in the year in which they are incurred.

d Liquidated damages
Certain of the Group's contractual arrangements with aircraft and engine manufacturers contain liquidated damage clauses, whereby if the supplier breaches one or more contractual clauses (such as delays in the timing of delivery of an aircraft or engine) then damages are payable to the Group. Liquidated damages are recognised in the Income statement only to the extent that they relate to compensation for loss of income and/or incremental operating costs, when a contractual entitlement exists, the amounts can be reliably measured and the receipt is virtually certain. When liquidated damages do not relate to compensation for loss of income and/or incremental operating costs, the amounts are recorded as a reduction in the cost of the associated aircraft in the Balance sheet and depreciated over the life of the aircraft.

When compensation, not related to the loss of income and/or incremental operating costs, is received in advance of the associated delivery of the aircraft and/or engine, the Group recognises the amount within Other creditors until such time as the aircraft and/or engine is delivered, at which time the amounts are transferred and recorded as a reduction in the cost of the associated asset. Such compensation is recorded in the Cash flow statement within cash flows from investing activities under the caption of Acquisition of property, plant and equipment and intangible assets.

e Leases
The Group leases various aircraft, properties, equipment and other assets. The lease terms of these assets are consistent with the determined useful economic life of similar assets within property, plant and equipment.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified tangible asset for a period of time in exchange for consideration. The Group has elected not to apply such consideration where a contract relates to an intangible asset, such as for landing rights or IT software, in which case payments associated with the contract are expensed as incurred.

Leases are recognised as a lease liability and a corresponding ROU asset at the date at which the leased asset is available for use by the Group.

Lease liabilities
Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate; amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and payments to be made under reasonably certain extension options.

Aircraft lease payments are discounted using the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the fair value of the leased asset and any initial indirect costs of the lessor. For aircraft leases these inputs are either generally observable in the contract or readily available from external market data. The initial direct costs of the lessor are considered to be immaterial. If the interest rate implicit in the lease cannot be determined, the Group's incremental borrowing rates are used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The carrying amount of lease liabilities is remeasured if there is a modification of the lease contract, a re-assessment of the lease term (specifically in regard to assumptions regarding extension and termination options) or changes in variable lease payments that are based on an index or a rate.

Right of use assets
At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; and any initial direct costs.

In addition, at the lease commencement date the ROU asset will incorporate those restoration and handback costs that are considered unavoidable, such as the removal of airline-specific branding and configuration, to return the asset to its original condition, for which a corresponding amount is recognised within Provisions. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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2 Material accounting policies continued

Property, plant and equipment continued

e Leases continued

Amounts excluded from recognition as ROU assets and lease liabilities
The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less (and where that short-term lease is not expected to be renewed) and those leases of low-value assets. Short-term leases are leases with a lease term of 12 months or less, that do not contain a purchase option. Low-value assets comprise specific IT-equipment and office furniture. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Income statement.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is re-assessed and adjusted against the ROU asset. Such variable lease payments are expensed to the Income statement as incurred.

Extension options are included in a number of aircraft, property and equipment leases across the Group and are reflected in the lease liability where the Group is reasonably certain that it will exercise the option.

Sale and leaseback transactions
The Group regularly uses sale and leaseback transactions to finance the acquisition of aircraft. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. The principal criterion for assessing whether a sale has occurred or not, is whether the contract contains the option, at the discretion of the Group, to repurchase the aircraft during or at the end of the lease term. If such a repurchase option exists in the contract, irrespective of whether the Group intends to exercise the option or not, the sale is deemed not to have occurred. Where there is no repurchase option in such a transaction, then a sale is deemed to have occurred. The following defines the accounting for such transactions:

- if a sale is determined to have occurred, then the associated asset is de-recognised and a ROU asset and lease liability are recognised. The ROU asset recognised is based on the proportion of the previous carrying amount of the asset that is retained. Any gain or loss is restricted to the amount that relates to the rights that have been transferred to the counterparty to the transaction; and
- where a sale is determined to have not occurred, the asset is retained on the Balance sheet within Property, plant and equipment and an Asset financed liability recognised equal to the financing proceeds.

Cash flow presentation – lease liabilities
Payments associated with lease liabilities are presented as follows in the Consolidated cash flow statement:

- where the proceeds received from sale and leaseback transactions represent the fair value of the asset being transferred, the total proceeds are presented within cash flows from investing activities. Where the proceeds received from sale and leaseback transactions exceed the fair value of the asset being transferred, the element of the proceeds equivalent to the fair value of the asset being transferred is presented within investing activities and the amount of proceeds in excess of the fair value are presented within financing activities;
- the repayments of the principal element of lease liabilities are presented within cash flows from financing activities;
- the payments of the interest element of lease liabilities are included within cash flows from operating activities;
- the payments arising from variable elements of a lease, short-term leases and low-value assets are presented within cash flows from operating activities; and
- the non-cash gain or loss arising from sale and leaseback transactions is presented within cash flows from operating activities.

Cash flow presentation – asset financed liabilities
Payments associated with asset financed liabilities are presented as follows in the Consolidated cash flow statement:

- the proceeds received asset financed liabilities are presented within cash flows from financing activities;
- the repayments of the principal element of asset financed liabilities are presented within cash flows from financing activities; and
- the payments of the interest element of asset financed liabilities are included within cash flows from operating activities.

Lessor accounting
From time to time the Group will lease, to third parties or other Group companies, specific assets, including certain property, plant and equipment. On inception of the lease, the Group determines whether each lease is a finance lease or an operating lease.

In order to make this determination, the Group assesses whether the lease transfers substantially all of the risks and rewards of ownership to the lessee. Factors in making this assessment include, but are not limited to, whether the lease term is for the major part of the economic life of the underlying asset and whether the underlying asset transfers to the lessee or the lessee has the option to purchase the underlying asset at the end of the lease. Where substantially all of the risks and rewards of ownership have been transferred, then the lease is recorded as a finance lease, otherwise it is recorded as an operating lease.

f Maintenance, repairs and overhaul

Owned aircraft
Major maintenance, repairs and overhaul expenditure, including replacement spares and labour costs for airframes and engines, is capitalised and amortised over the expected life between major maintenance, repairs and overhauls or to the end of the useful life of the asset.

All other replacement spares and other costs relating to maintenance of owned fleet assets are charged to the Income statement on consumption or as incurred respectively, recognised within Engineering and other aircraft costs.

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2 Material accounting policies continued

Property, plant and equipment continued

f Maintenance, repairs and overhaul continued

Leased aircraft
Under each lease agreement, the Group is contractually committed to either return the airframe, engines and certain other assets in a specified condition or to compensate the lessor based on the conditionality of the aforementioned assets at the point of return to the lessor.

Accordingly the Group records a provision for major maintenance, repair and overhaul events, including for airframes and engines, that occur through usage or through the passage of time, that is recognised as such activity occurs through to the next such maintenance event. A corresponding expense is recorded in the Income statement within Engineering and aircraft costs over the relevant period as the provision is accumulated. Any subsequent changes in estimation are recognised in the Income statement. When the maintenance, repair or overhaul event occurs, the associated provision is de-recognised.

Restoration and handback obligations that arise on the inception of the lease, and that are not dependent on the usage of the asset or on the passage of time, are recognised as a provision for the full expected cost of discharging those obligations with a corresponding amount recognised as a separate component of the ROU asset. The associated ROU asset is depreciated over the lease term. Any subsequent change in estimation relating to such costs are reflected in both the provision and the ROU asset, with the adjustment to the ROU asset depreciated over the remaining lease term.

All other replacement spares and other costs relating to maintenance of leased fleet assets are charged to the Income statement on consumption or as incurred respectively, within Engineering and other aircraft costs.

Power by the hour contracts
Certain of the Group's maintenance contracts, for both owned and leased aircraft, transfer the risk and legal obligation for undertaking the maintenance activity to third-party service providers, with the Group paying the service providers based on the usage of the asset. The associated usage of the asset gives rise to a charge, as flight hours are incurred and dependent on the number of take offs and landings, in the Income statement within Engineering and other aircraft costs.

Intangible assets

a Goodwill
Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration paid over the net fair value of the identifiable assets and liabilities of the acquiree. Where the net fair value of the identifiable assets and liabilities of the acquiree is in excess of the consideration paid, a gain on bargain purchase is recognised immediately in the Income statement.

For the purpose of assessing impairment, goodwill is grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill is tested for impairment annually and whenever indicators exist that the carrying value may not be recoverable.

b Landing rights
Landing rights acquired in a business combination are recognised at fair value at the acquisition date. Landing rights acquired from other airlines are capitalised at cost.

Capitalised landing rights based within the United Kingdom and the EU are not amortised, as regulations provide that these landing rights are perpetual.

c Software
The cost to purchase or develop computer software that is separable from an item of related hardware is capitalised separately and amortised on a straight-line basis generally over a period not exceeding five years, with certain specific software developments amortised over a period of up to ten years.

In certain instances, the Group enters into cloud computing arrangements with third party providers, such as software as a service (SaaS), where the Group is provided the right to access and use the application software over the contract term. At inception of the contract, the Group will assess whether such an arrangement gives rise to the recognition of a software intangible.

Where the Group determines that no software intangible is recognised, the cloud computing arrangement is determined to be a service contract and the associated fees paid are expensed as incurred. In addition, the costs incurred for both the customisation and configuration of the application software are generally expensed as incurred.

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2 Material accounting policies continued

Carbon-related assets and obligations

Held for own use
As the Group emits CO2 equivalent, it builds up either an ETS obligation, a CORSIA obligation or a voluntary carbon offset obligation to the relevant authorities. Where the Group purchases ETS emission allowances, CORSIA emission units and voluntary carbon offset units, these amounts are recognised at cost and recorded within Carbon-related and other assets.

Carbon-related assets are not revalued or amortised but are tested for impairment whenever indicators exist that the carrying value may not be recoverable. For those obligations arising for which the Group has purchased emission allowances, or emission units, to offset emissions, the obligation is recognised at the weighted average cost of the carbon-related asset. For those obligations arising for which the Group has not yet purchased emission allowances, or emission units, to offset the emissions, the obligation is recognised at the market price of the emission allowances, or emission units, required at the balance sheet date. As the obligation is recognised, a corresponding amount is recorded in the Income statement within Fuel costs and emission charges.

The Group's emissions obligations, recognised as Carbon-related obligations within Provisions, are extinguished when the associated emission certificates are surrendered or retired to the relevant authorities. For ETS obligations, the timing of surrender of the allowances is typically within 12 months of the balance sheet date. For CORSIA obligations, the timing of retirement of the allowances is once every three years, with the first such retiring event for the 2024 to 2026 compliance period expected in 2028 (although entities can agree with their relevant authorities to retire emission units earlier).

From time to time the Group enters into sale and repurchase transactions for specified emission allowances. Such transactions do not meet the recognition criteria of a sale under IFRS 15 and accordingly the emissions asset is retained on the Balance sheet within Carbon-related assets and an Other financing liability recognised equal to the proceeds received.

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the value by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. Non-financial assets other than goodwill that were subject to an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

a Property, plant and equipment, including Right-of-use assets
The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of Property, plant and equipment.

b Intangible assets
Intangible assets are held at cost and are either amortised on a straight-line basis over their economic life, or they are deemed to have an indefinite economic life and are not amortised. Indefinite life intangible assets are tested annually for impairment or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments in associates
An associate is an undertaking in which the Group has a long-term equity interest and over which it has the power to exercise significant influence. Where the Group cannot exercise control over an entity in which it has a shareholding greater than 51%, the equity interest is treated as an associate undertaking.

Investments in associates are accounted for using the equity method, and initially recognised at cost. The Group's interest in the net assets of associates is included in Investments accounted for using the equity method in the Balance sheet and its interest in their results is included in the Income statement, below the operating result. The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership.

In the Company Balance sheet, investments in associates are recognised at cost subject to any impairment.

Discontinued operation
A discontinued operation is a component of the Group's business, the operations of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

If the disposal of a subsidiary is not considered to represent a separate major line of business, it does not meet the definition of a discontinued operation.

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2 Material accounting policies continued

Financial instruments

a Financial assets and liabilities

Financial assets and financial liabilities are classified, upon initial recognition, as measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset that is not SPPI is classified and measured at fair value through profit or loss. This assessment is performed on an instrument by instrument basis.

The Group's business model for managing financial assets establishes how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both collecting contractual cash flows and selling financial assets.

Long-term borrowings

Long-term borrowings are recorded at amortised cost.

Other equity investments

Other equity investments are non-derivative financial assets including listed and unlisted investments, excluding interests in associates. On initial recognition, these equity investments are irrevocably designated as measured at fair value through Other comprehensive income. They are subsequently measured at fair value, with changes in fair value recognised in Other comprehensive income with no recycling of these gains and losses to the Income statement when the investment is sold or a change in the structure of the transaction changes its classification as an Other equity instrument. Dividends received on other equity investments are recognised in the Income statement.

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

Where there is no active market, fair value is determined using valuation techniques.

Interest-bearing deposits

Interest-bearing deposits, principally comprising funds held with banks and other financial institutions with contractual cash flows that are SPPI, and held in order to collect contractual cash flows, are carried at amortised cost using the effective interest method.

Impairment of financial assets

At each balance sheet date, the Group recognises provisions for expected credit losses on financial assets measured at amortised cost, based on 12-month or lifetime losses depending on whether there has been a significant increase in credit risk since initial recognition. The simplified approach, based on the calculation and recognition of lifetime expected credit losses, is applied to contracts that have a maturity of one year or less, including trade receivables.

When determining whether there has been a significant increase in credit risk since initial recognition and when estimating the expected credit loss, the Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. Such forward-looking information takes into consideration the forecast economic conditions expected to impact the outstanding balances at the Balance sheet date. A financial asset is written off when there is no reasonable expectation of recovery, such as the customer having filed for liquidation.

b Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits with any qualifying financial institution repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

c Derivative and non-derivative financial instruments and hedging activities

Derivative financial instruments, comprising interest rate swap derivatives, foreign exchange derivatives and fuel derivatives (including options, swaps and forward contracts) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. They are classified as financial instruments through the Income statement. The method of recognising the resulting gain or loss arising from remeasurement depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (as detailed below under cash flow hedges). The time value of options is excluded from the designated hedging instrument and accounted for as a cost of hedging. Movements in the time value of options are recognised in Other comprehensive income until the underlying transaction affects the Income statement.

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2 Material accounting policies continued

Financial instruments continued

c Derivative and non-derivative financial instruments and hedging activities continued

When forward contracts are used to hedge forecast transactions, the Group generally designates only the spot component of the forward contract as the hedging instrument within a hedge relationship. The effective portion of gains or losses arising on the change in fair value of the spot component are recognised within Other comprehensive income in the Cash flow hedge reserve within equity. The forward component of a forward contract is not designated within a hedge relationship, with the associated gains and losses on the forward component recorded within Other comprehensive income in the Cost of hedging reserve within equity until the underlying transaction affects the Income statement.

To manage foreign exchange movements on foreign currency customer cash inflows (denominated in US dollars, euros and Japanese yen), certain non-derivative repayment instalments on foreign currency denominated interest-bearing liabilities are designated as hedging instruments within a hedge relationship. The effective portion of gains or losses arising from movements in foreign exchange rates are recognised within Other comprehensive income in the Cash flow hedge reserve within equity. Accumulated gains or losses within the cash flow hedge reserve are transferred to Sales in advance of carriage in the same period as the forecast transaction occurs or when hedge accounting is discontinued when the forecast transaction is no longer expected to occur, at which point amounts are immediately reclassified to the Income statement.

When a derivative is designated as a hedging instrument and that instrument expires, is sold or is restructured, if the initial forecast transaction is still expected to occur, any cumulative gain or loss remains in the cash flow hedge reserve until such time as the hedged item impacts the Income statement. Where there is a change in the risk management objective, then hedge accounting is discontinued and the associated cumulative gain or loss arising prior to the change in risk management objective remains in the cash flow hedge reserve until such time as the underlying hedged item impacts the Income statement had the risk management objective continued to have been met. Where a forecast transaction which was previously determined to be highly probable and for which hedge accounting applied, is no longer expected to occur, hedge accounting is discontinued and the cumulative gain or loss in the cash flow hedge reserve is immediately reclassified to the Income statement.

The Group enters into foreign currency derivative contracts, that are not designated in a hedge relationship, in order to mitigate foreign exchange movements on financial liabilities designated in currencies other than the presentational currency of the Group, including but not limited to, lease liabilities. Movements in the fair value of such derivatives are recognised in the Income statement in the period in which they occur and are presented within Net currency retranslation (charges)/credits.

Exchange gains and losses on monetary investments are taken to the Income statement unless the item has been designated and is assessed as an effective hedging instrument. Exchange gains and losses on non-monetary investments are reflected in equity.

d Cash flow hedges

Changes in the fair value of derivative financial instruments designated as in a cash flow hedge relationship of a highly probable expected future transaction are assessed for effectiveness and accordingly recorded in the Cash flow hedge reserve within equity.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements: (i) there is 'an economic relationship' between the hedged item and the hedging instrument; (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and (iii) the hedge ratio is aligned with the requirements of the Group's risk management strategy and in all instances is maintained at a ratio of 1:1.

The Group assesses whether the derivative designated as the hedging instrument in a hedge relationship is expected to be on inception and at each balance sheet date effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative model.

Sources of ineffectiveness include the following:

- In hedges of fuel purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty;
- In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty;
- In hedges of interest rate payments, ineffectiveness may arise if there are differences in the critical terms between the interest rate derivative instrument and the underlying hedged item, or if there are changes in the credit risk of the Group or the derivative counterparty; and
- In all hedges, ineffectiveness may arise if there are differences between the critical terms of the hedging instrument and the hypothetical derivative, such as where on inception of the hedge relationship the fair value of the hedging instrument is not zero.

Ineffectiveness is recorded within the Income statement as Realised/unrealised (losses)/gains on derivatives not qualifying for hedge accounting and presented within Other non-operating charges.

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2 Material accounting policies continued

Financial instruments continued

d Cash flow hedges continued

Reclassification and transfer adjustments
Gains and losses accumulated in the Cash flow hedge reserve within equity are reclassified from the Cash flow hedge reserve when the hedged item affects the Income statement, or transferred from the Cash flow hedge reserve when the hedged item gives rise to recognition in the Balance sheet as follows:

- Where the forecast hedged item results in the recognition of expenses within the Income statement (such as the purchase of jet fuel for which both fuel and the associated foreign currency derivatives are designated as the hedging instrument), the accumulated gains and losses recorded in both the cash flow hedge reserve and the cost of hedging reserve are reclassified and included in the Income statement within the same caption as the hedged item is presented. Such reclassification occurs in the same period as the hedged item is recognised in the Income statement;
- Where the forecast hedged item results in the recognition of a non-financial asset (such as the purchase of aircraft for which foreign currency derivatives are designated as the hedging instrument or where the purchase of jet fuel gives rise to the recognition of fuel inventory in storage facilities, or a non-financial liability (such as the sales in advance of carriage for which both foreign currency derivatives and non-financial derivative instruments are designated as the hedging instrument), the accumulated gains and losses recorded within both the cash flow hedge reserve and the cost of hedging reserve are transferred and included in the initial cost of the asset and liability, respectively. These gains or losses are recorded in the Income statement as the non-financial asset and the non-financial liability affects the Income statement (which for aircraft is through Depreciation, amortisation and impairment over the expected life of the aircraft, for fuel inventory through fuel costs and emission charges when it is consumed and for sales in advance of carriage through Passenger revenue when the flight is flown); and
- Where the forecast hedged item result in the recognition of a financial asset or liability (such as variable rate debt for which interest rate swaps are designated as the hedging instrument), the accumulated gains and losses recorded within the cash flow hedge reserve are reclassified to the Income statement to Interest expense within Finance costs at the same time as the interest income or expense arises on the hedged item.

Further information on the risk management activities of the Group are given in note 23d.

Employee benefit plans

a Pension obligations
The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension benefits are dependent on the pension scheme rules and relevant pensions legislation including applicable case law.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. The benefit is discounted to determine its present value and the fair value of any plan assets are deducted. The discount rate is the yield at the balance sheet date on AA-rated corporate bonds of the appropriate currency that have durations approximating those of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the net obligation calculation results in an asset for the Group, the recognition of an asset is limited to the present value of any future refunds, net of the relevant taxes, from the plan or reductions in future contributions to the plan ('the asset ceiling'). The fair value of plan assets is based on market price information and, in the case of quoted securities, is the published bid price. The fair value of insurance policies which exactly match the amount and timing of some or all benefits payable under the scheme are deemed to be the present value of the related obligations. Longevity swaps are measured at their fair value.

Current service costs are recognised within employee costs in the year in which they arise. Past service costs are recognised in the event of a plan amendment or curtailment, or when the Group recognises related restructuring costs or severance obligations. The net interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest and other expenses related to the defined benefit plans are recognised in the Income statement. Remeasurements, comprising of IAS 19 gains and losses, the effect of the asset ceiling (excluding interest) and the return on plan assets (excluding interest), are recognised immediately in Other comprehensive income. Remeasurements are not reclassified to the Income statement in subsequent periods.

b Severance obligations
Severance obligations are recognised when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises a provision for severance payments when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal, or providing severance payments as a result of an offer made to encourage voluntary redundancy.

Other employee benefits are recognised when there is deemed to be a present obligation.

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2 Material accounting policies continued

Taxation
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the Balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary differences arise on the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- In respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Income statement.

International tax reform: Pillar Two implementation
On 23 May 2023, the IASB issued the amendments to IAS 12 – International tax reform: Pillar Two model reforms, effective for periods beginning on or after 1 January 2023. The amendments to IAS 12 provide temporary mandatory relief from the recognition of deferred tax balances arising from the implementation of the Pillar Two legislation. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Inventories
Inventories are valued at the lower of cost and net realisable value. Such cost is determined by the weighted average cost method. Inventories include mainly aircraft spare parts, repairable aircraft engine parts and fuel held in storage facilities.

Share-based payments
IAG operates a number of equity-settled share-based employee incentive plans in which certain of the IAG Group's employees participate. The awards are made under schemes operated by IAG and represent rights over its ordinary shares. The cost of these awards is recharged from IAG to the IAG Group's operating companies (including British Airways) for their respective share of the charge which is then recognised in employee costs. The awards create a capital contribution in equity whilst the subsequent recharge reduces the capital contribution in equity.

Provisions
Provisions are made when all of the following criteria have been met: (i) an obligation exists for a present liability in respect of a past event; (ii) where the amount of the obligation can be reliably estimated; and (iii) where it is considered probable that an outflow of economic resources will be required to settle the obligation. Where it is not considered probable that there will be an outflow of economic resources required to settle the obligation, the Group does not recognise a provision, but discloses the matter as a contingent liability. The Group assesses whether each matter is probable of there being an outflow of economic resources to settle the obligation at each balance sheet date.

Other employee related provisions are recognised for direct expenditures of business reorganisation such as severance payments (restructuring provisions) where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the Balance sheet date.

The method for determining legal claims provisions is determined on a claim by claim basis. Where a claim includes a significant population of items, the weighted average provision is estimated by determining all potential outcomes and the probability of their occurrence. Where a claim relates to a single item, then the Group determines the associated provision by applying the most likely outcome giving consideration to alternative outcomes. Where an individual claim is significant, the disclosure of quantitative information is restricted to the extent that it does not prejudice the outcome of the claim. If the effect is material, expected future cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the provision. Where discounting is used, the effect of unwinding the discount rate is recognised as a finance cost in the Income statement.

Revenue recognition
a Passenger revenue
The Group's revenue primarily derives from transportation services for both passengers and cargo. Revenue is recognised when the transportation service has been provided. Passenger tickets are generally paid for in advance of transportation and are recognised, net of discounts, as Deferred revenue and presented within current liabilities until either: (i) the customer has flown; or (ii) where the customer does not fly on the intended date and has purchased a non-flexible fare.

For flexible and semi-flexible tickets, when the customer does not travel on the intended date, a term referred to as 'unused tickets', the customer has a number of options they can elect to apply, depending on the fare type: (i) reschedule the date of intended travel; or (ii) request a refund.

The Group estimates the amount of these unused tickets for which customers are not expected to exercise their remaining rights prior to expiry based on the terms and conditions of the ticket and analysis of historical experience, a term referred to as 'unused ticket breakage'. This revenue is recognised based on the terms and conditions of the ticket and analysis of historical experience. For unused ticket breakage, revenue is recognised only when the risk of a significant reversal of revenue is remote. The estimation regarding historical experience is updated at each balance sheet date.

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2 Material accounting policies continued

Revenue recognition continued

a Passenger revenue continued

Where a flight is cancelled, the customer has a number of options they can elect to apply to their unused tickets: (i) compensation; (ii) a refund; or (iii) changing to an alternative flight.

The presentation in the financial statements of these customer options, to the extent they differ to the recognition criteria stated above, are as follows:

- Compensation for flight cancellation - such payments are presented net within Passenger revenue against the original ticket purchased.
- Refund - deferred revenue is reduced and no amount is recorded within revenue;
- Changing to an alternative flight – amounts are retained within Deferred revenue until such time as the flight is flown, at which time it is recorded within Passenger revenue.

In relation to vouchers issued over the COVID-19 pandemic, the Group also recognises revenue by estimating the amount of vouchers that customers are not expected to exercise their remaining rights prior to expiry. The estimation is updated at each reporting date. The amount of such revenue recognised is constrained, where necessary, such that the risk of a significant reversal of revenue in the future is remote.

Payments received in relation to certain ancillary services regarding passenger transportation, such as change fees, are not considered to be distinct from the performance obligation to provide the passenger flight. Payments relating to these ancillary services are recognised in Deferred revenue in current liabilities until the customer has flown.

The Group considers whether it is an agent or a principal in relation to passenger transportation services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. The Group acts as an agent where (i) it collects various taxes, duties and fees assessed on the sale of tickets to passengers and remits these to the relevant taxing authorities; and (ii) where it provides interline services to airline partners outside of the Group. Commissions earned in relation to agency services are recognised as revenue when the underlying goods or services have been transferred to the customer. In all other instances, the Group considers it acts as the principal in relation to passenger transportation services.

b Cargo revenue
The Group has identified a single performance obligation in relation to cargo services and the associated revenue is measured at its standalone selling price and recognised on satisfaction of the performance obligation, which occurs on the fulfilment of the transportation service.

c Other revenue
The Group has identified several performance obligations in relation to services that give rise to revenue being recognised within Other revenue. These services, their performance obligations and associated revenue recognition include:

- the provision of maintenance services and overhaul services for engines and airframes, where the Group is engaged to enhance an asset while the customer retains control of the asset. Accordingly, the performance obligations are satisfied, and revenue recognised, over time. The Group estimates the proportion of the contract completed at the balance sheet date and recognises revenue based on the percentage of completion of the contract;
- the provision of ground handling services, where the performance obligations are fulfilled when the services are provided, which occurs upon the provision of the service; and
- the provision of holiday and hotel services, where the performance obligations are satisfied over time as the customer receives the benefit of the service. Following the disposal of British Airways Holidays Limited (see note 14), this is only applicable for the period up until the date of disposal.

d Customer loyalty programmes
The Group provides a loyalty programme to customers through the acquisition of Avios from Avios Group (AGL) Limited which are then issued to Executive Club members as part of the ticket. The revenue recognised when the transportation service is provided is reduced by the price of the loyalty points issued.

Exceptional items
Exceptional items (disclosed, if any, in note 3) are those that in management's view need to be separately disclosed by virtue of their size or nature and where such presentation is relevant to an understanding of the entity's financial performance. While management has defined a list of items and a quantitative threshold that would merit categorisation as exceptional that has been established through historical experience, the Group retains the flexibility to add additional items should their size or nature merit such presentation. The accounting policy in respect of exceptional items classification of an item as exceptional is approved by the IAG Board, through the IAG Audit and Compliance Committee.

The financial performance of the Group is monitored by the Management Committee and the Board using metrics that exclude exceptional items to enable comparison to prior reporting periods as well as to other selected companies, but also for making strategic, financial and operational decisions.

The exceptional items recorded in the Income statement include, but are not limited to, items such as significant settlement agreements with the Group's pension schemes; significant restructuring; the impact of business combination transactions that do not contribute to the ongoing results of the Group; significant discontinuance of hedge accounting; legal settlements; individually significant tax transactions; and the impact of the sale, disposal or impairment of an asset or investment in a business. Where exceptional items are separately disclosed, the resultant tax impact is additionally separately disclosed. Certain exceptional items may cover more than a single reporting period, such as significant restructuring events, but not more than two reporting periods.

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2 Material accounting policies continued

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received. Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Borrowings. Those loans provided and/or guaranteed by governments that represent below market rates of interest are measured at inception at their fair value and recognised within Borrowings, with the differential to the proceeds received recorded within Deferred income and released to the relevant financial statement caption in the Income statement on a systematic basis. Grants that compensate the Group for expenses incurred are recognised in the Income statement in the relevant financial statement caption on a systematic basis in the periods in which the expenses are recognised.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results in the future may differ from judgements and estimates upon which financial information has been prepared. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Revenue recognition (note 19): breakage assumptions applied to passenger revenue and unredeemed vouchers;
- Restoration and handback provisions (note 22): key assumptions underlying the carrying value of the provisions; and
- Employee benefit obligations (note 28): Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) key actuarial assumptions.

The critical accounting judgements made in the preparation of the financial statements are as follows:

- Leases (note 11): determining the lease term of contracts with renewal and termination options;
- Investment in associates (note 14): determining whether the Group has significant influence over its associate undertakings; and
- Restoration and handback provisions (note 22) determination of accounting policy for leased aircraft.

New standards, amendments and interpretations
The following amendments and interpretations apply for the first time in 2024, but do not have a material impact on the consolidated financial statements of the Group and the financial statements of the Company:

- lease liability in a sale and leaseback – amendments to IFRS 16 effective for periods beginning on or after 1 January 2024;
- classification of liabilities as current or non-current - amendments to IAS 1 effective for periods beginning on or after 1 January 2024; and
- disclosures: supplier finance arrangements – amendments to IAS 7 and IFRS 7 – effective for periods beginning on or after 1 January 2024.

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the year end of these financial statements. The Group and Company have assessed the impact of these standards, amendments and interpretations and it is not expected that these will have a material effect on the reported income or net assets of the Group and Company. The Group and Company plan to adopt the following standards, interpretations and amendments on the date they become mandatory:

- lack of exchangeability – amendments to IAS 21 effective for periods beginning on or after 1 January 2025;
- classification and measurement of financial instruments – amendments to IFRS 9 and IFRS 7 effective for periods beginning on or after 1 January 2026; and
- IFRS 18 – presentation and disclosure in financial statements effective for periods beginning on or after 1 January 2027.

Significant changes and transactions in the current reporting period
The financial performance and position of the Group was affected by the following significant events and transactions in the year to 31 December 2024 and subsequently to the date of this report:

- On 1 April 2024, the Group sold 100% of its existing British Airways Holidays Limited (BA Holidays) business to Avios Group Limited (AGL). Further information on the transaction, including financial impacts, is provided in note 14;
- On 14 June 2024, the Group entered into a five-year $2,421 million, sustainability-linked, secured Revolving Credit Facility, with two 1-year extension options available subject to the approval of lenders. At 31 December 2024, no amounts had been drawn under the facility. Concurrent to entering into the facility, the Group cancelled its $1,346 million secured Revolving Credit Facility, which was due to mature in part in March 2025, with the remainder maturing in March 2026;
- On 28 June 2024, as a result of securing the aforementioned Revolving Credit Facility, the Group cancelled its two £1,000 million Export Development Guarantee Facilities that were partially guaranteed by the UK Export Finance, which were due to mature in equal amounts in November 2026 and September 2028; and
- In December 2024, the Board of Directors approved an interim dividend of £462.86 per share, amounting to £530 million, which was also subsequently paid in December 2024.

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2 Material accounting policies continued

Impact of climate change on financial reporting: Critical accounting judgements and key sources of estimation uncertainty in the determination of the impact of climate change
As a result of climate change the Group has designed and approved its Flightpath Net Zero climate strategy, which commits the Group to net zero emissions by 2050. While approved business plans currently have a duration of three years, the Flightpath Net Zero climate strategy impacts both the short, medium and long-term operations of the Group.

The details regarding the inputs and assumptions used in the determination of the Flightpath Net Zero climate strategy include, but are not limited to, the following that are within the control of the Group:

- The additional cost of the Group's commitment to increasing the level of Sustainable Aviation Fuels to 10% by 2030 and to 70% by 2050;
- The cost of incurring an increase in the level of carbon offsetting and carbon capture schemes; and
- The impact of introducing more fuel-efficient aircraft and being able to operate these more efficiently.

In addition to these inputs and measures within the control of management, Flightpath Net Zero includes assumptions pertaining to consumers, governments and regulators regarding the following:

- The impact on passenger demand for air travel as a result of both passenger trends regarding climate change and government policies;
- Investment and policy regarding the development of Sustainable Aviation Fuel (SAF) production facilities;
- Investment and improvements in air traffic management; and
- The price of carbon through the EU and UK Emissions Trading Schemes (ETS) and the UN Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

The level of uncertainty regarding the impact of these factors increases over time. Accordingly, the Group has applied estimation in the evaluation of the impact of climate change regarding the recognition and measurement of assets and liabilities within the financial statements.

Key sources of estimation uncertainty in the determination of the impact of climate change – cash flow forecast estimation
With the Flightpath Net Zero climate strategy assessing the impact over a long-term horizon to 2050, the level of estimation uncertainty in the determination of cash flow forecasts increases over time. For those assets and liabilities, where their recoverability is dependent on long-term cash flows, the following key sources of estimation uncertainty, to the extent they can be reliably measured, have been applied:

a Long-term fleet plans and useful economic lives
The Group's Flightpath Net Zero climate strategy has been developed in conjunction with the long-term fleet plans of the Group. This includes the annual assessment of useful lives and the residual values of each aircraft type.

As a result of the impact of the COVID-19 pandemic, the Group retired 41 aircraft, their associated engines and rotable inventories during 2020 and 2021. These retired aircraft were older generation aircraft, that were less fuel efficient, more carbon intensive and more expensive to operate than more modern models.

Subsequent to the retirement of these aircraft, coupled with the future delivery of 43 fuel efficient aircraft, the Group considers the existing fleet assets align with the long-term fleet plans to achieve its Flightpath Net Zero climate strategy. All aircraft in the fleet, and those due to be delivered in the future, have the capability to utilise sustainable aviation fuels in their operations without impediment. Accordingly, no impairment has arisen in the current or prior year as a result of the Group's decarbonisation plans.

b Impairment testing of the Group's cash generating unit
The Group applies discounted cash flow models, derived from the cash flow forecasts from the approved three-year business plans. The Group's Flightpath Net Zero climate strategy is long-term in nature and includes commitments that will occur at differing points over this time horizon. To the extent that certain of those commitments occur over the short-term, then they have been incorporated into the three-year business plans.

The Group adjusts the final year (being the third year) of these probability weighted cash flows to incorporate the impacts of climate change from the Group's Flightpath Net Zero climate strategy that are expected to occur over the medium term, being to 2030. These adjustments are limited to those that: (i) the Group can reliably estimate at the balance sheet date , with those costs subsequent to 2030 having such a high degree of uncertainty that they cannot be reliably estimated; (ii) only relate to the Group's existing asset base in its current condition; and (iii) incorporate expected legislation and regulation that is expected to be required to achieve the Group's Flightpath Net Zero climate strategy, and which is sufficiently progressed at the balance sheet date.

As a result, the Group's impairment modelling incorporates the following aspects of the Group's Flightpath Net Zero climate strategy through to 2030, after which time the level of uncertainty regarding timing and costing becomes insufficiently reliable to estimate: (i) an increase in the level of SAF consumption of 10% of the overall fuel mix; (ii) forecast cost of carbon, including SAF, ETS allowances and CORSIA units (all derived from externally sourced or derived information); (iii) the removal of existing free ETS allowances issued by the UK and EU member states; (iv) forecast kerosene taxes applied to jet fuel for all intra-EU flight activity, and; (v) assumptions regarding the ability of the Group to recover these incremental costs through increased ticket pricing.

In preparing the impairment models, the Group cash flow projections are prepared on the basis of using the current fleet in its current condition. The Group excludes the estimated cash flows expected to arise from future restructuring unless already committed and assets not currently in use by the Group. In addition, for the avoidance of doubt, the Group's impairment modelling excludes the following aspects of the Group's Flightpath Net Zero climate strategy: (i) the expected transition to electric and hydrogen aircraft, as well as future technological developments to jet engines and airframes; (ii) any savings from the transition to more fuel-efficient aircraft other than those either in the Group's fleet or those committed orders due to be delivered over the business plan period; (iii) the benefit of the development of carbon capture technologies and enhanced carbon offsetting mechanisms; (iv) the required beneficial reforms to air traffic management regulation and legislation; and (v) the required government incentives and/or support across the supply chain.

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2 Material accounting policies continued

Key sources of estimation uncertainty in the determination of the impact of climate change – cash flow forecast estimation continued

b Impairment testing of the Group's cash generating unit continued

As detailed in note 13b the Group applies a long-term growth rate to the adjusted probability-weighted cash flows and the long-term growth rate includes a specific adjustment to reduce the rate to reflect the Group's assumptions regarding the reduced demand and elasticity impact arising from climate change. These impacts are derived with reference to external market data, industry publications and internal analysis.

Given the inherent uncertainty associated with the impact of climate change, the Group has applied additional sensitivities in note 13b to reflect a more adverse impact of climate change than currently expected. This has been captured through both the downward sensitivity of the long-term growth rate, ASKs and operating margins and the increased fuel price sensitivity.

c Valuation of employee benefit scheme assets
The Group's employee benefit schemes are principally represented by the APS and NAPS schemes. The schemes are structured to make post-employment payments to members over the long-term, with the Trustees having established both return-seeking assets and liability-matching assets that mature over the long-term to align with the forecast benefit payments.

The assets of these schemes are invested predominantly in a diversified range of equities, bonds and property. The valuation of these assets ranges from those with quoted prices in active markets, where prices are readily and regularly available, through to those where the valuations are not based on observable market data, often requiring complex valuation models. The trustees of the schemes have integrated climate change considerations into their long-term decision making and reporting processes across all classes of assets, actively engaging with all fund and portfolio managers to ensure that where unobservable inputs are required into valuation models, such valuation models incorporate long-term expectations regarding the impact of climate change.

d Provision recognition
Under Flightpath Net Zero, the Group has committed to reducing its net emissions to zero by 2050 and accordingly the Group has considered whether such a commitment gives rise to a provision at the balance sheet date. In order to recognise a provision, an entity must meet the following criteria: (i) the entity has a present obligation as result of a past event; (ii) it is probable that an economic outflow of resources will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

While the Group considers there will be an economic outflow of resources to meet its Flightpath Net Zero commitment, these commitments relate to the emissions arising in future reporting periods irrespective as to when those commitments were announced. Accordingly, the Group does not consider that the Flightpath Net Zero commitments give rise to a present obligation as a result of a past event and no separate provisions have been recorded in relation to these commitments.

e The price of carbon
EU and UK Emissions Trading Systems/Schemes
The EU and the UK's ETS were established to reduce greenhouse gas emissions cost effectively. Under these schemes, the Group is required to buy emission allowances, or are issued them under existing quotas. The Group is required to surrender these allowances to the relevant authorities annually dependent on the level of CO_2 equivalent emitted within a 12-month period. Over time, the level of available emission allowances decreases in order to reduce total emissions, which has the effect of increasing the price of such allowances. The Group expects that the future price of such allowances will continue to increase and that the free allocation of emission allowances will cease. Given the relative illiquid nature of the emission allowance market there is uncertainty as to the future pricing of such allowances.

Carbon Offsetting and Reduction Scheme for International Aviation
In October 2016, the International Civil Aviation Organisation (ICAO) agreed on the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which aims to offset growth-related CO_2 emissions in international air traffic from 1 January 2021, with the pilot phase running through to 31 December 2023. The first phase of the CORSIA implementation commenced on 1 January 2024 and will run through to 31 December 2026, after which the second phase will run through to 31 December 2035, measured in three-year reporting periods. The first phase of CORSIA is voluntary and currently 126 States have agreed to participate.

The first phase of CORSIA utilises total CO_2 emissions from the international civil aviation over a baseline of 85% of the 2019 level of emissions (the Baseline Year) for all of those participating States. The offsetting requirements apply to CORSIA eligible flights, being all international flights between participating States, with the following flights excluded: (i) domestic flights; (ii) international flights between States where at least one State has not volunteered to participate in the first phase; (iii) those flights utilising sustainable aviation fuel; and (iv) those flights subject to various ETS arrangements to avoid duplication of emission charges.

The calculation and verification of the offsetting requirements in the first phase shall be determined by the sectoral approach annually, with companies retiring their obligations in 2028 (although retirements can occur earlier subject to agreement with national authorities). Under the sectoral approach, the Group will be required to offset an amount of CO_2 emissions equivalent to the emissions generated on CORSIA eligible flights, multiplied by the Sectoral Growth Factor. The Sectoral Growth Factor is calculated on total global aviation CO_2 emissions arising on international air routes between all participating States in a given year divided by the total sectoral CO_2 emissions in the Baseline Year for the same routes.

Voluntary offset schemes
The Group utilises certain voluntary offset schemes to offset certain CO_2 emissions, such as those generated on BA's domestic flights. The Group purchases offset certificates arising from a broad range of accredited projects. Periodically the Group will retire these offset certificates from the registry.

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2 Material accounting policies continued

Key sources of estimation uncertainty in the determination of the impact of climate change – cash flow forecast estimation continued

e The price of carbon continued

Impact on financial reporting
The Group accounts for the purchase of allowances as an increase in Carbon-related and other assets, which are measured at amortised cost. In addition, as the Group emits CO_2 equivalent as part of its flight operations, a provision is recorded to settle the Carbon-related obligation. As the provision is recognised, a corresponding amount is recorded in the Income statement within Fuel costs and emission charges. For emissions for which the Group has already purchased Carbon-related assets, the provision is valued at the weighted cost of those allowances. Where the level of emissions exceeds the amounts of allowances held, this deficit is measured at the market price of such allowances at the balance sheet date. For the year to, and at 31 December 2024, the Group has recorded the following within the financial statements:

Carbon-related assets (presented as part of Carbon-related and other assets in note 20) include the following amounts:

	2024			2023[1]		
£ million	ETS assets	CORSIA assets	Total	ETS assets	CORSIA assets	Total
Balance at 1 January	269	-	269	220	-	220
Purchase of carbon assets	42	-	42	56	-	56
Extinguished/retired during the year	(85)	-	(85)	(7)	-	(7)
Carbon assets	**226**	**-**	**226**	269	-	269
Analysis:						
Current	85	-	85	86	-	86
Non-current	141	-	141	183	-	183
	226	**-**	**226**	269	-	269

Carbon-related obligations (presented as part of Provisions in note 22) include the following amounts:

	2024			2023[1]		
£ million	ETS obligations	CORSIA obligations	Total	ETS obligations	CORSIA obligations	Total
Balance at 1 January	92	-	92	32	-	32
Obligations recognised in the income statement[2]	88	3	91	89	-	89
Release of unused amounts in the income statement[2]	(6)	-	(6)	(20)	-	(20)
Extinguished/retired during the year	(87)	-	(87)	(9)	-	(9)
Carbon obligations	**87**	**3**	**90**	92	-	92
Analysis:						
Current	87	-	87	92	-	92
Non-current	-	3	3	-	-	-
	87	**3**	**90**	92	-	92

[1]For the year to 31 December 2024, the Group has elected to provide a disaggregated breakdown of Carbon-related assets and Carbon-related obligations, which are reported on an aggregated basis within Carbon-related and other assets and Provisions, respectively. Accordingly, the results for 2023 have been reclassified to conform with the current year presentation.
[2]For the year to 31 December 2024, the total amount in the Income statement within Fuel costs and emission charges that related to emission allowances was £85 million (2023: £69 million). Refer to note 4.

See note 34 for details of the amounts recognised in the Cash flow statement for the years to 31 December 2024 and 31 December 2023.

At 31 December 2024 and 31 December 2023, the Group has acquired and committed to acquire at fixed prices, the following percentages of its total emissions allowances required to be purchased over the three-year business plan periods:

Percentage of forecast emission allowances required	**2024**	2023
Within 12 months	**100%**	100%
1-2 years	**58%**	61%
2-3 years	**-**	18%

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3 Exceptional items

Exceptional items are those that in management's view need to be disclosed by virtue of their size or nature.

There were no exceptional items recognised during 2024 (2023: no exceptional items).

4 Operating expenses

a Expenses by nature - Operating profit is arrived at after charging:

Depreciation and amortisation of non-current assets:

	Group	
£ million	**2024**	2023
Depreciation charge on owned assets	**604**	484
Depreciation charge on right of use assets	**438**	444
Depreciation charge on other leasehold interest	**16**	24
Amortisation of intangible assets	**78**	65
Depreciation and amortisation	**1,136**	1,017

Cost of inventories:

	Group	
£ million	**2024**	2023
Cost of inventories recognised as an expense	**114**	110

b Fuel costs and emission charges

	Group	
£ million	**2024**	2023[1]
Fuel costs	**3,386**	3,725
Hedging losses	**130**	12
Emission charges	**160**	88
Fuel costs and emission charges	**3,676**	3,825

[1]For the year to 31 December 2024, the Group has elected to provide a disaggregated breakdown of the Income statement caption 'Fuel costs and emission charges' and has accordingly provided figures for the comparative year to 31 December 2023.

c Property, IT and other costs

	Group	
£ million	**2024**	2023
Property costs	**169**	172
IT costs	**239**	170
Insurance costs, professional fees and other costs	**224**	304
Property, IT and other costs	**632**	646

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5 Auditor's remuneration

	Group	
£ '000	**2024**	2023
Fees payable to the Group's auditor for the audit of the Group's accounts	**2,515**	2,515
Fees payable to the Group's auditor and its associates for other services:		
Audit of the Group's subsidiaries pursuant to legislation – UK	**248**	565
Audit related assurance services	**342**	621
	3,105	3,701

Fees payable to the Group's external auditor for the audit of the Group's pension schemes total £227,255 (2023: £218,455). Remuneration receivable by the Company's auditor for the supply of services to associates of the IAG Group to support the opinion on the Group accounts have not been included as these are included within the Group audit fee disclosure of the parent company, International Consolidated Airlines Group S.A.

6 Employee costs and numbers

a Employee costs

	Group		Company	
£ million	**2024**	2023	**2024**	2023
Wages and salaries	**1,908**	1,745	**1,762**	1,611
Social security costs	**227**	201	**212**	188
Costs related to pension scheme benefits (note 28b)	**197**	175	**187**	166
Other employee costs	**544**	456	**509**	432
Total employee costs	**2,876**	2,577	**2,670**	2,397

Included in 'Other employee costs' is a total expense for share-based payments of £17 million (2023: £10 million) that arises from transactions accounted for as equity-settled share-based payments (note 26). Other employee costs also include allowances and accommodation for crew.

The average number of persons employed during the year was as follows:

	Group		Company	
Number	**2024**	2023	**2024**	2023
UK	**36,305**	33,686	**33,131**	30,901
Overseas	**4,216**	3,715	**2,232**	2,213
	40,521	37,401	**35,363**	33,114

b Directors' emoluments

	Group	
£ million	**2024**	2023
Directors' remuneration	**3**	3

During the year, six Directors (2023: six) of the Company were employed and remunerated by IAG and two (2023: three) were recharged to the Company accordingly.

The aggregate emoluments for the highest paid Director were borne by IAG. The highest paid Director's aggregate emoluments for the year amounted to £2,269,633 (2023: £1,523,896), including £104,645 pension contributions (2023: £100,620).

During the year, no Directors (2023: none) accrued benefits under a defined benefit pension scheme and two Directors (2023: three) accrued benefits under a defined contribution pension scheme. There were total pension contributions of £172,145 made during the year (2023: £318,481).

Three Directors (2023: six) participated in IAG's Long Term Incentive Schemes. One Director (2023: two) exercised share options and shares were received by three Directors (2023: five), including the highest paid Director.

c Remuneration of key management personnel

Compensation of key management personnel (which includes the Directors and Management Committee of the Group).

	Group	
£ million	**2024**	2023
Short-term employee benefits	**8**	7
Year to 31 December	**8**	7

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7 Finance costs, income and other non-operating credits

a Finance costs

	Group	
£ million	**2024**	2023
Interest expenses on:		
Bank borrowings	**(5)**	(166)
Asset financed liabilities	**(119)**	(97)
Lease liabilities	**(154)**	(183)
Provisions unwinding of discount	**(22)**	(18)
Capitalised interest on progress payments	**28**	24
Other finance costs	**(171)**	(165)
Total finance costs	**(443)**	(605)

b Finance income

	Group	
£ million	**2024**	2023
Interest on other interest-bearing deposits	**123**	140
Total finance income	**123**	140

c Net financing credit to pensions

	Group	
£ million	**2024**	2023
Net financing credit relating to pensions	**54**	89
Total net financing credit relating to pensions	**54**	89

d Other non-operating credits

	Group	
£ million	**2024**	2023
Realised gains on derivatives not qualifying for hedge accounting	**22**	5
Income received from other equity investments	**6**	-
Total other non-operating credits	**28**	5

8 Tax

a Tax on ordinary activities

Tax (charge)/credit in the Income statement, Other comprehensive income and Statement of changes in equity.

£ million	**2024**				2023			
	Income statement	Other comprehensive income	Statement of changes in equity	**Total**	Income statement	Other comprehensive income	Statement of changes in equity	Total
Current tax								
Movement in respect of prior years	(7)	-	-	**(7)**	2	-	-	2
Movement in respect of current year	(68)	5	-	**(63)**	55	7	-	62
Total current tax	(75)	5	-	**(70)**	57	7	-	64
Deferred tax								
Movement in respect of prior years	14	(2)	-	**12**	(5)	(1)	-	(6)
Movement in respect of current year	(385)	(72)	(8)	**(465)**	(303)	51	(16)	(268)
Rate change / rate differences	-	-	-	**-**	(12)	2	-	(10)
Total deferred tax	(371)	(74)	(8)	**(453)**	(320)	52	(16)	(284)
Total tax	(446)	(69)	(8)	**(523)**	(263)	59	(16)	(220)

Within tax in Other comprehensive income is a tax charge of £48 million (2023: tax credit of £62 million) that may be reclassified to the Income statement and a tax charge of £21 million (2023: tax charge of £3 million) that will not.

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8 Tax continued

b Current tax liability

	Group		Company	
£ million	**2024**	2023	**2024**	2023
Balance at 1 January	**1**	(3)	**(4)**	(3)
Income statement	**(124)**	(21)	**(103)**	(1)
Cash payments	**84**	24	**84**	-
Other	**6**	1	**6**	-
Balance at 31 December	**(33)**	1	**(17)**	(4)

c Deferred tax

i Group deferred tax asset

£ million	Tax loss carried forward	Fixed assets	Right of use assets	Deferred tax on IFRS 16 transition	Assets held for sale	Employee leaving indemnities and others	Employee benefit plans	Fair value gain/ loss	Share-based payment schemes	Corporate interest	Other temporary differences	Total
Balance at 1 January 2024	732	(577)	(45)	3	-	3	35	75	5	-	(2)	229
Income statement	(156)	(288)	45	(3)	-	(2)	-	1	2	30	-	(371)
Other comprehensive income	(17)	-	-	-	-	-	(10)	(47)	-	-	-	(74)
Statement of changes in equity	-	-	-	-	-	-	-	(14)	6	-	-	(8)
Disposal of BA Holidays	(2)	-	-	-	-	(1)	-	-	-	-	-	(3)
Balance at 31 December 2024	**557**	**(865)**	**-**	**-**	**-**	**-**	**25**	**15**	**13**	**30**	**(2)**	**(227)**

£ million	Tax loss carried forward	Fixed assets	Right of use assets	Deferred tax on IFRS 16 transition	Assets held for sale	Employee leaving indemnities and others	Employee benefit plans	Fair value gain/ loss	Share-based payment schemes	Corporate interest	Other temporary differences	Total
Balance at 1 January 2023	756	(285)	(126)	9	(3)	7	44	26	3	84	(2)	513
Income statement	(21)	(292)	81	(6)	3	(4)	(1)	2	2	(84)	-	(320)
Other comprehensive income	(3)	-	-	-	-	-	(8)	63	-	-	-	52
Statement of changes in equity	-	-	-	-	-	-	-	(16)	-	-	-	(16)
Balance at 31 December 2023	732	(577)	(45)	3	-	3	35	75	5	-	(2)	229

ii Company deferred tax asset

£ million	Tax loss carried forward	Fixed assets	Right of use assets	Deferred tax on IFRS 16 transition	Assets held for sale	Employee leaving indemnities and others	Employee benefit plans	Fair value gain/ loss	Share-based payment schemes	Corporate interest	Other temporary differences	Total
Balance at 1 January 2024	728	(468)	(45)	3	(3)	4	34	73	5	-	(2)	329
Income statement	(156)	(294)	45	(3)	3	(3)	-	1	2	30	-	(375)
Other comprehensive income	(15)	-	-	-	-	-	(9)	(47)	-	-	-	(71)
Statement of changes in equity	-	-	-	-	-	-	-	(14)	6	-	-	(8)
Balance at 31 December 2024	**557**	**(762)**	**-**	**-**	**-**	**1**	**25**	**13**	**13**	**30**	**(2)**	**(125)**

£ million	Tax loss carried forward	Fixed assets	Right of use assets	Deferred tax on IFRS 16 transition	Assets held for sale	Employee leaving indemnities and others	Employee benefit plans	Fair value gain/ loss	Share-based payment schemes	Corporate interest	Other temporary differences	Total
Balance at 1 January 2023	756	(173)	(126)	9	(3)	6	42	27	3	84	(2)	623
Income statement	(26)	(295)	81	(6)	-	(2)	(1)	-	2	(84)	-	(331)
Other comprehensive income	(2)	-	-	-	-	-	(7)	46	-	-	-	37
Balance at 31 December 2023	728	(468)	(45)	3	(3)	4	34	73	5	-	(2)	329

Fair value gains/losses (Group and Company) include both the cash flow hedge reserve and the cost of hedging reserve, of which the closing balance recognised in the cash flow hedge reserve for 2024 was £5 million (2023: £54 million). Refer to note 24d.

The deferred tax assets are expected to reverse in full. Recognition of the deferred tax assets is supported by the expected reversal of deferred tax liabilities in corresponding periods, and projections of operating performance laid out in the management approved business plans.

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8 Tax continued

d Reconciliation of the total tax charge in the Income statement

In accordance with bilateral tax treaties the Group's profits are mainly taxed in the UK at the standard rate of 25.0%. The Group's effective tax rate is 15.7% (2023: 18.5%) and the differences between the expected tax charge (2023: charge) and the actual tax charge (2023: charge) on the profit for the year to 31 December 2024 (2023: profit) are explained below.

£ million	**2024**	2023
Accounting profit before tax	**2,835**	1,424
Expected tax calculated at the standard rate of corporation tax in the UK of 25.0% (2023: 23.5%)	**(709)**	(335)
Tax on associates' profits	**89**	74
Movement in respect of prior years	**7**	(3)
Effect of tax rate changes	**-**	(12)
Non-taxable income[1]	**163**	-
Non-deductible expenses	**(9)**	(8)
Employee benefit plans accounted for net of withholding tax	**11**	19
Prior year tax asset recognised	**-**	2
Other	**2**	-
Tax charge in the income statement	**(446)**	(263)

[1]Non-taxable income relates to the disposal of British Airways Holidays Limited

e Payroll-related taxes and UK Air Passenger Duty

The Group was also subject to other taxes paid as follows:

£ million	**2024**	2023
Payroll related taxes	**227**	201
UK Air Passenger Duty	**866**	784
	1,093	985

f Factors that may affect future tax charges

Unrecognised temporary differences - losses

£ million	**2024**	2023
Overseas income tax losses	**-**	5
UK capital losses	**296**	294
	296	299

None of the unrecognised temporary differences have an expiry date.

Unrecognised temporary differences - investment in subsidiaries and associates
No deferred tax liability has been recognised in respect of £1,651 million (2023: £1,600 million) of temporary differences relating to subsidiaries and associates. The Group either controls the reversal of these temporary differences, and it is probable that they will not reverse in the foreseeable future, or no material tax consequences would arise from their reversal to a material extent.

Tax policy developments
Pillar Two minimum effective tax rate reform
In 2021 the OECD released the Two Pillar solution to address the tax challenges arising from the digitalisation of the economy. This reform to the international tax system addressed the geographical allocation of profits for the purposes of taxation and is designed to ensure that multinational enterprises will be subject to a minimum 15% effect tax rate. On 11 July 2023 the UK enacted Finance (No.2) Act 2023 which introduced the Multinational Top-up Tax and the Domestic Top-up Tax.

The aforementioned legislation is effective to the Group from 1 January 2024. The effect of this legislation on the Group's tax charge is not material.

Engagement with tax authorities
The Group is subject to audit and enquiry by tax authorities in the territories in which it operates and engages with those tax authorities in a cooperative manner.

g Tax-related contingent liabilities

The Group has certain contingent tax liabilities across all taxes which at 31 December 2024 amounted to £21 million (31 December 2023: £8 million), including estimated interest and penalties. While the Group does not consider it more likely than not that there will be material losses on these matters, given the inherent uncertainty associated with tax litigation and tax audits, there can be no guarantee that material losses will not eventuate. As the Group considers that its chances of success is more probable than not, it is not appropriate to make a provision for these amounts.

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9 Dividends

		Company
£ million	**2024**	2023
First interim dividend:		
A1 Ordinary shares: £462.86 per share (2023: £nil)	**415**	-
A2 Ordinary shares: £462.86 per share (2023: £nil)	**46**	-
C Ordinary shares: £462.86 per share (2023: £nil)	**69**	-
	530	-

Under the scheme funding agreement between British Airways and the Trustee of NAPS, any dividends paid to IAG from 2024 will trigger a pension contribution of 50% of the amount of the dividend. From 2025 British Airways may pay dividends of up to 50% of pre-exceptional profit after tax for that financial year without being required to mitigate the scheme. Any payments triggered under the funding agreement by dividend payments are only paid if the scheme is in a deficit position. As NAPS was in a surplus position as at 31 December 2024, no payment was due to the scheme as a result of British Airways' dividend payment in December 2024.

All obligations associated with dividend payments have been met.

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10 Property, plant and equipment

a Group

£ million	Fleet	Property	Equipment	Group Total
Cost				
Balance at 1 January 2023	16,468	2,167	882	19,517
Additions	1,791	36	73	1,900
Modification of leases	35	149	-	184
Disposals	(749)	(24)	(6)	(779)
Balance as at 31 December 2023	17,545	2,328	949	20,822
Additions	1,340	47	127	1,514
Modification of leases	80	84	-	164
Disposals[1]	(141)	(35)	(7)	(183)
As at 31 December 2024	**18,824**	**2,424**	**1,069**	**22,317**
Depreciation and impairment				
Balances at 1 January 2023	7,411	924	736	9,071
Depreciation charge for the year	840	85	27	952
Disposals	(221)	(24)	(6)	(251)
Balance as at 31 December 2023	8,030	985	757	9,772
Depreciation charge for the year	922	105	31	1,058
Disposals[1]	(137)	(28)	(4)	(169)
As at 31 December 2024	**8,815**	**1,062**	**784**	**10,661**
Net book amounts				
31 December 2024	**10,009**	**1,362**	**285**	**11,656**
31 December 2023	9,515	1,343	192	11,050
Analysis as at 31 December 2024				
Owned	6,479	613	140	7,232
Right of use assets[2]	2,868	691	4	3,563
Assets under construction (including progress payments)	662	58	141	861
	10,009	**1,362**	**285**	**11,656**
Analysis as at 31 December 2023				
Owned	5,344	649	119	6,112
Right of use assets[2]	3,666	667	5	4,338
Assets under construction (including progress payments)	505	27	68	600
	9,515	1,343	192	11,050

[1]Of the amounts included in Disposals, £5 million relates to the reduction in Net book value following the sale of BA Holidays and associated deconsolidation (see note 14).

£ million	Group **2024**	Group 2023
The net book amount of property comprises:		
Freehold	**276**	284
Right of use assets[2]	**691**	667
Long-leasehold improvements with a contractual life in excess of 50 years	**279**	266
Short-leasehold improvements with a contractual life of less than 50 years	**116**	126
As at 31 December	**1,362**	1,343

[2]Refer to note 11 for right of use assets.

At 31 December 2024, long-term borrowings of the Group are secured on owned fleet assets with a net book amount of £3,757 million (2023: £2,822 million). There is also property pledged as security with a net book value of £546 million (31 December 2023: £558 million).

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10 Property, plant and equipment continued

b Company

£ million	Fleet	Property	Equipment	Company Total
Cost				
Balance as at 31 December 2023	16,825	2,228	927	19,980
Additions	1,326	42	123	1,491
Modification of leases	71	83	-	154
Disposals	(192)	(21)	-	(213)
As at 31 December 2024	**18,030**	**2,332**	**1,050**	**21,412**
Depreciation and impairment				
Balance as at 31 December 2023	7,449	931	741	9,121
Depreciation charge for the year	883	102	29	1,014
Disposals	(177)	(20)	-	(197)
As at 31 December 2024	**8,155**	**1,013**	**770**	**9,938**
Net book amounts				
31 December 2024	**9,875**	**1,319**	**280**	**11,474**
31 December 2023	9,376	1,297	186	10,859
Analysis as at 31 December 2024				
Owned	6,377	570	135	7,082
Right of use assets[1]	2,836	691	4	3,531
Assets under construction (including progress payments)	662	58	141	861
	9,875	**1,319**	**280**	**11,474**
Analysis as at 31 December 2023				
Owned	5,238	605	113	5,956
Right of use assets[1]	3,633	665	5	4,303
Assets under construction (including progress payments)	505	27	68	600
	9,376	1,297	186	10,859

£ million	Company **2024**	Company 2023
The net book value of property comprises:		
Freehold	**237**	244
Right of use assets[1]	**691**	665
Long-leasehold improvements with a contractual life in excess of 50 years	**275**	262
Short-leasehold improvements with a contractual life of less than 50 years	**116**	126
As at 31 December	**1,319**	1,297

[1]Refer to note 11 for right of use assets.

At 31 December 2024, long-term borrowings of the Company are secured on owned fleet assets with a net book amount of £3,757 million (2023: £2,822 million). There is also property pledged as security with a net book value of £546 million (31 December 2023: £558 million).

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11 Leases

Significant accounting judgement applied - Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. Such judgement includes consideration of fleet plans which underpin approved business plans and historical experience regarding the extension of leases. After the commencement date, the Group re-assesses the lease term if there is a significant event or change in circumstances that affects the Group's ability to exercise or not to exercise the option to renew or to terminate.

a Group

(i) Amounts recognised in the Consolidated balance sheet – right of use assets

Property, plant and equipment includes the following amounts relating to right of use assets:

				Group
£ million	Fleet	Property	Equipment	Total
Cost				
Balance at 1 January 2023	6,929	703	14	7,646
Additions	431	11	-	442
Modification of leases	35	149	-	184
Disposals	(55)	(2)	(5)	(62)
Reclassifications[2]	(648)	-	-	(648)
Balance as at 31 December 2023	6,692	861	9	7,562
Additions	3	8	-	11
Modification of leases	80	84	-	164
Disposals[1]	(18)	(21)	-	(39)
Reclassifications[2]	(1,041)	-	-	(1,041)
As at 31 December 2024	**5,716**	**932**	**9**	**6,657**
Depreciation and impairment				
Balance at 1 January 2023	2,955	145	8	3,108
Depreciation charge for the year	392	51	1	444
Disposals	(55)	(2)	(5)	(62)
Reclassifications[2]	(266)	-	-	(266)
Balance as at 31 December 2023	3,026	194	4	3,224
Depreciation charge for the year	374	63	1	438
Disposals[1]	(15)	(16)	-	(31)
Reclassifications[2]	(537)	-	-	(537)
As at 31 December 2024	**2,848**	**241**	**5**	**3,094**
Net book value				
31 December 2024	**2,868**	**691**	**4**	**3,563**
31 December 2023	3,666	667	5	4,338

[1]Of the amounts included in Disposals, £4 million relates to the reduction in Net book value following the sale of BA Holidays and associated deconsolidation (see note 14).

[2]Amounts with a net book value of £504 million (2023: £382 million) were reclassified from right of use assets to Owned Property, plant and equipment at the cessation of the respective leases. The assets reclassified related partly to leases with purchase options that were grandfathered as ROU assets upon transition to IFRS 16, for which the Group had been depreciating over the expected useful life of the aircraft, incorporating the purchase option and partly to leases without purchase options, where a fixed buyout payment was agreed and paid, and title of the aircraft subsequently transferred to the Group.

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11 Leases continued

a Group continued

(ii) Amounts recognised in the Consolidated balance sheet – lease liabilities and asset financed liabilities

The following table provides supplemental information regarding the Group's total contractual lease obligations, split between operating and finance leases that are reported within Lease liabilities and those contractual lease arrangements reported as Asset financed liabilities that do not meet the definition of a lease liability under IFRS. While the distinction between operating and finance leases is not applied for lessees under IFRS, the table below disaggregates operating and financing leases based on their contractual definitions and is consistent with the definitions applied for lessors under IFRS. The Group believes that this disaggregation of Lease liabilities is useful to the users of the financial statements in understanding the financing structure the Group has entered into.

£ million	Operating leases	Finance leases	Total lease liabilities[1]	Asset financed liabilities	Total
1 January 2024	2,582	1,727	4,309	2,492	6,801
Additions	11	-	11	1,163	1,174
Modifications of leases	125	4	129	-	129
Repayments	(406)	(677)	(1,083)	(274)	(1,357)
Interest expense	115	50	165	119	284
Disposals[4]	(4)	-	(4)	-	(4)
Exchange movements	31	(34)	(3)	9	6
31 December 2024	**2,454**	**1,070**	**3,524**	**3,509**	**7,033**
Depreciation expense	318	120	438	137	575
Interest expense	115	50	165	119	284
Total amounts recorded in the Income statement	**433**	**170**	**603**	**256**	**859**
Repayment of principal within financing activities	291	631	922	171	1,093
Repayment of interest within operating activities	113	42	155	103	258
Total repayments in the Cash flow statement[2,3]	**404**	**673**	**1,077**	**274**	**1,351**

£ million	Operating leases	Finance leases	Total lease liabilities[1]	Asset financed liabilities	Total
1 January 2023	2,351	2,460	4,811	1,975	6,786
Additions	420	-	420	777	1,197
Modifications of leases	198	8	206	-	206
Repayments	(428)	(717)	(1,145)	(222)	(1,367)
Interest expense	111	83	194	97	291
Exchange movements	(70)	(107)	(177)	(135)	(312)
31 December 2023	2,582	1,727	4,309	2,492	6,801
Depreciation expense	285	159	444	111	555
Interest expense	111	83	194	97	291
Total amounts recorded in the Income statement	396	242	638	208	846
Repayment of principal within financing activities	317	653	970	138	1,108
Repayment of interest within operating activities	109	55	164	84	248
Total repayments in the Cash flow statement[2,3]	426	708	1,134	222	1,356

[1]Upon transition to IFRS 16 on 1 January 2019, all finance leases were grandfathered as Lease liabilities.

[2]Includes both the repayment of principal and interest.

[3]Excludes cash flows associated with low-value leases and variable lease payments for which the Group does not recognise within lease liabilities.

[4]Disposals of £4 million relates to the reduction in Lease liabilities following the sale of BA Holidays and associated deconsolidation (see note 14).

Interest-bearing long-term borrowings includes the following amounts relating to lease liabilities:

	2024	2023
Current	**615**	1,035
Non-current	**2,909**	3,274

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11 Leases continued

a Group continued

(iii) Amounts recognised in the Consolidated income statement

	Group	
£ million	**2024**	2023
Amounts not included in the measurement of lease liabilities		
Variable lease payments	**2**	1
Expenses relating to short-term leases	**14**	12
Amounts expensed as a result of the recognition of ROU assets and lease liabilities		
Interest expense on lease liabilities	**165**	194
Depreciation charge for the year	**438**	444

(iv) Amounts recognised in the Consolidated cash flow statement

£ million	**2024**	2023
Cash flows arising from transactions that do not give rise to the recognition of lease liabilities:		
Total cash outflows arising from short-term leases, low-value assets and variable lease payments	**16**	13
Total cash outflows arising from asset financed liabilities	**274**	222
Cash flows arising from transactions giving rise to lease liabilities:		
Total cash outflows arising from lease liabilities - aircraft	**1,001**	1,046
Total cash outflows arising from lease liabilities - other	**76**	88

(v) Maturity profile of lease liabilities and asset financed liabilities

The following table analyses the Group's outflows in respect of operating leases, finance leases and asset financed liabilities into relevant maturity groupings based on the remaining period at 31 December to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

£ million	Operating leases	Finance leases	**Total lease liabilities**	Asset financed liabilities	**Total**
Within 1 year	386	275	661	339	1,000
1-2 years	370	238	608	336	944
2-3 years	348	203	551	336	887
3-4 years	312	221	533	353	886
4-5 years	230	55	285	318	603
More than 5 years	2,830	161	2,991	2,600	5,591
31 December 2024	**4,476**	**1,153**	**5,629**	**4,282**	**9,911**

£ million	Operating leases	Finance leases	**Total lease liabilities**	Asset financed liabilities	**Total**
Within 1 year	401	698	1,099	252	1,351
1-2 years	360	270	630	247	877
2-3 years	335	247	582	244	826
3-4 years	278	225	503	242	745
4-5 years	252	206	458	258	716
More than 5 years	3,039	213	3,252	1,868	5,120
31 December 2023	4,665	1,859	6,524	3,111	9,635

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11 Leases continued

a Group continued

(vi) Extension options

The Group has certain leases which contain extension and termination options exercisable by the Group prior to the non-cancellable contract period. Where practicable, the Group seeks to include extension and termination options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension and termination options.

The Group is exposed to future cash outflows (on an undiscounted basis) as at 31 December 2024, for which no amount has been recognised, for potential extension options of £529 million (2023: £554 million) due to it not being reasonably certain that these leases will be extended.

(vii) Lessor accounting

The Group leases out certain of its property, plant and equipment. The Group has classified those leases that transfer substantially all of the risk and rewards of ownership to the lessee as finance leases.

The following table sets out a maturity analysis of finance lease receipts, showing the undiscounted lease receipts to be received after the reporting date:

£ million	**2024**	2023
Within one year	**3**	5
One to two years	**3**	4
Two to three years	**-**	2
Total undiscounted lease receipts	**6**	11
Less: finance income	**(1)**	(1)
Net investment in finance leases	**5**	10

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11 Leases continued

b Company

(i) Amounts recognised in the Balance sheet

Property, plant and equipment includes the following amounts relating to right of use assets:

				Company
£ million	Fleet	Property	Equipment	Total
Cost				
Balance as at 31 December 2023	6,429	851	8	7,288
Additions	3	4	-	7
Modification of leases	70	83	-	153
Disposals	(42)	(10)	-	(52)
Reclassifications[1]	(1,041)	-	-	(1041)
As at 31 December 2024	**5,419**	**928**	**8**	**6,355**
Depreciation and impairment				
Balance as at 31 December 2023	2,796	186	3	2,985
Depreciation charge for the year	359	62	1	422
Disposals	(35)	(10)	-	(45)
Reclassifications[1]	(537)	-	-	(537)
As at 31 December 2024	**2,583**	**238**	**4**	**2,825**
Net book amounts				
31 December 2024	**2,836**	**690**	**4**	**3,530**
31 December 2023	3,633	665	5	4,303

[1]Amounts with a net book value of £504 million (2023: £382 million) were reclassified from right of use assets to Owned Property, plant and equipment at the cessation of the respective leases. The assets reclassified related partly to leases with purchase options that were grandfathered as ROU assets upon transition to IFRS 16, for which the Company had been depreciating over the expected useful life of the aircraft, incorporating the purchase option and partly to leases without purchase options, where a fixed buyout payment was agreed and paid, and title of the aircraft subsequently transferred to the Company.

Interest-bearing long-term borrowings includes the following amounts relating to lease liabilities:

		Company
£ million	**2024**	2023
Lease liability 1 January	**4,284**	4,780
Additions	**7**	420
Modification of leases	**118**	198
Repayments	**(1,071)**	(1,131)
Interest expense	**165**	193
Exchange movements	**(4)**	(176)
Lease liabilities 31 December	**3,499**	4,284
Current	**606**	1,024
Non-current	**2,893**	3,260

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11 Leases continued

b Company continued

(ii) Amounts recognised in the Income statement

	Company	
£ million	**2024**	2023
Amounts not included in the measurement of lease liabilities		
Variable lease payments	**1**	1
Short-term leases	**10**	11
Interest on lease liabilities	**165**	193
Depreciation charge for the year	**422**	428

(iii) Amounts recognised in the Cash flow statement

£ million	**2024**	2023
Cash flows arising from transactions that do not give rise to the recognition of lease liabilities		
Total cash outflows arising from short-term leases, low-value assets and variable lease payments	**11**	12
Total cash outflows arising from asset financed liabilities	**274**	222
Cash flows arising from transactions giving rise to lease liabilities		
Total cash outflows arising from lease liabilities - aircraft	**992**	1,035
Total cash outflows arising from lease liabilities - other	**76**	87

(iv) Maturity profile of the lease liabilities

The maturity profile of the lease liabilities are disclosed in note 23.

(v) Extensions and terminations

The Company has certain leases which contain extension and termination options exercisable by the Company prior to the non-cancellable contract period. Where practicable, the Company seeks to include extension and termination options in new leases to provide operational flexibility. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension and termination options.

The Company is exposed to future cash outflows (on an undiscounted basis) as at 31 December 2024, for which no amount has been recognised, for potential extension options £529 million (2023: £554 million) due to it not being reasonably certain that these leases will be extended.

The Company is not exposed to any material termination options which requires above disclosure.

(vi) Lessor accounting

The Company leases out certain of its property, plant and equipment, including to other companies within the BA Group. The Company has classified those leases that transfer substantially all of the risks and rewards of ownership to the lessee as finance leases.

The following table sets out a maturity analysis of finance lease receipts, showing the undiscounted lease receipts to be received after the reporting date:

£ million	**2024**	2023
Within one year	**29**	28
One to two years	**20**	25
Two to five years	**35**	40
More than five years	**6**	7
Total undiscounted lease receipts	**90**	100
Less: finance income	**(12)**	(8)
Net investment in finance leases	**78**	92

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12 Capital expenditure commitments

Capital expenditure authorised and contracted but not provided for in the accounts at 31 December 2024 amounted to £4,667 million (2023: £5,379 million) and £4,667 million for the Company (2023: £5,372 million). The majority of capital expenditure commitments are denominated in US dollars and as such the commitments are subject to exchange movements.

The outstanding aircraft commitments include £3,865 million (2023: £4,900 million) for the acquisition of 18 Airbus A320 and A321 neos (from 2025-2026), seven Boeing 787-10s (from 2025-2027) and 18 Boeing 777-9s (from 2027-2029).

There has been no change to the number of options in 2024. The Group has certain rights to defer aircraft deliveries and to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights had been exercised as at 31 December 2024.

13 Intangible assets and impairment review

a Intangible assets

i Group

			Group	
£ million	Goodwill	Landing rights	Software	Total[1]
Cost				
Balance at 1 January 2023	40	742	830	1,612
Additions	-	-	148	148
Disposals	-	(5)	(4)	(9)
Balance at 31 December 2023	40	737	974	1,751
Additions	-	-	256	256
Disposals[2]	-	-	(47)	(47)
31 December 2024	**40**	**737**	**1,183**	**1,960**
Amortisation				
Balance at 1 January 2023	-	49	586	635
Amortisation charge for the year	-	-	65	65
Balance at 31 December 2023	-	49	651	700
Amortisation charge for the year	-	-	78	78
Disposals[2]	-	-	(36)	(36)
31 December 2024	**-**	**49**	**693**	**742**
Net book values				
31 December 2024	**40**	**688**	**490**	**1,218**
31 December 2023	40	688	323	1,051

[1]The results for 2023 include a reclassification of ETS allowances from Intangibles to Carbon-related and other assets. Amounts of £269 million and £220 million at 31 December 2023 and 1 January 2023, respectively, have been reclassified from Intangible assets.
[2]Of the amounts included in Disposals, £8 million relates to the reduction in Net book value following the sale of BA Holidays and associated deconsolidation (see note 14).

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13 Intangible assets and impairment review continued

a Intangible assets

ii Company

			Company
£ million	Landing rights	Software	Total[1]
Cost			
Balance at 31 December 2023	737	929	1,666
Additions	-	256	256
Disposals	-	(3)	(3)
31 December 2024	**737**	**1,182**	**1,919**
Amortisation			
Balance at 31 December 2023	49	615	664
Amortisation charge for the year	-	77	77
31 December 2024	**49**	**692**	**741**
Net book values			
31 December 2024	**688**	**490**	**1,178**
31 December 2023	688	314	1,002

[1]The results for 2023 include a reclassification of ETS allowances from Intangibles to Carbon-related and other assets. An amount of £269 million at 31 December 2023 has been reclassified from Intangible assets.

b Impairment review

i Network airline operations

Basis for calculating recoverable amount
Goodwill and other intangible assets with indefinite lives (being landing rights) are tested for impairment annually and when circumstances indicate the carrying value may be impaired. A full impairment test at 30 September 2024 has been conducted.

The impairment review is carried out at the level of a 'cash-generating unit' ('CGU'), defined as the smallest identifiable group of assets, liabilities and associated intangible assets that generate cash inflows which are largely independent of the cash flows from other assets or groups of assets. On this basis, an impairment review has been conducted on one CGU (2023: one), being the network airline operations CGU, including passenger and cargo operations out of all operated airports, as well as all related ancillary operations.

The recoverable amounts of the CGU is measured based on its value-in-use, which utilises a weighted average multi-scenario discounted cash flow model. The details of these scenarios are given in the going concern section of note 2, with a weighting of 70% to the Base Case and 30% to the Downside Case. Cash flow projections are based on the business plan approved by the Board in the fourth quarter of 2024, covering a three-year period. Cash flows extrapolated beyond the three-year period are projected to increase based on long-term growth rates. Cash flow projections are discounted using the CGU's pre-tax discount rate.

Adjustments have been made to the final year of the business plan cash flows to incorporate the impacts of climate change that the Group can reliably estimate at the balance sheet date. However, given the long-term nature of the Group's sustainability commitments, there are other aspects of these commitments that cannot be reliably estimated and accordingly have been excluded from the value-in-use calculations. The business plan cash flows used in the value-in-use calculations also reflect all restructuring of the business where relevant that has been approved by the Board and which can be executed by management under existing labour agreements.

Key assumptions
The value-in-use calculations reflect the ongoing uncertainty of the wider economic and geopolitical environments, including updated projected cash flows for activity from 2025 through to the end of 2027. The key assumptions used in the value-in-use calculation are as follows:

Per cent	**2024**	2023
Operating margin[1]	**12% to 16%**	7% to 14%
Average ASK growth per annum[1]	**0% to 8%**	3% to 9%
Long-term growth rate	**1.8%**	1.7%
Pre-tax discount rate	**11.3%**	11.2%

[1]Operating margin and average ASK growth per annum are all stated as the weighted average derived from the multi-scenario discounted cash flow model.

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13 Intangible assets and impairment review continued

b Impairment review continued

Key assumptions continued

Jet fuel price ($ per metric tonne)	Within 12 months	1-2 years	2-3 years	3 years and thereafter
31 December 2024	**704**	**715**	**717**	**717**
31 December 2023	895	829	800	800

Forecast ASKs in the current year modelling represent the range of average annual increases in capacity over the forecast period, based on planned network growth and taking into account management's expectation of the market.

The long-term growth rate is calculated considering a number of data points: (i) industry publications; (ii) forecast weighted average exposure in each primary market using gross domestic product (GDP); and (iii) internal analysis regarding the long-term changes in consumer preferences and the effects on demand from the increased costs to the Group of climate change. The calculation of the long-term growth rate using internal analysis utilises a Base Case and a Downside Case growth rate, which is then weighted on the same basis as the cash flows detailed above of 70% to the Base Case and 30% to the Downside Case. The terminal value cash flows and long-term growth rate incorporate the impacts of climate change insofar as they can be determined (note 2). The network plans are reviewed annually as part of the Business plan and reflect management's plans in response to specific market risk or opportunity.

Pre-tax discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and underlying risks of its primary market. The discount rate calculation is based on the circumstances of the airline industry and the Group. These rates are derived from the weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity available to airlines. The cost of equity is derived from the expected return on investment by airline investors and the cost of debt is derived from both market data and industry gearing levels derived from comparable companies. CGU-specific risk is incorporated by applying individual beta factors which are evaluated annually based on available market data. The pre-tax discount rate reflects the timing of future tax flows. The Group engages an external valuation expert as at the valuation date to assist in the determination of the post-tax discount rate.

Jet fuel price assumptions are derived from forward price curves in the fourth quarter of each year and sourced externally from readily available market data at the valuation date. The cash flow forecasts reflect these price increases after taking into consideration the level of fuel derivatives and their associated prices that the Group has in place and the incremental price differentials expected for the purchase of SAF.

As detailed above, the Group adjusts the final year of the three-year business plans to incorporate the medium-term impacts of climate change from the Group's Flightpath Net Zero climate strategy through to 2030. These adjustments include the following key assumptions: (i) a 10% level of SAF consumption out of the overall fuel mix with an assumed price of £5,875 per metric tonne; (ii) a kerosene tax of £440 per metric tonne on all intra-EU flights; (iii) for costs of carbon, prices of £100, £150 and £35 for EU ETS allowances, UK ETS allowances and CORSIA allowances, respectively, per tonne of CO_2 equivalents emitted; and (iv) the removal of all free ETS and CORSIA allowances. equivalents emitted; and (iv) the removal of all free ETS and CORSIA allowances.

Summary of results

At 31 December 2024 and 31 December 2023, management reviewed the recoverable amount of the CGU and concluded the recoverable amount exceeded the carrying value.

Reasonable possible changes in key assumptions, both individually and in combination, have been considered, where applicable, which include reducing the operating margin by two percentage points in each year, reducing ASKs by 5% in each year, reducing long-term growth rates in the terminal value calculation to zero, increasing pre-tax discount rates by 2.5 percentage points and increasing the fuel price (both jet fuel and SAF) by 40%, both with cost recovery consistent with that experienced historically and with no assumed cost recovery. Given the inherent uncertainty associated with the impact of climate change, these sensitivities represent a reasonably possible impact of climate change on the CGU greater than that included in the impairment model.

While the recoverable amounts are estimated to exceed the carrying amounts by £14,788 million (2023: £13,622 million), the recoverable amount would be below the carrying amount when applying reasonably possible but not probable changes in assumptions in each of the following scenarios:

i. If ASKs were 5% lower combined with a fuel price increase of 32% (2023: 24%) without cost recovery; and
ii. If the fuel price was 41% (2023: 29%) higher without cost recovery.

For the remainder of the reasonable possible changes in key assumptions applied no impairment arises.

ii Company

In 2024, the Company recognised a £5 million impairment reversal (2023: £3 million impairment charge) within the Income statement in respect of its investment in subsidiaries. For investments where an indicator of impairment or reversal of previous impairment existed, an impairment test was performed to determine the recoverable amount. The recoverable amounts of the relevant investments have been determined as the higher of the fair value and their value in use, using a discounted cash flow model.

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14 Investments

Significant accounting judgement - Investment in associates: determination of significant influence

At 31 December 2024 the Group recognised £2,553 million (2023: £2,275 million) in respect of investments in associates.

The Group owns 6.80% of the equity (13.55% of the economic rights) of IB Opco Holding S.L. ('Iberia') and 86.26% of the equity of Avios Group (AGL) Limited ('IAGL'). The Group applies judgement in the determination as to whether it has the power with which to participate in the decision making of, and as a result, significant influence over Iberia and IAGL. Such judgement includes the consideration as to the ability of the Group to: have representation on the Board; participate in the policy-making processes, including participation in decisions regarding dividends and other distributions; enable the interchange of management personnel and provide essential technical information.

The Group uses the equity method of accounting for its investments in these entities because under IFRS it is considered to have significant influence but not control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control.

The Group has significant influence over Iberia, even though it holds less than 20% of the equity of Iberia, due to its representation on the IAG Board, the board of Iberia's ultimate parent company.

The Group has significant influence over IAGL due to representation on the IAGL Board as provided for by the governance agreement, but not control as it does not have the power to direct the activities of IAGL even though it holds more than 50% of the equity of IAGL. IAG, as both majority shareholder of BA and ultimate parent undertaking of IAGL, controls and has the power to direct the activities of IAGL.

a Group

A summary of the Group's investments in associates accounted for using the equity method is shown below:

		Group
£ million	**2024**	2023
Balance at 1 January	**2,275**	1,951
Exchange differences	**(5)**	(1)
Share of attributable results	**358**	315
Share of movements in comprehensive income of associates	**7**	11
Dividends received[1]	**(82)**	(1)
As at 31 December	**2,553**	2,275

[1]The Group received dividends, net of withholding tax, of £81 million and £1 million from IB Opco Holding, S.L. and Dunwoody Airline Services Limited respectively (2023: £1 million from Dunwoody Airline Services Limited).

	Percentage of equity owned	**Measurement basis**	**Principal activities**	**Holding**	**Country of incorporation and principal operations**
Avios Group (AGL) Limited	86.26	Equity method	Management of airline loyalty reward currency	Ordinary shares	England
Dunwoody Airline Services Limited	40.00	Equity method	Airline operations	Ordinary shares	England
IB Opco Holding, S.L.	6.80	Equity method	Airline operations	Ordinary shares	Spain
LanzaJet, Inc.	12.81	Equity method	Sustainable fuel technology	Ordinary shares	USA

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14 Investments continued

a Group continued

At 31 December 2024 there are no restrictions on the ability of associates to transfer funds to the Group and there are no related contingent liabilities.

The following summarised financial information of the Group's investment in material associates is shown below:

			Group	
£ million		2024		2023
	Iberia	**IAGL**	Iberia	IAGL
Non-current assets	**5,244**	**170**	5,521	66
Current assets	**3,302**	**3,277**	2,755	3,196
Current liabilities	**(3,622)**	**(2,956)**	(3,256)	(2,464)
Non-current liabilities	**(4,175)**	**(239)**	(4,129)	(223)
Net equity	**749**	**252**	891	575
Group's share of net equity[1]	**167**	**774**	167	500
Goodwill attributable to investments in associates	**-**	**1,598**	-	1,598
Total investment in associates	**167**	**2,372**	167	2,098

[1]The Group has not recognised losses previously incurred by Iberia because the Group has no obligation in respect of these losses.

The Group's carrying amount of investments in other associates was £6 million (2023: £10 million).

			Group	
£ million		2024		2023
	Iberia	**IAGL**	Iberia	IAGL
Revenue	**6,735**	**2,269**	6,353	1,292
Operating costs	**(5,957)**	**(1,861)**	(5,482)	(1,012)
Other costs (including tax)	**(169)**	**(85)**	(89)	(39)
Net profit after tax	**609**	**323**	782	241
Other comprehensive income	**52**	**-**	82	-
Total comprehensive income for the year (net of tax)	**661**	**323**	864	241

The Group's share of total comprehensive income of other associates was £nil (2023: loss £1 million).

Disposal of British Airways Holidays Limited

On 1 April 2024, the Group sold 100% of its existing British Airways Holidays Limited (BA Holidays) business to its associate, Avios Group (AGL) Limited. BA Holidays was derecognised as a subsidiary of the Group, and as a result, the Group no longer has the power to affect the returns of BA Holidays as it now falls within the governance structure of IAGL.

BA Holidays is not considered to represent a discontinued operation for the Group.

Consideration received on 1 April 2024 amounted to £549 million, with a further £150 million deferred consideration receivable over 2025 and 2026 (discounted to its present value of £130 million on 1 April 2024). Receipt of the deferred consideration is unconditional, but some or all the deferred consideration could become repayable if certain commercial conditions are not met by BA. No repayments are currently expected.

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14 Investments continued

a Group continued

The effect of the disposal on 1 April 2024 is detailed below:

£ million	
Consideration received	556
Less: BA Holidays cash and cash equivalents	(7)
Net consideration received per the cash flow	**549**
Consideration receivable	130
Total consideration	**679**

BA Holidays assets/(liabilities) as at 1 April 2024:

£ million	
Property, plant, and equipment (including right of use assets)	5
Intangible assets	8
Employee benefit asset and liability (net)	-
Deferred tax assets	3
Other assets[1]	419
Trade and other payables[1]	(375)
Current tax payable	(35)
Net assets	**25**
Gain on sale of investment	**654**

[1]Included in Other assets and Trade and other payables are balances associated with air revenue of which the BA Group continues to be the principal and therefore continues to recognise such amounts within its Consolidated balance sheet.

b Company

A summary of the Company's investments in subsidiaries is set out below:

			Company	
£ million	Cost[1]	Impairments	**2024**	2023
Balance at 1 January	1,648	(377)	**1,271**	1,271
Addition	-	-	**-**	3
Disposals[1]	(18)	8	**(10)**	-
Impairments reversed/(recognised)[2]	-	5	**5**	(3)
As at 31 December	**1,630**	**(364)**	**1,266**	1,271

[1]Includes disposal of the BA Holidays cost of investment of £10 million for a total consideration of £686 million (excluding BA Holidays cash and cash equivalent of £7 million) which resulted in a Gain on sale of investment of £676 million for the Company.
[2]The Company recognised a reversal of impairment of £5 million (2023: £3 million impairment charge) in respect of its subsidiaries, see note 13 for further details.

The Group and Company's investments in subsidiaries, associates and other investments are listed on pages 121 and 122.

A summary of the Company's investments in associates is set out below:

	Company	
£ million	**2024**	2023
Balance at 1 January	**1,570**	1,570
As at 31 December	**1,570**	1,570

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15 Trade receivables and other assets

Trade receivables and other current assets are set out below:

	Group		Company	
£ million	**2024**	2023[1]	**2024**	2023[1]
Amounts falling due within one year				
Trade receivables	**835**	909	**835**	894
Allowance for expected credit loss	**(31)**	(33)	**(31)**	(33)
Net trade receivables	**804**	876	**804**	861
Prepayments	**371**	303	**365**	291
Accrued income[3]	**106**	185	**100**	184
Finance lease receivable	**3**	4	**24**	23
Carbon-related assets[1,2]	**85**	86	**85**	86
Other non-trade receivables[4]	**528**	268	**580**	330
Other current assets	**1,094**	846	**1,154**	914
Trade receivables and other current assets	**1,898**	1,722	**1,958**	1,775

[1]For the year ended 31 December 2024, the Group has elected to present carbon-related assets as a component of Carbon-related and other assets having previously presented such amounts within Intangible assets. Accordingly figures for the comparative year to 31 December 2023 have been reclassified to conform with the current year presentation.
[2]The disaggregation of Carbon-related assets by underlying scheme is presented in note 2.
[3]The Accrued income balance (representing contract assets) mainly relates to cargo revenue accruals, as well as revenue earned from ongoing maintenance and overhaul services, where the balances vary depending on the number of ongoing activities at the reporting date.
[4]Within the Company, the balance is net of £44 million (2023: £44 million) of expected credit loss on receivables with subsidiary undertakings.

Movements in allowance for expected credit loss of trade receivables were as follows:

£ million	**2024**	2023
At the beginning of the year	**33**	33
Provided during the year	**4**	2
Receivables written off as at 31 December	**(6)**	(2)
	31	33

The credit risk exposure on the Group's trade receivables is set out below. Trade receivables are generally non-interest bearing and on 30 days terms (2023: 30 days).

						Group
2024	**Current**	**<30 days**	**30- 180 days**	**180-365 days**	**>365 days**	**Total**
Trade receivables	445	185	115	32	58	**835**
Expected credit loss rate	0.1%	0.1%	0.1%	8.3%	48.0%	**3.7%**
Net trade receivables	445	185	115	29	30	**804**

						Group
2023	Current	<30 days	30-180 days	180-365 days	>365 days	Total
Trade receivables	529	191	108	38	43	909
Expected credit loss rate	-	-	2.7%	9.3%	60.5%	3.6%
Net trade receivables	529	191	105	34	17	876

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16 Inventories

	Group		Company	
£ million	**2024**	2023	**2024**	2023
Engineering expendables	**80**	56	**77**	55
Catering consumables	**26**	29	**26**	29
Other inventories	**16**	13	**14**	13
	122	98	**117**	97

17 Cash, cash equivalents and other current interest-bearing deposits

a Cash and cash equivalents

	Group		Company	
£ million	**2024**	2023	**2024**	2023
Cash at bank and in hand	**1,624**	649	**1,485**	595
Short term deposits maturing within three months	**-**	255	**-**	255
Cash and cash equivalents	**1,624**	904	**1,485**	850
Current interest-bearing deposits maturing after three months	**470**	270	**470**	270
Cash, cash equivalents and other interest-bearing deposits	**2,094**	1,174	**1,955**	1,120

The fair value of cash and cash equivalents is £1,624 million for the Group (2023: £904 million) and £1,485 million for the Company (2023: £850 million).

At 31 December 2024, the Group and Company had no outstanding bank overdrafts (2023: £nil).

b Reconciliation of net cash flow to movement in net debt

Group

£ million	Balance at 1 January 2024	Cash flows	Exchange movements	New leases and modifications	Non-cash	Balance at 31 December 2024
Bank, other loans and asset financed liabilities	(4,053)	(941)	53	-	(17)	**(4,958)**
Lease liabilities	(4,309)	922	5	(140)	(2)	**(3,524)**
Liabilities from financing activities	(8,362)	(19)	58	(140)	(19)	**(8,482)**
Cash and cash equivalents	904	805	(85)	-	-	**1,624**
Other current interest-bearing deposits	270	200	-	-	-	**470**
Net debt	(7,188)	986	(27)	(140)	(19)	**(6,388)**

Group

£ million	Balance at 1 January 2023	Cash flows	Exchange movements	New leases and modifications	Non-cash	Balance at 31 December 2023
Bank, other loans and asset financed liabilities	(5,626)	1,405	159	-	9	(4,053)
Lease liabilities	(4,811)	970	177	(626)	(19)	(4,309)
Liabilities from financing activities	(10,437)	2,375	336	(626)	(10)	(8,362)
Cash and cash equivalents	2,376	(1,419)	(53)	-	-	904
Other current interest-bearing deposits	140	130	-	-	-	270
Net debt	(7,921)	1,086	283	(626)	(10)	(7,188)

Net debt is calculated as total cash and cash equivalents and current interest-bearing deposits less total interest-bearing borrowings. Proceeds from and repayment of bank, other loans and asset financed liabilities are shown net under Cash flows.

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18 Trade and other payables

	Group		Company	
£ million	**2024**	2023	**2024**	2023
Trade creditors and accrued expenses	**1,749**	1,863	**1,689**	1,720
Amounts owed to subsidiary companies	**-**	-	**588**	807
Other creditors	**689**	641	**688**	690
Other taxation and social security	**41**	41	**41**	41
Other accruals	**127**	67	**116**	55
Deferred income relating to non-flight activity	**31**	42	**30**	41
As at 31 December	**2,637**	2,654	**3,152**	3,354

19 Deferred revenue

Significant accounting estimates applied - Revenue recognition: breakage assumptions applied to passenger revenue and unredeemed vouchers

At 31 December 2024 the Group recognised a liability of £4,178 million in respect of deferred revenue (2023: £4,231 million).

Passenger revenue
Passenger revenue is recognised when the transportation service is provided. At the time of intended transportation, revenue is also recognised in respect of estimated unused ticket breakage and is estimated based on the terms and conditions of the tickets and historical experience. The Group considers that there is no reasonably possible change to unused ticket assumptions that would have a material impact on passenger revenue recorded in the year.

A two-percentage point increase in the level of unused ticket breakage of the sales in advance of carriage balance (excluding vouchers) at 31 December 2024 would result in an adjustment to Deferred revenue of £82 million (2023: £81 million), with an offsetting adjustment to increase revenue and operating profit recognised in the year.

Unredeemed vouchers
At 31 December 2024 the Group recognised £89 million in respect of unredeemed vouchers, excluding associated taxes (2023: £158 million) within Deferred revenue.

During, and subsequent to, the recovery from the COVID-19 pandemic, the Group, has engaged in marketing campaigns and direct customer engagement in an attempt to maximise redemption of these vouchers, which has proven successful in reducing the remaining population of unredeemed vouchers. In addition, in order to give customers greater flexibility to use their vouchers, the book and travel by date has been extended on multiple occasions, including in 2024, through to 30 September 2025.

Despite these efforts, the Group expects some of these vouchers to expire unredeemed. The Group estimates the number of these vouchers not expected to be redeemed prior to expiry by forecasting expected future redemptions, recognising the estimated value of unredeemed vouchers as passenger revenue when it can be reasonably determined that there will not be a significant reversal of this revenue in future accounting periods.

A five-percentage point decrease in the remaining unredeemed voucher liability at 31 December 2024 would result in a reduction to Deferred revenue of £4 million (2023: £8 million), with an offsetting adjustment to increase passenger revenue and operating profit recognised in the year.

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19 Deferred revenue continued

£ million	Group 2024			Company 2024		
	Customer loyalty	Sales in advance of carriage	Total	Customer loyalty	Sales in advance of carriage	Total
As at 1 January	37	4,194	4,231	37	4,174	4,211
Cash received from customers[1]	-	12,738	12,738	-	11,796	11,796
Revenue recognised in the Income statement[2]	(11)	(12,782)	(12,793)	(11)	(11,820)	(11,831)
Loyalty points issued to customers	2	-	2	2	-	2
As at 31 December	**28**	**4,150**	**4,178**	**28**	**4,150**	**4,178**

£ million	Group 2023			Company 2023		
	Customer loyalty	Sales in advance of carriage[3]	Total	Customer loyalty	Sales in advance of carriage[3]	Total
As at 1 January	36	4,135	4,171	36	4,105	4,141
Cash received from customers[1,3]	-	12,486	12.486	-	11,112	11,112
Revenue recognised in the Income statement[2,3]	(5)	(12,427)	(12,432)	(5)	(11,043)	(11,048)
Loyalty points issued to customers	6	-	6	6	-	6
As at 31 December	37	4,194	4,231	37	4,174	4,211

[1]Cash received from customers is net of refunds.
[2]Where the Group acts as an agent in the provision of redemption products and services to customers through loyalty programmes, or in the provision of interline flights to passengers, revenue is recognised in the income statement net of the related costs. Included within revenue recognised in the income statement is an amount of £1,803 million (2023: £1,757 million) previously held as deferred revenue at the end of the comparative reporting period.
[3]The 2023 figures include a restatement to decrease both Cash received from customers and Revenue recognised in the Income statement by £1,009 million and £409 million for Group and Company respectively. There is no change to total deferred revenue.

20 Other non-current assets and liabilities

Other non-current assets are set out below:

£ million	Group 2024	Group 2023[1]	Company 2024	Company 2023[1]
Prepayments	**258**	175	**258**	175
Finance lease receivable	**2**	6	**54**	69
Carbon-related assets[1]	**141**	183	**141**	183
Other non-trade receivables	**87**	19	**85**	18
As at 31 December	**488**	383	**538**	445

[1]For the year ended 31 December 2024, the Group has elected to present carbon-related assets as a component of Carbon-related and other assets having previously presented such amounts within Intangible assets. Accordingly figures for the comparative year to 31 December 2023 have been reclassified to conform with the current year presentation.

Other non-current liabilities are set out below:

£ million	Group 2024	Group 2023	Company 2024	Company 2023
Other accruals	**5**	7	**5**	7
Deferred income relating to non-flight activity	**10**	11	**8**	10
Other non-trade creditors	**176**	52	**174**	50
As at 31 December	**191**	70	**187**	67

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21 Long-term borrowings

a Total borrowings

			Group			Group
			2024			2023
£ million	Current	Non-current	**Total**	Current	Non-current	Total
Bank and other loans	48	1,401	**1,449**	58	1,503	1,561
Asset financed liabilities	221	3,288	**3,509**	157	2,335	2,492
Lease liabilities	615	2,909	**3,524**	1,035	3,274	4,309
Interest bearing borrowings	884	7,598	**8,482**	1,250	7,112	8,362

			Company			Company
			2024			2023
£ million	Current	Non-current	**Total**	Current	Non-current	Total
Bank and other loans	48	1,401	**1,449**	58	1,503	1,561
Asset financed liabilities	221	3,288	**3,509**	157	2,335	2,492
Lease liabilities	606	2,893	**3,499**	1,024	3,260	4,284
Interest bearing borrowings	875	7,582	**8,457**	1,239	7,098	8,337

Long-term borrowings of the Group and Company amounting to £3,563 million (2023: £2,590 million) are secured on fleet assets with a net book value of £3,757 million (2023: £2,822 million). Asset financed liabilities are all secured on the associated aircraft.

b Bank and other loans

Bank and other loans are repayable by 2027 and comprise of the following:

		Group		Company
£ million	**2024**	2023	**2024**	2023
Floating rate euro mortgage loans secured on aircraft (i)	**54**	98	**54**	98
Fixed rate unsecured US dollar mortgage loans (ii)	**30**	40	**30**	40
Floating rate unsecured euro loans (iii)	**1,365**	1,423	**1,365**	1,423
	1,449	1,561	**1,449**	1,561
Less: current instalments due on bank and other loans	**48**	58	**48**	58
Non-current bank and other loans as at 31 December	**1,401**	1,503	**1,401**	1,503

(i) Floating rate euro mortgage loans are secured on specific aircraft assets of the Group and bear interest of between 4.34% to 4.52%. The loans are repayable in 2027.

(ii) Fixed rate unsecured US dollar mortgage loans bearing interest between 1.38% to 2.86%. The loans are repayable between 2025 and 2026.

(iii) Floating rate unsecured euro loan due to fellow undertaking of IAG bearing interest of EURIBOR + 4.60% and is repayable in 2026.

On 14 June 2024, the Group entered into a five-year $2,421 million, sustainability-linked, secured Revolving Credit Facility, with two 1-year extension options available subject to the approval of lenders. At 31 December 2024, no amounts had been drawn under the facility. Concurrent to entering into the facility, the Group cancelled its $1,346 million secured Revolving Credit Facility, which was due to mature in part in March 2025, with the remainder maturing in March 2026.

On 28 June 2024, as a result of securing the aforementioned Revolving Credit Facility, the Group cancelled its two £1,000 million Export Development Guarantee Facilities that were partially guaranteed by the UK Export Finance, which were due to mature in equal amounts in November 2026 and September 2028.

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21 Long-term borrowings continued

b Bank and other loans continued

Transactions with unconsolidated entities

The Group has sale and leaseback transactions to finance the acquisition of aircraft undertaken through Enhanced Equipment Trust Certificates (EETCs). The Group has asset financing transactions with unconsolidated entities through British Airways Pass Through Certificates Series. As at 31 December 2024, Asset financed liabilities include cumulative amounts of £1,885 million (2023: £1,966 million) and Lease liabilities include cumulative amounts of £467 million (2023: £787 million) associated with transactions with unconsolidated structured entities having issued EETCs. There have been no additional asset financing transactions with unconsolidated entities during the year to 31 December 2024.

c Reconciliation of movements of liabilities to cash flows arising from financing activities

				Group
£ million	Bank, other loans and asset financed liabilities	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	**Total**
Balance at 1 January 2024	(4,053)	(4,309)	(112)	(8,474)
Proceeds from borrowings	(1,163)	-	-	**(1,163)**
Repayments of borrowings	222	-	-	**222**
Repayment of lease liabilities	-	922	-	**922**
Settlements of derivative financial instruments	-	-	165	**165**
Total changes arising from financing cash flows	**(941)**	**922**	**165**	**146**
Interest paid	227	155	-	**382**
Interest expense	(243)	(165)	-	**(408)**
New leases and modifications	-	(140)	-	**(140)**
Fair value movements	-	-	19	**19**
Other non-cash movements	-	10	-	**10**
Effect of changes in foreign exchange rates	52	3	-	**55**
Closing financial liabilities at 31 December 2024	**(4,958)**	**(3,524)**	**72**	**(8,410)**

				Group
£ million	Bank, other loans and asset financed liabilities	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	Total
Balance at 1 January 2023	(5,626)	(4,811)	117	(10,320)
Proceeds from borrowings	(777)	-	-	(777)
Repayments of borrowings	2,182	-	-	2,182
Repayment of lease liabilities	-	970	-	970
Settlements of derivative financial instruments	-	-	12	12
Total changes arising from financing cash flows	1,405	970	12	2,387
Interest paid	388	164	-	552
Interest expense	(379)	(194)	-	(573)
New leases and modifications	-	(626)	-	(626)
Fair value movements	-	-	(241)	(241)
Other non-cash movements	-	11	-	11
Effect of changes in foreign exchange rates	159	177	-	336
Closing financial liabilities at 31 December 2023	(4,053)	(4,309)	(112)	(8,474)

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21 Long-term borrowings continued

d Total loans, lease liabilities, asset financed liabilities and other financing liabilities

	Group		Company	
Million	**2024**	2023	**2024**	2023
Loans:				
US dollar	**$38**	$51	**$38**	$51
Euro	**€1,711**	€1,763	**€1,711**	€1,763
Pound sterling	**1,449**	1,561	**1,449**	1,561
Lease liabilities:				
US dollar	**$2,754**	$3,487	**$2,726**	$3,458
Euro	**€411**	€602	**€408**	€601
Japanese yen	**¥55,801**	¥65,957	**¥55,801**	¥65,957
Pound sterling	**£686**	£681	**£686**	£681
Pound sterling	**3,524**	4,309	**3,499**	4,284
Asset financed liabilities:				
US dollar	**$2,994**	$2,798	**$2,994**	$2,798
Euro	**€1,162**	€191	**€1,162**	€191
Japanese yen	**¥29,993**	¥23,430	**¥29,993**	¥23,430
Pound sterling	**3,509**	2,492	**3,509**	2,492
Total interest-bearing borrowings	**8,482**	8,362	**8,457**	8,337

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22 Provisions

Significant accounting estimate applied - Restoration and handback provisions: key assumptions underlying the carrying value of the provisions

At 31 December 2024, the Group recognised a provision of £706 million (2023: £671 million) in respect of maintenance, restoration and handback provisions.

The Group has a number of contracts with service providers to replace or repair engine parts and for other maintenance checks. These agreements are complex and generally cover a number of years. Provisions for maintenance, restoration and handback are made based on the best estimate of the likely committed cash outflow. In determining this best estimate, the Group applies significant estimation as to the level of forecast costs expected to be incurred when the next major maintenance event occurs. Other assumptions not considered to be significant include aircraft utilisation, expected maintenance intervals and the aircraft's condition. The associated forecast costs are discounted to their present value. While the Group considers that there are no reasonably possible change to any of the individual assumptions that would have a material impact on the provisions, a combination of changes in several assumptions may. The Group considers that a reasonably possible change in the inflation rate and discount rate assumptions of a 100 basis points increase would give rise to an increase of £18 million (2023: £12 million) and a decrease of £20 million (2023: £17 million), respectively, when applied in isolation to one-another.

Significant accounting judgement applied - Restoration and handback provisions: determination of accounting policy for leased aircraft

IFRS 16 does not address the accounting for maintenance, restoration and handback provisions that arise through the usage of the underlying asset and accordingly, the Group has applied judgement in applying an accounting policy with regard to the recognition and subsequent measurement of such provisions for leased aircraft. The Group's accounting policy for provisions that arise through usage or through the passage of time, is to recognise the associated estimated costs in the Income statement as the underlying asset is used or through the passage of time. The approach applied by the Group is consistent with the majority of major airlines that prepare their financial statements under IFRS. Were the Group to apply an alternative accounting policy, the financial impact would be materially different at the reporting date. An alternative accounting policy that the Group could have applied was the components approach, where the Group would capitalise the estimated costs of major maintenance events and depreciate them until the subsequent maintenance event (or to the end of lease term) and providing over the lease term for any expected cash compensation for maintenance obligations at the end of the lease. The Group considers that the current accounting policy for maintenance, restoration and handback activities reflects the obligations under its lease arrangements.

						Group
£ million	Restoration and handback	Restructuring	Legal claims and contractual disputes	Carbon-related obligations	Other	**Total**
Balance at 1 January 2024	671	17	41	92	29	850
Provisions recorded during the year	99	2	11	91	35	238
Reclassifications	(16)	-	-	-	-	(16)
Utilised during the year	(77)	(1)	(14)	-	(32)	(124)
Extinguished during the year	-	-	-	(87)	-	(87)
Release of unused amounts	(27)	(14)	(8)	(6)	-	(55)
Unwinding of discount	22	-	-	-	-	22
Remeasurements	46	-	-	-	-	46
Exchange differences	(12)	-	-	-	(1)	(13)
As at 31 December 2024	**706**	**4**	**30**	**90**	**31**	**861**
Analysis:						
Current	178	4	29	87	12	**310**
Non-current	528	-	1	3	19	**551**
	706	**4**	**30**	**90**	**31**	**861**

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22 **Provisions** continued

Company

£ million	Restoration and handback	Restructuring	Legal claims and contractual disputes	Carbon-related obligations	Other	**Total**
Balance at 1 January 2024	628	17	41	61	29	776
Provisions recorded during the year	85	2	11	67	35	200
Reclassifications	(14)	-	-	-	-	(14)
Utilised during the year	(71)	(1)	(14)	-	(32)	(118)
Extinguished during the year	-	-	-	(61)	-	(61)
Release of unused amounts	(27)	(14)	(8)	(1)	-	(50)
Unwinding of discount	20	-	-	-	-	20
Remeasurements	45	-	-	-	-	45
Exchange differences	(12)	-	-	-	(1)	(13)
As at 31 December 2024	**654**	**4**	**30**	**66**	**31**	**785**
Analysis:						
Current	157	4	29	63	12	265
Non-current	497	-	1	3	19	520
	654	**4**	**30**	**66**	**31**	**785**

Restoration and handback provisions
Provisions for restoration and handback costs are maintained to meet the contractual maintenance and return conditions on aircraft held under lease. For those obligations arising on inception of an aircraft lease, referred to as 'unavoidable provisions', the associated estimated cost is capitalised within the ROU asset. For those obligations that arise through usage or through the passage of time, referred to as 'avoidable provisions', the associated estimated costs are recognised in the Income statement as the associated asset is used or through the passage of time. The provision is long-term in nature, typically covering the leased asset term, which for aircraft is up to 12 years.

The provisions also include an amount relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Such costs are capitalised within ROU assets.

The provisions are determined by discounting the future cash flows using pre-tax risk-free rates specific to the tenor of the provision and the currency in which it arises. The unwinding of the discounting of the provisions is recorded as a finance cost in the Income statement (refer to note 7).

Remeasurements arising from changes in estimates relating to the effects of both discounting and inflation are recorded in the Income statement to the extent they relate to avoidable provisions or recorded as an adjustment to the right of use asset (see note 11) for those unavoidable provisions.

Where amounts are finalised and the uncertainty relating to these provisions removed, the associated liability is reclassified to either current or non-current Other creditors, depending on the expected timing of the settlement.

Restructuring provisions
Restructuring provisions represents the estimated costs of settling employee obligations under the Group's restructuring plans. The payments are expected to be made within the next 12 months.

Legal claims and contractual dispute provisions
Legal claims and contractual provisions include:

- amounts for multi-party claims from groups of employees on a number of matters related to the Group's operations, including claims for additional holiday pay and for age discrimination;
- amounts relating to ongoing contractual disputes arising from the Group's ongoing provisions; and
- amounts related to investigations by a number of competition authorities in connection with alleged anti-competitive activity concerning the Group's passenger and cargo businesses.

The final amount required to pay the remaining claims and fines is subject to uncertainty.

Carbon-related obligations
Carbon related obligations relate to the Emissions Trading Systems/Schemes and the CORSIA scheme for CO_2 emitted on flights within the United Kingdom, the EU and globally and are due to be extinguished in the year subsequent to the balance sheet date through settlement with the relevant authorities. See Note 15 for further information.

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23 Financial risk management objectives and policies

The Group is exposed to a variety of financial risks: market risk (including fuel price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The principal impact of these on the financial statements are discussed below:

a Fuel price risk

The Group is exposed to fuel price risk. In order to mitigate such risk, under the Group's fuel price risk management strategy a variety of over the counter derivative instruments are entered into. The Group strategy is to hedge a proportion of fuel consumption up to two years within the approved hedging profile.

The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in fuel prices, based on current market volatility, with all other variables held constant, on the result before tax and equity. The sensitivity analysis has been performed on fuel derivatives at the balance sheet date only and is not reflective of the impact had the sensitivity rates been applied through the duration of the years to 31 December 2024 and 2023:

			Group and Company
2024		2023	
Increase/(decrease) in fuel price per cent	Effect on equity[1] £ million Increase/ (decrease)	Increase/(decrease) in fuel price per cent	Effect on equity[1] £ million Increase/ (decrease)
40	**970**	40	726
(40)	**(872)**	(40)	(755)

[1] The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the result before tax.

At 31 December 2024, the fair value of fuel net liability derivative instruments was £87 million, representing an increase of £24 million since 1 January 2024 (net liability).

b Foreign currency risk

The Group is exposed to foreign currency risk on revenue, purchases and borrowings that are denominated in a currency other than sterling. The currencies in which these transactions are primarily denominated are US dollar and euro. The Group has a number of strategies to hedge foreign currency risk. The Group strategy is to hedge a proportion of its foreign currency sales and purchases for up to three years.

The following table demonstrates the sensitivity of the Group's financial instruments to a reasonable, possible change in exchange rates, based on current market volatility, with all other variables held constant, on the result before tax and equity. The sensitivity analysis has been performed on cash and cash equivalents, interest-bearing liabilities, lease liabilities and derivatives (both designated in hedge relationships and those not designated in hedge relationships) denominated in foreign currencies at the balance sheet date only and is not reflective of the impact had the sensitivity rates been applied through the duration of the years to 31 December 2024 and 2023. These represent both the Group and the Company as the majority of the foreign currency risks are borne by the Company.

Group and Company	Strengthening/ (weakening) in US dollar rate per cent	Effect on result before tax £ million Increase/ (decrease)	Effect on equity[1] £ million Increase/ (decrease)	Strengthening/ (weakening) in euro rate per cent	Effect on result before tax £ million Increase/ (decrease)	Effect on equity[1] £ million Increase/ (decrease)	Strengthening/ (weakening) in yen rate per cent	Effect on result before tax £ million Increase/ (decrease)	Effect on equity[1] £ million Increase/ (decrease)
2024	**20**	**(2)**	**723**	**20**	**11**	**(326)**	**20**	**(1)**	**(17)**
	(20)	**2**	**(727)**	**(20)**	**(11)**	**326**	**(20)**	**1**	**17**
2023	20	(22)	618	20	(7)	(226)	20	(44)	(55)
	(20)	17	(712)	(20)	7	226	(20)	44	55

[1] The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the result before tax.

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23 Financial risk management objectives and policies continued

b Foreign currency risk continued

At 31 December 2024, the fair value of foreign currency net asset derivative instruments was £156 million, representing an increase of £384 million since 1 January 2024 (net liability). These comprise both derivatives designated in hedge relationships and those derivatives that are not designated into a hedge relationship at inception.

Those derivatives not designated in a hedge relationship on inception have their mark-to-market movements recorded directly in the Income statement and recognised within Net currency retranslation credits.

c Interest rate risk

The Group is exposed to changes in interest rates on debt and cash deposits. In order to mitigate the interest rate risk, the Group's policies allow a variety of over the counter derivative instruments to be entered into.

The following table demonstrates the sensitivity of the Group's financial instruments to a reasonable possible change in interest rates, based on expectations regarding forward rate movements, with all other variables held constant, on the result before tax and equity. The sensitivity analysis has been performed on financial instruments at the balance sheet date only and is not reflective of the impact had the sensitivity rates been applied through the duration of the years to 31 December 2024 and 2023.

Group and Company	Strengthening/ (weakening) in euro interest rate Basis points	Effect on result before tax £ million Increase/ (decrease)	Effect on equity[1] £ million Increase/ (decrease)	Strengthening/ (weakening) in sterling interest rate Basis points	Effect on result before tax £ million Increase/ (decrease)	Effect on equity[1] £ million Increase/ (decrease)
2024	**100**	**(24)**	**4**	**100**	**-**	**-**
	(100)	**24**	**(3)**	**(100)**	**-**	**-**
2023	100	(20)	6	100	-	-
	(100)	20	(6)	(100)	-	-

[1]The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the result before tax.

At 31 December 2024, the fair value of interest rate net asset derivative instruments was £5 million, representing a decrease of £10 million since 1 January 2024 (net asset).

d Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has policies and procedures to monitor the risk by assigning limits to each counterparty by underlying exposure and by only entering into transactions with counterparties with a very low credit risk.

At each period end, the Group assesses the effect of counterparties' and the Group's own credit risk on the fair value of derivatives and any ineffectiveness arising is immediately recognised in the Income statement within Other non-operating credits.

The financial assets recognised in the financial statements, net of impairment losses (if any), represent the Group's maximum exposure to credit risk, without taking into account any guarantees in place or other credit enhancements.

e Counterparty risk

The Group is exposed to the non-performance by its counterparties in respect of financial assets receivable. The Group has policies and procedures to monitor the risk by assigning limits to each counterparty by underlying exposure. The underlying exposures are monitored on a daily basis and the overall exposure limit by counterparty is periodically reviewed by using available market information.

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23 Financial risk management objectives and policies continued

f Liquidity risk

The Group invests cash in interest-bearing accounts, time deposits and money market funds, choosing instruments with appropriate maturities or liquidity to retain sufficient headroom to readily generate cash inflows required to manage liquidity risk. The Group also has committed revolving credit facilities.

The Group and Company had the following available undrawn committed general and committed aircraft financing facilities:

		31 December 2024
Million	Currency	£ equivalent
Committed general facilities[1]		
US dollar facility expiring June 2029	$2,421	**£1,936**

		31 December 2023
Million	Currency	£ equivalent
Committed general facilities		
US dollar facility expiring March 2025	$77	60
US dollar facility expiring March 2026	$1,269	997
GBP pound sterling facility expiring November 2026	£1,000	1,000
GBP pound sterling facility expiring September 2028	£1,000	1,000
		3,057
Committed aircraft facilities		
US dollar facility expiring between June and July 2024	$410	321
		3,378

[1] The committed general facilities can be drawn at any time at the discretion of the Group subject to the provision of up to three days' notice of the intended utilisation, depending on the facility.

In addition, at 31 December 2024, the Group and Company had undrawn overdraft facilities of £11 million (2023: £11 million).

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23 Financial risk management objectives and policies continued

f Liquidity risk continued

The following table analyses the Group's (outflows) and inflows in respect of financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at 31 December to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

						Group
£ million	Within six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	**Total 2024**
Interest-bearing loans and borrowings:						
Asset financing liabilities	(171)	(168)	(336)	(1,007)	(2,600)	**(4,282)**
Lease liabilities	(333)	(329)	(608)	(1,369)	(2,990)	**(5,629)**
Fixed rate borrowings	(23)	-	(7)	-	-	**(30)**
Floating rate borrowings	(61)	(57)	(1,461)	(13)	-	**(1,592)**
Trade and other payables	(2,312)	-	(191)	-	-	**(2,503)**
Other financial assets	-	-	1	4	21	**26**
Derivatives financial instruments (assets):						
Foreign currency derivatives	51	56	86	5	-	**198**
Fuel derivatives	3	3	5	-	-	**11**
Interest rate derivatives	2	1	1	-	-	**4**
Derivative financial instruments (liabilities):						
Foreign currency derivatives	(27)	(5)	(3)	-	-	**(35)**
Fuel derivatives	(29)	(29)	(28)	(16)	-	**(102)**
As at 31 December	**(2,900)**	**(528)**	**(2,541)**	**(2,396)**	**(5,569)**	**(13,934)**

						Group
£ million	Within six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Total 2023
Interest-bearing loans and borrowings:						
Asset financing liabilities	(127)	(125)	(247)	(745)	(1,867)	(3,111)
Lease liabilities	(732)	(368)	(630)	(1,542)	(3,252)	(6,524)
Fixed rate borrowings	(9)	(2)	(22)	(8)	-	(41)
Floating rate borrowings	(74)	(86)	(119)	(1,538)	-	(1,817)
Trade and other payables	(2,611)	-	(57)	-	-	(2,668)
Other financial assets	6	1	1	4	21	33
Derivatives financial instruments (assets):						
Foreign currency derivatives	19	6	3	-	-	28
Fuel derivatives	1	1	15	-	-	17
Interest rate derivatives	6	4	3	1	-	14
Derivative financial instruments (liabilities):						
Foreign currency derivatives	(133)	(107)	(21)	-	-	(261)
Fuel derivatives	(23)	(23)	(19)	(19)	-	(84)
As at 31 December	(3,677)	(699)	(1,093)	(3,847)	(5,098)	(14,414)

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23 Financial risk management objectives and policies continued

g Offsetting financial assets and liabilities

The Group enters into derivative transactions under ISDA (International Swaps and Derivatives Association) documentation. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding are aggregated into a single net amount that is payable by one party to the other.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

					Group
£ million	Gross value of financial instruments	Financial instruments that are offset under netting agreements[1]	Net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset[1]	Net amount
31 December 2024					
Financial assets					
Derivative financial assets	228	(21)	**207**	(4)	203
Financial liabilities					
Derivative financial liabilities	154	(21)	**133**	(4)	130

[1] As at 31 December 2024, the Group recognised £nil of collateral (2023: £nil) offset under netting arrangements.

Within the Company the gross value of derivative financial assets was £238 million and the net value was £217 million. The gross value of derivative financial liabilities was £159 million and the net value was £138 million. The value of related financial instruments that are not offset was £4 million.

					Group
£ million	Gross value of financial instruments	Financial instruments that are offset under netting agreements	Net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset	Net amount
31 December 2023					
Financial assets					
Derivative financial assets	73	(15)	58	(2)	56
Financial liabilities					
Derivative financial liabilities	350	(15)	335	(2)	333

Within the Company the gross value of derivative financial assets was £79 million and the net value was £63 million. The gross value of derivative financial liabilities was £353 million and the net value was £337 million. The value of related financial instruments that are not offset was £2 million.

h Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to maintain an optimal capital structure, to reduce the cost of capital and to provide returns to shareholders.

The Group monitors capital on the basis of the net debt to EBITDA before exceptional items. For the year to 31 December 2024, the net debt to EBITDA before exceptional items was 2.00 times (2023: 2.94 times). Net debt is defined as the total borrowings, asset financing liabilities, net interest-bearing deposits and cash and cash equivalents less overdrafts and EBITDA is defined as operating profit/(loss) before exceptional items, depreciation, amortisation and impairment.

Further detail on liquidity and capital resources and capital risk management is disclosed in the going concern section in note 2.

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24 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 31 December 2024 and 31 December 2023 by nature and classification for measurement purposes was as follows:

At 31 December 2024

	Financial assets				Group
£ million	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial assets	**Total carrying amount**
Non-current financial assets					
Other equity investments	-	22	-	-	**22**
Derivative financial instruments[1]	-	-	93	-	**93**
Other non-current assets[2]	84	-	-	404	**488**
Current financial assets					
Trade receivables	804	-	-	-	**804**
Derivative financial instruments[1]	-	-	114	-	**114**
Other current assets[2]	422	-	-	672	**1,094**
Other current interest-bearing deposits	470	-	-	-	**470**
Cash and cash equivalents	1,624	-	-	-	**1,624**

[1]Within the Company, non-current derivative financial instrument assets are £96 million and current derivative financial instrument assets are £121 million.
[2]Within the Company, total other non-current assets are £538 million, of which loans and receivables (amortised cost) are £139 million and non-financial assets are £399 million. Total other current assets in the Company are £1,154 million, of which loans and receivables (amortised cost) are £604 million and non-financial assets are £550 million.

	Financial liabilities			Group
£ million	Amortised cost	Fair value through income statement	Non-financial liabilities	**Total carrying amount**
Non-current financial liabilities				
Interest bearing long-term borrowings	4,689	-	-	**4,689**
Lease liabilities	2,909	-	-	**2,909**
Derivative financial instruments[1]	-	44	-	**44**
Other long-term liabilities[2]	62	-	129	**191**
Current financial liabilities				
Current portion of long-term borrowings	269	-	-	**269**
Lease liabilities	615	-	-	**615**
Trade and other payables[2]	1,997	-	640	**2,637**
Derivative financial instruments[1]	-	89	-	**89**

[1]Within the Company, non-current derivative financial instrument liabilities are £46 million and current derivative financial instrument liabilities are £93 million.
[2]Within the Company, total other long-term liabilities are £187 million, of which loans and payables (amortised cost) are £60 million and non-financial liabilities are £127 million. Total trade and other payables in the Company are £3,152 million, of which loans and payables (amortised cost) are £2,463 million and non-financial liabilities are £689 million.

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24 Financial instruments continued

a Financial assets and liabilities by category continued

As at 31 December 2023

£ million	Financial assets: Amortised cost	Financial assets: Fair value through OCI	Financial assets: Fair value through income statement	Non-financial assets	Group: Total carrying amount
Non-current financial assets					
Other equity investments	-	22	-	-	22
Derivative financial instruments[1]	-	-	21	-	21
Other non-current assets[2,3]	15	-	-	368	383
Current financial assets					
Trade receivables	876	-	-	-	876
Derivative financial instruments[1]	-	-	37	-	37
Other current assets[2,3]	190	-	-	656	846
Other current interest-bearing deposits	270	-	-	-	270
Cash and cash equivalents	904	-	-	-	904

[1]Within the Company, non-current derivative financial instrument assets are £22 million and current derivative financial instrument assets are £41 million.
[2]Within the Company, total other non-current assets are £262 million, of which loans and receivables (amortised cost) are £84 million and non-financial assets are £178 million. Total other current assets in the Company are £828 million, of which loans and receivables (amortised cost) are £252 million and non-financial assets are £576 million.
[3]The results for 2023 include a reclassification of ETS allowances from Intangible assets to Carbon-related and other assets. Amounts of £183 million and £86 million at 31 December 2023, have been reclassified to Other non-current assets and Other current assets, respectively. Further information is given in notes 2.

£ million	Financial liabilities: Amortised cost	Financial liabilities: Fair value through income statement	Non-financial liabilities	Group: Total carrying amount
Non-current financial liabilities				
Interest bearing long-term borrowings	3,838	-	-	3,838
Lease liabilities	3,274	-	-	3,274
Derivative financial instruments[1]	-	56	-	56
Other long-term liabilities[2]	57	-	13	70
Current financial liabilities				
Current portion of long-term borrowings	215	-	-	215
Lease liabilities	1,035	-	-	1,035
Trade and other payables[2]	2,612	-	42	2,654
Derivative financial instruments[1]	-	279	-	279

[1]Within the Company, non-current derivative financial instrument liabilities are £56 million and current derivative financial instrument liabilities are £281 million.
[2]Within the Company, total other long-term liabilities are £67 million, of which loans and payables (amortised cost) are £58 million and non-financial liabilities are £9 million. Total trade and other payables in the Company are £3,354 million, of which loans and payables (amortised cost) are £3,274 million and non-financial liabilities are £80 million.

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24 Financial instruments continued

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 the following methods and assumptions:

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 represent actual and regularly occurring market transactions on an arm's length basis.

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 using forward pricing models, which include forward exchange rates, forward interest rates, forward fuel curves and corresponding volatility surface data at the reporting date. The fair value of the principal derivative financial assets and liabilities are determined as follows, incorporating adjustments for own credit risk and counterparty credit risk:

- commodity reference contracts including swaps and options transactions, referenced to (i) CIF NWE cargoes jet fuel; (ii) ICE Gasoil; (iii) ICE Brent; (iv) ICE Gasoil Brent crack; (v) Jet Differential and (vi) Jet fuel Brent crack - the mark-to-market valuation prices are determined by reference to current forward curve and standard option pricing valuation models, values are discounted to the reporting date based on the corresponding interest rate;
- currency forward and option contracts – by reference to current forward prices and standard option pricing valuation models, values are discounted to the reporting date based on the corresponding interest rate;
- interest rate swap contracts – by discounting the future cash flows of the swap contracts at market interest rate valued with the current forward curve

The fair value of the Group's interest-bearing borrowings, excluding leases, is determined by discounting the remaining contractual cash flows at the relevant market interest rates at the balance sheet date. The fair value of the Group's interest-bearing borrowings is adjusted for own credit risk.

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal method of such valuation is performed using a valuation model that considers the present value of the dividend cash flows expected to be generated by the associated assets. For other investments where cash flow information is not available, an adjusted net asset method is applied.

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.

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24 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 2024 are set out below:

				Group	
				Fair value	Carrying value
£ million	Level 1	Level 2	Level 3	**Total**	**Total**
Financial assets:					
Other equity investments	-	-	22	**22**	**22**
Other assets	-	18	-	**18**	**16**
Derivative financial assets:					
Foreign exchange contracts[1]	-	191	-	**191**	**191**
Fuel derivatives[1]	-	11	-	**11**	**11**
Interest rate derivatives[1]	-	5	-	**5**	**5**
Financial liabilities:					
Interest-bearing loans and borrowings:					
Asset financed liabilities	-	3,379	-	**3,379**	**3,509**
Fixed rate borrowings	-	29	-	**29**	**30**
Floating rate borrowings	-	1,510	-	**1,510**	**1,419**
Derivative financial liabilities:					
Foreign exchange contracts[2]	-	35	-	**35**	**35**
Fuel derivatives[2]	-	98	-	**98**	**98**

[1] Current portion of derivative financial assets is £114 million.
[2] Current portion of derivative financial liabilities is £89 million.

The carrying amounts and fair values of the Group's financial assets and liabilities as at 31 December 2023 are set out below:

				Group	
				Fair value	Carrying value
£ million	Level 1	Level 2	Level 3	Total	Total
Financial assets:					
Other equity investments	-	-	22	22	22
Other assets	-	10	-	10	21
Derivative financial assets:					
Foreign exchange contracts[1]	-	28	-	28	28
Fuel derivatives[1]	-	16	-	16	16
Interest rate derivatives[1]	-	14	-	14	14
Financial liabilities:					
Interest-bearing loans and borrowings:					
Asset financed liabilities	-	2,213	-	2,213	2,492
Fixed rate borrowings	-	37	-	37	40
Floating rate borrowings	-	1,585	-	1,585	1,521
Derivative financial liabilities:					
Foreign exchange contracts[2]	-	256	-	256	256
Fuel derivatives[2]	-	79	-	79	79

[1] Current portion of derivative financial assets is £37 million.
[2] Current portion of derivative financial liabilities is £279 million.

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24 Financial instruments continued

b Fair values of financial assets and financial liabilities continued

There has been no transfer between levels of fair value hierarchy during the year.

c Level 3 financial assets reconciliation

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

	Group		Company	
£ million	**2024**	2023	**2024**	2023
Balance at 1 January	**22**	2	**22**	2
Fair value adjustment	**-**	20	**-**	20
As at 31 December	**22**	22	**22**	22

d Hedges

At 31 December 2024 the Group's principal risk management activities that were hedging future forecast transactions were:

- Foreign exchange contracts, hedging foreign currency exchange risk on certain operational payments. Remeasurement gains and losses on the derivatives are (i) recognised in equity and transferred to the Income statement, where the hedged item is recorded directly in the Income statement, to the same caption as the underlying hedged item is classified; (ii) recognised in equity and transferred to the Balance sheet, where the hedged item is a non-financial asset or liability, are recorded to the Balance Sheet in the same caption as the hedged item is recognised; and (iii) recognised in equity and transferred to the Income statement, where the hedged item is a financial asset or liability, at the same time as the financial asset or liability is recorded in the Income statement. Reclassification gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the Income statement when the future transaction is no longer expected to occur and recorded in the relevant Income statement caption to which the hedged item is classified;
- Crude, gas oil and jet kerosene derivative contracts, hedging price risk on fuel expenditure. Remeasurement gains and losses on the derivatives are recognised in equity and transferred to the Income statement within Fuel costs and emissions charges to match against the related fuel cash outflow. Remeasurement gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the Income statement within Fuel costs and emissions charges when the future transaction is no longer expected to occur;
- Interest rate contracts, hedging interest rate risk on floating rate debt. Remeasurement gains and losses on the derivatives are recognised in equity and transferred to the Income statement within Interest expense;
- Future loan repayment instalments denominated in foreign currency are designated in a hedge relationship hedging foreign exchange fluctuations on revenue cash inflows. Remeasurement gains and losses on the associated loans are recognised in equity and transferred to the Balance sheet, where the hedged item is a non-financial asset or liability when the loan repayments are made (generally in instalments over the life of the loan).

To the extent that the hedges were assessed as highly effective, a summary of the amounts included in equity is shown below:

	Group	
	Total	Total
£ million	**2024**	2023
Loan repayments to hedge future revenue	**(35)**	19
Foreign exchange contracts to hedge future revenue and expenditure	**(80)**	52
Hedges of future fuel purchases	**93**	34
Interest rate hedges	**9**	3
Instruments for which hedge accounting no longer applies[1]	**33**	106
	20	214
Related deferred tax credit	**(5)**	(54)
Total amount included within equity	**15**	160

[1]Relates to previously terminated hedge relationships for which the underlying forecast transaction remains expected to occur.

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24 Financial instruments continued

d Hedges continued

The notional amounts of significant financial instruments used as cash flow hedging instruments are set out below:

Notional principal amounts						Group and Company	
£ million		Hedge range	Within 1 year	1-2 years	2-5 years	More than 5 years	**Total 2024**
Foreign exchange contracts to hedge future revenue and expenditure							
	USD	1.16-1.34	3,076	1,119	214	-	**4,409**
	EUR	1.11-1.42	465	320	374	605	**1,764**

Notional principal amounts						Group and Company	
£ million		Hedge range	Within 1 year	1-2 years	2-5 years	More than 5 years	Total 2023
Foreign exchange contracts to hedge future revenue and expenditure							
	USD	1.05-1.35	2,715	1,069	-	-	3,784
	EUR	1.07-1.16	201	171	-	-	372

The Group's loan repayment instalments used to hedge foreign currency risk on future revenue inflows were predominantly in euros and Japanese yen. The total notional amounts at 31 December 2024 were €1,647million (2023: €904 million) and ¥17,136 million (2023: ¥49,653 million).

Derivative contracts are used to hedge fuel purchases over a period of up to three years. Notional quantities associated with these contracts at 31 December 2024 amounted to 6 million tonnes (2023: 6 million tonnes) with a hedge price range of USD 504-1,200 (2023: USD 504-1,200).

The notional amount of the Group's interest rate contracts to hedge the floating interest rate on euro-denominated debt at 31 December 2024 was €645 million (2023: €649 million).

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24 Financial instruments continued

d Hedges continued

The movements in other comprehensive income in relation to cash flow hedges are shown below:

As at 31 December 2024

£ million	Amounts recognised in other comprehensive income[1]	Amounts associated with ineffectiveness recognised in the income statement	Total recognised (losses)/gains	Other amounts reclassified to the income statement	Amounts reclassified to the balance sheet
Debt repayments to hedge future revenue	(61)	16	**(45)**	-	(9)
Foreign exchange contracts to hedge future revenue and expenditure	(75)	1	**(74)**	(76)	19
Hedge of future fuel purchases	71	1	**72**	(13)	-
Interest rate hedges	(2)	-	**(2)**	8	-
Instruments for which hedge accounting no longer applies	-	-	**-**	-	(74)
	(67)	**18**	**(49)**	**(81)**	**(64)**

[1]Amounts recognised in other comprehensive income represent losses/(gains) on the hedging instruments.

As at 31 December 2023

£ million	Amounts recognised in other comprehensive income[1]	Amounts associated with ineffectiveness recognised in the income statement	Total recognised (losses)/gains	Other amounts reclassified to the income statement	Amounts reclassified to the balance sheet
Debt repayments to hedge future revenue	(41)	-	(41)	-	(16)
Foreign exchange contracts to hedge future revenue and expenditure	176	-	176	1	7
Hedge of future fuel purchases	30	5	35	52	-
Interest rate hedges	2	-	2	7	-
Instruments for which hedge accounting no longer applies	-	-	-	-	(80)
	167	5	172	60	(89)

[1]Amounts recognised in other comprehensive income represent gains on the hedging instruments.

The Group has no fair value hedges at 31 December 2024 and 2023.

Company
The Company undertakes hedging activities on behalf of other companies within the Group and performs the treasury activities of the Group centrally. As a result, the disclosures above apply to the Company as for the Group.

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25 Share capital and share premium

	Group and Company			
	2024		2023	
	Number of shares 000s	**£ million**	Number of shares 000s	£ million
Share capital allotted, called up and fully paid				
A1 Ordinary shares of £289.70 each	**897**	**260**	897	260
A2 Ordinary shares of £289.70 each	**99**	**29**	99	29
B Ordinary shares of £1 each	**1,000**	**1**	1,000	1
C Ordinary shares of £1 each	**148**	**-**	148	-
As at 31 December	**2,144**	**290**	2,144	290

	Group and Company	
£ million	**2024**	2023
Share premium as at 31 December	**1,512**	1,512

The A1 and A2 class ordinary shareholders have full voting and economic rights in accordance with the percentage of shares held. The B class ordinary shareholders have full voting rights in accordance with the percentage of shares held, however have minimal economic rights attached to them. The C class ordinary shareholders have full economic rights in accordance with the percentage of shares held, however are non-voting.

26 Share-based payment schemes

IAG operates share-based payment schemes as part of the total remuneration package provided to employees. The share-based payments charge has been recorded as part of 'Employee costs' in the income statement as follows:

£ million	**2024**	2023
Share-based payment schemes recharged from IAG	**17**	10
Total share-based payments charge recorded in employee costs	**17**	10

BA participates in IAG share-based payment schemes, with awards to BA employees being made in plans operated by IAG that represent rights over its ordinary shares. The costs of these awards are recharged from IAG based on its determination of award fair values. The amount outstanding at the year end is included in the amounts owed to IAG and disclosed in note 30. A brief description of the schemes is set out below:

a) IAG Performance Share Plan
The IAG Performance Share Plan ('PSP') is granted to senior executives and managers of the Group who are most directly involved in shaping and delivering business success over the medium to long term. Since 2015, awards have been made as nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. All awards since 2015 have three independent performance measures with equal weighting: Total Shareholder Return ('TSR') relative to the STOXX Europe 600 Travel and Leisure Index (for 2020 awards) or MSCI European Transportation Index (for prior to 2020 awards), earnings per share, and Return on Invested Capital.

b) IAG Restricted Share Plan
The IAG Restricted Share Plan ('RSP') was introduced in 2021 to increase the alignment of both interests and outcomes between the Group's senior management and shareholders through the build-up and maintenance of senior management shareholdings and an increased focus on the long-term, sustainable performance of the Group. Awards have been made as conditional awards, with a two-year holding period following the three-year vesting period. There are no performance measures associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted. Approval at the end of the vesting period will be at the discretion of the Remuneration Committee, considering the Group's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified.

c) IAG Full Potential Incentive Plan
During 2021, IAG launched the new Full Potential Incentive Plan ('FPIP'), which is granted to key individuals involved in the delivery of a series of transformation projects that will enable the Group to deliver business success over the medium to long term. The Awards have been made as nil-cost options, vesting in 2025 and dependent on stretch performance targets for 2024 and the approval of the Board.

d) IAG Incentive Award Deferral Plan
The IAG Incentive Award Deferral Plan ('IADP') is granted to qualifying employees based on performance and service tests. It will be awarded when an incentive award is triggered subject to the employee remaining in employment with the IAG Group for three years after the grant date. The relevant population will receive 50% of their incentive award up front in cash, and the remaining 50% in shares after three years through the IADP.

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27 Other reserves

a Group

£ million	Retained earnings	Unrealised gains and losses	Cost of hedging reserve	Currency translation	Total other reserves
					Group
Balance at 1 January 2023	755	(56)	(28)	10	681
Profit for the year	1,161	-	-	-	1,161
Other comprehensive income for the year:					
Exchange gains	-	-	-	3	3
Fair value of cash flow hedges reclassified to fuel costs and emission charges	-	(44)	-	-	(44)
Fair value of cash flow hedges reclassified to finance costs	-	(6)	-	-	(6)
Net change in fair value of cash flow hedges	-	(128)	-	-	(128)
Net change in fair value of cost of hedging	-	-	(66)	-	(66)
Cost of hedging reclassified and reported in net profit	-	-	49	-	49
Share of movement in reserves of associates	11	-	-	-	11
Equity investments - fair value movements in equity	-	20	-	-	20
Pension remeasurements	(938)	-	-	-	(938)
Hedges transferred and reported in property, plant and equipment	-	(3)	(12)	-	(15)
Hedges transferred and reported in sales in advance of carriage	-	72	(2)	-	70
Total income and expense for the year	234	(89)	(31)	3	117
Balance at 1 January 2024	989	(145)	(59)	13	798
Profit for the year	2,389	-	-	-	2,389
Other comprehensive income for the year:					
Exchange gains	-	-	-	(12)	(12)
Fair value of cash flow hedges reclassified to fuel costs and emission charges	-	66	-	-	66
Fair value of cash flow hedges reclassified to finance costs	-	(6)	-	-	(6)
Net change in fair value of cash flow hedges	-	51	-	-	51
Net change in fair value of cost of hedging	-	-	11	-	11
Cost of hedging reclassified and reported in net profit	-	-	31	-	31
Share of movement in reserves of associates	7	-	-	-	7
Ineffectiveness taken to Other non-operating costs	-	(13)	-	-	(13)
Pension remeasurements	175	-	-	-	175
Hedges transferred and reported in property, plant and equipment	-	(3)	-	-	(3)
Hedges transferred and reported in sales in advance of carriage	-	50	(5)	-	45
Cost of share-based payments	6	-	-	-	6
Dividends	(530)	-	-	-	(530)
Total income and expense for the year	2,047	145	37	(12)	2,217
As at 31 December 2024	**3,036**	**-**	**(22)**	**1**	**3,015**

Retained earnings
The retained earnings reserve represents the accumulated retained profits of the Group.

Unrealised gains and losses
The unrealised gains and losses reserve records fair value changes on equity investments and the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Cost of hedging reserve
The cost of hedging reserve records, amongst others, changes on the time value of options.

Currency translation reserve
The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

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27 Other reserves continued

b Company

£ million	Retained earnings	Unrealised gains and losses	Cost of hedging reserve	Currency translation	Company Total other reserves
Balance at 1 January 2023	1,094	(61)	(28)	-	1,005
Profit for the year	751	-	-	-	751
Other comprehensive income for the year:					
Exchange gains	-	-	-	6	6
Fair value of cash flow hedges reclassified to fuel costs and emission charges	-	(44)	-	-	(44)
Fair value of cash flow hedges reclassified to finance costs	-	(6)	-	-	(6)
Net change in fair value of cash flow hedges	-	(128)	-	-	(128)
Net change in fair value of cost of hedging	-	-	(66)	-	(66)
Cost of hedging reclassified and reported in net profit	-	-	49	-	49
Equity investments - fair value movements in equity	-	20	-	-	20
Pension remeasurements	(936)	-	-	-	(936)
Hedges transferred and reported in property, plant and equipment	-	(3)	(12)	-	(15)
Hedges transferred and reported in sales in advance of carriage	-	72	(2)	-	70
Total income and expense for the year	(185)	(89)	(31)	6	(299)
Balance at 1 January 2024	909	(150)	(59)	6	706
Profit for the year	2,216	-	-	-	2,216
Other comprehensive income for the year:					
Exchange gains	6	-	-	(6)	-
Fair value of cash flow hedges reclassified to fuel costs and emission charges	-	66	-	-	66
Fair value of cash flow hedges reclassified to finance costs	-	(6)	-	-	(6)
Net change in fair value of cash flow hedges	-	51	-	-	51
Net change in fair value of cost of hedging	-	-	11	-	11
Cost of hedging reclassified and reported in net profit	-	-	30	-	30
Ineffectiveness taken to Other non-operating costs	-	(13)	-	-	(13)
Pension remeasurements	175	-	-	-	175
Hedges transferred and reported in property, plant and equipment	-	(3)	-	-	(3)
Hedges transferred and reported in sales in advance of carriage	-	50	(5)	-	45
Cost of share-based payments	6	-	-	-	6
Dividends	(530)	-	-	-	(530)
Total income and expense for the year	1,873	145	36	(6)	2,048
As at 31 December 2024	**2,782**	**(5)**	**(23)**	**-**	**2,754**

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28 Employee benefits

Significant accounting estimate applied - Employee benefit obligations: Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) key actuarial assumptions

At 31 December 2024 the Group recognised £16,339 million in respect of employee benefit obligations (2023: £18,328 million), of which £15,952 million related to the APS and NAPS obligations (2023: £17,858 million).

The calculation of the APS and NAPS employee benefit obligations are determined using the valuation requirements of IAS 19. These valuations involve making assumptions about discount rates, mortality rates and future pension increases. Due to the long-term nature of these schemes, such assumptions are subject to significant uncertainty. The Group determines the assumptions to be adopted in discussion with qualified actuaries. Any difference between these assumptions and the actual outcome will impact future net assets and total comprehensive income. The impact of sensitising these assumptions is given below.

Defined contribution schemes

The main defined contribution scheme is the British Airways Pension Plan ('BAPP'). It offers a choice of contribution rates and the ability to opt for cash instead of a pension. Costs recognised in respect of the defined contribution pension plan for the year to 31 December 2024 were £178 million (2023: £159 million).

Defined benefit schemes

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

APS has been closed to new members since 1984, but remains open to future accrual for a small group of active members. 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. NAPS has been closed to new members since 2003 and closed to future accrual since 2018. Following closure, members' deferred pensions are increased annually by inflation up to 5% per annum (measured using the Government's annual Pension Increase (Review) Orders, which since 2011 have been based on CPI).

APS and NAPS are governed by separate Trustee Boards. Although APS and NAPS have separate Trustee Boards, certain aspects of the business of the two schemes are common. APS and NAPS have developed certain joint working groups that are attended by the Trustee Board members of each scheme although each Trustee Board reaches its decisions independently. There are sub committees which are separately responsible for the governance, operation and investments of each scheme. British Airways Pension Trustees Limited holds the assets of both schemes on behalf of their respective Trustees. The Trustees are responsible for administering the pension benefits in line with the pension scheme rules and relevant pensions legislation including applicable case law.

Triennially, the Trustees of APS and NAPS undertake actuarial valuations, which are subsequently agreed with British Airways to determine the cash contributions and any deficit payment plans through to the next valuation date, as well as ensuring that the schemes have sufficient funds available to meet future benefit payments to members. These actuarial valuations are prepared using the principles set out in UK Pension legislation. This differs from the IAS 19 'Employee benefits' valuation, which is used for deriving the Income statement and Balance sheet positions and uses a best-estimate approach overall. The different purpose and principles lead to different assumptions being used, and therefore a different estimate for the liabilities and funding levels.

At 31 December 2024, the triennial valuations as at 31 March 2024 for both APS and NAPS had not been finalised and accordingly the latest actuarial valuations were performed as at 31 March 2021 which resulted in a technical surplus of £295 million for APS and a technical deficit of £1,650 million for NAPS. The actuarial valuations performed for APS and NAPS are different to the valuation performed as at 31 December 2024 under IAS 19 'Employee Benefits' mainly due to timing differences of the measurement dates and to the specific scheme assumptions in the actuarial valuation performed as at 31 March 2021, compared with IAS 19 requirements used in the accounting valuation assumptions as at the balance sheet date. The triennial actuarial valuation of neither APS nor NAPS is updated outside of the triennial valuations, making comparability between the scheme liabilities applying the principles set out in the UK Pension legislation and the requirements of IAS 19 not possible. The principal difference relates to the discount rate applied, which under the actuarial valuation, aligns with a prudent estimate of the future investment returns on the assets of the respective schemes, whereas, under IAS 19, the rates are based on high quality corporate bond yields, regardless of how the assets are invested.

As part of the triennial valuation as at 31 March 2021 for NAPS, British Airways has agreed to provide certain property assets as security, which will remain in place until 30 September 2028 unless otherwise modified in the 31 March 2024 triennial valuation.

Other plans

British Airways also operates post-retirement schemes in a number of jurisdictions outside of the UK. The principal scheme is the British Airways Plc Pension Plan (USA) based in the United States and referred to as the 'US Plan'. The US Plan is considered to be a defined benefit scheme and is closed to new members and to future accrual. The majority of the British Airways' other plans are fully funded, but there are also a number of unfunded plans, where the Group meets the benefit payment obligations as they fall due.

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28 Employee benefits continued

Risks associated with the defined benefit schemes

The defined benefit schemes expose the Group to a range of risks, with the following being the most significant:

- Asset volatility risk - the scheme obligations are calculated using a discount rate set with reference to high quality corporate bond yields. If scheme assets underperform this yield, this will reduce the surplus / increase the deficit, depending on the scheme. Certain of the schemes hold a significant amount of equities, which are expected to outperform corporate bonds in the long term while creating volatility and risk in the short term;
- Longevity risk – the majority of the scheme obligations are to provide benefits over the life of the scheme members. An increase in life expectancy will result in a corresponding increase in the defined benefit obligation;
- Interest rate risk - a decrease in interest rates will increase plan liabilities, although this will be partially offset by an increase in the value of certain of the scheme assets;
- Inflation risk – a significant proportion of the scheme obligations are linked to inflation, such that any increase in inflation will cause an increase in the obligations. While certain of the scheme assets are indexed to inflation, any expected increase in the scheme assets from inflation would be disproportionately lower than the increase in the scheme obligations; and
- Currency risk – a number of scheme assets are denominated in currencies other than the pound sterling. Weakening of those currencies, or strengthening of the pound sterling, in the long term, will have the effect of reducing the value of scheme assets.

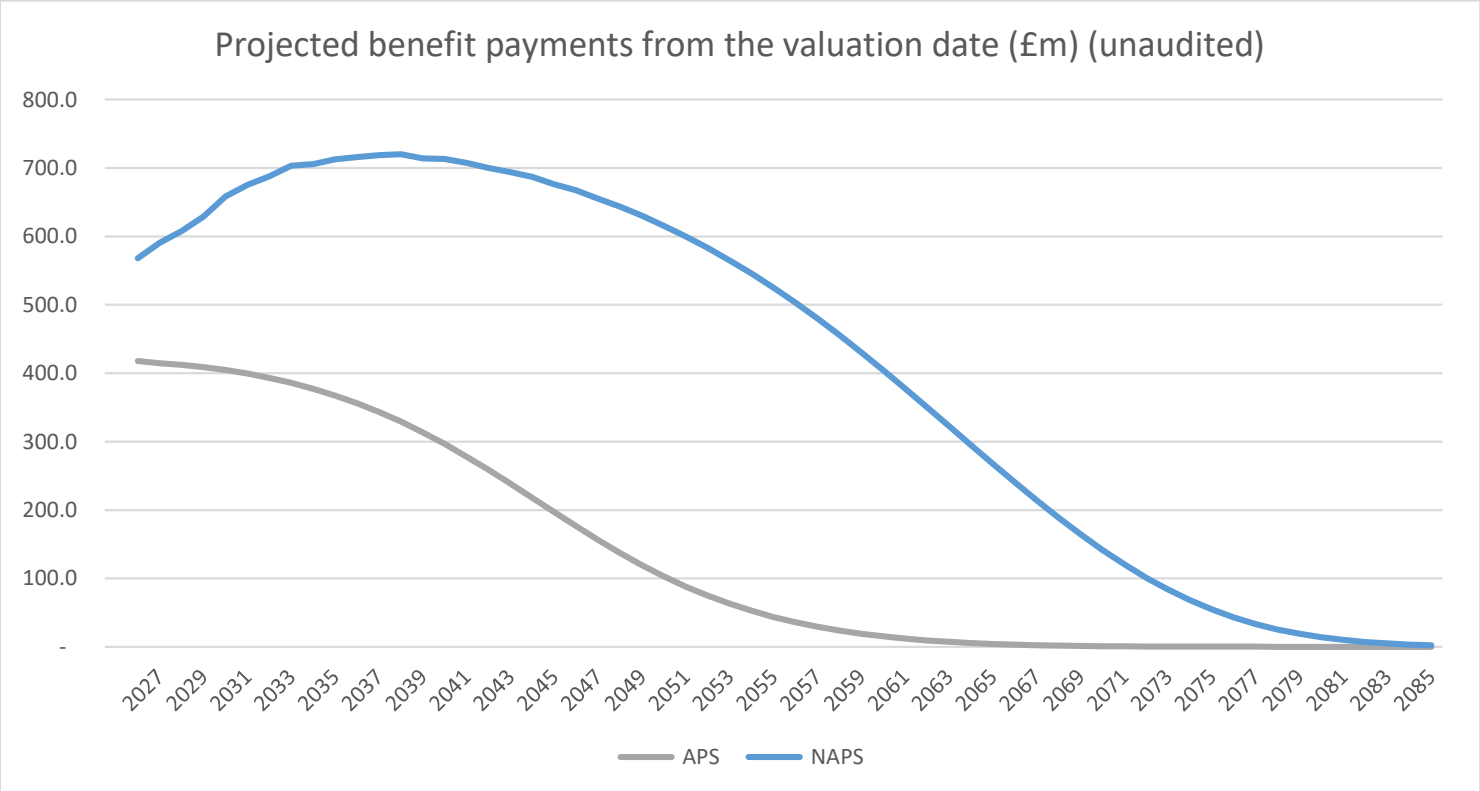
a Cash payments and funding arrangements

Cash payments in respect of pension obligations comprise normal employer contributions made by the Group and deficit contributions based on the agreed deficit payment plans. Total payments for the year ended 31 December 2024 net of service costs made by the Group were £28 million (2023: £41 million) being employer contributions of £29 million (2023: £42 million) less the current service cost of £1 million (2023: £1 million) (note 28b(ii)).

Future funding arrangements

Pension contributions for APS and NAPS were determined by actuarial valuations made at 31 March 2021, using assumptions and methodologies agreed between the Group and Trustee of each scheme. In total, the Group expects to pay £1 million in employer contributions to APS and £nil to NAPS in 2024.

The following graph provides the undiscounted benefit payments to be made by the trustees of APS and NAPS over the remaining expected duration of the schemes.



The amounts and timing of these projected benefit payments are subject to the aforementioned risks to the schemes.

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28 Employee benefits continued

a Cash payments and funding arrangements continued

Deficit contributions

At the date of the triennial valuation, the actuarial deficit of NAPS amounted to £1,650 million. In order to address the deficit in the scheme, the Group committed to deficit contribution payments through to 30 June 2023, amounting to approximately £50 million per year, increasing by £50 million each year up to 30 June 2026 and subsequently capped at £225 million per year through to 31 May 2032. The deficit contribution plan includes an over-funding mechanism, based on the triennial valuation methodology for measuring the deficit, whereby deficit contributions are suspended if the funding level reaches 100%, with a mechanism for contributions to resume if the contribution level subsequently falls below 100%, or until such point as the scheme funding level reaches 100%.

During the year ended and as at 31 December 2024, the NAPS funding position exceeded 100% and accordingly deficit contributions were suspended. At 31 December 2024, the valuation of the funding level incorporates significant forward-looking assumptions, such that the Group currently does not expect to make further deficit contributions. Given the long-term nature of the NAPS scheme, these assumptions are subject to uncertainty and there can be no guarantee that deficit contributions will not resume in the future or that additional deficit contributions will not need to be incorporated into future triennial actuarial valuations.

Under the triennial valuation of NAPS as at 31 March 2021, in the period up to 31 December 2023, no dividend payment was permitted from British Airways to IAG. In the period from 1 January to 31 December 2024, any dividends paid by British Airways were required to be matched by contributions to NAPS of 50% of the value of dividends paid. In the period from 1 January to 30 September 2025, any dividend payment from British Airways to IAG that exceeds 50% of the pre-exceptional profit after tax in each financial year will require additional payments to be made to NAPS if the scheme is not at least 100% funded. All dividend restrictions cease from 1 October 2025, onwards. British Airways must maintain a minimum cash level of £1,600 million as at the date of the declaration of any dividends as well as immediately following the payment of any dividends to its shareholders and the associated matching contributions to NAPS. The amount of any deficit contributions and dividend matching contributions in a single financial year is limited to £300 million. Dividend restrictions are subject to the overfunding mechanism, meaning that no restrictions apply whilst NAPS is in a surplus position. Subsequently, no restrictions applied to the dividend paid in the year.

At 31 December 2024, the Group expects to make the following undiscounted deficit payments, including interest, which are deductible for tax purposes at the statutory rate of tax:

£ million	NAPS[1]	Other schemes
Within twelve months	-	**32**
One to two years	-	**27**
Two to three years	-	**26**
Total expected deficit payments	-	**85**

[1]Committed deficit contributions for NAPS are stated after the effect of the over-funding protection mechanism.

Deficit payments in respect of local arrangements outside the UK have been determined in accordance with local practice.

b Employee benefit schemes recognised in the financial statements

i Amounts recognised on the Balance sheet

	As at 31 December 2024			
£ million	APS	NAPS	Other	Total
Scheme assets at fair value[1]	4,816	13,004	296	**18,116**
Present value of scheme liabilities[1]	(4,816)	(11,136)	(386)	**(16,338)**
Net pension asset/(liability)	-	1,868	(90)	**1,778**
Effect of the asset ceiling[2]	-	(467)	-	**(467)**
Other employee benefit obligations	-	-	(9)	**(9)**
	-	1,401	(99)	**1,302**
Represented by				
Employee benefit assets[3]				**1,412**
Employee benefit obligations[3]				**(111)**
Net employee benefit assets[1,4]				**1,302**

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28 Employee benefits continued

b Employee benefit schemes recognised in the financial statements continued

	As at 31 December 2023			
£ million	APS	NAPS	Other	Total
Scheme assets at fair value[1]	5,239	14,433	339	20,011
Present value of scheme liabilities[1]	(5,220)	(12,638)	(470)	(18,328)
Net pension asset/(liability)	19	1,795	(131)	1,683
Effect of the asset ceiling[2]	(7)	(628)	-	(635)
Other employee benefit obligations	-	-	(8)	(8)
	12	1,167	(139)	1,040
Represented by				
Employee benefit assets[3]				1,191
Employee benefit obligations[3]				(151)
Net employee benefit assets[1,4]				1,040

[1]Includes Additional Voluntary Contributions (AVCs), which the Trustees hold as assets to secure additional benefits on a defined contribution basis for those members who elect to make such AVCs. At 31 December 2024, such assets were £262 million (2023: £278 million) with a corresponding amount recorded in the scheme liabilities.
[2]NAPS (2023: APS and NAPS) has an accounting surplus under IAS 19, which would be available to the Group as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee arising on both the net pension asset and the future contractual minimum funding requirements.
[3]At 31 December 2024, the Company had employee benefit assets of £1,412 million (2023: £1,191 million) and employee benefit obligations of £111 million (2023: £150 million). The deferred tax asset recognised on the Company net employee benefit asset was £25 million at 31 December 2024 (2023: £34 million). The defined benefit obligation includes £16 million (2023: £17 million) arising from unfunded plans.
[4]The net deferred tax asset recognised on the Group net employee benefit asset (2023: asset) was £25 million at 31 December 2024 (2023: £35 million).

ii Amounts recognised in the Income statement

Pension costs charged to operating result are:

£ million	**2024**	2023
Defined benefit plans:		
Current service cost	**1**	1
Administrative expenses	**18**	15
	19	16
Defined contribution plans	**178**	159
Pension costs recorded as employee costs	**197**	175

£ million	**2024**	2023
Interest income on scheme assets	**(882)**	(974)
Interest expense on scheme liabilities	**805**	832
Interest expense on asset ceiling	**23**	53
Net financing credit relating to pensions	**(54)**	(89)

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28 Employee benefits continued

iii Amounts recognised in the Statement of other comprehensive income

£ million	**2024**	2023
Return on plan assets excluding interest income	**1,706**	755
Remeasurement of plan liabilities from changes in financial assumptions	**(1,343)**	269
Remeasurement of plan liabilities from changes in demographic assumptions	**(194)**	48
Remeasurement of experience (gains)/losses	**(174)**	374
Remeasurement of the APS and NAPS asset ceilings	**(191)**	(509)
Pension remeasurements recognised in Other comprehensive income	**(196)**	937
Tax arising on pension remeasurements	**21**	1
Pension remeasurements recognised in Other comprehensive income, net of tax	**(175)**	938

c Fair value of scheme assets

i Investment strategies

For both APS and NAPS, the Trustee has ultimate responsibility for decision making on investments matters, including the asset-liability matching strategy. The latter is a form of investing designed to match the movement in pension plan assets with the movement in the projected benefit obligation over time. The Trustees' investment committee adopts an annual business plan which sets out investment objectives and work required to support achievement of these objectives. The committee also deals with the monitoring of performance and activities, including work on developing the strategic benchmark to improve the risk return profile of the scheme where possible, as well as having a trigger-based dynamic governance process to be able to take advantage of opportunities as they arise. The investment committee reviews the existing investment restrictions, performance benchmarks and targets, as well as continuing to develop the derisking and liability hedging portfolio.

Both schemes use derivative instruments for investment purposes and to manage exposures to financial risks, such as interest rate, foreign exchange, longevity and liquidity risks arising in the normal course of business. Exposure to interest rate risk is managed through the use of Inflation-Linked Swap contracts. Foreign exchange forward contracts are entered into to mitigate the risk of currency fluctuations. Longevity risk is managed through the use of buy-in insurance contracts, asset swaps and longevity swaps.

Along with existing contracts with Rothesay Life (as detailed in 28c(iii)), and following the completion of a further longevity swap in 2024, APS is 100% protected against all longevity risk and fully protected in relation to all pensions that were already being paid as at 31 March 2018. APS is 95% protected against interest rates and inflation (on a Retail Price Index basis), and NAPS is 95% protected against interest rates and inflation.

The assets held by APS and NAPS are split between 'return seeking assets' and 'liability matching assets' depending on the maturity of each scheme. At 31 December 2024, the actual asset allocation for NAPS was 20% (2023: 19%) in return seeking assets and 80% (2023: 81%) in liability matching investments For NAPS, the Trustee agreed an updated investment framework with BA as part of the Scheme's 31 March 2021 actuarial valuation agreement. The Trustee is aiming towards an overall asset allocation with an agreed modest expected return relative to liabilities, and sufficient liquidity to manage investment risk appropriately on an on-going basis. The actual asset allocation for APS at 31 December 2024 was 1% (2023: 1%) in return seeking assets and 99% (2023: 99%) in liability matching investments. NAPS uses Liability Driven Investments (LDIs) to effectively hedge volatility in the scheme liabilities. This is achieved through direct bond holdings as opposed to the use of derivatives and as such leverage is low. Accordingly, as at 31 December 2024, NAPS has not been required to raise additional cash or liquidate existing assets in order to fund derivative positions.

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28 Employee benefits continued

c Fair value of scheme assets continued

ii Movement in scheme assets

A reconciliation of the opening and closing balances of the fair value of scheme assets is set out below:

£ million	**2024**	2023
As at 1 January	**20,011**	20,698
Reduction related to sale of BA Holidays	**(52)**	-
Interest income	**882**	974
Administration expenses	**(14)**	(12)
Return on plan assets excluding interest income	**(1,706)**	(755)
Employer contributions[1]	**28**	41
Employee contributions	**-**	7
Benefits paid	**(1,033)**	(930)
Exchange movements	**-**	(12)
Fair value of scheme assets	**18,116**	20,011

[1] Includes employer contributions to APS of £1 million (2023: £1 million) and to NAPS of £nil (2023: £nil), of which deficit funding payments represented £nil for APS (2023: £nil) and £nil for NAPS (2023: £nil).

iii Composition of scheme assets

Scheme assets held by the Group at 31 December comprise:

	2024				
£ million	**APS**	**NAPS**	**Other**	**Total**	2023
Return seeking investments					
Listed equities – UK	7	99	-	**106**	106
Listed equities – Rest of world	1	755	122	**878**	520
Private equities	22	517	12	**551**	622
Properties	-	1,082	9	**1,091**	1,373
Alternative investments	22	1,409	-	**1,431**	1,494
	52	3,862	143	**4,057**	4,115
Liability matching investments					
Government issued fixed bonds	967	3,689	105	**4,761**	5,281
Government issued index linked bonds	535	7,234	-	**7,769**	8,907
Assets and longevity swaps	722	-	-	**722**	776
Insurance contracts	2,668	-	32	**2,700**	2,928
	4,892	10,923	137	**15,952**	17,892
Other					
Cash and cash equivalents	65	555	6	**626**	601
Derivatives financial instruments	(193)	(2,360)	8	**(2,545)**	(2,602)
Other investments	-	24	2	**26**	5
	(128)	(1,781)	16	**(1,893)**	(1,996)
Total scheme assets	4,816	13,004	296	**18,116**	20,011

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28 Employee benefits continued

iii Composition of scheme assets continued

The fair values of the Group's scheme assets, which are not derived from quoted process on active markets, are determined depending on the nature of the inputs used in determining the fair values (see note 24b for further details) and using the following methods and assumptions:

- Private equities are valued at fair value based on the most recent transaction price or third-party net asset, revenue or earnings-based valuations that generally result in the use of significant unobservable inputs. The dates of these valuations typically precede the balance sheet date and have been adjusted for any cash movements between the date of the valuation and the balance sheet date. Typically, the valuation approach and inputs for these investments are not updated through to the balance sheet date unless there are indications of significant market movements.

- Properties are valued based on an analysis of recent market transactions supported by market knowledge derived from third-party professional valuers that generally result in the use of significant unobservable inputs.

- Alternative investments fair values, which predominantly include holdings in investment and infrastructure funds, are determined based on the most recent available valuations applying the Net Asset Value methodology and issued by fund administrators or investment managers and adjusted for any cash movements having occurred from the date of the valuation and the balance sheet date. The dates of these valuations typically precede the balance sheet date and have been adjusted for any cash movements between the date of the valuation and the balance sheet date. Typically, the valuation approach and inputs for these investments are not updated through to the balance sheet date unless there are indications of significant market movements.

- Other investments predominantly includes: interest receivable on bonds; dividends from listed and private equities that have been declared but not received at the balance sheet date; receivables from the sale of assets for which the proceeds have not been collected at the balance sheet date, and; payables for the purchase of assets which have not been settled at the balance sheet date.

- Derivative financial instruments are entered into predominantly to mitigate interest rate and inflation rate risks. These derivative financial instruments are stated at their fair value using pricing models and relevant market data as at the balance sheet date.

- Asset and longevity swaps - APS has a contract with Rothesay Life, entered into in 2010 and extended in 2013, which covers 25% (2023: 25%) of the pensioner liabilities for an agreed list of members. Under the contract, to reduce the risk of long-term longevity risk, Rothesay Life makes benefit payments monthly in respect of the agreed list of members in return for the contractual return receivable on a portfolio of assets (made up of quoted government debt) held by the scheme and the contractual payments made by APS to Rothesay Life on the longevity swaps. The Group holds the portfolio of assets at their fair value, with the government debt held at their quoted market price and the swaps accounted for at their estimated discounted future cash flows.

- During 2011, APS entered into a longevity swap with Rothesay Life, which covers an additional 21% (2023: 21%) of the pensioner liabilities for the same agreed list of members as the 2010 contract. Under the longevity swap, to reduce the risk of long-term longevity risk, APS makes a fixed payment to Rothesay Life each month reflecting the prevailing mortality assumptions at the inception of the contract, and Rothesay Life make a monthly payment to APS reflecting the actual monthly benefit payments to members. The cash flows are settled net each month. If pensioners live longer than expected at inception of the longevity swap, Rothesay Life will make payments to the scheme to offset the additional cost of paying pensioners and if pensioners do not live as long as expected, then the scheme will make payments to Rothesay Life. The Group holds the longevity swap at fair value, determined at the estimated discounted future cash flows.

- During 2024, APS entered into a longevity swap with Metropolitan Life Insurance Company, a subsidiary of MetLife, Inc., and Zurich Assurance Ltd to transfer longevity risk in relation to 7% of the scheme's liabilities. The longevity insurance policy is structured as an insurance arrangement between the Trustees of the Scheme and Zurich UK, and a back-to-back reinsurance arrangement between Zurich UK and MetLife using Zurich UK's pass-through solution. Under this pass-through structure, MetLife assumes 100% of the longevity risk associated with around 1,100 members of the Scheme, and the Trustees and MetLife take on mutual credit risk exposure to each other.

- Insurance contract - During 2018 the Trustee of APS secured a buy-in contract with Legal & General. The buy-in contract covers all members in receipt of pensions from APS at 31 March 2018, excluding dependent children, receiving a pension at that date and members in receipt of equivalent pension only benefits, who were alive on 1 October 2018. Benefits coming into payment for retirements after 31 March 2018 are not covered. The contract covers benefits payable from 1 October 2018 onwards. The policy covers approximately 60% of all benefits APS expects to pay out in future.

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28 Employee benefits continued

iv Effect of the asset ceiling

In measuring the valuation of the net defined benefit asset for each scheme, the Group limits such measurement to the lower of the surplus in each scheme and the respective asset ceiling. The asset ceiling represents the present value of the economic benefits available in the form of a refund or a reduction in future contributions after they are paid into the plan. The Group has determined that the recoverability of such surpluses, including minimum funding requirements, will be subject to withholding taxes in the UK, payable by the Trustee.

On 22 November 2023, the UK Government announced that it intended to reduce the withholding tax payable upon winding up of pension schemes from 35% to 25%. This change was substantively enacted on 11 March 2024 and hence was not reflected in the 2023 figures.

The future committed NAPS deficit contributions, as detailed in note 28a, are treated as minimum funding requirements under IAS 19 and are not recognised as part of the scheme assets or liabilities. The Group has determined that upon the wind up of the scheme, that if the scheme is in surplus, including the incorporation of the minimum funding requirements, then the surplus will be available as a refund or a reduction in future contributions after they are paid into the scheme. The recovery of such amounts are subject to UK withholding tax payable by the Trustee. In measuring the recoverability of the surplus for each scheme, the Group limits such measurement to the lower of the surplus in each scheme and the respective asset ceiling. The asset ceiling represents the present value of the economic benefits available upon wind up of the scheme, less the application of withholding taxes in the UK, payable by the Trustee, at 25% (2023: 35%).

A reconciliation of the effect of the asset ceiling used in calculating the IAS 19 irrecoverable surplus in APS and NAPS is set out below:

£ million	**2024**	2023
As at 1 January	**635**	1,091
Interest expense	**23**	53
Remeasurements[1]	**(191)**	(509)
As at 31 December	**467**	635

[1] Included within remeasurements of the asset ceiling is an amount of £184 million that arose as a result in the reduction in the UK rate of withholding tax of 35% to 25%, resulting in an increase in the net employee benefit asset.

d Present value of scheme liabilities

i Movement in scheme liabilities

A reconciliation of the opening and closing balances of the present value of the defined benefit obligations is set out below:

£ million	**2024**	2023
As at 1 January	**18,328**	17,745
Reduction related to sale of BA Holidays	**(52)**	-
Current service cost	**1**	1
Interest expense	**805**	832
Remeasurements – financial assumptions[1]	**(1,343)**	269
Remeasurements – demographic assumptions	**(194)**	48
Remeasurement of experience losses	**(174)**	374
Benefits paid	**(1,033)**	(930)
Employee contributions	**-**	7
Exchange movements	**-**	(18)
At 31 December	**16,338**	18,328

[1] Included in the remeasurements from financial assumptions is an amount of £1,657 million that decreases the scheme liabilities relating to changes in the discount rates (2023: £575 million increase) and £314 million that increases the scheme liabilities relating to changes in inflation rates (2023: £306 million decrease).

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28 Employee benefits continued

d Present value of scheme liabilities continued

ii Scheme liability assumptions

The principal assumptions used for the purposes of the IAS 19 valuations were as follows:

£ million	2024 APS	2024 NAPS	2024 Other schemes	2023 APS	2023 NAPS	2023 Other schemes
Discount rate[1]	**5.30**	**5.45**	**1.50 – 6.70**	4.50	4.55	1.00 – 7.10
Rate of increase in pensionable pay[2]	**3.30**	**N/A**	**2.00 – 5.00**	3.20	N/A	2.00 – 5.00
Rate of increase of pensions in payment[3]	**3.30**	**2.80**	**1.00 – 3.40**	3.20	2.65	0.75 – 3.40
RPI rate inflation	**3.30**	**3.10**	**2.00 – 2.50**	3.20	3.00	2.20 – 2.90
CPI rate of inflation	**N/A**	**2.80**	**2.00 – 2.50**	N/A	2.65	2.00 – 2.50

[1]The discount rate is determined by reference to the yield on high quality corporate bonds of currency and term consistent with the scheme liabilities.
[2]Rate of increase in pensionable pay, which reflects inflationary increases, is assumed to be in line with increases in RPI.
[3]It has been assumed that the rate of increase of pensions in payment, which reflects inflationary increases, will be in line with CPI for NAPS and RPI for APS.

The current longevities underlying the values of the scheme liabilities were as follows:

Mortality Assumptions	UK 2024	UK 2023
Life expectancy at age 60 for a;		
- male currently aged 60	**27.6**	27.5
- male currently aged 40	**29.0**	28.8
- female currently aged 60	**29.2**	29.0
- female currently aged 40	**31.3**	31.2

For APS, the base mortality tables are based on the Agreed Valuation Basis (AVB) as agreed between British Airways and the trustees of APS. For NAPS, the base mortality tables are based on analysis undertaken for the purpose of the triennial valuation dated 31 March 2021. Future mortality improvements reflect the most recent model published by the UK actuarial profession's Continuous Mortality Investigation (CMI), being their 2023 model, including a long-term improvement parameter of 1.0% per annum (2023: 1.0%).

As at 31 December 2024, the weighted-average duration of the defined benefit obligation was 9 years for APS (2023: 9 years) and 13 years for NAPS (2023: 14 years). The weighted-average duration of the defined benefit obligations was 1 to 16 years for other schemes (2023: 2 to 19 years). The weighted average duration represents a single figure for the average number of years over which the employee benefit liability discounted cash flows is extinguished and is highly sensitive to movements in the aforementioned discount rates.

iii Sensitivity analysis

Reasonable possible changes at the balance sheet date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown.

	Increase in present value of scheme liabilities					
	2024			2023		
£ million	APS	NAPS	Other schemes	APS	NAPS	Other schemes
Discount rate (decrease of 50 basis points)[1]	**200**	**710**	**17**	240	880	25
Future pension growth (increase of 50 basis points)[1]	**180**	**680**	**1**	210	840	3
Future mortality rate (one year increase in life expectancy)	**240**	**280**	**16**	260	340	19

[1]Sensitivities smaller than those disclosed can be approximately interpolated from those sensitivities above.

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

29 Contingent liabilities

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions. At 31 December 2024, where they could be reliably estimated, such liabilities amounted to £3 million (2023: £4 million). The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and accordingly no provisions have been recorded.

Contingent liabilities associated with income taxes, deferred taxes and indirect taxes are presented in note 8.

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30 Related party transactions

The following transactions took place with related parties for the financial year ended 31 December 2024:

	Group		Company	
£ million	**2024**	2023	**2024**	2023
Sales of goods and services:				
Sales to/purchases on behalf of IAG[1]	**3**	2	**3**	2
Sales to/purchases on behalf of subsidiary undertakings of IAG[2]	**110**	123	**110**	123
Sales to/purchases on behalf of significant shareholders of IAG[3]	**145**	158	**145**	158
Sales to associates[4]	**528**	393	**528**	379
Sales to subsidiaries[5]	**-**	-	**155**	598
Purchases of goods and services:				
Purchases from IAG[1]	**89**	101	**89**	101
Purchases from subsidiary undertakings of IAG[2]	**382**	252	**382**	252
Purchases from significant shareholders of IAG[3]	**70**	63	**70**	63
Purchases from associates[4]	**87**	82	**87**	76
Purchases from subsidiaries[5]	**-**	-	**141**	114

Period end balances arising from sales and purchases of goods and services:

	Group		Company	
£ million	**2024**	2023	**2024**	2023
Receivables from related parties:				
Amounts owed by IAG[1]	**-**	1	**-**	1
Amounts owed by subsidiary undertakings of IAG[2]	**87**	77	**87**	77
Amounts owed by significant shareholders of IAG[3]	**55**	97	**55**	97
Amounts owed by associates[4]	**312**	152	**312**	152
Amounts owed by subsidiaries[5]	**-**	-	**55**	30
Payables to related parties:				
Amounts owed to IAG[1]	**1,391**	1,435	**1,391**	1,435
Amounts owed to subsidiary undertakings of IAG[2]	**70**	61	**70**	61
Amounts owed to significant shareholders of IAG[3]	**-**	-	**-**	-
Amounts owed to associates[4]	**1,736**	1,489	**1,736**	1,486
Amounts owed to subsidiaries[5]	**-**	-	**588**	807

[1]The transactions between BA and IAG principally comprise mainly of a long-term loan, 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. The long-term loan owed to and from the Group bear market rates of interest.

[2]Amounts owed by and to subsidiary undertakings of IAG related to other subsidiaries of the IAG Group. Sales include interline transactions amounting to £18 million (2023: includes £35 million) where BA have flown a passenger on behalf of a related party airline and there are revenues and associated costs within BA's income statement. In these transactions, the passenger is the end consumer and the related party airline acts as the agent. Purchases exclude interline transactions amounting to £119 million (2023: excludes £102 million) where a related party airline has flown a passenger on behalf of BA. In these transactions, BA acts as the agent and there are no revenues or associated costs within BA's income statement.

[3]Amounts owed by and to significant shareholders of IAG. Sales include interline transactions amounting to £82 million (2023: includes £71 million) where BA have flown a passenger on behalf of a related party airline and there are revenues and associated costs within BA's income statement. In these transactions, the passenger is the end consumer and the related party airline acts as the agent. Purchases exclude interline transactions amounting to £264 million (2023: excludes £296 million) where a related party airline has flown a passenger on behalf of BA. In these transactions, BA acts as the agent and there are no revenues or associated costs within BA's income statement.

[4]Sales and purchases with associates are made at normal market prices and outstanding balances are unsecured. Cash settlement is expected within the standard settlement terms. Sales include interline transactions amounting to £89 million (2023: includes £22 million) where BA have flown a passenger on behalf of a related party airline and there are revenues and associated costs within BA's income statement. In these transactions, the passenger is the end consumer and the related party airline acts as the agent. Purchases exclude interline transactions amounting to £125 million (2023: excludes £126 million) where a related party airline has flown a passenger on behalf of BA. In these transactions, BA acts as the agent and there are no revenues or associated costs within BA's income statement.

[5]Outstanding trading balances are placed on inter-company accounts with no specified credit period. Long-term loans owed to and from the Company by subsidiary undertakings bear market rates of interest.

In addition, payments made by the Company on behalf of the Group's retirement benefit plans amounted to £1 million in relation to the Pension Protection Fund levy (2023: £1 million).

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30 Related party transactions continued

Neither the Group nor the Company have benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2024 the Group has not made any allowance for expected credit losses relating to amounts owed by related parties (2023: £nil). The Company has made an allowance for expected credit losses related to amounts owed by related parties of £44 million (2023: £44 million).

In November 2020, British Airways entered into a floating rate fixed term loan agreement with IAG, the ultimate parent undertaking, for £1,453 million (€1,645 million). The loan is repayable in November 2026.

During the course of 2022, the Group provided the first tranche of a long-term shareholder loan of £11 million to LanzaJet, a company which specialises in the generation of Sustainable Aviation Fuels of which the Group has a 12.8% equity interest, classified as an associate and presented within Investments accounted for using the equity method in the Balance sheet. The second and final tranche of £3 million was provided in April 2023. The loan is repayable in June 2044.

Directors' and Officers' loans and transactions

There were no loans or credit transactions with Directors or Officers of the Company at 31 December 2024 or that arose during the year that need to be disclosed in accordance with the requirements of sections 412 and 413 to the Companies Act 2006.

31 Post balance sheet events

Between the reporting date and the date of this report there have been no post balance sheet events.

32 Subsidiary audit exemption

The following companies are exempt from the requirements relating to the audit of individual accounts for the year ended 31 December 2024 by virtue of Section 479A of the Companies Act 2006:

BA and AA Holdings Limited (03840072)
BA European Limited (06346489)
BA Excepted Group Life Scheme Limited (11283644)
BA Healthcare Trust Limited (09619950)
BA Holdco Limited (12278609)
BritAir Holdings Limited (03537574)
British Airways (BA) Limited (07990613)
British Airways 777 Leasing Limited (04954270)
British Airways Associated Companies Limited (00590083)
British Airways Avionic Engineering Limited (02775232)
British Airways Engineering Gatwick Limited (16147388)
British Airways Interior Engineering Limited (03109109)
British Airways Leasing Limited (04150220)
British Airways Maintenance Cardiff Limited (02204178)
British Midland Airways Limited (00464648)
Gatwick Ground Services Limited (10390742)

The Company has issued guarantees in relation to statutory audit exemptions for the subsidiary companies above.

33 Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking and controlling party as at 31 December 2024 was International Consolidated Airlines Group S.A., which is incorporated in Spain.

The Company is included within the consolidated financial statements of IAG which are publicly available on the website www.iairgroup.com.

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34 Supplemental cash flow information

a Reconciliation of movement in provisions included within Net cash flows from operating activities

£ million	**2024**	2023[1]
Opening provisions	**850**	827
Non-cash additions recorded in operating profit	**238**	214
Non-cash releases of unused provisions recorded in operating profit	**(55)**	(38)
Other non-cash amounts recorded within operating profit	**7**	(8)
Cash settlements relating to operating provisions	**(124)**	(115)
Less non-cash carbon-related obligations reported in operating profit (note 2)	**(85)**	(69)
Movements in provisions recorded within net cash flows from operating activities	**(19)**	(16)
Movements elsewhere within the Balance sheet	**23**	(15)
Unrealised currency differences arising on provisions recorded within operating profit	**(13)**	(24)
Non-cash settlement of Carbon-related obligations	**(87)**	(9)
Add non-cash carbon-related obligations reported in operating profit (note 2)	**85**	69
Movements in provisions recorded in the Income statement outside of operating profit	**22**	18
Closing provisions (note 22)	**861**	850

[1]For the year to 31 December 2024, the Group has elected to disaggregate the impact of Carbon-related obligations from the Movement in provisions included within Net cash flows from operating activities within the Cash flow statement. The figures for the comparative year to 31 December 2023 have been updated accordingly.

b Reconciliation of movement in carbon assets and obligations included within Net cash flows from operating activities

£ million	**2024**	2023
Non-cash carbon-related obligations recorded in operating profit	**85**	69
Purchase of carbon-related assets	**(42)**	(56)
Movements in carbon-related assets and obligations recorded within net cash flows from operating activities	**43**	13

c Other items included within Net cash flows from operating activities

£ million	**2024**	2023
Non-cash movements on derivative and non-derivative financial instruments	**35**	85
Settlement of interest rate derivatives	**11**	11
Other non-cash movements	**(12)**	(33)
	34	63

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Subsidiary undertakings at 31 December 2024

The holdings disclosed concern ordinary shares and are wholly owned unless otherwise stated.

Name of company	Country of incorporation and principal operations	Principal activities	Registered address
BA and AA Holdings Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
BA Call Centre India Private Limited ('CallBA')[1]	India	Call centre	F-42, East of Kailash, New Delhi, 110065
BA Cityflyer Limited	England	Airline operations	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
BA Euroflyer Limited	England	Airline operations	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
BA European Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
BA Excepted Group Life Scheme Limited	England	Life insurance	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
BA Healthcare Trust Limited	England	Dormant	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
BA Holdco Limited	England	Dormant	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
BA Number One Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
BA Number Two Limited[1]	Jersey	Holding company	IFC 5, St Helier, Jersey, JE1 1ST
Bealine Limited[2]	England	Dormant	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
BritAir Holdings Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways (BA) Limited[1]	England	Dormant	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways 777 Leasing Limited	England	Aircraft leasing	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways Associated Companies Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways Avionic Engineering Limited	England	Engineering	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways Capital Limited	Jersey	Aircraft financing	Queensway House, Hilgrove Street, St Helier, JE1 1ES
British Airways Engineering Gatwick Limited	England	Engineering	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways Holdings BV[1]	Netherlands	Holding company	Strawinskylaan 3105, Atrium 1077ZX Amsterdam
British Airways Interior Engineering Limited	England	Engineering	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways Leasing Limited	England	Aircraft leasing	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways Maintenance Cardiff Limited	England	Engineering	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways Pension Trustees (No 2) Limited	England	Trustee company	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Airways Plc Employee Share Ownership Trust	Jersey	Trust	Queensway House, Hilgrove Street, St Helier, JE1 1ES
British Midland Airways Limited[1]	England	Former airline	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
British Midland Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
Gatwick Ground Services Limited	England	Ground services	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
Speedbird Insurance Company Limited	Bermuda	Insurance	Canon's Court, 22 Victoria Street, Hamilton, HM 12

[1]Not directly owned by British Airways Plc
[2]Formerly known as Bealine plc

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Associated undertakings at 31 December 2024

The holdings disclosed concern ordinary shares unless otherwise stated.

Name of company	Percentage ownership	Country of incorporation and principal operations	Principal activities	Registered address
Avios Group (AGL) Limited	86.26	England	Management of airline loyalty reward currency	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
Dunwoody Airline Services Limited	40.00	England	Ground services	Building 552, Shoreham Road East, Heathrow Airport, TW6 3UA
IB Opco Holding S.L.[1]	6.80	Spain	Airline operations	Calle Velazquez 130, 28006 Madrid
LanzaJet, Inc.	12.81	USA	Sustainable fuel technology	520 Lake Cook Road, Suite 680, Deerfield, Illinois, 60015, USA

[1]Not directly owned by British Airways Plc

Other equity investments at 31 December 2024

The holdings disclosed concern ordinary shares unless otherwise stated.

Name of company	Percentage ownership	Country of incorporation and principal operations	Principal activities	Registered address
International Consolidated Airlines Group S.A.	0.001	Spain	Holding company	El Caserío, Iberia Zona Industrial n° 2 (La Muñoza), Camino de La Muñoza, s/n, 28042 Madrid.
The Airline Group Limited	16.68	England	Air traffic control holding company	Brettenham House South, 5th Floor, Lancaster Place, London, WC2N 7EN

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Operating and financial statistics

Not forming part of the audited financial statements

		Year ended 31 December		
Total Group continuing operations		**2024**	2023	2022
Traffic and capacity				
Available seat kilometre ('ASK')	m	**175,141**	167,695	130,938
Revenue passenger kilometre ('RPK')	m	**149,156**	140,135	104,559
Cargo tonne kilometre ('CTK')	m	**3,813**	3,431	2,915
Passengers carried	'000	**46,163**	42,964	33,025
Passenger load factor	%	**85.2**	83.6	79.9
Tonnes of cargo sold	'000	**445**	426	393
Operations				
Average headcount		**40,521**	37,401	33,625
Aircraft in service at year end		**293**	284	276
Aircraft utilisation (average hours per aircraft per day)		**10.48**	10.03	8.60
Punctuality – within 15 minutes	%	**73**	58	56
Regularity	%	**97.9**	97.0	97.0
Financial				
Passenger revenue per ASK	p	**7.69**	7.55	7.04
Passenger revenue per RPK	p	**9.03**	9.04	8.81
Cargo revenue per CTK	p	**20.69**	22.06	36.36
Average fuel price ($/metric tonne)		**807**	892	1,074
Operating margin	%	**14.1**	10.0	2.9
Operating margin before exceptional items	%	**14.1**	10.0	2.8
Earnings before interest, tax, depreciation and amortisation ('EBITDA')[1]	£m	**3,196**	2,448	1,390
Net debt/total capital ratio	%	**404.6**	155.2	145.1
Total revenue per ASK	p	**8.32**	8.54	8.42
Total expenditure before exceptional items on operations per ASK	p	**7.14**	7.69	8.19
Total expenditure before exceptional items on operations excluding fuel per ASK	p	**5.04**	5.41	5.95

[1]EBITDA is before exceptional items

m = millions
n/a = not applicable
p = pence
Operating statistics do not include those of associate undertakings and franchisees.

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Fleet table

Number in service with Group companies at 31 December 2024

	Owned	Finance lease	Operating lease	Total December 2024	Total December 2023	Changes since December 2023	Future deliveries	Options
Airline Operations (note 2)								
Airbus A319	11	-	16	**27**	29	*(2)*	**-**	-
Airbus A320	37	27	26	**90**	86	*4*	11	-
Airbus A321	11	5	10	**26**	24	*2*	7	-
Airbus A350	-	16	2	**18**	17	*1*	-	36
Airbus A380	5	7	-	**12**	12	-	-	-
Boeing 777-200	40	-	3	**43**	43	-	-	-
Boeing 777-300	9	-	7	**16**	16	-	-	-
Boeing 777-9	-	-	-	**-**	-	-	18	24
Boeing 787-8	8	2	2	**12**	12	-	-	-
Boeing 787-9	1	8	9	**18**	18	-	-	-
Boeing 787-10	-	9	2	**11**	7	*4*	7	6
Embraer E190	9	-	11	**20**	20	-	-	-
Total Operations	**131**	**74**	**88**	**293**	284	*9*	**43**	**66**

Notes:

1. Aircraft are reported based on their contractual definitions as opposed to their accounting determination. For accounting purposes, while all operating leases are presented as lease liabilities, finance leases are presented as either lease liabilities or asset financed liabilities, depending on the nature and timing of the individual arrangement.

2. Includes aircraft operated by British Airways Plc, BA Cityflyer Limited and BA Euroflyer Limited.

3. As well as those aircraft in service the Group also holds 1 aircraft (31 December 2023: 3) not in service.

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Glossary

Airline operations	This includes British Airways Plc, BA Cityflyer Limited and BA Euroflyer Limited.
Available seat kilometres ('ASK')	The number of seats available for sale multiplied by the distance flown.
Available tonne kilometres ('ATK')	The number of tonnes of capacity available for the carriage of revenue load (passenger and cargo) multiplied by the distance flown.
Cargo revenue per CTK	Cargo revenue divided by CTK.
Cargo tonne kilometres ('CTK')	The number of revenue tonnes of cargo (freight and mail) carried multiplied by the distance flown.
Continuing operations	The segments of the business that are considered to be normal and expected to operate in the foreseeable future.
EBITDA	Earnings before interest, tax, depreciation and amortisation
Exceptional items	Those items that in management's view need to be separately disclosed by virtue of their size or nature.
Load factor	The percentage relationship of revenue load carried to capacity available.
Net debt	Current and long-term interest-bearing borrowings less other current interest-bearing deposits and cash and cash equivalents.
Net debt/total capital ratio	Net debt as a ratio of total capital.
nm	Not meaningful.
n/a	Not applicable.
Operating margin	Operating profit as a percentage of total revenue.
Overall load factor	RTK expressed as a percentage of ATK.
Passenger load factor	RPK expressed as a percentage of ASK.
Passenger revenue per ASK	Passenger revenue divided by ASK.
Passenger revenue per RPK	Passenger revenue divided by RPK.
Punctuality	The industry's standard, measured as the percentage of flights departing within 15 minutes of schedule.
Ready-to-go	The percentage of flights that have the aircraft door being closed five minutes prior to the advertised scheduled departure time.
Regularity	The percentage of flights completed to flights scheduled, excluding flights cancelled for commercial reasons.
Revenue passenger kilometres ('RPK')	The number of revenue passengers carried multiplied by the distance flown.
Revenue tonne kilometres ('RTK')	The revenue load in tonnes multiplied by the distance flown.
Total capital	Total equity plus net debt.
Total group revenue per ASK	Total Group revenue divided by ASK.
Total operating expenditure excluding fuel per ASK	Total operating expenditure excluding fuel divided by ASK.
Total operating expenditure per ASK	Total operating expenditure divided by ASK.
Total traffic revenue per ASK	Revenue from total traffic divided by ASK.

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END