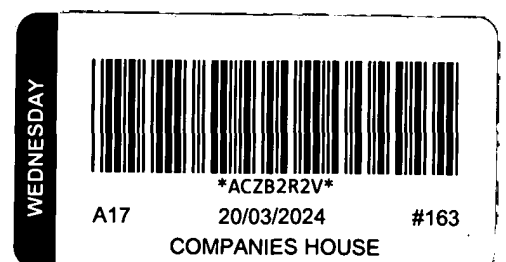


# British Airways Plc

## Annual Report and Accounts Year ended 31 December 2023

Company registration number: 1777777



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## **Officers and professional advisers**

### **Directors**

Sean Doyle	(Chairman and Chief Executive Officer)
Alison Reed	(Deputy Chairman)
José Antonio Barrionuevo Urgel	(Chief Financial and Transformation Officer)
Alison Brittain	
Nicholas Cadbury	

### **Secretary**

Andrew Fleming

### **Registered office**

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PO Box 365  
Harmondsworth  
UB7 0GB

### **Parent company**

International Consolidated Airlines Group S.A. ('IAG')  
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Camino de La Muñeza, s/n,  
28042 Madrid  
Spain

### **Independent auditor**

KPMG LLP  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

## Strategic report

The Directors present their strategic report for the year ended 31 December 2023.

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 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: £14,322 million, up 30% (2022: £11,030 million)
- Operating profit before exceptional items: £1,431 million (2022: £306 million<sup>1</sup> profit)
- Net debt decreased by £733 million to £7,188 million (2022: £7,921 million).
- Passengers: 43.0 million, up 30% (2022: 33.0 million)
- Punctuality: 58% (2022: 56%)

<sup>1</sup>Refer to the footnote on page 6

For the year ended 31 December 2023, the Group made a profit before tax of £1,424 million (2022: £46 million profit).

Overall capacity, measured in available seat kilometres (ASKs), increased by 28.1 per cent and passenger load factor increased by 3.7 percentage points. This was driven by increased leisure and business volumes as greater demand returned during 2023 versus 2022. The increase in passenger load factor, together with a rise in average passenger yields of 1.0 per cent, led to an increase in passenger revenue of 37.5 per cent compared to 2022 which was impacted by the Omicron variant of COVID-19 particularly in the early months of 2022.

#### Our Operation

In 2023, British Airways continued the work started in 2022 to build back from the COVID-19 pandemic and transform the airline, with an increased focus and investment on driving improvements in operational performance, resilience and net promoter score. To deliver this, the airline announced an investment of more than £7 billion between 2024 and 2026, for investing in the fleet and lounges, modernising the IT estate, upgrading its suite of digital products and introducing new technology into the operation.

#### Operational Performance

British Airways placed a renewed focus in improving its operational performance and net promoter score. To achieve this, the airline introduced a number of new initiatives to ensure it continued to deliver for its customers. This included placing an increased focus on departures for key routes such as Heathrow to New York-JFK, which resulted in on-time performance improving by more than 62 per cent throughout the year.

British Airways took delivery of ten new, more fuel-efficient aircraft during the year, including the Airbus A320 and A321neo, Airbus A350-1000 and Boeing 787-10 Dreamliner. IAG also announced an order for BA of six further Boeing 787-10 aircraft, which will be delivered in 2025 and 2026 to help restore capacity to pre-pandemic levels.

The airline continued to expand its global network by launching new services from Gatwick to Aruba, Guyana, Accra and Vancouver and new routes from Heathrow to Cincinnati, Riga, Cologne, Belgrade, Florence and Istanbul's Sabiha Gokcen International Airport. The airline also re-started operations to Beijing and Shanghai following a three-year period of suspended operations due to the pandemic and announced it will launch new services to Kos and Izmir from Heathrow and resume flights to Abu Dhabi in 2024.

British Airways continued to work with **oneworld** and its joint business and codeshare partners and launched a new codeshare partnership with South African airline, Airlink, offering more choice and connectivity for customers travelling across the Southern Africa region. The airline also signed an agreement with IndiGo, which offers customers improved connectivity between Southeast Asia and Europe.

Following domestic carrier Flybe's entry into administration and the withdrawal of its application for a temporary operating licence, Heathrow slots were returned to British Airways through the independent slot coordinator, ACL. The slots were originally leased to Flybe by British Airways.

BA Euroflyer, the British Airways subsidiary based at Gatwick Airport operated its first flight under its own Air Operator Certificate (AOC) in January 2023 and continues the process of transitioning aircraft across from British Airways mainline. BA Euroflyer operates in a similar manner to the company's existing subsidiary, BA Cityflyer, flying under the British Airways brand and offering the same premium product that customers know and enjoy on British Airways mainline services. Throughout the year, BA Euroflyer launched flights to destinations including Corfu, Mykonos, Innsbruck, Sharm El Sheikh and Fuerteventura and announced a new service to Agadir for 2024. Meanwhile BA Cityflyer announced it will operate flights from Edinburgh to Olbia and San Sebastian and weekend services to Florence, Nice and Ibiza from London Stansted.

## Strategic report continued

### Management review and outlook continued

#### *Resilience*

At times throughout the year, British Airways experienced disruption to flights due to a combination of factors, many 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, airport resourcing, aircraft serviceability, global supply chain issues and significant adverse weather events across the network. As a result, colleagues from across the airline recognised a need for improvement and continued to work hard to alleviate the factors within its control by placing a renewed focus on building a more robust operation, with a laser focus on improving punctuality and further investment in its customer experience. Whilst the majority of these disruption events occurred at various periods throughout the year, British Airways noted a reduction in the number of internal and third-party disruption events experienced during the final quarter of the year.

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. This included looking at global supply chain issues such as aircraft part shortages and third-party airport resourcing and planning mitigations which included rescheduling some flights to align with airport resources, consolidating flights and putting on larger aircraft where possible. British Airways worked with some of its joint business partners including Finnair and other specialist wet lease providers to operate some flights on its behalf throughout the year.

Like many airlines, British Airways experienced significant disruption owing to the NATS systems outage on the August Bank Holiday Monday and worked hard to ensure customers reached their destinations as quickly as possible. This included invoking its middle-seat policy in its business class cabin, Club Europe, making an additional 8,000 seats available across the airline's short-haul network over a three-day period.

#### *Our People*

Our People are the most significant asset in enabling the airline to deliver the premium service customers seek. British Airways continued to focus on investing in its people and putting its colleagues at the heart of its business, bringing approximately 7,500 colleagues into the airline during the year primarily across operational and head office functions to build extra resilience into its operation and deliver for its customers.

In January 2023, the airline unveiled its new uniform, designed by Savile Row tailoring expert Ozwald Boateng. More than 1,500 colleagues were involved in the design process to create the new uniform, which is now being worn by more than 30,000 colleagues across the airline. In the same month, British Airways expanded its social media presence by launching on TikTok, a platform on which it continued to showcase colleagues from across the business. In the first year, the airline's TikTok channel achieved more than one and a half million likes and gained over 230,000 followers.

In April 2023, British Airways unveiled its new safety video which features its colleagues alongside the best British talent and is shown on all long-haul flights. Titled "An Original Safety Video," the five-minute film builds on the success of the "A British Original" brand campaign by celebrating Britain's unique culture and the original reasons behind every journey.

In recognition of the airline's commitment to emerging talent and career development, British Airways was named as one of 'The Times' Top 100 Graduate Employers for 2023, as voted for by more than 12,000 graduates who recently left university. In addition, the airline's Finance Graduate Scheme won 'Graduate Programme of the Year' at the 20<sup>th</sup> PQ Magazine Awards, an award-winning magazine for part-qualified accountants.

British Airways also launched its Speedbird Pilot Academy cadet training programme, which will offer fully-funded training for up to 100 aspiring pilots each year. The creation of the programme will see the cost barrier to training to become an airline pilot removed, widening the accessibility of the profession to a greater pool of talent.

British Airways continues to create a colleague-centric culture by recognising the outstanding contributions colleagues make to the business through its Above & Beyond recognition programme, with more than 100,000 individual recognition messages sent to colleagues via the platform throughout the year. The airline held an awards event to celebrate the achievements of its people around the world, made further enhancements to its Staff Travel benefits and began refurbishment work of colleague rest areas at Heathrow.

In early June 2023, British Airways was informed it was one of the companies impacted by Zellis' cybersecurity incident which occurred via Zellis' third-party supplier, MOVEit. Zellis provides payroll support services to hundreds of companies in the UK. The incident occurred due to a new and previously unknown vulnerability in a widely used MOVEit file transfer tool. British Airways took immediate action to report the incident to the Information Commissioner's Office (ICO), notify colleagues whose personal information may have been compromised and continues to provide support and advice to colleagues, including access to a specialist service that helps detect possible misuse of personal information and provides identity monitoring support.

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.

With colleagues from all over the world and a global network spanning more than 70 countries, diversity is an inherent part of British Airways' identity and the airline continues to celebrate different perspectives, backgrounds and experiences through a renewed inclusion and diversity strategy. British Airways continues to take positive action to drive inclusion across the airline whilst acknowledging there is more work to do and continues to work with its colleagues to deliver on this commitment.

## Strategic report continued

### Management review and outlook continued

#### *Our Customers*

British Airways continues to invest in its customer experience and ensure the airline delivers for its customers. The airline continued to fit its award-winning business class seat, the Club Suite, on to more of its long-haul aircraft with 58 per cent of Heathrow-based aircraft flying with the next generation business class product.

On board, British Airways launched a new enhanced First training course, providing cabin crew with specialist training and knowledge and an enhanced skillset to deliver the seamless and personalised service customers travelling in First would expect. It also introduced a selection of award-winning English sparkling wines into its Club World cabin for the first time, highlighting British provenance. The airline also doubled the amount of content available via its in-flight entertainment system and continued to showcase the best of British content through its "A British Original" channel.

On the ground, the airline continued to invest in and enhance its global lounge proposition by completing the transition to a new catering supplier across its owned and operated US lounges and refreshed its lounges at Heathrow. The lounge investment also included a collaboration with premium drinks brands Betty Buzz and Aviation Gin at the new co-branded American Airlines and British Airways lounges at New York – JFK Terminal 8 which opened in December 2022 and the opening of an exclusive Whispering Angel lounge bar in Heathrow Terminal 5B's lounge. In December, British Airways announced the construction of an exclusive lounge at Miami International Airport, which is scheduled to open in 2025.

Elsewhere, as part of the airline's continued investment into the digital customer experience, British Airways rolled out digital baggage notifications to notify customers when their bag reaches the carousel at Heathrow and enabled customers to access digital baggage receipts through the British Airways mobile app. The airline also continues to evolve its digital and technology capabilities, including rolling out automation and biometrics across many areas of the customer experience and has begun development on a new website and mobile application.

In June 2023, British Airways opened a new contact centre at its Call BA operation in Delhi, which formed part of a wider investment into the airline's Global Engagement Centres which also included the roll out of a new telephone system and customer platform, providing colleagues with the latest technology to better assist customers.

Throughout the year, British Airways continued to drive brand affinity, engagement and commercial activity through global and geo-targeted tactical campaigns, events and brand partnerships – including BST Hyde Park, Visit Britain campaigns in the US, Japan and China and regional activations in local markets across its global network. The airlines' "A British Original" brand campaign continued to drive brand awareness and builds on the original reasons why customers and colleagues fly with British Airways.

In a first for the airline, British Airways, in conjunction with IAG Loyalty, launched a series of Avios-Only Flights, where every seat is available to purchase using Avios, the currency used for the British Airways Executive Club loyalty programme. Initially, seats were made available on BA Euroflyer's inaugural service from Gatwick to Sharm El Sheikh in November 2023 and a selection of flights from Heathrow to Geneva in early 2024. Following a successful launch which saw the first two destinations sell out within 24 hours, further services were added to destinations including Las Palmas, Lanzarote, Barcelona, Nice and Tenerife for travel in 2024. The airline also announced its first long-haul Avios-Only flight will depart for Dubai in October 2024.

Furthermore, British Airways Holidays in conjunction with IAG Loyalty gave customers the option to pay for holiday packages with Avios, providing Executive Club members with more ways to spend Avios earned through the loyalty scheme – including the ability to collect Avios on purchases made in World Duty Free's locations at London Heathrow.

In line with other airlines and loyalty schemes, British Airways transitioned to a new Avios collection model which issues the airlines loyalty currency based upon the cost of the flight ticket as opposed to the distance travelled. The change also enabled customers the ability to collect Avios on eligible ancillary purchases, such as pre-paid seat selection, upgrades and excess baggage.

During the pandemic, British Airways was the first UK airline to offer customers the unprecedented flexibility to change their plans by providing them with vouchers for future travel. British Airways enabled customers to redeem their vouchers online, combine multiple vouchers together, and regularly reminded them they have a voucher to use via e-mail. To give British Airways customers greater flexibility, the airline has extended the expiry date so customers now have until 30 September 2025 to use their voucher.

#### *Our Planet*

British Airways continued to put sustainability at the heart of its business and remains committed to reducing the impact flying has on the planet. The airline has a clear road map of initiatives to reach net zero emissions by 2050 and continues to work closely with government and industry partners to get there as part of its BA Better World sustainability programme.

During 2023, the Group achieved IEnVA Stage 2 Certification. This is an accreditation awarded by the International Air Transport Association (IATA) in relation to the airline's environmental commitments and ongoing efforts to improve its environmental sustainability performance.

The airline's focus throughout the year has been to continue to embed BA Better World in every part of the business and to mobilise, energise and support colleagues in creating a culture of sustainability that is visible to customers. As part of this, there is a renewed focus for all business plan submissions to include a section on sustainability.

## Strategic report continued

### Management review and outlook continued

The airline celebrated the first anniversary of its BA Better World Community Fund in April, an initiative which supports projects in communities across the breadth of the UK. Since its launch in April 2022, the scheme has raised more than £5 million and now supports more than 170 charities across the UK. The airline also celebrated raising more than £28 million for Flying Start, its charity partnership with Comic Relief, which began in 2010.

British Airways celebrated 10 years of working in partnership with the Disasters Emergency Committee, DEC, and held an event in London to celebrate the occasion. In response to the devastating earthquake which affected Turkey and Syria in February, British Airways temporarily redirected all onboard donations to the DEC's Turkey-Syria Earthquake appeal, raising £143,000 and operated relief flights carrying more than four tonnes of vital aid and medical supplies to the region. In addition, customers and colleagues had the opportunity to donate via the BA Better World Community Fund, raising a further £43,000 to provide support for those who need it most. Through the community fund and in partnership with the Red Cross, British Airways customers and colleagues raised more than £25,000 to provide aid and support for those affected by the geopolitical situation in Israel.

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. This resulted in £130,000 of additional funding being awarded to more than 120 charities registered at the time. British Airways also announced a partnership with the Alzheimer's Society and was recognised in a recent report published by the CAA for its user-friendly Digital Accessibility proposition. The airline continues to work hard to review and improve its offerings and support customers who may require additional assistance throughout their journey.

In November 2023, Project Speedbird, British Airways' partnership with Nova Pangaea Technologies (NPT) and Lanzajet, secured £9 million of government funding from the Government's Advanced Fuels Fund (AFF) competition, which brings the industry a step closer in scaling up Sustainable Aviation Fuel (SAF) production within the UK. In December, British Airways announced a first of a kind carbon removals partnership with CUR8, UNDO and Standard Chartered. Under this pilot, British Airways has committed to purchase more than 4,000 tonnes of carbon removal credits delivered by UNDO, an enhanced rock weathering startup.

British Airways' Sustainability Report is available at [www.britishairways.com/babetterworld](http://www.britishairways.com/babetterworld).

### *Government Affairs*

British Airways continued to closely engage with the UK Government to promote policy positions that support aviation and wider economic benefits, particularly in the need for government to encourage investment in SAF in the UK. In conjunction with its parent company, International Airlines Group, British Airways hosted an 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 provided written evidence to the Transport select committee in relation to the NATS outage in the summer and met with officials and Ministers on several occasions throughout the year to inform them of British Airways' approach to maintaining resilience within its operation in order to maintain customer service standards.

### *Our outlook*

British Airways remains committed to operating a strong and stable schedule and delivering for its customers and colleagues, whilst managing costs and operating safely and efficiently. The airline continues to transform and invest in its customer and colleague experience, while remaining fully committed to reducing its environmental impact and continuing 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 2023.

British Airways' Climate-related financial disclosures are set out from pages 21 to 30 to meet the UK requirements of the Climate-related Financial Disclosure Regulations.



## Strategic report continued

### Financial review

The financial review provides a summary of the Group's financial results for the year ended 31 December 2023.

#### Summary financial performance

£ million	2023	2022 <sup>1</sup>	Higher/(lower)
<b>CONTINUING OPERATIONS</b>			
Total revenue	14,322	11,030	29.8%
Total expenditure on operations before exceptional items	(12,891)	(10,724)	20.2%
Operating profit before exceptional items	1,431	306	nm
Exceptional items	-	19	nm
Operating profit after exceptional items	1,431	325	nm
Finance costs, income and other non-operating credits	(7)	(279)	(97.5%)
Profit before tax	1,424	46	nm
Tax (charge)/credit	(263)	15	nm
Profit after tax	1,161	61	nm

£ million	2023	2022 <sup>1</sup>	Higher/(lower)
<b>CONTINUING OPERATIONS</b>			
Available seat kilometres (ASK) (m)	167,695	130,938	28.1%
Revenue passenger kilometres (RPK) (m)	140,135	104,559	34.0%
Passenger load factor (%)	83.6	79.9	3.7 pts
Passenger revenue per ASK (p)	7.55	7.04	7.2%
Passenger revenue per RPK (p)	9.04	8.81	2.6%
Non-fuel costs per ASK at constant currency* (p)	5.34	5.75	(7.1%)

<sup>1</sup>The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment. There is no impact on Profit after tax for the year. Further information is given in note 2.

\*Stated before exceptional items

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

#### Revenue

£ million	2023	2022	Higher/(lower)
<b>CONTINUING OPERATIONS</b>			
Passenger revenue	12,668	9,215	37.5%
Cargo revenue	757	1,060	(28.6%)
Other revenue	897	755	18.8%
Total revenue	14,322	11,030	29.8%

Overall capacity for the year reached 90.1 per cent of that operated in the same period during 2019. This is significantly higher than the 70.3 per cent of 2019 capacity operated during 2022. This is driven by increased travel arising from greater demand and consumer confidence following the impact of Omicron during the first quarter of 2022. Passenger load factors reached 83.6 per cent, the same achieved in 2019. This, together with increased yields, translated to total passenger revenue for the year of £12,668 million (2022: £9,215 million), an increase of 37.5 per cent. Passenger unit revenue (passenger revenue per ASK) was 7.2 per cent higher than in 2022, and 18.2 per cent higher than in 2019.

Cargo carried, measured in cargo tonne kilometres (CTKs), increased by 17.7 per cent, however Cargo revenue decreased by 28.6 per cent to £757 million due to lower yields caused by the increase in cargo capacity in the market following the recovery in air travel.

Other revenue increased by £142 million or 18.8 per cent to £897 million (2022: £755 million), the majority of which relates to ground services (including accommodation) provided through British Airways Holidays of £759 million (2022: £619 million).

## Strategic report continued

### Financial review continued

#### Operating costs before exceptional items

	2023	2022 <sup>1</sup>	Higher/(lower)
<b>CONTINUING OPERATIONS</b>			
Employee costs	2,577	2,100	22.7%
Fuel, oil costs and emission charges	3,825	2,929	30.6%
Handling, catering and other operating costs	2,302	1,812	27.0%
Landing fees and en-route charges	1,127	870	29.5%
Engineering and other aircraft costs	913	803	13.7%
Property, IT and other costs	646	635	1.7%
Selling cost	493	385	28.1%
Depreciation and amortisation	1,017	1,084	(6.2%)
Net gain on sale of property, plant and equipment	(2)	(3)	(33.3%)
Currency differences	(7)	109	nm
Total Group expenditure on operations before exceptional items	12,891	10,724	20.2%
Total Group expenditure excluding fuel before exceptional items	9,066	7,795	16.3%

<sup>1</sup>The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment. Further information is given in note 2.

Employee costs increased by £477 million, or 22.7 per cent, to £2,577 million compared to £2,100 million in the prior year, largely due to the recruitment campaign which started in October 2021 and new pay deals which have been agreed with non-management colleagues and pilots.

Total operating costs before exceptional items increased by 20.2 per cent to £12,891 million (2022: £10,724 million) in 2023. Fuel costs increased by £896 million, or 30.6 per cent, to £3,825 million which is largely attributable to the increased flying. Operating expenditure excluding fuel, before exceptional items, increased by 16.3 per cent to £9,066 million (2022: £7,795 million), largely reflecting the increased flying and inflationary impacts.

#### Exceptional items

There were no exceptional items recognised during the year ended 31 December 2023 (2022: £19 million). Refer to note 3 for further detail.

#### Finance costs, income and other non-operating credits

The Group's net Finance costs, income and other non-operating credits was a net cost of £7 million in 2023 (2022: net cost of £279 million). This includes finance costs of £605 million (2022: £494 million), a net gain of £315 million (2022: net gain of £208 million) relating to the share of post-tax results of associates, finance income of £140 million (2022: £20 million), net financing credits of £89 million (2022: £22 million credit) relating to pensions, a net gain of £49 million (2022: net losses of £49 million) relating to the revaluation of foreign currency denominated debts and related derivatives and a net gain of £5 million (2022: £14 million) relating to derivatives not qualifying for hedge accounting.

#### Taxation

The tax charge for the period was £263 million (2022: £15 million credit). The effective rate for the period was 18.5 per cent (2022: (32.6) per cent) being lower (2022: higher) than the tax charge (2022: tax charge) at the standard UK corporation tax rate of 23.5 per cent (2022: 19.0 per cent) mainly due to the share of associates profits (2022: share of associates profits, movement in respect of prior years and the impact of the UK tax rate change announced on 3 March 2021). Refer to note 8 for further detail.

#### Capital expenditure

Total capital expenditure paid in the period amounted to £1,628 million (2022: £1,589 million) which included £1,335 million (2022: £1,268 million) of fleet related spend (aircraft, aircraft progress payments, spares, modifications, heavy maintenance costs and refurbishments) and £293 million (2022: £309 million) on property, equipment and software. During the period the Group took delivery of ten aircraft comprising an Airbus A320neo, three Airbus A321neos, four Airbus A350-1000s and two Boeing 787-10s (2022: five A350-1000s, three B787-10s and two A320neos).

## Strategic report continued

### Financial review continued

#### Liquidity

The Group's liquidity position decreased by £0.9 billion (largely attributable to the £2 billion UKEF loan repayment offset by the additional £1 billion UKEF facility) to £4.6 billion (31 December 2022: £5.5 billion) at 31 December 2023, comprising cash, cash equivalents and interest-bearing deposits of £1.2 billion (2022: £2.5 billion), £3.1 billion of undrawn committed general facilities (31 December 2022: £2.1 billion) and £0.3 billion of undrawn committed aircraft facilities (31 December 2022: £0.9 billion). Net debt decreased to £7.2 billion at 31 December 2023 (31 December 2022: £7.9 billion).

On 23 August 2023, the Group extended the terms of \$1,269 million of the \$1,346 million Revolving Credit Facility by an additional twelve months through to March 2026 with the remaining \$77 million available through to March 2025. At 31 December 2023, the Revolving Credit Facility remains undrawn.

On 28 September 2023, the Group repaid its syndicated loan of £2.0 billion, which was partially guaranteed by UK Export Finance (UKEF). At the same time, the Group entered into a new five-year Export Development Guarantee Facility of £1.0 billion, with commitments from a syndicate of banks, partially guaranteed by UKEF. The new facility is in addition to the £1.0 billion Export Development Guarantee Facility, which was entered into in 2021. Both facilities were undrawn at 31 December 2023.

Throughout the year the airline continued to strengthen its balance sheet and returned to being 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'). Triennial actuarial valuation discussions with effective dates of 31 March 2021 were concluded for APS and NAPS in 2022.

APS remained in a technical provisions surplus as at 31 March 2021 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: £2.4 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. Due to the overfunding protection mechanism in place, British Airways has not made any contributions to NAPS in 2023 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.

As part of the wider agreement with the NAPS Trustee, British Airways has not paid a dividend in 2023, and will make a 50% matching contribution to NAPS if any dividend is paid in 2024. The 50% matching contribution during 2024 is only applicable if NAPS is in a deficit position. From 2025, dividends will be limited to 50% of pre-exceptional profit after tax and any dividend exceeding this amount would require additional payments to NAPS if the scheme is not at least 100% funded. British Airways has also agreed to provide property assets as security in favour of the NAPS Trustee, which will remain in place until 30 September 2028.

## Strategic report continued

### Principal risks and uncertainties

The highly regulated and commercially competitive environment, together with the business' operational complexity, exposes BA to risks, where its influence and ability to directly manage the risks may be limited. Examples include aircraft, engine and component availability, the wider ongoing fundamental weaknesses in the resilience of the aviation sector's supply chain; air traffic control (ATC) resilience and industrial unrest in third parties impacting operations, IT systems and infrastructure; and policy measures taken by governments to address the economic environment or policy proposals that could impact BA's ability to set capacity and/or pricing.

Other external threats which remain heightened include: the impact of inflation and interest rates on demand and customer confidence; higher costs in the supply chain; the impact of escalating and ongoing geopolitical tensions and conflict in various regions impacting our customers and flight operations as well as creating further airspace restrictions; cyber risk.

In assessing its principal risks, BA has considered its operational resilience, customer mix changes, political risk and government changes, including upcoming elections, pace of transformation, Artificial Intelligence (AI) adoption, BA's industrial relations landscape and people engagement, and securing talent and expertise to support operations and deliver 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.

No new principal risks were identified through the risk discussions in the year. One risk has been reconsidered as part of the reviews and has been reframed as 'Transformation, innovation and AI' from 'Transformation and change' to recognise how BA's change agenda is underpinned by investment which will leverage innovation and AI tools to accelerate the delivery of customer-centric, efficient processes and tools to run its business. The risk around 'Critical third parties in the supply chain' is now assessed under Business and Operational risk given the nature of the potential impacts facing BA (having previously been categorised as a Strategic Risk).

Risks are grouped into four categories: strategic risk, business and operational risk, financial risk including tax, and compliance and regulatory risk. Where there are particular circumstances that mean that the risk is more likely to materialise, those circumstances are described below. 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 three year plan period.

<b>Strategic</b>
<b>Brand and customer trust</b>
<p><b>Status</b> BA's ability to attract and secure bookings, and generate revenue depends on customers' perception and affinity with the BA brand and its associated reputation for customer service and value. The BA brand is, and will continue to be, vulnerable to adverse publicity regarding events impacting service and operations. Operational resilience and customer satisfaction underpin customer trust. Reliability, including on-time performance (OTP), service and product delivery, are key elements of brand value and of each customer's experience. Investment in cabin and service propositions helps ensure that its customers choose to fly with BA.</p>
<p>BA continues to improve its disruption management capabilities given the extent of external disruption due to ATC and third-party resilience issues, particularly over engines reliability. BA remains focused on strengthening its customer-centricity and continues to support its customers through any disruption including schedule adaptations where required. 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). Customer sentiment to travel and their expectations when they travel are intrinsic to brand health. The resilience and engagement of its people as customer service ambassadors to deliver excellent customer service is critical to retaining brand and customer trust.</p>

## Strategic report continued

### Principal risks and uncertainties continued

<i>Strategic continued</i>	
Brand and customer trust continued	
Risk description	Mitigation
<p>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.</p> <p>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.</p> <p>Failure to meet customer expectations on sustainability and BA's impact on stakeholders and society could impact the group and its brands.</p>	<p>Brand initiatives have been identified and are aligned to the plan.</p> <p>Product investment to enhance the customer experience supports the brand proposition and is provided for in the plan.</p> <p>BA tracks and reports internally on its OTP and Net Promoter Score (NPS) to measure customer satisfaction.</p> <p>Reviews of resilience, resourcing levels and schedule operability.</p> <p>Enhanced disruption management tools to allow customers to manage their travel preferences.</p> <p>Increased focus on the end-to-end customer journey from flight search through to arrival and baggage reclaim.</p> <p>BA are investing in ba.com functionality and telephony solutions to allow customers to contact us more effectively.</p> <p>The IAG Group's global loyalty strategy builds customer loyalty.</p> <p>BA's focus on sustainability and sustainable aviation including the IAG Climate Change strategy to meet the target of net zero carbon emissions by 2050.</p> <p>Additional focus on customer feedback and pro-active customer care.</p>
Competitive landscape	
<p><b>Status</b> BA has strong global market positioning, leadership in strategic markets, alliances and a diverse customer base. The demand environment in the year has seen the restoration of capacity into the market, with some markets exceeding pre-pandemic capacity levels. The distortionary effects of the governmental policy and/or aviation-specific taxation or other regional or country-specific measures on the competitive landscape, continue to be assessed. BA is investing in new fleet and products to maintain its competitive position in the markets in which it operates.</p> <p>BA supports the use of the Worldwide Airport Slots Guidelines system, formulated by the International Air Transport Association (IATA), that encourages competition but also supports reliable, established networks. BA and the IAG Group responded to relevant consultations to inform regulators and to propose balanced regulation and avoid introducing additional rules that hamper the competitiveness of the industry.</p> <p>BA and the IAG Group continues to consult and keep different stakeholders informed over the impacts of government policies on aviation or policy asymmetry, such as increases in Air Passenger Duty ('APD') or distortionary policies on carbon offsets.</p>	
Risk description	Mitigation
<p>Competitor capacity growth in excess of demand growth could materially impact margins.</p> <p>Any failure of a joint business or a joint business partner could adversely impact BA's business operations and financial performance.</p> <p>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.</p> <p>Regulatory or policy changes may create competitive distortion impacting BA and its competitiveness or business model.</p>	<p>BA's Management Committee and BA Board have met regularly to discuss strategic issues and plans throughout the year, with additional meetings convened as required to address emerging issues.</p> <p>BA's revenue management departments and systems optimise market share and yield through pricing and inventory management activity.</p> <p>BA maintains rigorous cost control and targeted investment to remain competitive. IAG's procurement function reviews all critical contracts.</p> <p>BA is focused on customer centricity and operational resilience.</p> <p>BA's Management Committee regularly reviews the commercial performance of joint business agreements and business partner relationships, supported where appropriate by the IAG Group strategy function.</p> <p>The IAG Group's Government Affairs function, in conjunction with BA's Corporate Affairs team, monitors government initiatives, represents the Group's interest and 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.</p>

## Strategic report continued

### Principal risks and uncertainties continued

<b>Strategic continued</b>	
<b>Economic, political and regulatory environment</b>	
<p><b>Status</b> The economic impact of geopolitical events coming after the energy crisis last winter, increases in commodity and wage costs from inflation and higher interest rates drive continued significant uncertainty over the economic outlook. BA is closely reviewing the impacts of wage and supplier inflation on margins and customer demand.</p> <p>The re-opening of China at the beginning of 2023 and removal of remaining restrictions in countries, post the pandemic, has simplified operations and the customer experience at airports. However ongoing conflicts, wars and heightened tensions across the Middle East further increase airspace restrictions and congestion for flows to Asia.</p> <p>Wider macroeconomic trends are being monitored such as a potential economic recession, and tone of dialogue between the US, Russia, China and the UK which can influence markets and result in imposition of misaligned policies or tariffs. The trend of increased nationalism and the potential impact to BA is also kept under review. 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 expected in the UK and the US over the next year.</p> <p>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 European governments' proposals to set floor and 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, 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.</p> <p>Any further macro-economic trends or potential requirements arising from Brexit are monitored by IAG government affairs specialists.</p>	
<b>Risk description</b>	<b>Mitigation</b>
<p>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.</p> <p>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.</p> <p>Changes in government may result in a change in sentiment to aviation and access to markets.</p> <p>Government policy asymmetry impacting a domestic market could increase the burden of regulation and cost to BA's passengers.</p>	<p>The BA Board and BA's Management Committee review the financial outlook and business performance through the monthly trading results, financial planning process and the reforecasting process.</p> <p>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.</p> <p>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.</p> <p>IAG's Government Affairs function, in conjunction with BA's Corporate Affairs team, monitors governments' initiatives, represents BA's interest and gives BA early sight of likely changes to laws and regulations.</p> <p>BA and the IAG Group 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.</p> <p>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.</p>

## Strategic report continued

### Principal risks and uncertainties continued

<i>Strategic continued</i>	
<b>Sustainable aviation</b>	
<p><b>Status</b> BA is committed to the IAG Group target of net zero carbon emissions across its operations and supply chain by 2050 along with 2030 targets. The IAG Procurement function will have a key role to play in ensuring its 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.</p> <p>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 lags demand and ability to achieve the aviation industry's carbon reduction commitments. Mandates and other tax-based measures may disproportionately impact BA versus its competitors.</p> <p>BA has agreed new deals for the production of SAF to meet IAG's target 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. BA continues to model potential impacts and costs, which includes the removal of aviation jet fuel tax exemption, with mitigation plans embedded into strategic and financial planning.</p> <p>IAG was an early adopter of the Task Force on Climate-related Financial Disclosures (TCFD) guidelines for climate-related scenario analysis and climate-specific risk assessments. IAG continues with its assessment of climate-related risks, by testing and revising the assumptions on updated forecasts for future business growth and the regulatory context and future carbon price. BA has also 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.</p>	
<b>Risk description</b>	<b>Mitigation</b>
<p>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.</p> <p>New taxes, the potential removal of aviation jet fuel tax exemptions and increasing price of carbon offsets impact on pricing and demand. Customers may choose to reduce the amount they fly.</p> <p>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.</p> <p>Demand exceeds supply to meet sustainable fuel mandates or infrastructure and production is not available in the markets that BA serves.</p> <p>SAF policy fragmentation results in different in-scope allowances across markets, distorting the competitive environment and levels of carbon costs.</p> <p>Increasing severity of weather events results in operational and customer disruption.</p>	<p>IAG climate change strategy to meet target of net zero carbon emissions by 2050.</p> <p>BA's platforms for customers to contribute towards mitigating their flight emissions over time, including contributing towards SAF or projects which remove carbon from the atmosphere.</p> <p>IAG investment in SAF with BA continuing to secure mid- and long-term supply agreements.</p> <p>Fleet replacement plan is introducing aircraft into the fleet that are more carbon efficient.</p> <p>Partnering with ZeroAvia to explore hydrogen-powered aircraft technology.</p> <p>Participating in CORSIA, the ICAO global aviation carbon offsetting scheme and UK-ETS emission trading schemes.</p> <p>Horizon scanning for potential partners and technology.</p> <p>Engagement across UK and global trade associations to shape effective climate policy and drive support for low-carbon solutions.</p>

## Strategic report continued

### Principal risks and uncertainties continued

<b>Business and operational</b>	
<b>Critical third parties in the supply chain</b>	
<p><b>Status</b> The aviation sector continues to be affected by global supply chain disruption which has impacted aircraft deliveries, engine and component availability and reliability, resource availability and/or threat of employee industrial action in critical third parties and airport services, the level of resilience of the airports, particularly London Heathrow and ATC capability and restrictions. It has also seen the impact of a high inflationary environment. In August, a failure of UK national infrastructure impacted flight operations across the UK.</p> <p>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 from either a shortage of available resource, strike action or production delays which could impact the availability of new fleet, engines or critical goods or services. Delays in new aircraft and spares continue to impact operations and turnaround times for aircraft. This has led to increased costs to secure such services. Focus has been placed on key suppliers given the inflationary environment impacting wages and cost of goods, to understand any business or operational continuity impacts, and where possible identify other suitable suppliers.</p> <p>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.</p> <p>BA and the IAG Group 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 capacity recovery and closure of airspace driven by geopolitical events. BA relies on the provision of airport infrastructure and is dependent on the timely delivery of appropriate facilities.</p> <p>The IAG Group continues to challenge unreasonable levels of increases in airport charges, especially at London Heathrow, which could make the airport uncompetitive versus other European hubs.</p>	
<b>Risk Description</b>	<b>Mitigation</b>
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 Group's sustainability programme.	BA mitigates engine and fleet performance risks, including delays to delivery, 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 dependent on the timely, on-budget delivery of infrastructure changes, particularly at key airports.	BA is particularly sensitive to Heathrow and Gatwick charges and how infrastructure developments are prioritised at these airports. BA and IAG Group 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 is dependent on resilience within the operations of ATC services to ensure that its flight operations are delivered as scheduled.	The IAG Group is active at an EU policy level and in consultations with airports covered by the EU Airport Charges Directive.
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 ongoing financial stress or restructuring where they exit the market for supply of services may impact the Group's operations.	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.
BA is dependent on the availability and production of alternative fuels to meet its carbon commitments. This may require investments in infrastructure in the markets in which BA operates.	The IAG Group's procurement function has oversight of all critical BA contracts. Alternative suppliers are identified where feasible. Transformation initiatives to offset inflation.
<b>Cyber attack and data security</b>	
<p><b>Status</b> 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 ransomware attacks on critical infrastructure and services remains high and increased in the year with heightened geopolitical tensions, with BA exposed to threat actors targeting the airline and its suppliers. BA continues to improve its cyber security posture, either through major IT transformational change or additional monitoring through tools.</p> <p>In the first half of the year, some of the IAG Group's businesses, including BA, were impacted by an attack on a third-party services provider holding employee data. The IAG Group and BA are focused on improving their cyber security posture and better understanding the risk presented by their suppliers.</p> <p>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 National Information Security Directive (NISD).</p> <p>The emergence and usage of AI to bypass cyber security controls, produce phishing emails and malware has also accelerated attempts to access organisations' systems and data and increases the threat and scale of social engineering attacks.</p> <p>Investment in cyber security 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 within IAG Tech. 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 them.</p>	



## Strategic report continued

### Principal risks and uncertainties continued

<b>Business and operational continued</b>	
<b>Cyber attack and data security continued</b>	
<b>Risk description</b>	<b>Mitigation</b>
<p>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.</p> <p>If BA does not adequately protect customer and employee data, it could breach regulation and face penalties and loss of customer trust.</p> <p>Changes in working practices and environments for BA's employees and third-party suppliers could result in new weaknesses in the cyber and data security control environment.</p>	<p>The IAG Group has a Board approved cyber strategy that drives investment and operational planning.</p> <p>BA operates under the IAG cyber risk management framework.</p> <p>BA's Cyber Governance Board assesses the portfolio of cyber projects quarterly.</p> <p>The IAG Chief Information, Procurement, Services and Innovation Officer (CIPSIO) provides assurance and expertise around strategy, policy, training and security operations for BA.</p> <p>Detection tools and monitoring are in place. The IAG security engineering and operations teams proactively seek to identify and respond to threats and vulnerabilities, including ongoing testing of BA's defences.</p> <p>External attack surface monitoring and threat Intelligence is used to analyse cyber risks to BA.</p> <p>External benchmarking on cyber posture with independent assessment in the year by a specialist third party.</p> <p>Regular cyber awareness training run by BA, including annual mandatory training on cyber risk and data protection for all staff.</p> <p>Oversight of critical systems and suppliers to ensure that BA understands the data it holds, that it is secure, and regulations are adhered to.</p> <p>BA has a Data Protection Officer in place and they coordinate activities through the IAG Privacy Steering Group.</p> <p>Working practices are reviewed to ensure the integrity of cyber and data security.</p> <p>All third-party suppliers have confirmed their adherence to IAG security requirements within any revised security protocols.</p> <p>Security architecture team embedded into the Datacentre migration programme.</p> <p>Desktop and simulated exercises to test business response plans.</p>
<b>IT systems and IT infrastructure</b>	
<p><b>Status</b> BA recognises the importance of technology to business transformation and growth. BA has a Chief Digital and Information Officer (CDIO) who works with IAG's CIPSIO to ensure appropriate prioritisation and investment in BA's digital and IT transformation.</p> <p>BA continues to review its IT operating model as it progresses with digitalisation, 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. BA continues with 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 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. This has strengthened BA's focus on addressing their legacy estate to deliver digital customer experiences. The IAG CIPSIO works with BA to ensure that their IT investment and requirements are appropriately prioritised and delivered and IAG central services can support BA appropriately.</p>	
<b>Risk description</b>	<b>Mitigation</b>
<p>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 to the operation and lost revenue.</p> <p>The level of transformational change at pace required by BA may result in disruption to operations as the legacy environment is addressed.</p> <p>Obsolescence within the BA tech estate could result in service outages and/or operational disruption or delays in implementation of BA's transformation.</p> <p>Technology disruptors may use tools to position themselves between our brands and our customers.</p>	<p>IAG Tech works with BA to deliver digital and IT change initiatives to enhance security and stability.</p> <p>Robust portfolio process to determine the right investments across BA.</p> <p>BA's IT governance board reviews delivery timelines.</p> <p>Reversion plans are developed for migrations on critical IT infrastructure.</p> <p>System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.</p> <p>The IAG Group continues to develop platforms such as the New Distribution Capability, changing distribution arrangements and moving from indirect to direct channels.</p> <p>IAG Tech continues to create early engagement and leverages new opportunities with start-ups and technology disruptors.</p>

## Strategic report continued

### Principal risks and uncertainties continued

<b>Business and operational continued</b>	
<b>Operational resilience</b>	
<p><b>Status</b> The Group is reliant on critical third parties for services and goods, many of which have been impacted by resourcing challenges, inflation and supply chain disruption. Ongoing labour shortages, particularly for technical licensed staff, industrial unrest and strike action in the aviation sector combined with goods availability shortages in the supply chain, and airspace and ATC restrictions can all impact BA's operational environment and increase the costs of running operations to provide additional resilience, as well as impacting the costs and operations of the businesses on which BA relies.</p> <p>BA continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estate. BA is focused on minimising any unplanned outages or disruption to customers with additional resilience built into the airline's networks.</p> <p>BA continues to consider and build its resilience to withstand severe unexpected stresses. Potential high-impact, low-likelihood events have been considered that could have the potential to disrupt BA and/or the aviation sector. Many of these events remain outside BA's control such as adverse weather, another pandemic, civil unrest or a terrorist event seen in cities served by BA.</p>	
<b>Risk description</b>	<b>Mitigation</b>
<p>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 to BA.</p> <p>Public health concerns impacting populations at scale could see an adverse effect on BA where governments choose to impose restrictions, as would any future pandemic outbreak, or other material event impacting operations or customers' ability to travel.</p> <p>BA may not be able to resource its operations sufficiently resulting in impacts to customers and brand.</p> <p>BA is reliant on critical third parties to deliver goods and services to maintain operations and meet customer expectations and any failure of the level of service or reliability and delivery of goods may impact operational resilience and BA customers.</p>	<p>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.</p> <p>BA has standby aircraft and crew in place to improve resilience.</p> <p>Resilience to minimise the impact of ATC airspace restrictions and strike action on BA's customers and operations are in place.</p> <p>BA focused on developing customer disruption management tools to help its customers in times of disruption.</p>
<b>People, culture and employee relations</b>	
<p><b>Status</b> BA's people, their engagement and 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. Resource shortages in crew have been addressed and BA is building the knowledge and experience of its new starters and managing the cultural impacts of onboarding at scale to ensure they have the right capabilities to operate. Shortages in technical licensed staff across the aviation sector and in BA may impact maintenance delivery timelines unless resource levels can be secured.</p> <p>Across BA, collective bargaining is in place with various unions. BA is focused on staff wellbeing and people morale and motivation, including supporting agile and hybrid working models. Welfare support schemes are in place to support BA's staff, and initiatives to build trust and engagement continue across BA. BA has identified the skills and capabilities that are required to manage its transformation, which include enhancing its leadership capability and delivering on the IAG Group's diversity and inclusion plans. 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.</p>	
<b>Risk description</b>	<b>Mitigation</b>
<p>Any breakdowns in the bargaining process with the unionised workforces may result in subsequent strike action which may disrupt operations and adversely affect business performance and customer perceptions.</p> <p>BA's people are not engaged, or they do not display the required leadership or cultural behaviours.</p> <p>BA fails to attract, motivate, retain or develop its people to deliver service and brand experience.</p> <p>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.</p> <p>Technical licensed staff, including pilots and engineers, may be impacted by Brexit recruitment restrictions.</p>	<p>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.</p> <p>Ensuring that remuneration is aligned to local markets in terms of productivity and pay.</p> <p>BA people strategy in place, with succession plans developed.</p> <p>Focus on recruiting and developing skills to run and transform its business.</p> <p>BA is investing in apprenticeship programmes and retention initiatives to help secure and retain engineers.</p> <p>Engagement and organisational health surveys have been conducted with subsequent action plans developed to create a positive and inclusive culture.</p> <p>Access to support individuals' wellbeing</p> <p>IAG Code of Conduct is supported by annual awareness programmes and mandatory training for all its staff.</p>

## Strategic report continued

### Principal risks and uncertainties continued

<b>Business and operational continued</b>	
<b>Safety or security incident</b>	
<b>Status</b> 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.	
<b>Risk description</b>	<b>Mitigation</b>
<p>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.</p>	<p>BA's Safety Board satisfies itself that BA has the appropriate resources and procedures, which include compliance with Air Operator Certificate requirements.</p> <p>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.</p> <p>There is ongoing security engagement with airports, regulators and public authorities across BA's network.</p> <p>Incident centres respond in a structured way in the event of a safety or security incident or intelligence.</p>
<b>Transformation, innovation and AI</b>	
<b>Status</b> 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. In the year, the IAG Group established an AI governance committee and guidance for data usage in respect to AI tools and technology.	
<b>Risk description</b>	<b>Mitigation</b>
<p>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.</p> <p>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.</p> <p>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.</p> <p>Competitors, or new entrants, may invest and innovate deploying digital technologies, AI, sustainability initiatives and/or platforms ahead of BA.</p> <p>The levels of capture, storage, security and availability of data are not sufficient and ready to exploit AI use cases.</p>	<p>The Chief Financial &amp; Transformation Officer (CFTO) has clear oversight of all programmes under the transformation agenda.</p> <p>Consistent core metrics and dashboard reporting is used to assess performance against plan.</p> <p>The dashboard and progress against delivery is assessed regularly.</p> <p>BA's transformation agenda is subject to BA Board approval.</p> <p>IAG Group AI governance committee to assess AI initiatives to allow BA to exploit AI capabilities.</p> <p>BA communicates to employees on change initiatives and changes that may affect them.</p> <p>Consideration is given to the Group's sustainability commitments and agenda for all programmes.</p> <p>Any potential changes that could impact the brand are reviewed to mitigate against reputational and brand damage.</p>
<b>Financial including Tax</b>	
<b>Debt funding</b>	
<b>Status</b> Access to the secured and unsecured debt markets may be disrupted by geopolitical and economic uncertainty, impacting interest rates available to BA.	
<b>Risk Description</b>	<b>Mitigations</b>
<p>Failure to finance ongoing operations, committed aircraft orders and future fleet growth plans.</p> <p>Higher interest rates in the market, or more restrictive terms, for new finance arrangements or re-financing may impact BA's cost base.</p>	<p>The BA Board and BA Management Committee review BA's financial position regularly.</p> <p>BA has maintained its clear focus on managing liquidity and ensuring that critical investment is maintained.</p>

## Strategic report continued

### Principal risks and uncertainties continued

<b>Financial including Tax continued</b>	
<b>Financial and treasury-related risk</b>	
<p><b>Status</b> Fuel cost volatility driven by geopolitical events have been partly mitigated by fuel hedging. Access to fuel hedging instruments or the ability 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 Group hedging policy.</p> <p>The approach to fuel risk management, financial risk management, interest rate risk management, proportions of fixed and floating debt management and financial counterparty credit risk management and BA's exposure by geography continue to be assessed to ensure that BA responds to the rapidly changing financial environment appropriately.</p>	
<b>Risk Description</b>	<b>Mitigations</b>
<p>Failure to manage the volatility in the price of oil and petroleum products.</p> <p>Failure to manage currency risk on revenue, purchases, cash and borrowings in foreign currencies other than the airline's local currency of sterling.</p> <p>Failure to manage the impact of interest rate changes on floating finance debt and floating operating leases.</p> <p>Failure to manage the financial counterparties' credit exposure arising from cash investments and derivatives trading.</p>	<p>The BA CFTO, in conjunction with IAG Treasury, regularly reviews the Group's fuel and currency positions.</p> <p>BA hedges in line with the IAG hedging policy under the IAG Treasury oversight.</p> <p>Fuel price risk is partially hedged through the purchase of oil and oil distillates derivatives in accordance with BA's risk appetite.</p> <p>Currency risk is hedged through matching inflows and outflows and managing the surplus or shortfall through foreign exchange derivatives.</p> <p>BA reviews routes to countries with exchange controls to monitor delays in the repatriation of cash and/or with the risk of material local currency devaluation.</p> <p>BA has a financial counterparty credit limit allocation by type of exposure and monitors the financial and counterparty risk on an ongoing basis.</p> <p>The BA CFTO, in conjunction with IAG Treasury, regularly reviews the financial risks and the hedged amounts.</p> <p>BA has a trapped cash review policy to monitor cash balances which may be subject to government or central bank restrictions for certain countries.</p>
<b>Pensions</b>	
<p><b>Status</b> 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.</p>	
<b>Risk Description</b>	<b>Mitigations</b>
<p>BA is exposed to the risks of operating underfunded defined benefit schemes.</p> <p>Adverse movements in government bond yields, long term inflation and mortality assumptions, negative movements in pension asset values and financial returns from these assets may adversely affect the funding level of the scheme.</p>	<p>Management regularly reviews the funding status of the pension schemes and is in regular dialogue with the schemes' Trustees on funding and investment decisions.</p>
<b>Compliance and regulatory</b>	
<b>Non-compliance with key regulation and laws</b>	
<p><b>Status</b> BA has maintained its focus on compliance with key regulations and mandatory training programmes have continued throughout the year.</p>	
<b>Risk Description</b>	<b>Mitigations</b>
<p>BA is exposed to the risk of individual employees' or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses to the Group.</p> <p>Failure to meet legal or regulatory standards may result in breach with the potential to hurt or impact BA's customers, employees, or third parties, or impact its operations, and lead to reputational damage, fines or losses.</p>	<p>BA has clear frameworks in place including comprehensive policies designed to ensure compliance.</p> <p>There are mandatory training programmes in place to educate employees as required for their roles in these matters.</p> <p>Compliance, human resource and legal professionals specialising in competition law, anti-bribery and other legislation and regulations that apply to BA support and advise the business.</p> <p>IAG's Code of Conduct is supported by annual awareness programmes and mandatory training with additional focus for higher risk areas.</p> <p>Compliance and Data Protection Officers are in place.</p> <p>Speak up and whistleblowing channels are available.</p>

## Strategic report continued

### Section 172 statement

During 2023, 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?	<p>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.</p> <p>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.</p> <p>British Airways provides a loyalty scheme to customers through the acquisition of Avios from IAG Loyalty which are then issued to Executive Club members 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 the points.</p> <p>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.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>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.</p> <p>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.</p> <p>Customer feedback is analysed and used to drive product and service initiatives that deliver the greatest value for the customer. In response to customer feedback, the book and travel-by date for vouchers issued during the COVID pandemic, was extended to 30 September 2025.</p> <p>The strategic report on pages 2 to 8 describes the investment in customer experience that the Group has delivered during 2023.</p>
Workforce	
Why it is important to engage and what matters to them?	<p>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.</p> <p>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.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>The section of the Directors' report on page 34 explain how the Company engages with the workforce.</p> <p>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.</p> <p>In March 2023, British Airways asked colleagues to take part in a confidential, independent survey; RealityCheck, to understand what matters to the workforce and a shorter RealityCheck Pulse survey later in the year. Following the colleague survey results, the Company implemented a range of initiatives based on the feedback provided. The business also participated in an Organisational Health Index (OHI) survey, which takes place across all IAG operating companies. The insight from all surveys will help to build a Better BA and create a benchmark to build future activity upon.</p> <p>In June 2023, British Airways was informed it was one of the companies impacted by Zellis' cybersecurity incident. Colleagues whose personal information may have been compromised were notified and British Airways continues to provide support and advice, including providing access to a specialist service that helps detect possible misuse of personal information and provides identity monitoring support.</p> <p>British Airways continues to introduce and promote a number of resources to support colleagues' mental, physical and financial wellbeing.</p> <p>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.</p> <p>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.</p>

## Strategic report continued

### Section 172 statement continued

<b>Suppliers</b>	
Why it is important to engage and what matters to them?	<p>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.</p> <p>Suppliers value operational stability ensuring predictable demand, transparency and integrity at all times in all business dealings and timely settlement avoiding liquidity challenges.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>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.</p> <p>The Company has extensive and regular engagement with multiple key partners and suppliers, including original equipment manufacturers, and keeps apprised 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.</p> <p>The Board receives updates regarding material developments in key supplier relationships, including updates through internal audit and risk management.</p>
<b>Investors</b>	
Why it is important to engage and what matters to them?	<p>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.</p> <p>Lenders value meeting coupon and repayment commitments on time.</p> <p>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.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>The IAG Investor Relations and Treasury teams engage with the Group shareholders, equity investors and lenders.</p> <p>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.</p> <p>The British Airways Management Committee provides regular operational and financial performance communications to IAG.</p> <p>The CFO attends monthly IAG operating company CFO meetings with the IAG Group CFO and CFOs from the other operating companies within the IAG Group.</p>
<b>Communities and environment</b>	
Why it is important to engage and what matters to them?	<p>The communities in which the airline operates require British Airways to operate in a socially responsible manner and protect the environment.</p> <p>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.</p>
How management and/or Directors engaged and what was the impact of the engagement?	<p>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.</p> <p>British Airways is contributing to IAG's commitment to achieving net zero CO<sub>2</sub> 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.</p> <p>The Group continues to support charitable giving, through Flying Start and working closely with non-profit organisations delivering change.</p> <p>Since its launch in April 2022, the BA Better World Community Fund has delivered more than £3.4 million of funding to support a number of charities.</p> <p>The strategic report from page 4 provides more information on BA Better World.</p>

## Strategic report continued

### 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?	<p>Senior management form part of the Trustee boards. Additional management representatives attend Trustee investment strategy meetings.</p> <p>Senior management met with the NAPS Trustee Board during the year to discuss the Group's financial performance and updated forecasts and certain transactions. As part of a wider agreement with the NAPS Trustee, British Airways agreed to not pay a dividend in 2023. In 2024, the Company would make a 50% matching contribution to NAPS if any dividend is paid. From 2025, dividends will be limited to 50% of pre-exceptional profit after tax, and any dividend exceeding this amount requires additional payment to NAPS if the scheme is not at least 100% funded. British Airways has also agreed to provide property assets as security in favour of the NAPS Trustee, which will remain in place until 30 September 2028.</p>

### 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. Principal decisions taken during the year included:

#### *Financing*

The Board approved a proposal to enter into a new UKEF credit facility and to repay and cancel the 2021 UK Export Finance (UKEF) Export Development Guarantee Facility of £2.0 billion. The decision was taken having regard to the company's finances, investors and the impact of the decision in the long term. Consideration was given to the impact of the transaction on NAPS and APS.

Further details on the Company's liquidity can be found on page 8 of the strategic report and note 23.

#### *Fleet*

The fleet is constantly reviewed to ensure alignment to the delivery of the Company's strategy. The Board approved significant investment to acquire new A320neos and A321neos from Airbus and B787-10s from Boeing. In approving the investment, the Board had regard to a number 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.

#### *Lounge*

The Board approved an investment to lease, build and operate a new lounge at Miami International Airport (MIA). This investment supports the Company's lounge strategy and provides the opportunity to enhance the customer experience in an important location and improve customer satisfaction scores.

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

## Strategic report continued

### Climate-related financial disclosure

Effective for periods commencing on or after 6 April 2022, The Climate-related Financial Disclosure Regulations 2022 have been introduced in the UK to report on material climate-related matters. British Airways ('the Group') operates as a part of the wider International Consolidated Airlines Group ('IAG') who report on climate related matters for the IAG Group in the IAG consolidated Annual Report and Accounts for the year ended 31 December 2023. For the year ended 31 December 2023, the Group meets the relevant threshold of having more than 500 employees and a turnover of more than £500 million. The Group has therefore set out below the climate-related financial disclosures covering how climate change is addressed in corporate governance, the impacts on strategy, how climate-related risks, mitigations, and opportunities are managed, and the performance metrics and targets applied in managing these matters.

#### *Executive Summary*

A critical aspect of delivering a more resilient business to the effects of climate change is recognising, managing and reducing the Group's impact on the planet, using this to drive change across the industry. Having previously set clear and ambitious targets relating to most material issues, the Group worked this year to continue evolving and embedding its net zero transition pathway within the business strategy, pursuing its focus on delivery of its plans this decade.

Climate changes poses a challenge for the Group in the form of both physical and transitional risks. As an airline, the Group is dependent on emerging technologies such as more efficient fleet, sustainable aviation fuel ('SAF'), carbon removals and government policy development to support the transition to a net zero business by 2050. The Group has a key part to play in influencing the development of such initiatives and continues to actively drive change in the industry to support an industry-wide transition to net zero. The Group and IAG have already committed to invest in SAF technologies to catalyse the development of more advanced technology and broadening supply, as well as purchasing £1.2 million of carbon removals to help facilitate the growth and government support for a key emerging market to realise net zero.

Alongside these risks are also opportunities, the Group involves the customer and wider stakeholders in its sustainability journey, ensuring they are educated and aware of the progress and how they can engage with its strategy.

The intention of the Group is that proactive, early and appropriate investment in climate-related solutions will allow the brand to be established as a leader in the industry, aiding in the shaping of government policy and transition to a net zero business by 2050.

The Group continues to progress well against climate-related metrics and targets over short, medium and long-term horizons. The continued use of and investment in SAF, and continued proactive sustainability investment, alongside initial support from the UK Government, positions the Group well to continue its pathway to achieving key targets, including for 10 per cent SAF across all flights by 2030 and net zero emissions by 2050.

#### *Governance*

There is an established BA Board Sustainability and ESG Committee. This Committee comprises of the CEO, Chief People, Corporate Affairs and Sustainability Officer and two Non-Executive Directors of the Group who meet four times a year and review BA's sustainability strategy. At an IAG group level, the IAG Sustainability Steering Group meet at least quarterly; this is a forum comprised of senior representatives from across IAG including the Director of Sustainability of British Airways Plc who provide oversight of environmental and social initiatives and reporting. This is chaired by the IAG Chief People, Corporate Affairs & Sustainability Officer.

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



## Strategic report continued

### Climate-related financial disclosure continued

#### *Risk Management*

The Management Committee is responsible for managing the strategy of the Group, ensuring that the culture and values of the business are reflected within this. The Management Committee has developed and internally published the British Airways Environmental Policy to illustrate the Group's roadmap to carbon net zero by 2050 with clear environmental objectives to guide and track progress towards this target.

The Group engages in the business planning process annually, in which the financial outlook is forecast in detail for the subsequent three years and a strategic outlook is prepared for the full ten years. As part of this process, the strategy and sustainability teams engage with the wider business to ensure climate-related risks and opportunities are addressed in both the short and medium term. This includes ensuring the Group is making suitable levels of investment to meet its climate-related goals and mitigating risks where possible through new fleet technologies and operational strategy developments.

The assessment of sustainability related impacts are embedded in the Group's business case governance process to ensure that all relevant impacts are documented as part of the overall decision-making process for capital investments and significant contracts. Business case owners are provided with illustrative guidance to aid in the completion of the sustainability impact assessments and are advised to liaise with the central sustainability team for more complex situations. Both direct and indirect financial and non-financial impacts are documented and assessed to ensure that all investments are holistically appraised. The material impacts commonly relate to changing the weight of the aircraft and the subsequent impact on fuel loads and therefore carbon emissions; waste and energy usage are also common themes.

Within British Airways Plc, the central sustainability function with support from the transformation office are responsible for setting and tracking key climate targets and the relevant related key performance indicators (KPIs). Initiatives that are created and actioned in relation to these KPIs are reviewed on a bi-weekly basis with key stakeholders to ensure progress is being made and tracked accordingly. The CPCASO, CEO and CFTO attend these sessions bi-monthly to provide scrutiny of progress to-date and future initiatives. These sessions also act as a catalyst for new initiatives and investments, ensuring issues and blockers are identified at pace and resolved accordingly to maintain its progress towards its climate related goals.

The Group has achieved IEnVA Stage 2 Certification in 2023; this is an accreditation awarded by the International Air Transport Association (IATA) in relation to its environmental commitments and ongoing efforts to improve its environmental sustainability performance. Processes have been rigorously redeveloped to ensure compliance with the certification using its Environmental Management System (EMS). The EMS allows for robust compliance with legal and other obligations, development of processes to report environmental incidents, conducting and receiving training on environmental topics, participating in internal audit and evaluation and addressing findings as required.

On an ad-hoc basis, any risk relating to the actual or potential harm or non-compliance with environmental regulations is reported through British Airways' corporate risk reporting system by individual employees. The outputs of this are reviewed and actioned by the safety and security team and communicated to the sustainability team for further action if required.

For all management colleagues, (circa 4,000 employees) a climate-related metric is a component of the overall annual incentive. This is communicated as part of the annual incentive plan communications from the Group's Management Committee and demonstrates the Group's commitment to embedding sustainability into the day-to-day practices of the business and its wider strategy.

Climate-related risks have been documented as a principal risk in the annual report as Sustainable Aviation risk and a separate exercise was performed to identify the relevant risks and opportunities relevant to this disclosure. The risks detailed therein are consistent with those made in this disclosure as are the mitigations. Climate-related risks continue to be identified and assessed in isolation, and will be integrated into the wider risk management process in the future.

## Strategic report continued

### Climate-related financial disclosure continued

#### *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, this is deemed appropriate as the business planning cycle focuses on the following 1-3 years.

**Medium (M):** 4-5 years, this is deemed appropriate as the strategic planning cycle focuses on the next 4-5 years.

**Long (L):** 5+ years, this is deemed appropriate as the longer-term strategic planning occurs from the 5-year mark, with an expectation that heightened climate risks are likely to begin impacting the business closer to 2030. For the purposes of climate related risk, modelling is carried out to 2050 (in line with the Group's commitment to Net Zero) to ensure it has a long-term view of the relevant risks and opportunities that may impact it.

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.

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 Table 1: Risks and Opportunities for more information

The carbon-reduction targets in the Flightpath Net Zero strategy are the key measures for assessing the mitigation of 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 materiality assessment carried out by IAG Group in 2021 is still relevant and as such, has not been updated in the current year. The next materiality assessment will be performed in 2024.

CFD Risk Type	Risk and/or opportunity combined description	Risk Time Frame	Risk Trend
Physical	Resilience to acute weather events	M	Stable
	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
	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 not emissions	L	Stable
	Lack of supporting SAF infrastructure or policy	M	Down
	Regulation of non-CO <sub>2</sub> effects	M	Up
Technology	Access to and readiness for lower-emission technologies	L	Stable
	Access to SAF supply	M	Down

## Strategic report continued

### Climate-related financial disclosure continued

#### Risks Associated with SAF

SAF is a key solution in the Group's transition plan to net zero, but remains a developing market, which in many regions is still awaiting policy definition to drive infrastructure investment. IATA projects SAF production will meet just 0.5 per cent of global aviation fuel demand in 2024<sup>1</sup>. The Group separates SAF risks into market, policy and technological risks associated with scaling up the global SAF industry. The Group and IAG consider their respective impacts on fulfilling our 2030 commitments and future regulatory obligations, by modelling the impact of regional differences in future SAF supply and costs, associated with different policies (policy risk), SAF feedstock technologies (technology risk), and market prices (market risk). The Group and IAG uses this modelling to influence SAF strategy and investments.

<sup>1</sup>IATA Pressroom report: SAF Volumes Growing but Still Missing Opportunities, Published 6 December 2023.

**Table 1: Risks and Opportunities**

Risk Type	Risk Title	Time Frame	Risk Trend	Actual/Potential Impact on Business Model and Strategy	Opportunity	Mitigating Action(s): Implemented and planned
Physical	Resilience to acute weather events	M	Stable	<p>Increase in weather-related flight delays, diversions, and cancellations leading to increased disruption costs.</p> <p>Lost revenue due to payload restrictions for safe flight operations.</p> <p>Increase in frequency and severity of in-flight turbulence and bird strikes, impacting flight safety.</p> <p>Greater exposure to extreme weather increasing the risk of absence &amp; operational disruption.</p> <p>Negative impact on workforce health and wellbeing leading to reduced resources and operational disruption.</p> <p>Increased difficulty in rostering variation adds increased complexity and additional costs to incentivise certain routes.</p>	<p>Introduction of routes to new destinations due to weather trends increasing demand.</p> <p>Improved workforce training and awareness of climate risk.</p>	<p>Investment in improved weather-forecasting tools to better predict extreme weather events.</p> <p>Investment in improved flight planning software to identify safer and more efficient flight paths.</p> <p>Flexible fleet and network to adapt to climate trends and maintain commercial and operational viability of the flying programme.</p> <p>Local geography physical risk committee (flooding, severe cold and heat) in collaboration with local authorities, airport operators and government on resilience plans.</p> <p>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.</p> <p>Improved workforce training and awareness of climate risk.</p> <p>Investment in improved uniforms and personal protective equipment (PPE).</p>
	Resilience of routes and assets to chronic climate changes	L	Stable	<p>Damage to aircraft, ground vehicles and equipment, increasing operational and maintenance costs.</p> <p>Damage to property such as hangars, terminal buildings and airport lounges increasing maintenance costs.</p> <p>Increasing cost of insurance and compensation payments.</p> <p>Reduction in operations and revenue at coastal destinations due to the risk of sea-level rise.</p>	<p>Investment in more clean, efficient, and resilient assets that help to reduce operational costs and climate impact.</p>	<p>Movement of mobile assets to different locations to reduce risk of damage.</p> <p>Local geography physical risk committee (flooding, severe cold and heat) in collaboration with local authorities, airport operators and government on resilience plans.</p> <p>Investment in remote working technology to maintain resourcing levels and minimise operational disruption.</p> <p>Proactive and strategic network planning to identify risks and opportunities as they materialise.</p>

Risk Type	Risk Title	Time Frame	Risk Trend	Actual/Potential Impact on Business Model and Strategy	Opportunity	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.	Establish BA as a market leader in relation to sustainability, allowing the Group to capitalise on customer groups which are more sustainability focused to maintain and generate additional revenues in comparison to other airlines and travel modes.	<p><b>Delivering emissions reductions:</b></p> <ul style="list-style-type: none"> <li>- Increasing the proportion of sustainable aviation fuel (SAF) used on flights, including a target to utilise 10 per cent SAF by 2030. (0.98 per cent in 2023)</li> <li>- Replacement of current fleet with newer and more efficient models.</li> <li>- Spend over £5 million electrifying the Group's operational vehicles and making the property portfolio more energy efficient.</li> <li>- Reviewing all operational processes to realise efficiencies, specifically in relation to the weight of aircraft.</li> <li>- Investing in technologies such as advanced flight navigational software to increase operational efficiency and reducing reliance on fossil fuel energy sources.</li> <li>- Continued offsetting of all UK domestic carbon emissions.</li> <li>- Participation in Carbon Offsetting &amp; Reduction Scheme for International Aviation (CORSIA) from 2024.</li> </ul> <p><b>Expanding customer communication:</b></p> <ul style="list-style-type: none"> <li>- Communication of BA Better World, relevant targets and metrics as well as action to date.</li> </ul> <p><b>Integrating the customer into BA's sustainability journey:</b></p> <ul style="list-style-type: none"> <li>- Providing opportunities for the customer to contribute to the CO<sub>2</sub> emissions reduction of the Group.</li> <li>- 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.</li> </ul> <p><b>SAF Scope 3 Sales:</b> Increasingly corporate partners are utilising data to understand their CO<sub>2</sub> footprint from business travel. These customers are more commonly partnering with BA and IAG to purchase SAF to mitigate their Scope 3 flight emissions.</p> <p>Crafting a removals roadmap on science-based external evidence whilst advocating for policy support and rigorous monitoring regimes. Ensuring that we partner with a diverse range of partners to minimise the risk of unsuccessful projects.</p> <p>Continue to assess the governance surrounding offset and removals projects to ensure the integrity and quality of such initiatives. For example, supporting the Oxford Offsetting principals on how to transition to removals.</p> <p>Performing due diligence at an IAG level to ensure any removal &amp; offsets purchased are of a suitable quality.</p> <p>Commit to providing regular transparent reporting to customers on projects and their contributions.</p>
	Perceived quality of offset and removal projects	M	Up	<p>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.</p> <p>Challenge from customers and other stakeholders on the quality and robustness of carbon credits purchased.</p>	Engaging customers with relevant, robust carbon projects that they can support through CO <sub>2</sub> llaborate. CO <sub>2</sub> llaborate provides customers with data about their estimated carbon footprint from flying with us, as well as the ability to financially contribute towards SAF and carbon removals.	

Policy	Risk Title	Time Frame	Risk Trend	Actual/Potential Impact on Business Model and Strategy	Opportunity	Mitigating Action(s): Implemented and planned
	Supply chain readiness	L	Stable	<p>Sustainability compliance or technology change causing unplanned changes in cost of goods and services provided to BA or associated supplier management costs, margin erosion.</p> <p>The delay in low-carbon technology solutions being developed by supply chain partners impacting the rate at which BA can reduce its emissions.</p> <p>Operational difficulties and disruption implementing new technology and achieving relevant safety standards.</p>	<p>Ability to perform a review of existing supplier cost base to realise efficiencies and improve the customer proposition alongside sustainability benefits.</p> <p>Collaboration with key suppliers could be vital to unlocking sustainable solutions in resource intense areas such as catering, engineering, and property.</p>	<p>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.</p> <p>BA continue to work 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.</p> <p>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.</p>
	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, exp	-	Securing SAF deals and taking equity in early-stage projects where relevant. Monitoring SAF project development and seeking volume above target levels.
	<p>Litigation against claimed carbon reductions from offsetting and sustainability related activity</p> <p>Demand impact of EU and UK climate policy</p>	<p>S</p> <p>L</p>	<p>Up</p> <p>Stable</p>	<p>Litigation against BA for use of credits towards voluntary or compliance offsetting that do not deliver stated emission reductions leads to legal costs.</p> <p>Litigation against BA for alleged misleading advertising and communications about its sustainability progress and commitments.</p> <p>Ability to pass-through industry-wide costs affects ticket prices and therefore demand.</p>	<p>-</p> <p>-</p>	<p>Due diligence conducted on carbon offsetting projects; internal guidance prepared for external communications.</p> <p>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.</p> <p>Impacts of emerging policy assessed as part of longer-term financial planning and strategy.</p> <p>Continue ongoing approach to reductions in emissions (e.g., replacement of less efficient aircraft, electrification of ground operations) to ensure policy will be less punitive when it becomes enforced.</p> <p>Continue the purchase of carbon credits and ETS allowances to reduce the cost impact of compliance to the business and customers.</p>

Risk Title	Time Frame	Risk Trend	Actual/Potential Impact on Business Model and Strategy	Opportunity	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 in fleet and financial planning.  Continue the purchase of carbon credits and ETS (Emissions Trading Scheme) allowances to reduce the cost impact of compliance to the business and customers.
Policy asymmetry across regions	M	Up	Changing numbers of customers relative to other carriers who are under more favourable or more restrictive policy regimes.	-	Advocacy for global solutions such as the ICAO Long-Term Aspirational Goal agreed in 2022.
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	Additional revenue from Scope 3 SAF sales to cargo and corporate customers.	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. The UK government has provided £9 million of funding as part of Project Speedbird.
Regulation of non-CO <sub>2</sub> effects	M	Up	Potential multiplier on ETS 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 <sub>2</sub> effects (including contrails).	Establish BA as a market leader in non-CO <sub>2</sub> research allowing the airline to build robust climate models to implement impact mitigation and to enhance its reputation, ensuring customers & stakeholders are aware of the climate commitments. Further research may provide evidence that contrails can be used to create a cooling effect during certain times of the day, this could be leveraged to lessen the overall negative impact of non-CO <sub>2</sub> effects.	Continue to monitor non-CO <sub>2</sub> policy development to ensure fairness and consistency.  Participating in the UK's Jet Zero Council non-CO <sub>2</sub> group and its activities.  Conduct flight trials with research partners to assess the operational feasibility of contrail avoidance and opportunities to reduce non-CO <sub>2</sub> impacts.  Noise restrictions are not included in this risk but are reviewed as a separate risk through the ERM framework.

	Risk Title	Time Frame	Risk Trend	Actual/Potential Impact on Business Model and Strategy	Opportunity	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	Introduction of lower-carbon and zero-carbon aircraft to reduce emissions.	<p>Hangar 51 Ventures team (IAG's innovation &amp; investment team) aligns research and work with the Flightpath Net Zero strategy. For example, the IAG investment in ZeroAvia's Series B round in 2022.</p> <p>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. Investing in new, innovative solutions for future air travel such as ZeroAvia.</p> <p>Securing SAF deals and taking equity in early-stage projects where relevant.</p>
Technology	Access to SAF	M	Down	Changing unit prices of SAF in core markets.	Additional revenue from Scope 3 SAF sales to cargo and corporate customers. These customers are able to financially contribute to SAF purchases to allow them to claim against their own Scope 3 emissions related to business travel.	<p>Undertakings so far include:</p> <ul style="list-style-type: none"> <li>- Phillips 66: 1G SAF</li> <li>- Neste: 1G SAF</li> <li>- BP: 1G SAF</li> <li>- LanzaJet US: 1G supply for 2024, significant partnership with the potential to reduce CO<sub>2</sub> emissions by up to 770,000 tonnes per year</li> <li>- Project Speedbird: 2G SAF, 2027+ supply</li> <li>- Aemetis: future supply</li> <li>- GEVO: future supply</li> </ul> <p>1G = 1<sup>st</sup> generation SAF, made from HEFA (hydrogenated esters &amp; fatty acids)</p> <p>2G = 2<sup>nd</sup> generation SAF, made from carbon-containing sustainable feedstocks</p> <p>All of 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 our net zero target.</p>

## Strategic report continued

### 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 the IAG Group. In 2023, the IAG Sustainability team and the IAG ERM team reviewed all IAG group-wide climate-related risks and opportunities and potential impacts to 2026 and 2030. The impacts of material risks are quantified as part of the IAG Group wide ERM process which receives IAG Board oversight.

British Airways Plc supported this process by:

- Modelling compliance-related costs alongside other group airlines, from those including from the 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 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 uses carbon prices in financial planning, and flight operations teams and pilots use carbon prices in operational decisions about fuel uptake.

For the period 2024-33, UK ETS prices of £54-£89/tonne, EU ETS prices of €85-€124/tonne and CORSIA prices of \$10-\$25/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

Since 2018 the Group has been engaging and contributing to the IAG TCFD-aligned scenario analysis. IAG has been incorporating the TCFD recommended guidance on climate risk disclosure. In 2023, 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 2023 analysis in line with the latest TCFD guidance published in 2021.

Temperate scenarios of 1.5°C scenarios<sup>1</sup> 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.

The year 2030 was chosen as the key timeframe, based on IAG and Group targets and key policy timelines e.g. for SAF mandates. 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 multiple teams including Strategy, Treasury, Finance, Government Affairs, Commercial Planning, Investor Relations, People, Enterprise Risk Management, IAG Tech, IAG GBS, IAG Loyalty and sustainability representatives from all operating airlines. The IAG Group 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 Group 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.

<sup>1</sup> '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.



## Strategic report continued

### Climate-related financial disclosure continued

#### Scenario Analysis continued

#### Metrics and Targets

Overall, the Group's transition plan focuses on reducing CO<sub>2</sub> from jet fuel use, as this represents over 99 per cent of Scope 1 emissions. The Group measures its full carbon footprint and tracks multiple metrics each quarter to ensure progress on tackling climate change.

2023 saw strong progress against the key metric of carbon intensity, including the impacts from the use of SAF. With a 10 per cent improvement to 86.2g CO<sub>2</sub>/pkm, the Group is on track to deliver the 2025 target of 86g CO<sub>2</sub>/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<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) as Scope 1 non-CO<sub>2</sub> greenhouse gases (GHGs), in line with the UK conversion factors.

Emissions of CH<sub>4</sub> were 10,485 tonnes in 2022 and N<sub>2</sub>O were 126,123 tonnes.

Target	Related KPI(s)	Calculation Methodology	Performance to Date
Net Zero 2050	Absolute Scope 1+2 CO <sub>2</sub> e emissions per year (tonnes)	UK government conversion factors	2019 – 19,091,720 tonnes* 2022 – 11,886,669 tonnes 2023 – 15,019,941 tonnes
10% SAF usage on flights by 2030	% SAF used on flights	Tonnes SAF utilised / total fuel utilised	0.98 per cent SAF used in 2023.
86gCO <sub>2</sub> /pkm by 2025	CO <sub>2</sub> /pkm	Total fuel utilised / (RPKs * CTks)	86.2 CO <sub>2</sub> /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	0.54 kg/pax @ hub

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

RPKs and emissions as a % of RPKs in the relevant years are as follows:

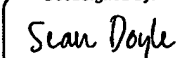
2019: 155,580,000, 12.3%

2022: 104,559,166, 11.4%

2023: 140,135,283, 10.7%

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

DocuSigned by:



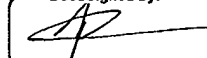
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Sean Doyle

Chairman and Chief Executive Officer

4 March 2024

DocuSigned by:



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Jose Antonio Barrionuevo Urgel

Chief Financial and Transformation Officer

4 March 2024

## Directors' report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2023.

### 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](http://www.ba.com).

### Results and dividends

The operating profit before exceptional items for the year ended 31 December 2023 amounted to £1,431 million (2022: £306 million). The operating profit after exceptional items for the year ended 31 December 2023 was £1,431 million (2022: £325 million).

The Board has decided not to recommend the payment of any dividends in respect of the year ended 31 December 2023 (2022: £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 2023. 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 for year ended 31 December 2023.

### 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  
Rebecca Napier (resigned on 29 August 2023)  
José Antonio Barrionuevo Urgel (appointed on 29 August 2023)  
Alison Brittain  
Carolina Martinoli (resigned on 28 August 2023)  
Lynne Embleton (resigned on 12 September 2023)  
Nicholas Cadbury (appointed on 28 August 2023)

### 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 2023 and remain in force.

## Directors' report continued

### 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 the last financial year or from the date of appointment in respect of Officers who joined during 2023 and remain in force.

### Corporate Governance

Effective corporate governance is a key requirement for the Group. For the year ended 31 December 2023, 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 2023 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 2023 the Board comprised of two Executive Directors (the CEO and the CFO) 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 CFO 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 2023, there were eight meetings, which were well attended.

## Directors' report continued

### 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 the Group, 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.

All in scope Internal Control over Financial Reporting (ICFR) processes and key IT General Controls (ITGCs) have been tested. No material or substantial weaknesses were detected.

#### *Risk management*

IAG has a Group Wide Enterprise Risk Management 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 framework, supported by risk management professionals in IAG. Risk owners are responsible for identifying risks in their area of responsibility. All risks are assessed for likelihood and impact against the Group 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 Management Committee oversight. Internal control and risk management systems in relation to the Group's financial reporting process and the process for the preparation of consolidated financial statements are in place. The risk framework allows British Airways to develop an assessment of the interdependencies of risks, built on scenario planning to quantify risk impact 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. 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. 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, the Group's financial reporting.

The risk heatmap is reviewed twice yearly by the British Airways Management Committee and the IAG Head of Enterprise Risk Management 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 CFO 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.

## Directors' report continued

### People

British Airways knows its people are key to its success and is focused on continuing to rebuild pride and trust with its fantastic colleagues and creating a culture that makes colleagues feel valued and empowered to do the right thing for its customers. As British Airways continues with its journey to transform the business and meet an increase in demand for air travel, it has continued to invest in its people focusing on increasing resilience within the customer facing and operational teams, recruiting approximately 7,500 colleagues into the business during the twelve months to 31 December 2023.

The Group's internal 'BA Better Leader' leadership development pathways have enabled hundreds of its leaders to participate in tailor-made programmes designed to enhance their capabilities and apply the learnings to their role, with more than 90% of participants recommending these programmes to their peers. This has helped to reinforce the Group's commitment to investing in its people, with plans to continue evolving and offering these courses to colleagues from across the business in the future.

Similarly, the Group's 'Grow Your Talent' campaign, introduced in 2023, empowers colleagues to understand their potential and map themselves on the Group's new talent grid, whilst providing tailored development opportunities for both 'Top Talent', and 'Future Talent' colleagues. The rollout of the 'Digital Skills Academy' promises to enhance digital capabilities across the Group and supports the ambition to become a digital first organisation.

The Group continues to make positive progress in rebuilding trust and advocacy with its people, with recent employee surveys showing increased levels of colleague engagement across the business. To aid the Group's efforts in promoting a culture of continuous feedback and improvement, it has continued to use the "Share, Act, Close the Loop" model, which was first introduced in 2022, to drive local initiatives and further engagement with its colleagues. In addition, the Group introduced a results portal and action planning tool, empowering leaders to create and track engagement plans at a local level, with over 250 actions captured since launching the tool earlier this year. An enhanced Above & Beyond colleague recognition programme continues to celebrate the contributions of colleagues to the business, including introducing monetary recognition awards, career milestone lapel pin badges and annual recognition events.

The Group continues its commitment to colleague wellbeing, encompassing both mental and physical health. Platforms such as Unmind and Helpdirect (Validium), and the Employee Assistance Programme provide comprehensive support to colleagues. The Group continues to run regular campaigns throughout the year to remind and signpost colleagues to the resources available to them.

Another key focus area, Inclusion and Diversity (I&D), has also seen substantial progress this year. Senior leadership roles (Band 1 and 2) saw increased representation of women and ethnic minorities, with women now accounting for 39.5 per cent of these senior roles (versus target of 40 per cent by 2025) and 11.8 per cent ethnic minority representation (up from 10 per cent in January 2023). This year has seen the rollout of the new I&D strategy, an all-colleague I&D e-learning package, and growth of the reverse mentoring program, highlighting the commitment to fostering an inclusive and diverse workplace, and progressing towards the diversity targets for both gender and ethnicity for 2025 and 2030. Accessibility initiatives, such as the launch of the colleague Accessibility network group, participation in business disability awareness month, and investing in neurodiversity training illustrate the business's commitment to inclusivity for all colleagues. The Group's enhanced, gender neutral Family Leave policies launched in 2022 are continuing to increase retention of primary parents on return from primary parent leave.

This year also saw the launch of the Group's Speedbird Pilot Academy cadet training programme, which will offer fully-funded training for up to 100 aspiring pilots each year. The creation of the programme will see the cost barrier to training to become an airline pilot removed, making the profession more accessible and encouraging a diverse pipeline of talent into the flying community.

Looking ahead to 2024, the Group will continue focusing on its People Transformation Portfolio, accelerating change to drive the end-to-end colleague experience across the airline. In 2024, the Group will be launching a new Careers site for external candidates applying to join British Airways, launching a new financial empowerment programme to further support colleagues in light of the cost-of-living crisis, and further investing in the workplace environments to give colleagues facilities that are both inspiring and fit for the purpose they are intended for.

### Energy and carbon

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

BA Group	Metric	Measure	2023	2022
Annual GHG emissions in tonnes of CO <sub>2</sub> equivalent	Scope 1	tCO <sub>2</sub> equivalent	14,987,232	11,887,802
	Scope 2 location-based	tCO <sub>2</sub> equivalent	32,188	28,414
	Scope 2 market-based	tCO <sub>2</sub> equivalent	10,878	8,959
	Scope 3	tCO <sub>2</sub> equivalent	3,341,190	2,773,091
Energy in kWh	Electricity	kWh	130,798,804	129,816,509
	Total energy	MWh	61,167,204	45,724,411
Intensity ratio	Flight emissions intensity	gCO <sub>2</sub> /pkm	86.2	89.1

Refer to pages 21 to 30 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 2023 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.

## Directors' report continued

### 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:

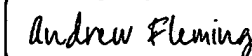
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent 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:



3E711A34FDD1417...

Andrew Fleming

Company Secretary

4 March 2024

Company registration number - 1777777

## 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 2023 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 2023 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. 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 used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent 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's and parent Company's available financial resources over this period were:

- The risk that the increase in operating capacity and passenger volumes does not continue as projected during the going concern period.
- The risk that current 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 parent Company during the going concern period.

Our procedures also included;

- We critically assessed 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 parent Company's plans based on approved budgets and our knowledge of the sector in which they operate.
- We specifically challenged the assumptions underpinning the 'downside case' scenario prepared by the directors to evaluate whether this represented a sufficiently severe but plausible downside scenario.
- We inspected loan facility agreements with lenders to confirm the level of facilities available and expiration dates.
- We 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 parent 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 parent Company will continue in operation.

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

### **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 and approved by the same user 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 parent Company's regulatory and legal correspondence and 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 is subject to laws and regulations that directly affect the financial statements including financial reporting 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 is 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, 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.



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

### **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 35, 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.

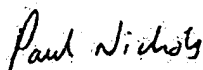
### **Auditor's responsibilities**

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](http://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 (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
4 March 2024

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## Group consolidated income statement

For the year ended 31 December 2023

£ million	Note	2023	Group 2022 <sup>1</sup>
Passenger revenue		12,668	9,215
Cargo revenue		757	1,060
Other revenue		897	755
<b>Total revenue</b>		<b>14,322</b>	<b>11,030</b>
Employee costs	6	2,577	2,100
Fuel, oil costs and emission charges		3,825	2,929
Handling, catering and other operating costs		2,302	1,812
Landing fees and en-route charges		1,127	870
Engineering and other aircraft costs		913	803
Property, IT and other costs	4b	646	635
Selling costs		493	385
Depreciation and amortisation	4a	1,017	1,084
Net gain on sale of property, plant and equipment		(2)	(3)
Currency differences		(7)	109
<b>Total expenditure on operations before exceptional items</b>		<b>12,891</b>	<b>10,724</b>
<b>Operating profit before exceptional items</b>	4a	<b>1,431</b>	<b>306</b>
Exceptional items	3	-	19
<b>Operating profit after exceptional items</b>		<b>1,431</b>	<b>325</b>
Finance costs	7a	(605)	(494)
Finance income	7b	140	20
Net financing credit relating to pensions	7c	89	22
Net currency retranslation credit/(charge)		49	(49)
Share of profits in investments accounted for using the equity method	15	315	208
Other non-operating credits	7d	5	14
<b>Total net non-operating costs</b>		<b>(7)</b>	<b>(279)</b>
<b>Profit before tax for the year</b>		<b>1,424</b>	<b>46</b>
Tax	8	(263)	15
<b>Profit after tax for the year</b>		<b>1,161</b>	<b>61</b>

<sup>1</sup>The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment. There is no impact on Profit after tax for the year. Further information is given in note 2.

## Consolidated statement of other comprehensive income

For the year ended 31 December 2023

£ million		Group	
	Note	2023	2022 <sup>1</sup>
<b>Items that may be reclassified subsequently to net profit</b>			
Cash flow hedges:			
Fair value movements in equity <sup>1</sup>		(128)	703
Reclassified and reported in net profit		(50)	(593)
Fair value movements on cost of hedging <sup>1</sup>		(66)	(62)
Cost of hedging reclassified and reported in net profit		49	13
Currency translation differences		3	4
Other movements in comprehensive income of associates	15	11	8
		(181)	73
<b>Items that will not be reclassified to net profit</b>			
Fair value movements on other equity investments		20	-
Remeasurements of post-employment benefit obligations		(938)	554
		(918)	554
<b>Total other comprehensive (loss)/income for the year, net of tax</b>		(1,099)	627
<b>Profit after tax for the year</b>		1,161	61
<b>Total comprehensive income for the year</b>		62	688

<sup>1</sup>The 2022 results include a reclassification of gains and losses associated with the fair value movements on cash flow hedges and fair value movements on cost of hedging, respectively. There is no impact on Total other comprehensive income for the year, net of tax. Further information is given in note 2.

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

**Balance sheets**

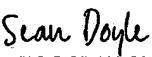
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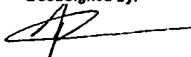
As at 31 December 2023

£ million	Note	2023	Group 2022	2023	Company 2022
<b>Non-current assets</b>					
Property, plant and equipment	10	11,050	10,446	10,859	10,300
Intangible assets	14	1,320	1,197	1,271	1,146
Investments in subsidiaries	15	-	-	1,271	1,271
Investments accounted for using the equity method	15	2,275	1,951	1,570	1,570
Other equity investments		22	2	22	2
Employee benefit assets	28	1,191	2,041	1,191	2,041
Derivative financial instruments	24	21	47	22	47
Deferred tax assets	8	229	513	329	623
Other non-current assets	20	200	174	262	173
		16,308	16,371	16,797	17,173
<b>Current assets</b>					
Non-current assets held for sale	13	-	16	-	16
Inventories	17	98	70	97	68
Trade receivables	16	876	811	861	788
Other current assets	16	760	685	828	688
Derivative financial instruments	24	37	340	41	343
Other current interest-bearing deposits	18	270	140	270	140
Cash and cash equivalents	18	904	2,376	850	2,321
		2,945	4,438	2,947	4,364
<b>Total assets</b>		<b>19,253</b>	<b>20,809</b>	<b>19,744</b>	<b>21,537</b>
<b>Shareholders' equity</b>					
Issued share capital	25	290	290	290	290
Share premium	25	1,512	1,512	1,512	1,512
Other reserves <sup>1</sup>	27	798	681	706	1,005
<b>Total shareholders' equity</b>		<b>2,600</b>	<b>2,483</b>	<b>2,508</b>	<b>2,807</b>
<b>Total equity</b>		<b>2,600</b>	<b>2,483</b>	<b>2,508</b>	<b>2,807</b>
<b>Non-current liabilities</b>					
Borrowings	21	7,112	9,226	7,098	9,208
Employee benefit obligations	28	151	188	150	179
Provisions	22	568	581	529	547
Derivative financial instruments	24	56	39	56	42
Other non-current liabilities	20	70	84	67	82
		7,957	10,118	7,900	10,058
<b>Current liabilities</b>					
Borrowings	21	1,250	1,211	1,239	1,198
Trade and other payables	19	2,654	2,436	3,354	2,965
Deferred revenue	19	4,231	4,171	4,211	4,141
Derivative financial instruments	24	279	141	281	146
Current tax payable	8	-	3	4	3
Provisions	22	282	246	247	219
		8,696	8,208	9,336	8,672
<b>Total liabilities</b>		<b>16,653</b>	<b>18,326</b>	<b>17,236</b>	<b>18,730</b>
<b>Total equity and liabilities</b>		<b>19,253</b>	<b>20,809</b>	<b>19,744</b>	<b>21,537</b>

<sup>1</sup>The profit for the year for the Company was £751 million (2022: profit £225 million).

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
 F7E973D712884B8...  
 Sean Doyle  
 Chairman and Chief Executive Officer  
 4 March 2024

DocuSigned by:  
  
 4201829993E9493...  
 Jose Antonio Barrionuevo Urgel  
 Chief Financial and Transformation Officer  
 4 March 2024

## Cash flow statement

For the year ended 31 December 2023

£ million	Note	2023	Group 2022 <sup>1</sup>
<b>Cash flow from operating activities</b>			
Operating profit from continuing operations after exceptional items		1,431	325
Exceptional items		-	(19)
Operating profit from continuing operations before exceptional items		1,431	306
Depreciation, amortisation and impairment		1,017	1,084
Net gain on sale of property, plant and equipment		(2)	(3)
Employer contributions to defined benefit pension schemes net of service and administration costs	28	(29)	(3)
Increase in provisions	34	53	147
Unrealised currency differences		17	15
Other movements	34	63	38
Realised gains on derivatives not qualifying for hedge accounting		5	14
Interest paid		(575)	(417)
Interest received		131	15
Tax paid		(24)	(10)
<b>Net cash flows generated from operating activities before movements in working capital</b>		<b>2,087</b>	<b>1,186</b>
Increase in trade receivables		(68)	(367)
(Increase)/decrease in inventories		(28)	4
Increase in other receivables and current assets		(113)	(209)
Increase in trade payables		102	599
Increase in deferred revenue		72	655
Increase in other payables and current liabilities		57	170
<b>Net cash flows generated from operating activities</b>		<b>2,109</b>	<b>2,038</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(1,628)	(1,589)
Proceeds from the sale of property, plant and equipment and intangible assets		538	21
Dividends received	15	1	2
Loan repaid by parent company		84	9
Loan to associate		(3)	(11)
Increase in other current interest-bearing deposits		(130)	(140)
Other investing movements		8	(19)
<b>Net cash flows used in investing activities</b>		<b>(1,130)</b>	<b>(1,727)</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		777	640
Repayments of borrowings		(2,182)	(159)
Repayment of lease liabilities		(970)	(610)
Settlement of derivative financial instruments		(23)	429
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(2,398)</b>	<b>300</b>
(Decrease)/Increase in cash and cash equivalents		(1,419)	611
Net foreign exchange differences		(53)	78
Cash and cash equivalents at 1 January		2,376	1,687
<b>Cash and cash equivalents at 31 December</b>	<b>18</b>	<b>904</b>	<b>2,376</b>

### Reconciliation to Total cash, cash equivalents and other interest-bearing deposits

Cash and cash equivalents at 31 December	18	904	2,376
Interest-bearing deposits with maturity periods of more than three months	18	270	140
<b>Cash, cash equivalents and other interest-bearing deposits at 31 December</b>	<b>18</b>	<b>1,174</b>	<b>2,516</b>

<sup>1</sup>The 2022 results include reclassifications to conform with the current year presentation. Further information is given in note 2.

## Statements of changes in equity

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
<i>Transactions with owners, recorded directly in equity</i>				
Share-based payment charge	-	-	10	10
Share-based payment recharge	-	-	(10)	(10)
<b>Total contributions by and distributions to owners</b>	-	-	-	-
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
<b>As at 31 December 2023</b>	<b>290</b>	<b>1,512</b>	<b>798</b>	<b>2,600</b>

For the year ended 31 December 2022

	Group			
£ million	Issued share capital	Share premium	Other reserves (note 27)	Total Equity
At 1 January 2022	290	1,512	(10)	1,792
Profit for the year	-	-	61	61
<i>Transactions with owners, recorded directly in equity</i>				
Share-based payment charge	-	-	7	7
Share-based payment recharge	-	-	(7)	(7)
<b>Total contributions by and distributions to owners</b>	-	-	-	-
Other comprehensive income for the year	-	-	627	627
Total comprehensive income for the year, net of tax	-	-	688	688
Hedges transferred and reported in property, plant and equipment	-	-	(19)	(19)
Hedges transferred and reported in sales in advance of carriage	-	-	22	22
<b>As at 31 December 2022</b>	<b>290</b>	<b>1,512</b>	<b>681</b>	<b>2,483</b>

## Statements of changes in equity

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
<i>Transactions with owners, recorded directly in equity</i>				
Share-based payment charge	-	-	10	10
Share-based payment recharge	-	-	(10)	(10)
<b>Total contributions by and distributions to owners</b>	-	-	-	-
Other comprehensive loss for the year	-	-	(1,105)	(1,105)
Total comprehensive income 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
<b>As at 31 December 2023</b>	<b>290</b>	<b>1,512</b>	<b>706</b>	<b>2,508</b>

For the year ended 31 December 2022

	Company			
£ million	Issued share capital	Share premium	Other reserves (note 27)	Total Equity
At 1 January 2022	290	1,512	172	1,974
Profit for the year	-	-	225	225
<i>Transactions with owners, recorded directly in equity</i>				
Share-based payment charge	-	-	7	7
Share-based payment recharge	-	-	(7)	(7)
Total contributions by and distributions to owners	-	-	-	-
Other comprehensive income for the year	-	-	605	605
Total comprehensive income for the year, net of tax	-	-	830	830
Hedges transferred and reported in property, plant and equipment	-	-	(19)	(19)
Hedges transferred and reported in sales in advance of carriage	-	-	22	22
<b>As at 31 December 2022</b>	<b>290</b>	<b>1,512</b>	<b>1,005</b>	<b>2,807</b>



## Notes to the Financial Statements

For the year ended 31 December 2023

### 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 2023 were authorised for issue by the Board of Directors on 4 March 2024 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, PO Box 365, Harmondsworth, 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. From 1 January 2023, the Company, which previously prepared its financial statements in accordance with IFRS, 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. Accordingly, there have been no restatements to the financial statements of the Company in the year ended 31 December 2022 as a result of the change to FRS 101.

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

##### *Consolidated income statement – net gain on sale of property, plant and equipment*

The prior period Consolidated income statement includes a reclassification to conform with the current period of presentation for the Net gain on the sale of property, plant and equipment within Operating profit. Accordingly, for the year ended 31 December 2022, the Group has reclassified £3 million of gains from Other non-operating credits to Net gain on sale of property, plant and equipment within Total expenditure on operations. There is no impact on the profit after tax.

##### *Consolidated statement of other comprehensive income*

The prior period Consolidated statement of other comprehensive income includes a reclassification of £112 million of gains associated with the Fair value movements on cash flow hedges and £6 million of losses associated with the Fair value movements on cost of hedging, which had been previously presented under the sub-heading "Items that will not be reclassified to net profit", to the sub-heading "Items that may be reclassified subsequently to net profit" as these may recycle in future periods. There is no impact on Total other comprehensive (loss)/income, net of tax.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### Change in presentation of results continued

##### Consolidated cash flow statement

During the course of 2023, the Group has made a number of changes to its Consolidated cash flow statement to conform with IAG's presentation policy. These changes have been applied retrospectively to the Consolidated cash flow statement and are detailed below.

- *Net gain on sale of property, plant and equipment*

Previously gains/losses on the sale of property, plant and equipment were recorded in the Consolidated income statement within Other non-operating charges. Under the updated presentation, net gains/losses on the sale of property, plant and equipment are presented separately in the Consolidated income statement and included within Operating profit. Accordingly, Operating profit included within Net cash flows from operating activities has been updated.

- *Unrealised currency differences*

Previously all unrealised foreign currency gains/losses arising in the Consolidated cash flow statement were recorded within Net foreign exchange differences. Under the updated presentation, Net foreign exchange differences has been amended to only include those unrealised currency differences arising from the retranslation of opening cash and cash equivalent balances, while unrealised currency differences arising from working capital used in operating activities are presented within Net cash flows from operating activities.

- *Other cash flows from operating activities*

Previously movements in working capital balances were presented aggregated between working capital assets and working capital liabilities. Under the updated presentation working capital balances have been disaggregated by their nature to allow greater visibility as to the cash flow impacts associated with these balances. There has been no change in the overall total movement in working capital.

In addition, previously, the Group presented the non-cash movements in provisions combined with other non-cash movements. Under the updated presentation these items have been separated into individual row items within the Consolidated cash flow statement.

The impact of these changes on the Consolidated income statement and the Consolidated cash flow statement for the year ended 31 December 2022 are shown below.

#### Consolidated Income statement (extract for the year ended 31 December 2022)

£ million	As reported	Adjustment - net gain on sale of PPE	Restated
<b>Total revenue</b>	<b>11,030</b>	-	<b>11,030</b>
Net gain on sale of property, plant and equipment	-	(3)	(3)
<b>Total expenditure on operations before exceptional items</b>	<b>10,727</b>	(3)	<b>10,724</b>
<b>Operating profit before exceptional items</b>	<b>303</b>	3	<b>306</b>
<b>Operating profit after exceptional items</b>	<b>322</b>	3	<b>325</b>
Total net non-operating charges	(276)	(3)	(279)
<b>Profit before tax</b>	<b>46</b>	-	<b>46</b>
Tax	15	-	15
<b>Profit after tax</b>	<b>61</b>	-	<b>61</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

Change in presentation of results continued

Consolidated cash flow statement (extract for the year ended 31 December 2022)

£ million	As reported	Adjustment – net gain on sale of PPE	Adjustment – unrealised currency differences	Adjustment – operating cash flow items	Restated
<b>Cash flow from operating activities</b>					
Operating profit after exceptional items	322	3	-	-	325
Exceptional items	(19)	-	-	-	(19)
Operating profit before exceptional items	303	3	-	-	306
Depreciation and amortisation	1,084	-	-	-	1,084
Net gain on sale of property, plant and equipment	-	(3)	-	-	(3)
Movement in working capital	852	-	-	(852)	-
<i>Increase in trade receivables, inventories and other current assets</i>	<i>(572)</i>	<i>-</i>	<i>-</i>	<i>572</i>	<i>-</i>
<i>Increase in trade and other payables, deferred revenue and other current liabilities</i>	<i>1,424</i>	<i>-</i>	<i>-</i>	<i>(1,424)</i>	<i>-</i>
Payments related to restructuring	(8)	-	-	8	-
Employer contributions to defined benefit pension schemes net of service and administration costs	(3)	-	-	-	(3)
Provisions and other non-cash movements	193	-	-	(193)	-
Increase in provisions	-	-	-	147	147
Unrealised currency differences	-	-	15	-	15
Other movements	-	-	-	38	38
Realised gains on derivatives not qualifying for hedge accounting	14	-	-	-	14
Interest paid	(417)	-	-	-	(417)
Interest received	15	-	-	-	15
Tax paid	(10)	-	-	-	(10)
<b>Net cash flows generated from operating activities before movements in working capital</b>	<b>2,023</b>	<b>-</b>	<b>15</b>	<b>(852)</b>	<b>1,186</b>
Increase in trade receivables	-	-	-	(367)	(367)
Decrease in inventories	-	-	-	4	4
Increase in other receivables and current assets	-	-	-	(209)	(209)
Increase in trade payables	-	-	-	599	599
Increase in deferred revenue	-	-	-	655	655
Increase in other payables and current liabilities	-	-	-	170	170
<b>Net cash flows generated from operating activities</b>	<b>2,023</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>2,038</b>
<b>Net cash flows used in investing activities</b>	<b>(1,727)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,727)</b>
<b>Net cash flows generated from financing activities</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300</b>
Net increase in cash and cash equivalents	596	-	15	-	611
Net foreign exchange differences	93	-	(15)	-	78
Cash and cash equivalents at 1 January	1,687	-	-	-	1,687
<b>Cash and cash equivalents at 31 December</b>	<b>2,376</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,376</b>
<b>Interest-bearing deposits maturing after more than three months</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140</b>
<b>Cash, cash equivalents and interest-bearing deposits</b>	<b>2,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,516</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### Going concern

At 31 December 2023, the Group and Company had total liquidity of £4.6 billion (31 December 2022: total liquidity of £5.5 billion), comprising cash, cash equivalents and interest-bearing deposits of £1.2 billion (2022: £2.5 billion), £3.1 billion of committed and undrawn general facilities (2022: £2.1 billion) and £0.3 billion (2022: £0.9 billion) of committed and undrawn aircraft specific facilities. The Group and Company's facilities do not contain financial covenants.

The decrease in liquidity during the year to 31 December 2023 was attributable to, amongst other actions, early repayment of the £2.0 billion UK Export Finance loan, together with a reduction in aircraft specific facilities of £0.6 billion, offset by a new five-year UK Export Finance credit facility of £1.0 billion, and strong operational cash flow generation.

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 2023. The business plan reflects the ongoing uncertainty of the wider economic and geopolitical environments on the Group and Company across the going concern period. The key inputs and assumptions underlying the Base Case through to 31 March 2025 include:

- Capacity recovery modelled by geographical region with total capacity to remain above the levels obtained in 2023 throughout the going concern period;
- Passenger unit revenue per ASK is forecast to continue to remain above the levels obtained in 2023 throughout the going concern period;
- The Group and Company have assumed that the committed and undrawn general facilities of £3.1 billion will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with £3.0 billion available to the Group and Company at 31 March 2025; and
- Of the capital commitments detailed in note 12, £1.9 billion is due to be paid over the going concern period, of which the Group and Company have committed aircraft financing of £0.3 billion, and the Group and Company have further forecast securing 100 per cent of the aircraft financing required that is currently uncommitted, to align with the timing and payments for these aircraft deliveries it expects to finance, including aircraft delivered in 2023 that had not had their financing secured at the reporting date.

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 per cent for three months during the going concern period; reduced passenger unit revenue per ASK; increases in the price of jet fuel by 20 per cent above that assumed in the Base Case; and increased operational costs. In the Downside Case, over the going concern period capacity would be 11 per cent down when compared to the Base Case. The Downside Case assumes that British Airways would be required to draw down, in full, its portion of the available US dollar Revolving Credit Facility (further information given in note 23). 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 2023.

#### 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.

#### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 20.

#### 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 (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. 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 five per cent residual value for shorthaul aircraft and between 23 and 29 years and up to five per cent residual value for longhaul aircraft.

Right of use assets are depreciated over the shorter of the lease term and the aforementioned useful life. Where the lease includes a purchase option, at the discretion of the Group, where 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 useful life of the aircraft, irrespective of the lease term.

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

Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as rotatable spares purchased separately, are carried as property, plant and equipment and generally depreciated in line with the fleet to which they relate.

##### b Other property, plant and equipment

Provision is made for the depreciation of all property and equipment. Property, with the exception of freehold land, is depreciated over its expected useful life over periods not exceeding 50 years, or in the case of leasehold properties, over the duration of the lease if shorter, on a straight-line basis. Equipment is depreciated over periods ranging from 4 to 20 years.

##### c Capitalisation of interest on progress payments

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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### Property, plant and equipment continued

##### 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 and equipment. 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 ROU asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

##### *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 a ROU asset will incorporate unavoidable restoration costs, 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.

##### *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 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 rate is 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) and changes in variable lease payments that are based on an index or a rate.

##### *Amounts excluded from recognition as 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 those leases of low-value assets. 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. 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 IT-equipment and small items of office furniture.

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. Extension options are included in a number of aircraft, property and equipment leases across the Group and are reflected in the lease payments where the Group is reasonably certain that it will exercise the option. Such variable lease payments are expensed to the Income statement as incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### Property, plant and equipment continued

##### e Leases continued

##### *Sale and leaseback transactions*

The Group regularly uses sale and lease 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 over the lease term; with the existence of such a repurchase option resulting in a sale having been deemed not to have occurred, and; if no such repurchase option exists, 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 counter-party 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*

Lease payments 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 are 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; and
- the payments arising from variable elements of a lease, short-term leases and low-value assets are 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;
- 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 overhaul expenditure, including replacement spares and labour costs for airframes and engines, is capitalised and amortised over the expected life between major overhauls / to the end of the useful life of the asset.

All other replacement spares and other costs relating to maintenance of owned fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the Income statement on consumption or as incurred respectively.

##### *Leased aircraft*

The Group records a provision for major maintenance and overhaul events, including for airframes and engines. These occur through usage or through the passage of time and are recognised as such activity occurs through to the next maintenance event, with a corresponding expense recorded in the Income statement. Any subsequent changes in estimation are recognised in the Income statement.

Restoration and handback obligations that arise on the inception of a lease are recognised as a provision with a corresponding amount recognised as part of the ROU asset. Any subsequent change in estimation relating to such costs are reflected in the ROU asset.

All other replacement spares and other costs relating to maintenance of leased fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the Income statement on consumption or as incurred respectively.

#### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### Intangible assets continued

##### 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.

##### d Emission allowances

Where the Group purchases emission allowances, these amounts are recognised at cost and recorded within Intangible assets. As the Group emits CO<sub>2</sub> equivalent and builds up an obligation to the relevant authorities, a provision is recognised.

Emission allowances recorded within Intangible 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 to offset the emissions, the provision is recognised at the weighted average cost of the intangible asset. For those obligations arising for which the Group has not yet purchased emission allowances to offset the emissions, the provision is recognised at the market price of the allowances required at the reporting date. As the provision is recognised, a corresponding amount is recorded in the Income statement within Fuel, oil costs and emission charges.

The Group's emissions obligation, recognised as a separate liability, is extinguished when the associated emission certificates are surrendered, which is typically within 12 months of the reporting date.

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 asset is retained on the Balance sheet within Intangible 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 reporting 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 50 per cent, 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.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 and financial liabilities are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets and financial liabilities.

The classification of financial assets and financial liabilities at initial recognition depends on the financial assets' and financial liabilities' contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset and financial liability 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 or financial liability 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 and financial liabilities establishes how it manages its financial assets and financial liabilities 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 and financial liabilities 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 and financial liabilities classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

A financial asset or liability is generally derecognised when the contract that gives rise to it has been settled, sold, cancelled or has expired.

##### *Long-term borrowings*

Long-term borrowings are recorded at amortised cost, including lease liabilities which contain interest rate swaps that are closely related to the underlying financing and as such, are not accounted for separately as an embedded derivative.

##### *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 OCI. They are subsequently measured at fair value, with changes in fair value recognised in OCI with no recycling of these gains and losses to the Income statement when the investment is sold or a change in the structure of 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 reporting 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 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 over the expected life of the aircraft 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 Interest expense within the Income statement 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.

##### e Interest rate benchmark reform

In 2020 the Group adopted the amendments to IFRS 9 and IFRS 7 relating to the interest rate benchmark reform Phase 1, ('Phase 1') and in 2021 the Group adopted the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to the interest rate benchmark reform Phase 2, ('Phase 2').

The Phase 1 amendments provide temporary relief from applying certain hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform does not cause hedge accounting to terminate prior to contracts being amended. Where transition to an alternative benchmark rate has taken place, the Group ceases to apply the Phase 1 amendments and instead applies the Phase 2 amendments.

###### *Hedge accounting*

During the course of 2023, the Group ceased to apply the Phase 1 amendments, as the last of the associated IBORs transitioned to alternative benchmarks. Prior to these transitions and where the Group applied the Phase 1 amendments, the following reliefs were applied:

- when considering the highly probable requirement, the Group assumed that those benchmark rates that need to transition to an alternative benchmark rate, on which the Group's hedged long-term borrowings are based, did not change as a result of IBOR reform;
- in assessing whether the hedge was expected to be highly effective on a forward-looking basis the Group assumed that those benchmark rates that needed to be transitioned to an alternative benchmark rate, on which the cash flows of the hedged long-term borrowings and the interest rate swaps that hedge them were based, were not altered by IBOR reform; and
- the Group has not reclassified the cash flow hedge reserve relating to the period after the IBOR reform is expected to take effect.

When the Group ceased to apply the Phase 1 amendments, the Group amended its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:

- designating an alternative benchmark rate (contractually or non-contractually specified) as the hedged risk;
- amending the description of the hedged item, including the description of the designated portion of the cash flows being hedged; or
- amending the description of the hedging instrument.

The associated hedge documentation was updated to reflect these changes in designation by the end of the reporting period in which the changes were made. Such amendments did not give rise to the hedge relationship being discontinued. When the Group transitioned to alternative benchmark rates, the accumulated amounts within the cash flow hedge reserve were determined to be based on the alternative benchmark rates and no reclassification adjustments were made from the cash flow hedge reserve to the Income statement.

###### *Long-term borrowings and lease liabilities*

Phase 2 of the amendments required that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate prospectively. No gain or loss was recognised upon transition to the new benchmark. The expedient was only applicable to direct changes that are required by interest rate benchmark reform.

For lease liabilities where there was a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability was remeasured by discounting the revised lease payments using a discount rate that reflected the change in the interest rate where the change was required by IBOR reform.

No amounts have been recorded in the current or prior periods as a result of these amendments.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### 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 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. Re-measurements, 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.

#### 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 difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- 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.

#### Inventories

Inventories, with the exception of emission allowances held for trading, 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 emission allowances held for trading.

#### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### Provisions

Provisions are made when an obligation exists for a present liability in respect of a past event and where the amount of the obligation can be reliably estimated and 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 reporting 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 has purchased a non-flexible fare and does not travel on the intended date.

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; (ii) request a refund; or (iii) request a voucher.

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 reporting date.

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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### Revenue recognition continued

##### 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 reporting 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.

##### 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 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 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 on a pre-exceptional basis 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.

#### 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 certain critical accounting judgements and use key sources of estimation uncertainty that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These 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 estimates upon which financial information has been prepared. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

#### Key sources of estimation uncertainty

The key sources of estimation uncertainty 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:

##### a Employee benefit obligations: defined benefit pension schemes

At 31 December 2023 the Group recognised £1,191 million in respect of employee benefit assets (2022: £2,041 million) and £151 million in respect of employee benefit obligations (2022: £188 million). Further information on employee benefit obligations is disclosed in note 28.

Employee benefit obligations are determined using the valuation requirements of IAS 19. These valuations involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such assumptions are subject to significant uncertainty. The assumptions relating to these schemes are disclosed in note 28. 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 sensitivity to changes in pension assumptions is disclosed in note 28.

Under the Group's Airways Pension Scheme ('APS') and New Airways Pension Scheme ('NAPS') increases to pensions are based on the annual Government Pension Increase ('Review') Orders, which since 2011 have been based on the Consumer Prices Index ('CPI'). Additionally, in APS there is provision for the Trustee to pay increases up to the level of the Retail Prices Index ('RPI'), subject to certain affordability tests. Historically market expectations for RPI could be derived by comparing the prices of UK Government fixed-interest and index-linked gilts, with CPI assessed by considering the Bank of England's inflation target and comparison of the construction of the two inflation indices.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### Key sources of estimation uncertainty continued

##### a Employee benefit obligations: defined benefit pension schemes continued

In November 2020, the UK Government and UK Statistics Authority (UKSA) confirmed alignment of RPI with CPIH (a variant of CPI) from February 2030. In assessing RPI and CPI inflation from investment market data, allowance has been made for alignment of RPI with CPIH from 2030 and, therefore, effectively no gap between RPI and CPI inflation from that date. CPI inflation before 2030 is assumed to be 1 per cent per annum below RPI inflation.

##### b Revenue recognition

At 31 December 2023 the Group recognised a liability of £4,231 million in respect of deferred revenue (2022: £4,171 million). Further information on deferred revenue is included in note 19.

Passenger revenue is recognised when the transportation service is provided. At the time of transportation, revenue is also recognised in respect of estimated unused ticket breakage. 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 2023 would result in an adjustment to Deferred revenue of £81 million, with an offsetting adjustment to increase revenue and operating profit recognised in the year.

For details regarding the voucher liability at 31 December 2023 and the associated sensitivity, refer to note 19.

##### c Income taxes

At 31 December 2023, the Group and Company recognised £229 million and £329 million in respect of deferred tax assets (2022: £513 million and £623 million). Further information on current and deferred tax liabilities is disclosed in note 8.

The Group and Company recognise deferred income tax assets only to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Management uses judgement, including the consideration of past and current operating performance and the future projections of performance laid out in the approved business plan in order to assess the probability of recoverability.

At 31 December 2023 the Group and Company had unrecognised capital losses of £294 million (2022: £300 million) and the Group had trading losses of £5 million (2022: £6 million) which it does not reasonably expect to utilise. In applying the aforementioned judgement to the income tax losses, had the Group extended the period of future cash flow projections indefinitely, then the amount of unrecognised tax losses would remain unchanged.

##### d Impairment of non-financial assets

At 31 December 2023 the Group recognised £997 million (2022: £953 million) in respect of intangible assets with an indefinite life, including goodwill. Further information on these assets is included in note 14.

Goodwill and intangible assets with indefinite economic lives are tested for impairment annually and at other times when such indicators exist. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation, which uses a weighted average multi-scenario discounted cash flow model, which is then compared to the carrying amount of the cash-generating unit.

In determining the carrying value of the cash-generating unit, the Group allocates all associated operating tangible and intangible assets, including ROU assets. In addition, the Group has allocated certain liabilities to the carrying value of the cash-generating unit where those liabilities are critical to the underlying operations of the cash-generating unit and in the event of a disposal of the cash-generating unit would be required to be transferred to the purchaser. Such liabilities include lease liabilities.

The Group has applied estimation in the weighting of each scenario in the discounted cash flow model and these calculations require the use of estimates in the determination of key assumptions and sensitivities as disclosed in note 14.

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When such indicators are identified, then non-financial assets are tested for impairment.

##### e Engineering and other aircraft costs

At 31 December 2023, the Group recognised a provision of £671 million (2022: £681 million) in respect of maintenance, restoration and handback provisions. Information on movements on the provisions are disclosed in note 22.

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. Were the Group to apply an alternative accounting policy, the financial impact would be materially different at the reporting date.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### Key sources of estimation uncertainty continued

##### e Engineering and other aircraft costs continued

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 aircraft is returned to the lessor. The assumptions used in this significant estimation include future maintenance costs and the aircraft's condition, and other non-significant estimates include aircraft utilisation and expected maintenance intervals. The associated forecast costs are discounted to their present value. The Group considered that there was no reasonably possible change to a single assumption that would have had a material impact on the provisions, however a combination of changes in multiple assumptions may have. In 2023, with the status of the macro-economic environment, the Group considers that a reasonable possible change in the inflation rate and discount rate assumptions of a 100 basis points increase would give rise to an increase of £12 million and a decrease of £17 million, respectively, when applied in isolation to one-another.

#### Critical accounting judgements

##### a 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 historic 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 and affects the Group's ability to exercise or not to exercise the option to renew or to terminate. Further information is given in note 11.

##### b Investment in associates – determination of significant influence

At 31 December 2023 the Group recognised £2,275 million (2022: £1,951 million) in respect of investments in associates. Further information on these assets is included in note 15.

The Group owns 13.55 per cent of the economic rights of IB Opco Holding S.L. ('Iberia') and 86.26 per cent 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 per cent 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 per cent of the equity of IAGL.

#### New standards, amendments and interpretations

The following amendments and interpretations apply for the first time in 2023, but do not have a material impact on the consolidated financial statements of the Group and the financial statements of the Company:

- IFRS 17 Insurance contracts – effective for periods beginning on or after 1 January 2023;
- Definition of accounting estimate – amendments to IAS 8 effective for periods beginning on or after 1 January 2023;
- Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice statement 2 effective for periods beginning on or after 1 January 2023;
- Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12 effective for periods beginning on or after 1 January 2023; and
- International tax reform: Pillar Two model reforms – amendments to IAS 12 effective for periods beginning on or after 1 January 2023.

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the year end of these financial statements which management believe could impact the Group and Company in future periods. 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. Unless otherwise stated, the Group and Company plan to adopt the following standards, interpretations and amendments on the date they become mandatory:

- Lease liability in a sale and leaseback – amendments to IFRS 16 effective for periods beginning on or after 1 January 2024; and
- Classification of liabilities as current or non-current – amendments to IAS 1 effective for periods beginning on or after 1 January 2024.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 2 Material accounting policies continued

#### 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 2023 and subsequently to the date of this report:

- On 27 July 2023, the Group announced that it had converted six Boeing 787-10 options into firm orders and at the same time is adding a further six 787-10 options to its longhaul order book. These aircraft will be delivered in 2025 and 2026 and will be used to restore capacity in BA's longhaul fleet;
- On 23 August 2023, the Group extended the terms of \$1,269 million of the \$1,346 million Revolving Credit Facility by an additional twelve months through to March 2026 with the remaining \$77 million available through to March 2025. At 31 December 2023, the Revolving Credit Facility remains undrawn; and
- On 28 September 2023, the Group repaid its syndicated loan of £2.0 billion, which was partially guaranteed by UK Export Finance (UKEF). At the same time, the Group entered into a new five-year Export Development Guarantee Facility of £1.0 billion, with commitments from a syndicate of banks, partially guaranteed by UKEF. The new facility is in addition to the £1.0 billion Export Development Guarantee Facility, which was entered into in 2021. Both facilities were undrawn at 31 December 2023.

#### 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 ten per cent by 2030 and to seventy per cent 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 rotatable 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 50 fuel efficient aircraft as detailed in note 12, 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.

These adjustments are limited to those that: (i) the Group can reliably estimate at the reporting date; (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 reporting date.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 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 per cent of the overall fuel mix; (ii) forecast cost of carbon, including SAF, ETS allowances and CORSIA allowances (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.

As detailed in note 14b, 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 14b 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 Recoverability of deferred tax assets

In determining the recoverable amounts of the Group's deferred tax assets, the Group applies the future cash flow projections for a period of up to ten years derived from the approved three-year business plans. The Group applies a medium-term growth rate subsequent to the three-year business plans. In considering the impact of the Group's Flightpath Net Zero climate strategy, management adjusts this medium-term growth rate, where applicable, to incorporate the assumed impacts on both revenue and costs to the Group.

##### e The price of carbon through the EU and UK Emissions Trading Schemes

The European Union and the United Kingdom's Emission Trading Schemes (ETS) were established to reduce greenhouse gas emissions. Under these schemes, companies, including the Group, are 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<sub>2</sub> 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.

As detailed in note 2, the Group accounts for the purchase of allowances as an addition to Intangible assets, which are measured at amortised cost. In addition, as the Group emits CO<sub>2</sub> equivalent as part of its flight operations, a provision is recorded to settle the obligation. As the provision is recognised, a corresponding amount is recorded in the Income statement within Fuel, oil costs and emission charges. For emissions for which the Group has already purchased allowances, the provision is valued at the weighted average cost of those allowances. Where the level of emissions exceeds the amount of allowances held, this deficit is measured at the market price of such allowances at the reporting date.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 through the EU and UK Emissions Trading Schemes continued**

For the year to, and as at 31 December 2023, the Group has recorded the following within the financial statements:

- Additions to the ETS allowance provision and accordingly an expense within Fuel, oil costs and emission charges of £88 million (see note 22);
- Purchases of ETS allowances recorded as additions to intangible assets of £56 million (see note 14);
- Total ETS allowances at the reporting date recorded within intangible assets of £269 million (see note 14); and
- Commitments for forward purchase agreements for ETS allowances of £28 million (see note 12).

At 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 business plan period to 31 December 2026:

*Percentage of forecast emission allowances required*

Within one year	100%
One to two years	61%
Two to three years	18%

### 3 Exceptional items

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

	Group	
£ million	2023	2022
<b>Total exceptional credit after tax</b>	-	19

There were no exceptional items during 2023.

The exceptional credit of £19 million during 2022 relates to the partial reversal of the fine, plus accrued interest, initially issued by the European Commission in 2010 to British Airways regarding its involvement in cartel activity in the air cargo sector which had been recognised as an exceptional charge. There was no related tax charge.

### 4 Operating expenses

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

Depreciation and amortisation of non-current assets prior to exceptional items:

	Group	
£ million	2023	2022
Depreciation charge on owned assets <sup>1</sup>	484	487
Depreciation charge on right of use assets	444	466
Depreciation charge on other leasehold interest <sup>1</sup>	24	40
Amortisation of intangible assets	65	91
<b>Depreciation and amortisation</b>	<b>1,017</b>	<b>1,084</b>

<sup>1</sup>The 2022 depreciation and amortisation includes a reclassification of results to conform with the current basis of presentation. An amount of £86 million has been reclassified from Depreciation charge on other leasehold interest to Depreciation charge on owned assets. There is no change to total Depreciation and amortisation.

Cost of inventories:

	Group	
£ million	2023	2022
<b>Cost of inventories recognised as an expense</b>	<b>110</b>	<b>70</b>

**b Property, IT and other costs**

£ million	2023	2022 <sup>1</sup>
Property costs	172	184
IT costs	170	145
Insurance costs, professional fees and other costs	304	306
<b>Property, IT and other costs</b>	<b>646</b>	<b>635</b>

<sup>1</sup>For the year ended 31 December 2023, the Group has elected to provide a disaggregated breakdown of the Income statement caption 'Property, IT and other costs' and has accordingly provided figures for the comparative year to 31 December 2022.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 5 Auditor's remuneration

	Group	
£ '000	2023	2022
Fees payable to the Group's auditor for the audit of the Group's accounts	2,515	2,407
Fees payable to the Group's auditor and its associates for other services:		
Audit of the Group's subsidiaries pursuant to legislation – UK	565	402
Audit of the Group's subsidiaries pursuant to legislation - Worldwide	-	47
Audit related assurance services	621	910
	3,701	3,766

Fees payable to the Group's auditor for the audit of the Group's pension schemes total £218,455 (2022: £200,895).

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

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

	Group		Company	
Number	2023	2022	2023	2022
UK	33,686	29,840	30,901	27,482
Overseas	3,715	3,785	2,213	2,198
	37,401	33,625	33,114	29,680

	Group		Company	
£ million	2023	2022	2023	2022
Wages and salaries	1,745	1,420	1,611	1,329
Social security costs	201	172	188	162
Costs related to pension scheme benefits (note 28b)	175	152	166	145
Other employee costs	456	356	432	334
<b>Total employee costs</b>	<b>2,577</b>	<b>2,100</b>	<b>2,397</b>	<b>1,970</b>

Included in 'Other employee costs' is a total expense for share-based payments of £10 million (2022: £7 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.

#### b Directors' emoluments

	Group	
£ million	2023	2022
Directors' remuneration	3	2

During the year, six Directors (2022: six) of the Company were employed and remunerated by IAG and three (2022: two) 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 £1,523,896 (2022: £1,515,621), including £100,620 pension contributions (2022: £96,750).

During the year, no Directors (2022: none) accrued benefits under a defined benefit pension scheme and three Directors (2022: two) accrued benefits under a defined contribution pension scheme. There were total pension contributions of £318,481 made during the year (2022: £164,250).

Six Directors (2022: four) participated in IAG's Long Term Incentive Schemes. Two Directors (2022: three) exercised share options and shares were received by five Directors (2022: three), including the highest paid Director.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 6 Employee costs and numbers continued

#### c Remuneration of key management personnel

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

	Group	
£ million	2023	2022
Short-term employee benefits	7	6
<b>Year to 31 December</b>	<b>7</b>	<b>6</b>

### 7 Finance costs, income and other non-operating credits

#### a Finance costs

	Group	
£ million	2023	2022
Interest expenses on:		
Bank borrowings	(166)	(133)
Asset financed liabilities	(97)	(61)
Lease liabilities	(183)	(186)
Provisions unwinding of discount	(18)	(1)
Other borrowings <sup>1</sup>	-	-
Capitalised interest on progress payments	24	10
Other finance costs <sup>1</sup>	(165)	(123)
<b>Total finance costs</b>	<b>(605)</b>	<b>(494)</b>

<sup>1</sup>The 2022 total finance costs include a reclassification of results to conform with the current basis of presentation. An amount of £123 million has been reclassified from Other borrowings to Other finance costs. There is no change to total finance costs.

#### b Finance income

	Group	
£ million	2023	2022
Interest on other interest-bearing deposits	140	20
<b>Total finance income</b>	<b>140</b>	<b>20</b>

#### c Net financing credit to pensions

	Group	
£ million	2023	2022
Net financing credit relating to pensions	89	22
<b>Total net financing credit relating to pensions</b>	<b>89</b>	<b>22</b>

#### d Other non-operating credits

	Group	
£ million	2023	2022 <sup>1</sup>
Realised gains on derivatives not qualifying for hedge accounting	5	14
<b>Total other non-operating credits</b>	<b>5</b>	<b>14</b>

<sup>1</sup>The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment. Further information is given in note 2.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 8 Tax

#### a Tax on ordinary activities

Tax credit/(charge) in the Income statement and Other comprehensive income.

£ million	2023				2022			
	Income statement	Other comprehensive income	Statement of changes in equity	Total	Income statement	Other comprehensive income	Statement of changes in equity	Total
<b>Current tax</b>								
Movement in respect of prior years	2	-	-	2	-	-	-	-
Movement in respect of current year	55	7	-	62	43	-	-	43
<b>Total current tax</b>	<b>57</b>	<b>7</b>	<b>-</b>	<b>64</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>43</b>
<b>Deferred tax</b>								
Movement in respect of prior years	(5)	(1)	-	(6)	(29)	-	-	(29)
Movement in respect of current year	(303)	51	(16)	(268)	(11)	(25)	-	(36)
Rate change / rate differences	(12)	2	-	(10)	12	(8)	-	4
<b>Total deferred tax</b>	<b>(320)</b>	<b>52</b>	<b>(16)</b>	<b>(284)</b>	<b>(28)</b>	<b>(33)</b>	<b>-</b>	<b>(61)</b>
<b>Total tax</b>	<b>(263)</b>	<b>59</b>	<b>(16)</b>	<b>(220)</b>	<b>15</b>	<b>(33)</b>	<b>-</b>	<b>(18)</b>

The tax charge on continuing operations for 2023 includes £nil tax charge (2022: £nil tax charge) in relation to exceptional items.

Within tax in Other comprehensive income is a tax credit of £62 million (2022: tax credit of £2 million) that may be reclassified to the Income statement and a tax charge of £3 million (2022: tax charge of £35 million) that will not.

#### b Current tax liability

£ million	Group		Company	
	2023	2022	2023	2022
Balance at 1 January	(3)	(5)	(3)	(9)
Income statement	(21)	(2)	(1)	(1)
Cash payments	24	10	-	10
Other	1	(6)	-	(3)
<b>Balance at 31 December</b>	<b>1</b>	<b>(3)</b>	<b>(4)</b>	<b>(3)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 8 Tax continued

#### 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 <sup>1</sup>	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

£ 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 2022	737	(125)	(222)	16	-	5	53	55	2	55	(2)	574
Transfer	-	3	-	-	(3)	-	-	-	-	-	-	-
Income statement	16	(163)	96	(7)	-	2	2	(4)	1	29	-	(28)
Other comprehensive income	3	-	-	-	-	-	(11)	(25)	-	-	-	(33)
Balance at 31 December 2022	756	(285)	(126)	9	(3)	7	44	26	3	84	(2)	513

##### 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 <sup>1</sup>	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

£ 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 2022	724	(11)	(222)	16	-	6	48	55	2	55	(2)	671
Transfer	-	3	-	-	(3)	-	-	-	-	-	-	-
Income statement	29	(165)	96	(7)	-	-	1	(3)	1	29	-	(19)
Other comprehensive income	3	-	-	-	-	-	(7)	(25)	-	-	-	(29)
Balance at 31 December 2022	756	(173)	(126)	9	(3)	6	42	27	3	84	(2)	623

Fair value gains/losses (Group and Company) include both the cash flow hedge reserve and the cost of hedging reserve, of which the movement in relation to other comprehensive income recognised in the cash flow hedge reserve for 2023 was £54 million (2022: £19 million). Refer to note 24d.

The deferred tax assets arise in the UK and are expected to reverse in full beyond one year. 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 8 Tax continued

#### d Reconciliation of the total tax credit / (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 23.5 per cent. The Group's effective tax rate is 18.5 per cent (2022: (32.6) per cent) and the differences between the expected tax charge (2022: charge) and the actual tax charge (2022: credit) on the profit for the year to 31 December 2023 (2022: profit) are explained below.

£ million	2023	2022
Accounting profit before tax	1,424	46
Expected tax calculated at the standard rate of corporation tax in the UK of 23.5% (2022: 19%)	(335)	(9)
Tax on associates' profits	74	39
Movement in respect of prior years	(3)	(29)
Effect of tax rate changes	(12)	12
Non-taxable income	-	4
Non-deductible expenses	(8)	(5)
Employee benefit plans accounted for net of withholding tax	19	3
Current year tax asset recognised (not recognised)	-	(1)
Prior year tax asset recognised (not recognised)	2	1
<b>Tax credit / (charge) in the income statement</b>	<b>(263)</b>	<b>15</b>

#### e Payroll-related taxes and UK Air Passenger Duty

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

£ million	2023	2022
Payroll related taxes	201	172
UK Air Passenger Duty	784	590
	<b>985</b>	<b>762</b>

#### f Factors that may affect future tax charges

Unrecognised temporary differences - losses

£ million	2023	2022
Overseas income tax losses	5	6
UK capital losses	294	300
	<b>299</b>	<b>306</b>

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 £1,600 million (2022: £1,059 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 rate changes

From April 2023 the main rate of corporation tax increased to 25%. The change in tax rate following substantive enactment of the Finance Bill in May 2021 has led to the remeasurement of deferred tax balances. As a result of this remeasurement in the Group's UK entities, a charge of £12 million is recorded in the Income statement and a credit of £2 million is recorded in Other comprehensive income.

#### Tax policy developments

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 per cent effective 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 with effect for accounting periods beginning on or after 31 December 2023. These taxes are the UK's adoption of the income inclusion rule and domestic minimum top-up tax rule referenced in the OECD's Pillar Two reform.

Under the legislation, the Group is liable to pay a top-up tax for the difference between the effective rate per the jurisdiction and the 15 per cent minimum rate. The effect of this legislation is not expected to be material over the period of the management approved business plan.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 8 Tax continued

#### f Factors that may affect future tax charges continued

##### Tax policy developments continued

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. On 20 July 2023, the amendments to IAS 12 – International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12), were adopted by the UK Endorsement Board. The Group has adopted the amendments to IAS 12, where by the Group does not recognise adjustments to deferred tax assets and liabilities that arise from the introduction of the minimum 15 per cent effective tax rate.

##### 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.

During the course of 2023, the Directorate General of GST Intelligence (DGGI) in India has been enquiring into the quantum and nature of any services provided by the corporate head offices of a number of international airlines, including British Airways, to their Indian branches. As at 31 December 2023 and through to the date of these financial statements, the DGGI's enquiries are ongoing.

#### g Tax contingent liabilities

The Group has certain contingent tax liabilities across all taxes which at 31 December 2023 amounted to £8 million (31 December 2022: £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.

### 9 Dividends

No dividends were paid during the year to 31 December 2023 (31 December 2022: Nil).

As at 31 December 2022, the Group's £2 billion syndicated loan which was partially guaranteed by the UKEF, placed conditions on the payment of dividends from the Group to IAG. The loan was repaid in full on 28 September 2023.

During 2023, in addition to the pre-existing facility, the Group entered into a further five-year Export Development Guarantee Facility with the UKEF. While these facilities remain undrawn at 31 December 2023, the facilities place certain conditions on any dividends paid to IAG.

In addition, under the scheme funding agreement between British Airways and the Trustee of the New Airways Pension Scheme (NAPS), in the period up to 31 December 2023, no dividend payment was permitted from British Airways to IAG, and any dividends paid to IAG from 2024 will trigger a pension contribution of 50 per cent of the amount of the dividend. From 2025 British Airways may pay dividends of up to 50 per cent of pre-exceptional profit after tax for that financial year without being required to mitigate the scheme. At 31 December 2023, NAPS was in technical surplus, and any dividend that British Airways were to pay to IAG, would not trigger a payment into NAPS unless NAPS were to move back into technical deficit. Refer to note 28 for further information.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 10 Property, plant and equipment

#### a Group

	Group			
£ million	Fleet	Property	Equipment	Total
<b>Cost</b>				
Balance at 1 January 2022	15,440	2,361	919	18,720
Additions <sup>1</sup>	1,358	37	21	1,416
Modification of leases	74	109	-	183
Disposals	(367)	(340)	(58)	(765)
Transfers to Non-current assets held for sale	(37)	-	-	(37)
Balance as at 31 December 2022	16,468	2,167	882	19,517
Additions <sup>1</sup>	1,791	36	73	1,900
Modification of leases	35	149	-	184
Disposals	(749)	(24)	(6)	(779)
<b>As at 31 December 2023</b>	<b>17,545</b>	<b>2,328</b>	<b>949</b>	<b>20,822</b>
<b>Depreciation and impairment</b>				
Balances at 1 January 2022	6,962	1,140	757	8,859
Depreciation charge for the year	834	123	36	993
Disposals	(364)	(339)	(57)	(760)
Transfers to Non-current assets held for sale	(21)	-	-	(21)
Balance as at 31 December 2022	7,411	924	736	9,071
Depreciation charge for the year	840	85	27	952
Disposals	(221)	(24)	(6)	(251)
<b>As at 31 December 2023</b>	<b>8,030</b>	<b>985</b>	<b>757</b>	<b>9,772</b>
<b>Net book amounts</b>				
<b>31 December 2023</b>	<b>9,515</b>	<b>1,343</b>	<b>192</b>	<b>11,050</b>
<b>31 December 2022</b>	<b>9,057</b>	<b>1,243</b>	<b>146</b>	<b>10,446</b>
<b>Analysis as at 31 December 2023</b>				
Owned	5,344	649	119	6,112
Right of use assets <sup>1</sup>	3,666	667	5	4,338
Progress payments and assets under construction	505	27	68	600
	9,515	1,343	192	11,050
<b>Analysis as at 31 December 2022</b>				
Owned	4,606	587	106	5,299
Right of use assets <sup>1</sup>	3,974	558	6	4,538
Progress payments and assets under construction	477	98	34	609
	9,057	1,243	146	10,446

<sup>1</sup>Additions include certain items which were not paid for in cash as at the reporting date.

	Group	
£ million	2023	2022
<b>The net book amount of property comprises:</b>		
Freehold	284	283
Right of use assets <sup>1</sup>	667	558
Long-leasehold improvements with a contractual life in excess of 50 years	266	263
Short-leasehold improvements with a contractual life of less than 50 years	126	139
<b>As at 31 December</b>	<b>1,343</b>	<b>1,243</b>

<sup>1</sup>Refer to note 11 for right of use assets.

At 31 December 2023, long-term borrowings of the Group are secured on owned fleet assets with a net book amount of £2,822 million (2022: £2,183 million). There is also property pledged as security with a net book value of £558 million (31 December 2022: £561 million).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 10 Property, plant and equipment continued

#### b Company

£ million	Company			
	Fleet	Property	Equipment	Total
<b>Cost</b>				
Balance as at 31 December 2022	16,035	2,061	862	18,958
Additions <sup>1</sup>	1,786	33	71	1,890
Modification of leases	27	149	-	176
Disposals	(1,023)	(15)	(6)	(1,044)
<b>As at 31 December 2023</b>	<b>16,825</b>	<b>2,228</b>	<b>927</b>	<b>19,980</b>
<b>Depreciation and impairment</b>				
Balance as at 31 December 2022	7,073	864	721	8,658
Depreciation charge for the year	803	82	25	910
Disposals	(427)	(15)	(5)	(447)
<b>As at 31 December 2023</b>	<b>7,449</b>	<b>931</b>	<b>741</b>	<b>9,121</b>
<b>Net book amounts</b>				
<b>31 December 2023</b>	<b>9,376</b>	<b>1,297</b>	<b>186</b>	<b>10,859</b>
31 December 2022	8,962	1,197	141	10,300
<b>Analysis as at 31 December 2023</b>				
Owned	5,238	605	113	5,956
Right of use assets <sup>1</sup>	3,633	665	5	4,303
Progress payments and assets under construction	505	27	68	600
	9,376	1,297	186	10,859
<b>Analysis as at 31 December 2022</b>				
Owned	4,537	544	102	5,183
Right of use assets <sup>1</sup>	3,951	555	5	4,511
Progress payments and assets under construction	474	98	34	606
	8,962	1,197	141	10,300

<sup>1</sup>Additions include certain items which were not paid for in cash as at the reporting date.

£ million	Company	
	2023	2022
<b>The net book value of property comprises:</b>		
Freehold	244	242
Right of use assets <sup>1</sup>	665	555
Long-leasehold improvements with a contractual life in excess of 50 years	262	261
Short-leasehold improvements with a contractual life of less than 50 years	126	139
<b>As at 31 December</b>	<b>1,297</b>	<b>1,197</b>

<sup>1</sup>Refer to note 11 for right of use assets.

At 31 December 2023, long-term borrowings of the Company are secured on owned fleet assets with a net book amount of £2,822 million (2022: £2,183 million). There is also property pledged as security with a net book value of £558 million (31 December 2022: £561 million).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 11 Leases

#### a Group

#### (i) Amounts recognised in the Consolidated balance sheet

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

				Group
£ million	Fleet	Property	Equipment	Total
<b>Cost</b>				
Balance at 1 January 2022	7,294	723	14	8,031
Additions	14	13	1	28
Modification of leases	74	109	-	183
Disposals	(47)	(142)	(1)	(190)
Reclassifications <sup>1</sup>	(406)	-	-	(406)
Balance as at 31 December 2022	6,929	703	14	7,646
Additions	431	11	-	442
Modification of leases	35	149	-	184
Disposals	(55)	(2)	(5)	(62)
Reclassifications <sup>1</sup>	(648)	-	-	(648)
<b>As at 31 December 2023</b>	<b>6,692</b>	<b>861</b>	<b>9</b>	<b>7,562</b>
<b>Depreciation and impairment</b>				
Balances at 1 January 2022	2,881	221	6	3,108
Depreciation charge for the year	397	66	3	466
Disposals	(46)	(142)	(1)	(189)
Reclassifications <sup>1</sup>	(277)	-	-	(277)
Balance as at 31 December 2022	2,955	145	8	3,108
Depreciation charge for the year	392	51	1	444
Disposals	(55)	(2)	(5)	(62)
Reclassifications <sup>1</sup>	(266)	-	-	(266)
<b>As at 31 December 2023</b>	<b>3,026</b>	<b>194</b>	<b>4</b>	<b>3,224</b>
<b>Net book value</b>				
<b>31 December 2023</b>	<b>3,666</b>	<b>667</b>	<b>5</b>	<b>4,338</b>
<b>31 December 2022</b>	<b>3,974</b>	<b>558</b>	<b>6</b>	<b>4,538</b>

<sup>1</sup>Amounts with a net book value of £382 million (2022: £129 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.

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

	Group	
£ million	2023	2022
1 January	4,811	4,849
Additions	420	14
Modification of leases	206	187
Repayments	(1,145)	(762)
Interest expense	194	182
Exchange movements	(177)	341
<b>31 December</b>	<b>4,309</b>	<b>4,811</b>
Current	1,035	996
Non-current	3,274	3,815

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 11 Leases continued

#### a Group continued

#### (ii) Amounts recognised in the Consolidated income statement

£ million	2023	Group 2022
<i>Amounts not included in the measurement of lease liabilities</i>		
Variable lease payments	1	1
Expenses relating to short-term leases	12	22
<i>Amounts expensed as a result of the recognition of ROU assets and lease liabilities</i>		
Interest expense on lease liabilities	194	182
Depreciation charge for the year	444	466

#### (iii) Amounts recognised in the Consolidated cash flow statement

£ million	2023	2022
<i>Cash flows arising from transactions that do not give rise to the recognition of lease liabilities:</i>		
Total cash outflows arising from short-term leases, low-value assets and variable lease payments	13	23
Total cash outflows arising from asset financed liabilities	222	150
<i>Cash flows arising from transactions giving rise to lease liabilities:</i>		
Total cash outflows arising from lease liabilities - aircraft	1,046	631
Total cash outflows arising from lease liabilities - other	88	122

#### (iv) Maturity profile of the lease liabilities

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

#### (v) 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 2023, for which no amount has been recognised, for potential extension options of £554 million (2022: £561 million) due to it not being reasonably certain that these leases will be extended.

#### (vi) 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	2023	2022
Within one year	5	2
One to two years	4	2
Two to three years	2	3
Three to four years	-	1
Total undiscounted lease receipts	11	8
Less: finance income	(1)	(1)
Net investment in finance leases	10	7

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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:

£ million	Company			
	Fleet	Property	Equipment	Total
<b>Cost</b>				
Balance as at 31 December 2022	6,724	693	13	7,430
Additions	431	11	-	442
Modification of leases	27	149	-	176
Disposals	(105)	(2)	(5)	(112)
Reclassifications <sup>1</sup>	(648)	-	-	(648)
<b>As at 31 December 2023</b>	<b>6,429</b>	<b>851</b>	<b>8</b>	<b>7,288</b>
<b>Depreciation and impairment</b>				
Balance as at 31 December 2022	2,773	138	8	2,919
Depreciation charge for the year	378	50	-	428
Disposals	(89)	(2)	(5)	(96)
Reclassifications <sup>1</sup>	(266)	-	-	(266)
<b>As at 31 December 2023</b>	<b>2,796</b>	<b>186</b>	<b>3</b>	<b>2,985</b>
<b>Net book amounts</b>				
<b>31 December 2023</b>	<b>3,633</b>	<b>665</b>	<b>5</b>	<b>4,303</b>
<b>31 December 2022</b>	<b>3,951</b>	<b>555</b>	<b>5</b>	<b>4,511</b>

<sup>1</sup>Amounts with a net book value of £382 million (2022: £129 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:

£ million	Company	
	2023	2022
Lease liability 1 January	4,780	4,816
Additions	420	11
Modification of leases	198	180
Repayments	(1,131)	(745)
Interest expense	193	180
Exchange movements	(176)	338
<b>Lease liabilities 31 December</b>	<b>4,284</b>	<b>4,780</b>
Current	1,024	983
Non-current	3,260	3,797

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 11 Leases continued

#### b Company continued

#### (ii) Amounts recognised in the income statement

£ million	Company	
	2023	2022
<i>Amounts not included in the measurement of lease liabilities</i>		
Variable lease payments	1	1
Short-term leases	11	21
Interest on lease liabilities	193	180
Depreciation charge for the year	428	451

#### (iii) Amounts recognised in the company cash flow statement

£ million	2023	2022
<i>Cash flows arising from transactions that do not give rise to the recognition of lease liabilities</i>		
Total cash outflows arising from short-term leases, low-value assets and variable lease payments	12	22
Total cash outflows arising from asset financed liabilities	222	150
<i>Cash flows arising from transactions giving rise to lease liabilities</i>		
Total cash outflows arising from lease liabilities - aircraft	1,035	614
Total cash outflows arising from lease liabilities - other	87	119

#### (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 2023, for which no amount has been recognised, for potential extension options £554 million (2022: £561 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 aircraft with 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	2023	2022
Within one year	28	3
One to two years	25	3
Two to three years	17	3
Three to four years	14	2
Four to five years	9	-
More than five years	7	-
Total undiscounted lease receipts	100	11
Less: finance income	(8)	(1)
Net investment in finance leases	92	10

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 12 Capital expenditure commitments

Capital expenditure authorised and contracted but not provided for in the accounts at 31 December 2023 amounted to £5,379 million (2022: £4,930 million) and £5,372 million for the Company (2022: £4,927 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 £4,900 million (2022: £4,824 million) for the acquisition of 20 Airbus A320 and A321 neos (from 2024 to 2025), 1 Airbus A350-1000 (2024), 11 Boeing 787-10s (from 2024 to 2026) and 18 Boeing 777-9s (from 2026 to 2028).

On 27 July 2023, the Group converted six Boeing 787-10 options into firm orders. These are included in the above commitments.

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 2023.

### 13 Non-current assets held for sale

As at 31 December 2023, there were no non-current assets held for sale (31 December 2022: £16 million consisting of two Airbus A321-200 aircraft).

### 14 Intangible assets and impairment review

#### a Intangible assets

##### i Group

	Group				
£ million	Goodwill	Landing rights	Emission allowances	Software	Total
<b>Cost</b>					
Balance at 1 January 2022	40	737	34	794	1,605
Additions <sup>1</sup>	-	11	186	67	264
Disposals	-	(6)	-	(31)	(37)
Balance at 31 December 2022	40	742	220	830	1,832
Additions <sup>1</sup>	-	-	56	148	204
Disposals	-	(5)	(7)	(4)	(16)
<b>31 December 2023</b>	<b>40</b>	<b>737</b>	<b>269</b>	<b>974</b>	<b>2,020</b>
<b>Amortisation</b>					
Balance at 1 January 2022	-	49	-	524	573
Amortisation charge for the year	-	-	-	91	91
Disposals	-	-	-	(29)	(29)
Balance at 31 December 2022	-	49	-	586	635
Amortisation charge for the year	-	-	-	65	65
Disposals	-	-	-	-	-
<b>31 December 2023</b>	<b>-</b>	<b>49</b>	<b>-</b>	<b>651</b>	<b>700</b>
<b>Net book values</b>					
<b>31 December 2023</b>	<b>40</b>	<b>688</b>	<b>269</b>	<b>323</b>	<b>1,320</b>
<b>31 December 2022</b>	<b>40</b>	<b>693</b>	<b>220</b>	<b>244</b>	<b>1,197</b>

<sup>1</sup>Additions include certain items which were not paid for in cash as at the reporting date.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 14 Intangible assets and impairment review continued

#### a Intangible assets

##### ii Company

	Company			
£ million	Landing rights	Emission allowances	Software	Total
<b>Cost</b>				
Balance at 31 December 2022	742	220	785	1,747
Additions <sup>1</sup>	-	56	144	200
Disposals	(5)	(2)	-	(7)
Transfer of allowances to other group companies	-	(5)	-	(5)
<b>31 December 2023</b>	<b>737</b>	<b>269</b>	<b>929</b>	<b>1,935</b>
<b>Amortisation</b>				
Balance at 31 December 2022	49	-	552	601
Amortisation charge for the year	-	-	63	63
Disposals	-	-	-	-
<b>31 December 2023</b>	<b>49</b>	<b>-</b>	<b>615</b>	<b>664</b>
<b>Net book values</b>				
<b>31 December 2023</b>	<b>688</b>	<b>269</b>	<b>314</b>	<b>1,271</b>
31 December 2022	693	220	233	1,146

<sup>1</sup>Additions include certain items which were not paid for in cash as at the reporting date.

#### b Impairment review

##### i Network airline operations

##### *Basis for calculating recoverable amount*

Goodwill and other intangible assets with indefinite lives (being landing rights and emission allowances) are tested for impairment annually and when circumstances indicate the carrying value may be impaired. A full impairment test at 30 September 2023 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 (2022: 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 per cent to the Base Case and 30 per cent to the Downside Case. Cash flow projections are based on the business plan approved by the Board in the fourth quarter of 2023, 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 each 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 reporting 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 2024 through to the end of 2026. The key assumptions used in the value-in-use calculation are as follows:

Per cent	2023	2022
Operating margin <sup>1</sup>	7% to 14%	5% to 13%
Average ASK growth per annum <sup>1</sup>	3% to 9%	N/A <sup>2</sup>
ASKs as a proportion of 2019 <sup>1</sup>	N/A <sup>2</sup>	90% to 105%
Long-term growth rate	1.7%	1.7%
Pre-tax discount rate	11.2%	10.4%

<sup>1</sup>ASK assumptions and operating margin are all stated as the weighted average derived from the multi-scenario discounted cash flow model.

<sup>2</sup>In 2022, given the ongoing impact of COVID-19, the Group presented ASKs as a proportion of the level of ASKs achieved in 2019, prior to the application of the terminal value calculation. In 2023, the Group reverted to the average ASK growth per annum as a key assumption, consistent with that used prior to COVID-19.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 14 Intangible assets and impairment review continued

#### b Impairment review continued

*Key assumptions continued*

Jet fuel price (\$ per metric tonne)	To 31 December 2024	To 31 December 2025	To 31 December 2026	2027 and thereafter
31 December 2023	895	829	800	800
31 December 2022	809	780	780	780

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 per cent to the Base Case and 30 per cent 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 per cent level of SAF consumption out of the overall fuel mix with an assumed price of £2,747 per metric tonne; (ii) a kerosene tax of £455 per metric tonne on all intra-EU flights; (iii) for costs of carbon, prices of £95, £150 and £17 for EU ETS allowances, UK ETS allowances and CORSIA allowances, respectively, per tonne of CO<sub>2</sub> equivalents emitted; and (iv) the removal of all free ETS and CORSIA allowances.

#### *Summary of results*

At 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 five per cent 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 per cent, 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 £13,622 million (2022: £13,497 million), the recoverable amount would be below the carrying amount when applying reasonable possible changes in assumptions in each of the following scenarios:

- i. If ASKs were five per cent lower combined with a fuel price increase of 24 per cent without cost recovery; and
- ii. If the fuel price was 29 per cent higher without cost recovery.

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

#### ii Company

In 2023, the Company recognised a £3 million impairment charge (2022: £429 million impairment reversal) 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 15 Investments

#### a Group

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

£ million	Group	
	2023	2022
Balance at 1 January	1,951	1,737
Exchange differences	(1)	-
Share of attributable results	315	208
Share of movements in comprehensive income of associates	11	8
Dividends received <sup>1</sup>	(1)	(2)
<b>As at 31 December</b>	<b>2,275</b>	<b>1,951</b>

<sup>1</sup>The Group received dividends, net of withholding tax, of £1 million (2022: £2 million) from Dunwoody Airline Services Limited (2022: 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	Airline marketing	Ordinary shares	England
Dunwoody Airline Services Limited	40.00	Equity method	Airline operations	Ordinary shares	England
IB Opco Holding, S.L. ('Iberia')	6.80	Equity method	Airline operations	Ordinary shares	Spain
LanzaJet, Inc.	16.70	Equity method	Sustainable fuel technology	Ordinary shares	USA

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 15 Investments continued

At 31 December 2023 there are no restrictions on the ability of associates to transfer funds to the Company and there are no related contingent liabilities.

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

£ million			Group	
	2023		2022	
	Iberia	AGL	Iberia	AGL
Non-current assets	5,521	66	4,848	51
Current assets	2,755	3,196	3,197	2,837
Current liabilities	(3,256)	(2,464)	(3,051)	(2,261)
Non-current liabilities	(4,129)	(223)	(4,824)	(288)
<b>Net equity</b>	<b>891</b>	<b>575</b>	<b>170</b>	<b>339</b>
Group's share of net equity <sup>1</sup>	167	500	50	292
Goodwill attributable to investments in associates	-	1,598	-	1,598
<b>Total investment in associates</b>	<b>167</b>	<b>2,098</b>	<b>50</b>	<b>1,890</b>

<sup>1</sup>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 £10 million (2022: £11 million).

Revenue	6,353	1,292	4,896	854
Operating costs	(5,482)	(1,012)	(4,539)	(615)
Other costs (including tax)	(89)	(39)	(101)	(50)
<b>Net profit after tax</b>	<b>782</b>	<b>241</b>	<b>256</b>	<b>189</b>
Other comprehensive income	82	-	59	1
<b>Total comprehensive income for the year (net of tax)</b>	<b>864</b>	<b>241</b>	<b>315</b>	<b>190</b>

The Group's share of total comprehensive income of other associates was a loss of £1 million (2022: loss £2 million).

#### b Company

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

£ million			Company	
	Cost	Impairments	2023	2022
Balance at 1 January	1,645	(374)	1,271	842
Addition	3	-	3	-
Impairments (recognised)/reversed <sup>1</sup>	-	(3)	(3)	429
<b>As at 31 December</b>	<b>1,648</b>	<b>(377)</b>	<b>1,271</b>	<b>1,271</b>

<sup>1</sup>The Company recognised an impairment charge of £3 million (2022: £36 million impairment charge and £465 million impairment reversal) in respect of its subsidiaries, see note 14 for further details.

The Group and Company's investments in subsidiaries, associates and other investments are listed on pages 117 and 118.

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

£ million			Company	
			2023	2022
Balance at 1 January			1,570	1,570
<b>As at 31 December</b>			<b>1,570</b>	<b>1,570</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 16 Trade receivables and other assets

Trade receivables and other current assets are set out below:

£ million	Group		Company	
	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
<b>Amounts falling due within one year</b>				
Trade receivables	909	844	894	821
Allowance for expected credit loss	(33)	(33)	(33)	(33)
Net trade receivables	876	811	861	788
Prepayments <sup>1</sup>	303	321	291	311
Accrued income <sup>1, 2</sup>	185	24	184	24
Finance lease receivable <sup>4</sup>	4	3	23	4
Other non-trade receivables <sup>3, 4</sup>	268	337	330	349
Other current assets	760	685	828	688
<b>Trade receivables and other current assets</b>	<b>1,636</b>	<b>1,496</b>	<b>1,689</b>	<b>1,476</b>

<sup>1</sup>For the year ended 31 December 2023, the Group has elected to disaggregate prepayments, and accrued income, which had previously been aggregated into a single line item. Accordingly figures for the comparative year to 31 December 2022 have been reclassified to conform with the current year presentation.

<sup>2</sup>The accrued income balance (representing contract assets) 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.

<sup>3</sup>Within the Company, the balance is net of £44 million (2022: £44 million) of expected credit loss on receivables with subsidiary undertakings.

<sup>4</sup>For the year ended 31 December 2023, the Group has elected to disaggregate finance lease receivables from other non-trade receivables. Accordingly figures for the comparative year to 31 December 2022 have been reclassified to conform with the current year presentation.

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

£ million	2023	2022
At the beginning of the year	33	26
Provided during the year	2	8
Receivables written off during the year	(2)	(1)
	33	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 (2022: 30 days).

2023	Group							Total
	Current	<30 days	30-60 days	60-90 days	90-180 days	180-365 days	>365 days	
Trade receivables	529	191	64	10	34	38	43	909
Expected credit loss rate	-	-	2.3%	6.9%	1.7%	9.3%	60.5%	3.6%
Net trade receivables	529	191	63	9	33	34	17	876

2022	Group							Total
	Current	<30 days	30-60 days	60-90 days	90-180 days	180-365 days	>365 days	
Trade receivables	285	409	93	4	13	15	25	844
Expected credit loss rate	-	-	0.4%	1.8%	0.4%	58.0%	100.0%	3.9%
Net trade receivables	285	409	92	4	13	8	-	811

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 17 Inventories

£ million	Group		Company	
	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
Engineering expendables	56	46	55	45
Catering consumables	29	22	29	22
Other inventories	13	2	13	1
	<b>98</b>	<b>70</b>	<b>97</b>	<b>68</b>

<sup>1</sup>For the year to 31 December 2023, the Group has elected to provide a disaggregated breakdown of the Balance sheet caption 'Inventories' and has accordingly provided figures for the comparative year at 31 December 2022.

### 18 Cash, cash equivalents and other current interest-bearing deposits

#### a Cash and cash equivalents

£ million	Group		Company	
	2023	2022	2023	2022
Cash at bank and in hand	649	2,176	595	2,121
Short term deposits maturing within three months	255	200	255	200
Cash and cash equivalents	904	2,376	850	2,321
Current interest-bearing deposits maturing after three months	270	140	270	140
Cash, cash equivalents and other interest-bearing deposits	<b>1,174</b>	<b>2,516</b>	<b>1,120</b>	<b>2,461</b>

The fair value of cash and cash equivalents is £904 million for the Group (2022: £2,376 million) and £850 million for the Company (2022: £2,321 million).

At 31 December 2023, the Group and Company had no outstanding bank overdrafts (2022: £nil).

#### b Reconciliation of net cash flow to movement in net debt

						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)

						Group
£ million	Balance at 1 January 2022	Cash flows	Exchange movements	New leases and modifications	Non-cash	Balance at 31 December 2022
Bank, other loans and asset financed liabilities	(4,901)	(481)	(213)	-	(31)	(5,626)
Lease liabilities	(4,849)	610	(341)	(201)	(30)	(4,811)
Liabilities from financing activities	(9,750)	129	(554)	(201)	(61)	(10,437)
Cash and cash equivalents	1,687	611	78	-	-	2,376
Other current-interest bearing deposits	-	140	-	-	-	140
Net debt	(8,063)	880	(476)	(201)	(61)	(7,921)

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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 19 Trade and other payables and deferred revenue on ticket sales

#### a Trade and other payables

£ million	Group		Company	
	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
Trade creditors and accrued expenses	1,863	1,738	1,720	1,665
Amounts owed to subsidiary companies	-	-	807	579
Other creditors	641	582	690	622
Other taxation and social security	41	33	41	33
Other accruals <sup>1</sup>	67	52	55	36
Deferred income relating to non-flight activity <sup>1</sup>	42	31	41	30
<b>As at 31 December</b>	<b>2,654</b>	<b>2,436</b>	<b>3,354</b>	<b>2,965</b>

<sup>1</sup>For the year ended 31 December 2023, the Group has elected to disaggregate accruals and deferred income, which had previously been aggregated into a single line item. Accordingly figures for the comparative year to 31 December 2022 have been reclassified to conform with the current year presentation.

#### b Deferred revenue

£ million	Group			Company		
	2023			2023		
	Customer loyalty	Sales in advance of carriage	Total	Customer loyalty	Sales in advance of carriage	Total
As at 1 January	36	4,135	4,171	36	4,105	4,141
Revenue recognised in income statement <sup>1</sup>	(5)	(13,436)	(13,441)	(5)	(11,452)	(11,457)
Loyalty points issued to customers	6	-	6	6	-	6
Cash received from customers <sup>2</sup>	-	13,495	13,495	-	11,521	11,521
<b>As at 31 December</b>	<b>37</b>	<b>4,194</b>	<b>4,231</b>	<b>37</b>	<b>4,174</b>	<b>4,211</b>

£ million	Group			Company		
	2022			2022		
	Customer loyalty	Sales in advance of carriage	Total	Customer loyalty	Sales in advance of carriage	Total
As at 1 January	35	3,477	3,512	35	3,455	3,490
Revenue recognised in income statement <sup>1</sup>	(2)	(9,810)	(9,812)	(2)	(8,498)	(8,500)
Loyalty points issued to customers	3	-	3	3	-	3
Cash received from customers <sup>2</sup>	-	10,468	10,468	-	9,148	9,148
<b>As at 31 December</b>	<b>36</b>	<b>4,135</b>	<b>4,171</b>	<b>36</b>	<b>4,105</b>	<b>4,141</b>

<sup>1</sup>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 £1,757 million (2022: £741 million) previously held as deferred revenue at the end of the comparative reporting period.

<sup>2</sup>Cash received from customers is net of refunds.

At 31 December 2023 the Group recognised £158 million in respect of unredeemed vouchers, excluding associated taxes (2022: £341 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 the year. Furthermore, in 2023, in order to give customers greater flexibility to use their vouchers, the book and travel by date was extended by twelve months, to 30 September 2024. In February 2024, the book and travel date was extended by a further twelve months, 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 2023 would result in a reduction to Deferred revenue of £8 million, with an offsetting adjustment to increase passenger revenue and operating profit recognised in the year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 20 Other non-current assets and liabilities

Other non-current assets are set out below:

£ million	Group		Company	
	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
Prepayments	175	148	175	145
Finance lease receivable <sup>1</sup>	6	4	69	6
Other non-trade receivables <sup>1</sup>	19	22	18	22
<b>As at 31 December</b>	<b>200</b>	<b>174</b>	<b>262</b>	<b>173</b>

<sup>1</sup>For the year ended 31 December 2023, the Group has elected to disaggregate finance lease receivables from other non-trade receivables. Accordingly figures for the comparative year to 31 December 2022 have been reclassified to conform with the current year presentation.

Other non-current liabilities are set out below:

£ million	Group		Company	
	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
Other accruals <sup>1</sup>	7	-	7	-
Deferred income relating to non-flight activity <sup>1</sup>	11	13	10	11
Other non-trade creditors	52	71	50	71
<b>As at 31 December</b>	<b>70</b>	<b>84</b>	<b>67</b>	<b>82</b>

<sup>1</sup>For the year ended 31 December 2023, the Group has elected to disaggregate accruals and deferred income, which had previously been aggregated into a single line item. Accordingly figures for the comparative year to 31 December 2022 have been reclassified to conform with the current year presentation.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 21 Long-term borrowings

#### a Total borrowings

£ million	Group			Group		
			2023			2022
	Current	Non-current	Total	Current	Non-current	Total
Bank and other loans	58	1,503	1,561	91	3,560	3,651
Asset financed liabilities	157	2,335	2,492	124	1,851	1,975
Lease liabilities	1,035	3,274	4,309	996	3,815	4,811
<b>Interest bearing borrowings</b>	<b>1,250</b>	<b>7,112</b>	<b>8,362</b>	<b>1,211</b>	<b>9,226</b>	<b>10,437</b>

£ million	Company			Company		
			2023			2022
	Current	Non-current	Total	Current	Non-current	Total
Bank and other loans	58	1,503	1,561	91	3,560	3,651
Asset financed liabilities	157	2,335	2,492	124	1,851	1,975
Lease liabilities	1,024	3,260	4,284	983	3,797	4,780
<b>Interest bearing borrowings</b>	<b>1,239</b>	<b>7,098</b>	<b>8,337</b>	<b>1,198</b>	<b>9,208</b>	<b>10,406</b>

Long-term borrowings of the Group and Company amounting to £2,590 million (2022: £2,099 million) are secured on fleet assets with a net book value of £2,822 million (2022: £2,183 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:

£ million	Group		Company	
	2023	2022	2023	2022
Floating rate euro mortgage loans secured on aircraft (i)	98	125	98	125
Fixed rate unsecured US dollar mortgage loans (ii)	40	62	40	62
Floating rate unsecured euro loans (iii)	1,423	1,438	1,423	1,438
Floating rate pound sterling loan guaranteed by UKEF (iv)	-	2,026	-	2,026
	<b>1,561</b>	<b>3,651</b>	<b>1,561</b>	<b>3,651</b>
Less: current instalments due on bank and other loans	58	91	58	91
<b>Non-current bank and other loans as at 31 December</b>	<b>1,503</b>	<b>3,560</b>	<b>1,503</b>	<b>3,560</b>

(i) Floating rate euro mortgage loans are secured on specific aircraft assets of the Group and bear interest of between 4.45 to 5.46 per cent. The loans are repayable between 2024 and 2027.

(ii) Fixed rate unsecured US dollar mortgage loans bearing interest between 1.38 to 2.86 per cent. 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 per cent and is repayable in 2026.

(iv) In February 2021, British Airways entered into a five-year term loan Export Development Guarantee Facility of £2.0 billion underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by UKEF. The loan was repaid in full on 28 September 2023.

In March 2021, British Airways entered into a three-year US dollar secured Revolving Credit Facility. The total amount available under the facility for British Airways is \$1,346 million and was initially available for a period of three years to March 2024, plus two one-year extension periods at the discretion of the lenders. The first one-year extension was exercised in 2022 and the second one-year extension was exercised in 2023, and hence the facility is now available until March 2026 (except for \$77 million which expires March 2025). As at 31 December 2023 no amounts had been drawn under the facility. While the Group does not forecast drawing down on the Revolving Credit Facility, should it do so, the resultant debt would be securitised against specific landing rights and aircraft.

On 22 February 2021, British Airways entered into a floating rate five-year term loan Export Development Guarantee Facility of £2 billion underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by UKEF. On 1 November 2021, British Airways entered into a five-year Export Development Guarantee Facility of £1.0 billion underwritten by a syndicate of banks. On 28 September 2023, British Airways repaid the £2.0 billion term loan in full, while concurrently entering into a further five-year Export Development Guarantee Facility of £1.0 billion underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by the UKEF. The terms and maturity of the Export Development Guarantee Facility entered into in November 2021 remain unchanged. These two remaining UKEF guaranteed facilities had not been drawn as at 31 December 2023.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 21 Long-term borrowings continued

#### b Bank and other loans continued

##### Transactions with unconsolidated entities

In 2022, the Group entered into an asset financing structure under which four aircraft were financed. These transactions mature between 2032 and 2036. This arrangement was transacted through an unconsolidated structured entity, which in turn issued the British Airways Pass Through Certificates, Series 2022-1. In doing so British Airways recognised a further £225 million (\$273 million) of Asset financed liabilities in 2023. This facility has been fully drawn as at 31 December 2023.

#### 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 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
<b>Total changes arising from financing cash flows</b>	<b>1,405</b>	<b>970</b>	<b>12</b>	<b>2,387</b>
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
<b>Closing financial liabilities at 31 December 2023</b>	<b>(4,053)</b>	<b>(4,309)</b>	<b>(112)</b>	<b>(8,474)</b>

				Group
£ million	Bank, other loans and asset financed liabilities	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	Total
Balance at 1 January 2022	(4,901)	(4,849)	9	(9,741)
Proceeds from borrowings	(640)	-	-	(640)
Repayments of borrowings	159	-	-	159
Repayment of lease liabilities	-	610	-	610
Settlements of derivative financial instruments	-	-	(424)	(424)
<b>Total changes arising from financing cash flows</b>	<b>(481)</b>	<b>610</b>	<b>(424)</b>	<b>(295)</b>
Interest paid	241	143	-	384
Interest expense	(269)	(182)	-	(451)
New leases and modifications	-	(201)	-	(201)
Fair value movements	-	-	532	532
Other non-cash movements	(3)	9	-	6
Effect of changes in foreign exchange rates	(213)	(341)	-	(554)
<b>Closing financial liabilities at 31 December 2022</b>	<b>(5,626)</b>	<b>(4,811)</b>	<b>117</b>	<b>(10,320)</b>

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2023

**21 Long-term borrowings continued****d Total loans, lease liabilities, asset financed liabilities and other financing liabilities**

Million	Group		Company	
	2023	2022	2023	2022
<b>Loans:</b>				
US dollar	\$51	\$75	\$51	\$75
Euro	€1,763	€1,787	€1,763	€1,787
Pound sterling	-	£2,026	-	£2,026
Pound sterling	1,561	3,651	1,561	3,651
<b>Lease liabilities:</b>				
US dollar	\$3,487	\$3,727	\$3,458	\$3,694
Euro	€602	€805	€601	€804
Japanese yen	¥65,957	¥68,991	¥65,957	¥68,991
Pound sterling	£681	£617	£681	£612
Pound sterling	4,309	4,811	4,284	4,780
<b>Asset financed liabilities:</b>				
US dollar	\$2,798	\$2,232	\$2,798	\$2,232
Euro	€191	-	€191	-
Japanese yen	¥23,430	¥20,788	¥23,430	¥20,788
Pound sterling	2,492	1,975	2,492	1,975
<b>Total interest-bearing borrowings</b>	<b>8,362</b>	<b>10,437</b>	<b>8,337</b>	<b>10,406</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 22 Provisions

	Group					
£ million	Restoration and handback	Restructuring	Legal claims and contractual disputes	ETS provisions	Other	Total
Balance at 1 January 2023	681	32	51	32	31	827
Provisions recorded during the year	88	-	5	89	32	214
Reclassifications	(2)	-	-	-	-	(2)
Utilised during the year	(66)	(11)	(7)	-	(31)	(115)
Extinguished during the year	-	-	-	(9)	-	(9)
Release of unused amounts	(4)	(4)	(8)	(20)	(2)	(38)
Unwinding of discount	18	-	-	-	-	18
Remeasurements	(21)	-	-	-	-	(21)
Exchange differences	(23)	-	-	-	(1)	(24)
<b>As at 31 December 2023</b>	<b>671</b>	<b>17</b>	<b>41</b>	<b>92</b>	<b>29</b>	<b>850</b>
Analysis:						
Current	124	17	40	92	9	282
Non-current	547	-	1	-	20	568
	<b>671</b>	<b>17</b>	<b>41</b>	<b>92</b>	<b>29</b>	<b>850</b>

	Company					
£ million	Restoration and handback	Restructuring	Legal claims and contractual disputes	ETS provisions	Other	Total
Balance at 1 January 2023	639	24	49	24	30	766
Provisions recorded during the year	74	-	5	61	32	172
Reclassifications	-	-	-	-	-	-
Utilised during the year	(57)	(4)	(5)	-	(31)	(97)
Extinguished during the year	-	-	-	(4)	-	(4)
Release of unused amounts	(4)	(3)	(8)	(20)	(2)	(37)
Unwinding of discount	17	-	-	-	-	17
Remeasurements	(21)	-	-	-	-	(21)
Exchange differences	(20)	-	-	-	-	(20)
<b>As at 31 December 2023</b>	<b>628</b>	<b>17</b>	<b>41</b>	<b>61</b>	<b>29</b>	<b>776</b>
Analysis:						
Current	120	17	40	61	9	247
Non-current	508	-	1	-	20	529
	<b>628</b>	<b>17</b>	<b>41</b>	<b>61</b>	<b>29</b>	<b>776</b>

#### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 22 Provisions continued

#### 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.

#### ETS provisions

ETS provisions relate to the Emissions Trading Scheme for CO<sub>2</sub> emitted on flights within the United Kingdom and the EU and are due to be extinguished in the year subsequent to the reporting date through settlement with the relevant authorities. See page 77 for further information.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 reporting date only and is not reflective of the impact had the sensitivity rates been applied through the duration of the years to 31 December 2023 and 2022:

			Group and Company		
			2023		
Increase/(decrease) in fuel price per cent	Effect on result before tax £ million	Effect on equity <sup>1</sup> £ million	Increase/(decrease) in fuel price per cent	Effect on result before tax £ million	Effect on equity <sup>1</sup> £ million
	Increase/(decrease)	Increase/(decrease)		Increase/(decrease)	Increase/(decrease)
40	-	726	45	-	682
(40)	-	(755)	(45)	-	(567)

<sup>1</sup> The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the result before tax.

During 2023, following a substantial recovery in the global price of crude oil and jet fuel, which continues to be impacted by geopolitical events in Ukraine and the Middle East, the fair value of such net liability derivative instruments was £63 million at 31 December 2023, representing a decrease of £98 million from 1 January 2023.

#### 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 reporting date only and is not reflective of the impact had the sensitivity rates been applied through the duration of the years to 31 December 2023 and 2022. 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	Effect on equity <sup>1</sup>	Strengthening/(weakening) in euro rate per cent	Effect on result before tax	Effect on equity <sup>1</sup>	Strengthening/(weakening) in yen rate per cent	Effect on result before tax	Effect on equity <sup>1</sup>
		£ million	£ million		£ million	£ million		£ million	£ million
		Increase/(decrease)	Increase/(decrease)		Increase/(decrease)	Increase/(decrease)		Increase/(decrease)	Increase/(decrease)
2023	20	(22)	618	20	(7)	(226)	20	(44)	(55)
	(20)	17	(712)	(20)	7	226	(20)	44	55
2022	20	4	822	20	13	(211)	20	(49)	(61)
	(20)	(5)	(733)	(20)	(13)	211	(20)	49	61

<sup>1</sup> The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the result before tax.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 23 Financial risk management objectives and policies continued

#### b Foreign currency risk continued

At 31 December 2023, the fair value of foreign currency net liability derivatives instruments was £228 million, representing an decrease of £373 million, since 1 January 2023. 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/(charges).

#### 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 interest rate derivatives at the reporting date only and is not reflective of the impact had the sensitivity rates been applied through the duration of the years to 31 December 2023 and 2022.

Group and Company	Strengthening / (weakening) in euro interest rate Basis points	Effect on result before tax £ million Increase/ (decrease)	Effect on equity <sup>1</sup> £ million Increase/ (decrease)	Strengthening / (weakening) in sterling interest rate Basis points	Effect on result before tax £ million Increase/ (decrease)	Effect on equity <sup>1</sup> £ million Increase/ (decrease)
2023	100	(20)	6	100	-	-
	(100)	20	(6)	(100)	-	-
2022	150	(27)	15	150	(30)	-
	(150)	27	(15)	(150)	30	-

<sup>1</sup>The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the result before tax.

#### 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.

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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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.

At 31 December 2023 the Group and Company had unused overdraft facilities of £11 million (2022: £11 million).

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

Million	31 December 2023	
	Currency	£ equivalent
<i>General facilities:</i>		
US dollar facility expiring March 2025 <sup>1</sup>	\$77	60
US dollar facility expiring March 2026 <sup>1</sup>	\$1,269	997
GBP pound sterling facility expiring November 2026 <sup>2</sup>	£1,000	1,000
GBP pound sterling facility expiring September 2028 <sup>2</sup>	£1,000	1,000
		3,057
<i>Committed aircraft facilities:</i>		
US dollar facility expiring between June and July 2024 <sup>3</sup>	\$410	321
		3,378

Million	31 December 2022	
	Currency	£ equivalent
<i>General facilities:</i>		
US dollar facility expiring March 2025 <sup>1</sup>	\$1,346	1,114
GBP pound sterling facility expiring November 2026 <sup>2</sup>	£1,000	1,000
		2,114
<i>Committed aircraft facilities:</i>		
US dollar facility expiring between February and April 2023 <sup>5</sup>	\$659	545
US dollar facility expiring March 2024 <sup>4</sup>	\$404	334
		879

<sup>1</sup>In March 2021, British Airways entered into a three-year US dollar secured Revolving Credit Facility. The total amount available under the facility for British Airways is \$1,346 million and was initially available for a period of three years to March 2024, plus two one-year extension periods at the discretion of the lenders. The first one-year extension was exercised in 2022 and the second one-year extension was exercised in 2023, and hence the facility is now available until March 2026 (except for \$77 million which expires March 2025). The facility is undrawn at the date of this report. Any resultant debt on drawing down on the Revolving Credit Facility would be securitised against specific landing rights and aircraft.

<sup>2</sup>Two unsecured five year Export Development Guarantee committed Facilities of £1,000 million each with UKEF and a syndicate of banks. Both facilities are undrawn at the date of this report.

<sup>3</sup>The aircraft facilities maturing in 2024 are available for specific committed aircraft deliveries.

<sup>4</sup>The aircraft facility maturing in March 2024 is only available for specific committed aircraft deliveries.

<sup>5</sup>The aircraft facilities maturing in 2023 available for specific committed aircraft deliveries, fully drawn down in 2023.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 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 swap	6	4	3	1	-	14
Derivative financial instruments (liabilities):						
Foreign currency derivatives	(133)	(107)	(21)	-	-	(261)
Fuel derivatives	(23)	(23)	(19)	(19)	-	(84)
<b>As at 31 December</b>	<b>(3,677)</b>	<b>(699)</b>	<b>(1,093)</b>	<b>(3,847)</b>	<b>(5,098)</b>	<b>(14,414)</b>

	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 2022
Interest-bearing loans and borrowings:						
Asset financing liabilities	(95)	(94)	(187)	(551)	(1,520)	(2,447)
Lease liabilities	(453)	(559)	(1,200)	(1,263)	(3,357)	(6,832)
Fixed rate borrowings	(14)	(6)	(12)	(31)	-	(63)
Floating rate borrowings	(141)	(171)	(251)	(3,759)	-	(4,322)
Trade and other payables	(2,372)	-	(72)	-	-	(2,444)
Other financial assets	3	6	7	3	18	37
Derivatives financial instruments (assets):						
Foreign currency derivatives (asset)	146	126	31	-	-	303
Fuel derivatives (asset)	47	17	1	-	-	65
Interest rate swap (asset)	4	7	9	7	-	27
Derivative financial instruments (liabilities):						
Foreign currency derivatives (liability)	(75)	(42)	(38)	-	-	(155)
Fuel derivatives (liability)	(9)	(18)	(3)	-	-	(30)
<b>As at 31 December</b>	<b>(2,959)</b>	<b>(734)</b>	<b>(1,715)</b>	<b>(5,594)</b>	<b>(4,859)</b>	<b>(15,861)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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.

£ million					Group
	Gross value of financial instruments	Financial instruments that are offset under netting agreements <sup>1</sup>	Net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset <sup>1</sup>	Net amount
<b>31 December 2023</b>					
<b>Financial assets</b>					
Derivative financial assets	73	(15)	58	(2)	56
<b>Financial liabilities</b>					
Derivative financial liabilities	350	(15)	335	(2)	333

<sup>1</sup> As at 31 December 2023, the Group recognised £nil million of collateral (2022: £nil) offset under netting arrangements.

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.

£ million					Group
	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
<b>31 December 2022</b>					
<b>Financial assets</b>					
Derivative financial assets	416	(29)	387	(4)	383
<b>Financial liabilities</b>					
Derivative financial liabilities	209	(29)	180	(4)	176

Within the Company the gross value of derivative financial assets was £419 million and the net value was £390 million. The gross value of derivative financial liabilities was £217 million and the net value was £188 million. The value of related financial instruments that are not offset was £6 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 2023, the net debt to EBITDA before exceptional items was 2.94 times (2022: 5.71 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 24 Financial instruments

#### a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 31 December 2023 and 31 December 2022 by nature and classification for measurement purposes was as follows:

##### At 31 December 2023

£ million	Financial assets			Group	
	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial assets	Total carrying amount
<b>Non-current financial assets</b>					
Other equity investments	-	22	-	-	22
Derivative financial instruments <sup>1</sup>	-	-	21	-	21
Other non-current assets <sup>2</sup>	15	-	-	185	200
<b>Current financial assets</b>					
Trade receivables	876	-	-	-	876
Derivative financial instruments <sup>1</sup>	-	-	37	-	37
Other current assets <sup>2</sup>	190	-	-	570	760
Other current interest-bearing deposits	270	-	-	-	270
Cash and cash equivalents	904	-	-	-	904

<sup>1</sup>Within the Company, non-current derivative financial instrument assets are £22 million and current derivative financial instrument assets are £41 million.

<sup>2</sup>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.

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

<sup>1</sup>Within the Company, non-current derivative financial instrument liabilities are £56 million and current derivative financial instrument liabilities are £281 million.

<sup>2</sup>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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 24 Financial instruments continued

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

As at 31 December 2022

£ million	Financial assets			Non-financial assets	Group
	Amortised cost	Fair value through OCI	Fair value through income statement		Total carrying amount
<b>Non-current financial assets</b>					
Other equity investments	-	2	-	-	2
Derivative financial instruments <sup>1</sup>	-	-	47	-	47
Other non-current assets <sup>2</sup>	18	-	-	156	174
<b>Current financial assets</b>					
Trade receivables	811	-	-	-	811
Derivative financial instruments <sup>1</sup>	-	-	340	-	340
Other current assets <sup>2</sup>	116	-	-	569	685
Other current interest-bearing deposits	140	-	-	-	140
Cash and cash equivalents	2,376	-	-	-	2,376

<sup>1</sup>Within the Company, non-current derivative financial instrument assets are £47 million and current derivative financial instrument assets are £343 million.

<sup>2</sup>Within the Company, total other non-current assets are £173 million, of which loans and receivables (amortised cost) are £18 million and non-financial assets are £155 million. Total other current assets in the Company are £688 million, of which loans and receivables (amortised cost) are £138 million and non-financial assets are £550 million.

	Financial liabilities				Group
£ million	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial liabilities	Total carrying amount
<b>Non-current financial liabilities</b>					
Interest bearing long-term borrowings	5,411	-	-	-	5,411
Lease liabilities	3,815	-	-	-	3,815
Derivative financial instruments <sup>1</sup>	-	-	39	-	39
Other long-term liabilities <sup>2</sup>	72	-	-	12	84
<b>Current financial liabilities</b>					
Current portion of long-term borrowings	215	-	-	-	215
Lease liabilities	996	-	-	-	996
Trade and other payables <sup>2</sup>	2,372	-	-	64	2,436
Derivative financial instruments <sup>1</sup>	-	-	141	-	141

<sup>1</sup>Within the Company, non-current derivative financial instrument liabilities are £42 million and current derivative financial instrument liabilities are £146 million.

<sup>2</sup>Within the Company, total other long-term liabilities are £82 million, of which loans and payables (amortised cost) are £72 million and non-financial liabilities are £10 million. Total trade and other payables in the Company are £2,965 million, of which loans and payables (amortised cost) are £2,902 million and non-financial liabilities are £63 million.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 2023 are set out below:

£ million				Fair value	Group
	Level 1	Level 2	Level 3	Total	Carrying value Total
<b>Financial assets:</b>					
Other equity investments	-	-	22	22	22
Other assets	-	10	-	10	21
Derivative financial assets:					
Foreign exchange contracts <sup>1</sup>	-	28	-	28	28
Fuel derivatives <sup>1</sup>	-	16	-	16	16
Interest rate swaps <sup>1</sup>	-	14	-	14	14
<b>Financial liabilities:</b>					
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 <sup>2</sup>	-	256	-	256	256
Fuel derivatives <sup>2</sup>	-	79	-	79	79

<sup>1</sup> Current portion of derivative financial assets is £37 million.

<sup>2</sup> Current portion of derivative financial liabilities is £279 million.

The carrying amounts and fair values of the Group's financial assets and liabilities as at 31 December 2022 are set out below:

£ million				Fair value	Group
	Level 1	Level 2	Level 3	Total	Carrying value Total
<b>Financial assets:</b>					
Other equity investments	-	-	2	2	2
Amounts owed by associated group undertakings	-	85	-	85	84
Other assets	-	18	-	18	27
Derivative financial assets:					
Foreign exchange contracts <sup>1</sup>	-	296	-	296	296
Fuel derivatives <sup>1</sup>	-	64	-	64	64
Interest rate swaps <sup>1</sup>	-	27	-	27	27
<b>Financial liabilities:</b>					
Interest-bearing loans and borrowings:					
Asset financed liabilities	-	1,517	-	1,517	1,975
Fixed rate borrowings	-	54	-	54	62
Floating rate borrowings	-	3,361	-	3,361	3,589
Derivative financial liabilities:					
Foreign exchange contracts <sup>2</sup>	-	151	-	151	151
Fuel derivatives <sup>2</sup>	-	29	-	29	29

<sup>1</sup> Current portion of derivative financial assets is £340 million.

<sup>2</sup> Current portion of derivative financial liabilities is £141 million.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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:

£ million	Group		Company	
	2023	2022	2023	2022
Balance at 1 January	2	2	2	2
Fair value adjustment	20	-	20	-
<b>As at 31 December</b>	<b>22</b>	<b>2</b>	<b>22</b>	<b>2</b>

#### d Hedges

At 31 December 2023 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, oil 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, oil 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 and certain operational payments. 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:

£ million	Group	
	Total 2023	Total 2022
Loan repayments to hedge future revenue	19	76
Foreign exchange contracts to hedge future revenue and expenditure	52	(131)
Hedges of future fuel purchases	34	(55)
Interest rate hedges	3	(6)
Instruments for which hedge accounting no longer applies <sup>1</sup>	106	187
	<b>214</b>	<b>71</b>
Related deferred tax credit	(54)	(19)
<b>Total amount included within equity</b>	<b>160</b>	<b>52</b>

<sup>1</sup>Relates to previously terminated hedge relationships for which the underlying forecast transaction remains expected to occur.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 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

Notional principal amounts		Group and Company				
£ million	Hedge range	Within 1 year	1-2 years	2-5 years	More than 5 years	Total 2022
Foreign exchange contracts to hedge future revenue and expenditure						
USD	1.05-1.45	3,132	1,185		-	4,317
EUR	1.07-1.17	123	147		-	270

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 2023 were €904 million (2022: €940 million) and ¥49,653 million (2022: ¥49,497 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 2023 amounted to 6 million tonnes (2022: 3 million tonnes) with a hedge price range of USD 504-1,200 (2022: USD 416-1,300).

The notional amount of the Group's interest rate contracts to hedge the floating interest rate on euro-denominated debt at 31 December 2023 was €649 million (2022: €645 million).



## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 2023

£ million	Amounts recognised in other comprehensive income <sup>1</sup>	Amounts associated with ineffectiveness recognised in the income statement	Discontinuance of hedge reclassified to 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)

<sup>1</sup>Amounts recognised in other comprehensive income represent losses/(gains) on the hedging instruments.

##### As at 31 December 2022

£ million	Amounts recognised in other comprehensive income <sup>1</sup>	Amounts associated with ineffectiveness recognised in the income statement	Discontinuance of hedge reclassified to the income statement	Total recognised losses	Other amounts reclassified to the income statement	Amounts reclassified to the balance sheet
Debt repayments to hedge future revenue	(1)	-	-	(1)	-	(6)
Foreign exchange contracts to hedge future revenue and expenditure	(290)	-	-	(290)	94	12
Hedge of future fuel purchases	(555)	16	-	(539)	631	-
Interest rate hedges	(34)	-	-	(34)	(8)	-
Instruments for which hedge accounting no longer applies	-	-	-	-	-	(23)
	(880)	16	-	(864)	717	(17)

<sup>1</sup>Amounts recognised in other comprehensive income represent gains on the hedging instruments.

The Group has no fair value hedges at 31 December 2023 and 2022.

#### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 25 Share capital and share premium

	Group and Company			
	2023		2022	
	Number of shares 000s	£ million	Number of shares 000s	£ million
<b>Share capital allotted, called up and fully paid</b>				
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	-
<b>As at 31 December</b>	<b>2,144</b>	<b>290</b>	<b>2,144</b>	<b>290</b>

£ million	Group and Company	
	2023	2022
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	2023	2022
Share-based payment schemes recharged from IAG	10	7
<b>Total share-based payments charge recorded in employee costs</b>	<b>10</b>	<b>7</b>

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 per cent of their incentive award up front in cash, and the remaining 50 per cent in shares after three years through the IADP.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 27 Other reserves

#### a Group

£ million	Retained earnings	Unrealised gains and losses	Cost of hedging reserve	Currency translation	Group Total other reserves
Balance at 1 January 2022	132	(179)	31	6	(10)
Profit for the year	61	-	-	-	61
Other comprehensive income for the year:					
Exchange gains	-	-	-	4	4
Fair value of cash flow hedges reclassified to fuel and oil costs	-	(587)	-	-	(587)
Fair value of cash flow hedges reclassified to finance costs	-	7	-	-	7
Ineffectiveness taken to Other non-operating costs	-	(13)	-	-	(13)
Net change in fair value of cash flow hedges	-	703	-	-	703
Net change in fair value of cost of hedging	-	-	(62)	-	(62)
Cost of hedging reclassified and reported in net profit	-	-	13	-	13
Share of movement in reserves of associates	8	-	-	-	8
Pension remeasurements	554	-	-	-	554
Hedges transferred and reported in property, plant and equipment	-	(7)	(12)	-	(19)
Hedges transferred and reported in sales in advance of carriage	-	20	2	-	22
Total income and expense for the year	623	123	(59)	4	691
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 and oil costs	-	(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
As at 31 December 2023	989	(145)	(59)	13	798

#### 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.

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2023

**27 Other reserves continued****b Company**

	Company				
£ million	Retained earnings	Unrealised gains and losses	Cost of hedging reserve	Currency translation	Total other reserves
Balance at 1 January 2022	325	(184)	31	-	172
Profit for the year	225	-	-	-	225
Other comprehensive income for the year:					
Exchange gains	-	-	-	-	-
Fair value of cash flow hedges reclassified to fuel and oil costs	-	(587)	-	-	(587)
Fair value of cash flow hedges reclassified to finance costs	-	7	-	-	7
Ineffectiveness taken to Other non-operating costs	-	(13)	-	-	(13)
Net change in fair value of cash flow hedges	-	703	-	-	703
Net change in fair value of cost of hedging	-	-	(62)	-	(62)
Cost of hedging reclassified and reported in net profit	-	-	13	-	13
Pension remeasurements	544	-	-	-	544
Hedges transferred and reported in property, plant and equipment	-	(7)	(12)	-	(19)
Hedges transferred and reported in sales in advance of carriage	-	20	2	-	22
Total income and expense for the year	769	123	(59)	-	833
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 and oil costs	-	(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)
As at 31 December 2023	909	(150)	(59)	6	706

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 28 Employee benefits

The Group operates a variety of post-employment benefit arrangements, covering both defined contribution and defined benefit schemes.

#### 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 2023 were £161 million (2022: £134 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. 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 five per cent 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.

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.

Triennial valuations as at 31 March 2021 were finalised in 2022 for APS and NAPS, 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 2022 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 reporting date. The triennial actuarial valuation of neither APS and 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.

The triennial valuation as at 31 March 2021 for NAPS supersedes the previous agreements reached in 2020 and 2021 between British Airways and the Trustees of NAPS relating to the deferral of deficit contributions. The deferred deficit contributions have been incorporated into the deficit payment plan agreed as part of the triennial valuation as at 31 March 2021.

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.

#### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 proportion 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

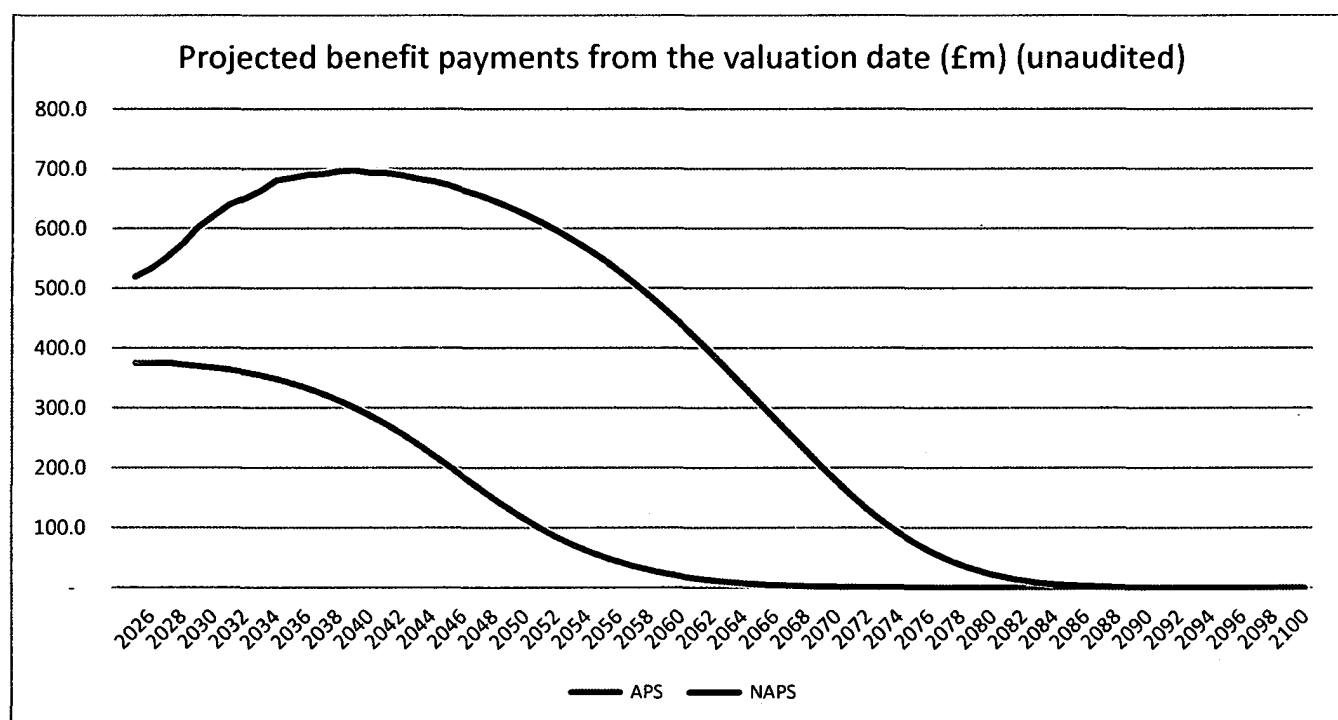
Cash payments in respect of pension obligations comprise normal employer contributions made by the Group and deficit contributions based on the agreed deficit payment plan with NAPS. Total payments for the year ended 31 December 2023 net of service costs made by the Group were £41 million (2022: £17 million) being the employer contributions of £42 million (2022: £19 million) less the current service cost of £1 million (2022: £2 million) (note 28b).

#### 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 Enil 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 per cent, with a mechanism for contributions to resume if the contribution level subsequently falls below 100 per cent, or until such point as the scheme funding level reaches 100 per cent.

During the year ended and as at 31 December 2023, given the funding level of the scheme, the NAPS funding position exceeded 100 per cent and accordingly deficit contributions were suspended. At 31 December 2023, 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.

At 31 December 2023, had the over-funding mechanism not been applied, excluding the effect of discounting, then the asset ceiling adjustment (as detailed in note 28c) would have been £551 million higher, reducing the net surplus by the same amount.

At 31 December 2023, 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 <sup>1</sup>	Other schemes
Within twelve months	-	31
One to two years	-	32
Two to three years	-	33
<b>Total expected deficit payments</b>	<b>-</b>	<b>96</b>

<sup>1</sup>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.

Under the triennial valuation of NAPS as at 31 March 2021, in the period up to 31 December 2023, no dividend payment is permitted from British Airways to IAG. In the period from 1 January to 31 December 2024, any dividends paid by British Airways will be matched by contributions to NAPS of 50 per cent 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 per cent 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 per cent 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 IAG 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.

#### b Employee benefit schemes recognised in the financial statements

##### i Amounts recognised on the Balance sheet

£ million	As at 31 December 2023			
	APS	NAPS	Other	Total
Scheme assets at fair value <sup>1</sup>	5,239	14,433	339	20,011
Present value of scheme liabilities <sup>1</sup>	(5,220)	(12,638)	(470)	(18,328)
Net pension asset/(liability)	19	1,795	(131)	1,683
Effect of the asset ceiling <sup>2</sup>	(7)	(628)	-	(635)
Other employee benefit obligations	-	-	(8)	(8)
	12	1,167	(139)	1,040
Represented by				
Employee benefit assets <sup>4</sup>				1,191
Employee benefit obligations <sup>4</sup>				(151)
Net employee benefit assets <sup>1,3</sup>				1,040

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 28 Employee benefits continued

#### b Employee benefit schemes recognised in the financial statements continued

£ million	As at 31 December 2022			
	APS	NAPS	Other	Total
Scheme assets at fair value <sup>1</sup>	5,495	14,893	310	20,698
Present value of scheme liabilities <sup>1</sup>	(5,293)	(11,975)	(477)	(17,745)
Net pension asset/(liability)	202	2,918	(167)	2,953
Effect of the asset ceiling <sup>2</sup>	(70)	(1,021)	-	(1,091)
Other employee benefit obligations	-	-	(9)	(9)
	132	1,897	(176)	1,853
Represented by				
Employee benefit assets <sup>4</sup>				2,041
Employee benefit obligations <sup>4</sup>				(188)
Net employee benefit assets <sup>1,3</sup>				1,853

<sup>1</sup>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 2023, such assets were £278 million (2022: £280 million) with a corresponding amount recorded in the scheme liabilities.

<sup>2</sup>APS and NAPS have 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.

<sup>3</sup>The net deferred tax asset recognised on the net employee benefit asset (2022: asset) was £35 million at 31 December 2023 (2022: £44 million).

<sup>4</sup>At 31 December 2023, the Company had employee benefit assets of £1,191 million (2022: £2,041 million) and employee benefit obligations of £150 million (2022: £179 million). The deferred tax asset recognised on the Company net employee benefit asset was £34m at 31 December 2023 (2022: £42m). The defined benefit obligation includes £17 million (2022: £17 million) arising from unfunded plans.

#### ii Amounts recognised in the Income statement

Pension costs charged to operating result are:

£ million	2023	2022
Defined benefit plans:		
Current service cost	1	2
Administrative expenses	15	16
	16	18
Defined contribution plans	159	134
<b>Pension costs recorded as employee costs</b>	<b>175</b>	<b>152</b>
£ million	2023	2022
Interest income on scheme assets	(974)	(539)
Interest expense on scheme liabilities	832	497
Interest expense on asset ceiling	53	20
<b>Net financing credit relating to pensions</b>	<b>(89)</b>	<b>(22)</b>



## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 28 Employee benefits continued

#### iii Amounts recognised in the Statement of other comprehensive income

£ million	2023	2022
Return on plan assets excluding interest income	755	7,969
Remeasurement of plan liabilities from changes in financial assumptions	269	(8,920)
Remeasurement of plan liabilities from changes in demographic assumptions	48	(176)
Remeasurement of experience losses	374	538
Remeasurement of the APS and NAPS asset ceilings	(509)	11
Exchange movement	-	16
<b>Pension remeasurements recognised in Other comprehensive income</b>	<b>937</b>	<b>(562)</b>
<b>Tax arising on pension remeasurements</b>	<b>1</b>	<b>8</b>
<b>Pension remeasurements recognised in Other comprehensive income, net of tax</b>	<b>938</b>	<b>(554)</b>

#### 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)), APS is 90 per cent 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 nearly fully 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 2023, the actual asset allocation for NAPS was 19 per cent (2022: 31 per cent) in return seeking assets and 81 per cent (2022: 69 per cent) 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 2023 was 1 per cent (2022: 1 per cent) in return seeking assets and 99 per cent (2022: 99 per cent) 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 2023, NAPS has not been required to raise additional cash or liquidate existing assets in order to fund derivative positions.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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	2023	2022
As at 1 January	20,698	29,205
Interest income	974	539
Administration expenses	(12)	(13)
Return on plan assets excluding interest income	(755)	(7,969)
Employer contributions <sup>1</sup>	41	17
Employee contributions	7	5
Benefits paid	(930)	(1,108)
Exchange movements	(12)	22
<b>Fair value of scheme assets</b>	<b>20,011</b>	<b>20,698</b>

<sup>1</sup>Includes employer contributions to APS of £1 million (2022: £1 million) and to NAPS of £nil million (2022: £nil million), of which deficit funding payments represented £nil million for APS (2022: £nil million) and £nil million for NAPS (2022: £nil million).

##### iii Composition of scheme assets

Scheme assets held by the Group at 31 December comprise:

£ million	2023				2022
	APS	NAPS	Other	Total	
<b>Return seeking investments</b>					
Listed equities – UK	7	94	5	106	121
Listed equities – Rest of world	1	378	141	520	915
Private equities	25	584	13	622	1,370
Properties	-	1,361	12	1,373	1,874
Alternative investments	30	1,463	1	1,494	1,645
	63	3,880	172	4,115	5,925
<b>Liabilities matching investments</b>					
Government issued fixed bonds	743	4,429	109	5,281	4,615
Government issued index linked bonds	754	8,145	8	8,907	7,078
Assets and longevity swaps	776	-	-	776	974
Insurance contracts	2,894	-	34	2,928	2,966
	5,167	12,574	151	17,892	15,633
<b>Other</b>					
Cash and cash equivalents	43	552	6	601	598
Derivatives financial instruments	(33)	(2,576)	7	(2,602)	(1,476)
Other investments	(1)	3	3	5	18
	9	(2,021)	16	(1,996)	(860)
<b>Total scheme assets</b>	<b>5,239</b>	<b>14,433</b>	<b>339</b>	<b>20,011</b>	<b>20,698</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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 reporting date and have been adjusted for any cash movements between the date of the valuation and the reporting date. Typically, the valuation approach and inputs for these investments are not updated through to the reporting 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 reporting date. The dates of these valuations typically precede the reporting date and have been adjusted for any cash movements between the date of the valuation and the reporting date. Typically, the valuation approach and inputs for these investments are not updated through to the reporting 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 per cent (2022: 25 per cent) 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 per cent (2022: 21 per cent) 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.
- 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 per cent of all benefits APS expects to pay out in future.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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, of 35 per cent.

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 35 per cent.

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	2023	2022
As at 1 January	1,091	1,060
Interest expense	53	20
Remeasurements	(509)	11
<b>As at 31 December</b>	<b>635</b>	<b>1,091</b>

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 per cent to 25 per cent. While this change had not been substantively enacted at the reporting date and as such not reflected in the figures above, had the rate of withholding tax been reduced to 25 per cent at 31 December 2023, the effect of the asset ceiling would have been to reduce the effect of the asset ceiling by £182 million to £453 million, with a corresponding 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	2023	2022
As at 1 January	17,745	26,869
Current service cost	1	2
Interest expense	832	497
Remeasurements – financial assumptions <sup>1</sup>	269	(8,920)
Remeasurements – demographic assumptions	48	(176)
Remeasurement of experience losses	374	538
Benefits paid	(930)	(1,108)
Employee contributions	7	5
Exchange movements	(18)	38
<b>At 31 December</b>	<b>18,328</b>	<b>17,745</b>

<sup>1</sup>Included in the remeasurements from financial assumptions is an amount of £575 million that increases the scheme liabilities relating to changes in the discount rates (2022: £8,770 million decrease) and £306 million that decreases the scheme liabilities relating to changes in inflation rates (2022: £150 million decrease).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 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	2023			2022		
	APS	NAPS	Other schemes	APS	NAPS	Other schemes <sup>4</sup>
Discount rate <sup>1</sup>	4.50	4.55	1.00 – 7.10	4.85	4.80	0.75 – 7.20
Rate of increase in pensionable pay <sup>2</sup>	3.20	N/A	2.00 – 5.00	3.40	N/A	2.00 – 6.00
Rate of increase of pensions in payment <sup>3</sup>	3.20	2.65	0.75 – 3.40	3.40	2.80	0.25 – 3.40
RPI rate inflation	3.20	3.00	2.20 – 2.90	3.40	3.20	2.20 – 3.10
CPI rate of inflation	N/A	2.65	2.00 – 2.50	N/A	2.80	2.00 – 2.60

<sup>1</sup>The discount rate is determined by reference to the yield on high quality corporate bonds of currency and term consistent with the scheme liabilities.

<sup>2</sup>Rate of increase in pensionable pay, which reflects inflationary increases, is assumed to be in line with increases in RPI.

<sup>3</sup>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 as at 31 December 2023.

The current longevities underlying the values of the scheme liabilities were as follows:

Mortality Assumptions	UK	
	2023	2022
Life expectancy at age 60 for a;		
- male currently aged 60	27.5	27.9
- male currently aged 40	28.8	29.1
- female currently aged 60	29.0	29.3
- female currently aged 40	31.2	31.5

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 2022 model, including a long-term improvement parameter of 1.00 per cent per annum (2022: 1.00 per cent).

As at 31 December 2023, the weighted-average duration of the defined benefit obligation was 9 years for APS (2022: 10 years) and 14 years for NAPS (2022: 15 years). The weighted-average duration of the defined benefit obligations was 2 to 19 years for other schemes (2022: 3 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 reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown.

£ million	Increase in present value of scheme liabilities		
	APS	NAPS	Other schemes
Discount rate (decrease of 50 basis points) <sup>1</sup>	240	880	25
Future pension growth (increase of 50 basis points) <sup>1</sup>	210	840	3
Future mortality rate (one year increase in life expectancy)	260	340	19

<sup>1</sup>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 2023, where they could be reliably estimated, such liabilities amounted to £4 million (2022: £7 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 30 Related party transactions

The following transactions took place with related parties for the financial year ended 31 December 2023:

£ million	Group		Company	
	2023	2022	2023	2022
<b>Sales of goods and services:</b>				
Sales to/purchases on behalf of IAG <sup>1</sup>	2	2	2	2
Sales to/purchases on behalf of subsidiary undertakings of IAG <sup>2</sup>	123	100	123	100
Sales to/purchases on behalf of significant shareholders of IAG <sup>3</sup>	158	67	158	67
Sales to associates <sup>4</sup>	393	377	379	377
Sales to subsidiaries <sup>5</sup>	-	-	598	462
<b>Purchases of goods and services:</b>				
Purchases from IAG <sup>1</sup>	101	69	101	69
Purchases from subsidiary undertakings of IAG <sup>2</sup>	252	333	252	333
Purchases from significant shareholders of IAG <sup>3</sup>	63	70	63	70
Purchases from associates <sup>4</sup>	82	198	76	198
Purchases from subsidiaries <sup>5</sup>	-	-	114	105

Period end balances arising from sales and purchases of goods and services:

£ million	Group		Company	
	2023	2022	2023	2022
<b>Receivables from related parties:</b>				
Amounts owed by IAG <sup>1</sup>	1	85	1	85
Amounts owed by subsidiary undertakings of IAG <sup>2</sup>	77	92	77	92
Amounts owed by significant shareholders of IAG <sup>3</sup>	97	16	97	16
Amounts owed by associates <sup>4</sup>	152	117	152	117
Amounts owed by subsidiaries <sup>5</sup>	-	-	30	22
<b>Payables to related parties:</b>				
Amounts owed to IAG <sup>1</sup>	1,435	1,472	1,435	1,472
Amounts owed to subsidiary undertakings of IAG <sup>2</sup>	61	70	61	70
Amounts owed to significant shareholders of IAG <sup>3</sup>	-	6	-	6
Amounts owed to associates <sup>4</sup>	1,489	1,430	1,486	1,430
Amounts owed to subsidiaries <sup>5</sup>	-	-	807	579

<sup>1</sup>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. The loan owed by IAG was repaid during the year ended 31 December 2023.

<sup>2</sup>Amounts owed by and to subsidiary undertakings of IAG related to other subsidiaries of the IAG Group. Sales include interline transactions amounting to £35 million (2022: includes £26 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 £102 million (2022: includes £97 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.

<sup>3</sup>Amounts owed by and to significant shareholders of IAG. Sales include interline transactions amounting to £71 million (2022: includes £46 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 £296 million (2022: excludes £176 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.

<sup>4</sup>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 £22 million (2022: includes £12 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 £126 million (2022: includes £97 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.

<sup>5</sup>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 (2022: £2 million).

Neither the Group nor the Company have benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2023 the Group has not made any allowance for expected credit losses relating to amounts owed by related parties (2022: £nil). The Company has made an allowance for expected credit losses related to amounts owed by related parties of £44 million (2022: £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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 30 Related party transactions continued

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 16.7 per cent 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 2023 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 2023 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 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)  
 Teleflight Limited (03918190)

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 2023 was International Consolidated Airlines Group S.A. (IAG), 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](http://www.iairgroup.com).

### 34 Supplemental cash flow information

#### a Reconciliation of movement in provisions included within Net cash flows from operating activities

£ million	2023	2022
Opening provisions	827	613
Non-cash additions recorded in operating profit	214	303
Non-cash releases of unused provisions recorded in operating profit	(38)	(83)
Other non-cash amounts recorded within operating profit	(8)	13
Cash settlements relating to operating provisions	(115)	(86)
<b>Movements in provisions recorded within net cash flows from operating activities</b>	<b>53</b>	<b>147</b>
Movements elsewhere within the Balance sheet	(15)	(1)
Unrealised currency differences arising on provisions recorded within operating profit	(24)	69
Non-cash settlement of ETS obligations	(9)	(2)
Movements in provisions recorded in the Income statement outside of operating profit	18	1
<b>Closing provisions (note 22)</b>	<b>850</b>	<b>827</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### 34 Supplemental cash flow information continued

#### *b Other items included within Net cash flows from operating activities*

£ million	2023	2022
Non-cash movements on derivative and non-derivative financial instruments	85	39
Settlement of interest rate derivatives	11	(4)
Other non-cash movements	(33)	3
	63	38

### Subsidiary undertakings at 31 December 2023

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, PO Box 365, Harmondsworth, UB7 0GB
BA Call Centre India Private Limited ('CallBA') <sup>1</sup>	India	Call centre	F-42, East of Kailash, New Delhi, 110065
BA Cityflyer Limited	England	Airline	Waterside, PO Box 365, Harmondsworth, UB7 0GB
BA Euroflyer Limited	England	Airline	Waterside, PO Box 365, Harmondsworth, UB7 0GB
BA European Limited	England	Holding company	Waterside, PO Box 365, Harmondsworth, UB7 0GB
BA Excepted Group Life Scheme Limited	England	Life Insurance	Waterside, PO Box 365, Harmondsworth, UB7 0GB
BA Healthcare Trust Limited	England	Healthcare	Waterside, PO Box 365, Harmondsworth, UB7 0GB
BA Holdco Limited	England	Holding Company	Waterside, PO Box 365, Harmondsworth, UB7 0GB
BA Number One Limited	England	Holding company	Waterside, PO Box 365, Harmondsworth, UB7 0GB
BA Number Two Limited <sup>1</sup>	Jersey	Holding company	IFC 5, St Helier, Jersey, JE1 1ST
Bealine plc	England	Dormant	Waterside, PO Box 365, Harmondsworth, UB7 0GB
BritAir Holdings Limited	England	Holding company	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways (BA) Limited <sup>1</sup>	England	Former airline	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways 777 Leasing Limited	England	Aircraft Leasing	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways Associated Companies Limited	England	Holding company	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways Avionic Engineering Limited	England	Engineering	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways Capital Limited	Jersey	Aircraft financing	Queensway House, Hilgrove Street, St Helier, JE1 1ES
British Airways Holdings BV <sup>1</sup>	Netherlands	Holding company	Strawinskylaan 3105, Atrium 1077ZX Amsterdam
British Airways Holidays Limited	England	Tour operator	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways Interior Engineering Limited	England	Engineering	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways Leasing Limited	England	Aircraft Leasing	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways Maintenance Cardiff Limited	England	Engineering	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways Pension Trustees (No 2) Limited	England	Trustee company	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Airways Plc Employee Share Ownership Trust	Jersey	Trust	Queensway House, Hilgrove Street, St Helier, JE1 1ES
British Mediterranean Airways Limited <sup>1, 2, 3</sup>	England	Former airline	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Midland Airways Limited <sup>1</sup>	England	Former airline	Waterside, PO Box 365, Harmondsworth, UB7 0GB
British Midland Limited	England	Holding company	Waterside, PO Box 365, Harmondsworth, UB7 0GB
Flyline Tele Sales & Services GmbH <sup>3</sup>	Germany	Call centre	Hermann Koehl-Strasse 3, 28199 Bremen
Gatwick Ground Services Limited	England	Ground Services	Waterside, PO Box 365, Harmondsworth, UB7 0GB
Overseas Air Travel Limited <sup>1</sup>	England	Transport	Waterside, PO Box 365, Harmondsworth, UB7 0GB
Speedbird Insurance Company Limited	Bermuda	Insurance	Canon's Court, 22 Victoria Street, Hamilton, HM 12
Teleflight Limited <sup>3</sup>	England	Call centre	Waterside, PO Box 365, Harmondsworth, UB7 0GB

<sup>1</sup>Not directly owned by British Airways Plc

<sup>2</sup>99.0% holding

<sup>3</sup>In the process of liquidation



## Notes to the Financial Statements (continued)

For the year ended 31 December 2023

### Associated undertakings at 31 December 2023

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	Airline marketing	Waterside (Hea3), PO BOX 365, Harmondsworth, United Kingdom, UB7 0GB
Dunwoody Airline Services Limited	40.00	England	Airline operations	Building 552, Shoreham Road East, Heathrow Airport, TW6 3UA
IB Opco Holding S.L. <sup>1</sup>	6.80	Spain	Airline operations	Calle Velazquez 130, 28006 Madrid
LanzaJet, Inc.	16.70	USA	Sustainable fuel technology	520 Lake Cook Road, Suite 680, Deerfield, Illinois, 60015, USA

<sup>1</sup>Not directly owned by British Airways Plc

### Other equity investments at 31 December 2023

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	Airline operations	El Caserio, Iberia Zona Industrial nº 2 (La Muñoz), Camino de La Muñoz, 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

## Operating and financial statistics

Not forming part of the audited financial statements

		Year ended 31 December		
Total Group continuing operations		2023	2022 <sup>1</sup>	2021 <sup>1</sup>
<b>Traffic and capacity</b>				
Available seat kilometre ('ASK')	m	167,695	130,938	52,635
Revenue passenger kilometre ('RPK')	m	140,135	104,559	30,700
Cargo tonne kilometre ('CTK')	m	3,431	2,915	2,981
Passengers carried	'000	42,964	33,025	10,322
Passenger load factor	%	83.6	79.9	58.3
Tonnes of cargo sold	'000	426	393	379
<b>Operations</b>				
Average headcount		37,401	33,625	n/a
Aircraft in service at year end		284	276	276
Aircraft utilisation (average hours per aircraft per day)		10.03	8.60	5.90
Punctuality – within 15 minutes	%	58	56	77
Regularity	%	97.0	97.0	92.0
<b>Financial</b>				
Passenger revenue per ASK	p	7.55	7.04	4.40
Passenger revenue per RPK	p	9.04	8.81	7.54
Cargo revenue per CTK	p	22.06	36.36	36.80
Average fuel price (\$/metric tonne) <sup>2</sup>		892	1,074	587
Operating margin <sup>1</sup>	%	10.0%	2.9%	(47.2)%
Operating margin before exceptional items <sup>1</sup>	%	10.0%	2.8%	(50.7)%
Earnings before interest, tax, depreciation and amortisation ('EBITDA') <sup>1,3</sup>	£m	2,448	1,390	(889)
Net debt/total capital ratio	%	155.2	145.1	128.3
Total revenue per ASK	p	8.54	8.42	7.02
Total expenditure before exceptional items on operations per ASK <sup>1</sup>	p	7.69	8.19	10.57
Total expenditure before exceptional items on operations excluding fuel per ASK <sup>1</sup>	p	5.41	5.95	8.79

<sup>1</sup>The 2022 and 2021 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment. Further information is given in note 2.

<sup>2</sup>Average fuel price will be disclosed as \$/metric tonne rather than US cents/US gallon to conform with IAG Group disclosure.

<sup>3</sup>EBITDA is before exceptional items

m = millions

n/a = not applicable

p = pence

Operating statistics do not include those of associate undertakings and franchisees.

## Fleet Table

### Number in service with Group companies at 31 December 2023

	Owned	Finance lease	Operating lease	Total December 2023	Total December 2022	Changes since December 2022	Future deliveries	Options
<b>Airline Operations (Note 2)</b>								
Airbus A319	8		21	29	30	(1)		
Airbus A320	34	25	27	86	86		13	10
Airbus A321	12	2	10	24	21	3	7	
Airbus A350	1	14	2	17	13	4	1	36
Airbus A380	3	9		12	12			
Boeing 777-200	38	2	3	43	43			
Boeing 777-300	8	1	7	16	16			
Boeing 777-9							18	24
Boeing 787-8	2	8	2	12	12			
Boeing 787-9	1	8	9	18	18			
Boeing 787-10		5	2	7	4	3	11	6
Embraer E190	9		11	20	21	(1)		
<b>Total Operations</b>	<b>116</b>	<b>74</b>	<b>94</b>	<b>284</b>	<b>276</b>	<b>8</b>	<b>50</b>	<b>76</b>

#### 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 3 aircraft (31 December 2022: 9) not in service.

## Glossary

<b>Airline operations</b>	This includes British Airways Plc, BA Cityflyer Limited and BA Euroflyer Limited.
<b>Available seat kilometres ('ASK')</b>	The number of seats available for sale multiplied by the distance flown.
<b>Available tonne kilometres ('ATK')</b>	The number of tonnes of capacity available for the carriage of revenue load (passenger and cargo) multiplied by the distance flown.
<b>Cargo revenue per CTk</b>	Cargo revenue divided by CTk.
<b>Cargo tonne kilometres ('CTK')</b>	The number of revenue tonnes of cargo (freight and mail) carried multiplied by the distance flown.
<b>Continuing operations</b>	The segments of the business that are considered to be normal, and expected to operate in the foreseeable future.
<b>EBITDA</b>	<i>Earnings before interest, tax, depreciation and amortisation</i>
<b>Exceptional items</b>	Those items that in management's view need to be separately disclosed by virtue of their size or nature.
<b>Load factor</b>	The percentage relationship of revenue load carried to capacity available.
<b>Net debt</b>	Current and long-term interest bearing borrowings less other current interest-bearing deposits and cash and cash equivalents.
<b>Net debt/total capital ratio</b>	Net debt as a ratio of total capital.
<b>nm</b>	Not meaningful.
<b>n/a</b>	Not applicable.
<b>Operating margin</b>	Operating profit as a percentage of total revenue.
<b>Overall load factor</b>	RTK expressed as a percentage of ATK.
<b>Passenger load factor</b>	RPK expressed as a percentage of ASK.
<b>Passenger revenue per ASK</b>	Passenger revenue divided by ASK.
<b>Passenger revenue per RPK</b>	Passenger revenue divided by RPK.
<b>Punctuality</b>	The industry's standard, measured as the percentage of flights departing within 15 minutes of schedule.
<b>Ready-to-go</b>	The percentage of flights that have the aircraft door being closed five minutes prior to the advertised scheduled departure time.
<b>Regularity</b>	The percentage of flights completed to flights scheduled, excluding flights cancelled for commercial reasons.
<b>Revenue passenger kilometres ('RPK')</b>	The number of revenue passengers carried multiplied by the distance flown.
<b>Revenue tonne kilometres ('RTK')</b>	The revenue load in tonnes multiplied by the distance flown.
<b>Total capital</b>	Total equity plus net debt.
<b>Total group revenue per ASK</b>	Total Group revenue divided by ASK.
<b>Total operating expenditure excluding fuel per ASK</b>	Total operating expenditure excluding fuel divided by ASK.
<b>Total operating expenditure per ASK</b>	Total operating expenditure divided by ASK.
<b>Total traffic revenue per ASK</b>	Revenue from total traffic divided by ASK.

END