UK Civil Aviation Authority

Annual Report and Accounts 2024/25

Launch

Annual Report & Accounts 2024/25 Civil Aviation Authority

For the Period 1 April 2024 to 31 March 2025.

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Strategic Framework and Business Model

We are a public corporation established by Parliament in 1972 and now constituted under the Civil Aviation Act 1982 (as amended). Our functions are set out in legislation, including the Civil Aviation Act 1982, the Aviation Security Act 1982, the Airports Act 1986, the Transport Act 2000, the Civil Aviation Act 2012, the 2018 Space Industry Act, the UK Basic Regulation, and secondary legislation made under those Acts, principally the Air Navigation Order and Implementing Regulations.

As the United Kingdom's aviation regulator, our statutory role is to ensure:

- The aviation and aerospace industry meets the highest safety standards
- Consumers have choice, are protected and treated fairly when they fly
- That the UK's airspace is efficiently used and, in its design, appropriate account is taken of the requirements of users and the impact on other persons
- The aviation industry manages security risks effectively.

An effective and proportionate regulatory framework for aerospace is a key part in giving passengers confidence in travelling and investors confidence in investing in the UK system. In undertaking these statutory roles, we take account of the Government's policy priorities, including its emphasis on regulators being proportionate and efficient so they can support economic growth.

We use our mission 'Protecting People, Enabling Aerospace' to ensure that our decisions deliver value by properly balancing the need to protect the public and the operational needs of the industry. The following pages and graphics set out our business model, strategy, priorities, objectives, and key enablers. These form the bedrock of our work and are referred to throughout this report. More detail on the purpose of each is set out before each graphic. Our current Strategy, published in March 2024, replaced a standalone list of Board Priorities with Annual Strategic Objectives linked to our Strategic Focus Areas. Later in this report we also cover our Annual Strategic Objectives.

Business Model

Our business model sets out the framework within which we operate and how our role and remit fit in with the wider aviation and aerospace sectors. It also sets out our statutory functions and duties which define our powers to act and guide our decision-making. In setting our strategy and plans, we also take into account priorities set out for us by the Secretary of State for Transport, including those elements relating to Government policy.

These include supporting growth in the industry (this is partly set out in our separate growth report), modernising the UK's airspace and facilitating skills. The full set of the Government's priorities for us are published on our website.

Our business model shows:

- The key organisations we work with to achieve our aims
- Those that oversee our work
- The many companies and individuals we directly regulate
- UK Parliament, to which we are accountable
- The Department for Transport, which is our principal Government sponsoring department
- The International Civil Aviation Organisation (ICAO), whose international standards and recommended practices, we must meet and who audit us and other national aviation regulators.

We also show the key risks we constantly track to monitor the success of our work.

CAA Business Model

Our Stakeholders

Those we PROTECT
- Aviation consumers
- The overflown

Those we REGULATE
- Airlines and airports
- Aircraft maintenance organisations
- Approved training organisations
- Air navigation service providers
- Individual licence holders
- General aviation
- Remotely piloted aircraft systems
- Commercial space industry

Those who WORK WITH us
- Competition and Markets Authority
- The Police
- The Health and Safety Executive
- National Cyber Security Centre
- UK Space Agency
- Regulatory Innovation Office
- Consumer Groups
- Other regulators, nationally and internationally

Those who OVERSEE our work

UK Parliament

ICAO · OACI · ИКАО

Department for Transport

Our Statutory Functions

- Regulating civil aviation safely, participating in the design of UK airspace, and considering all factors, including access and environmental impact
- Advising and assisting the Secretary of State for Transport on all civil aviation matters, including policy on the use of UK airspace to meet the needs of all users, having regard for national security, economic and environmental factors, while maintaining a high standard of safety
- The licensing of airlines and airports, including assuring their financial fitness
- The economic regulation of airports with significant market power and the provision of en-route air traffic services
- Concurrent competition powers (with the Competition and Markets Authority) over airports and air traffic control
- Oversight of the design, maintenance, and repair of aircraft
- The licensing of pilots, air traffic controllers, aircraft maintenance engineers, and commercial RPAS operators
- The licensing of air travel organisers, and management of the ATOL protection scheme
- Enforcing general consumer protection and aviation specific legislation, such as denied boarding compensation and persons with reduced mobility
- The inspection of UK outbound aviation security and drafting of regulations as directed by the Secretary of State for Transport
- Oversight of Cyber Security resilience
- Overseeing satellite licensing, commercial and large rocket permissions

Regulatory Principles

Understanding and addressing risk

We will understand and address safety, security, and consumer protection risks across the sector, for the benefit of consumers and the general public. We will be clear that primary responsibility lies with those delivering the activity, and require them to show us how they manage their own risk. We will work with partners where they are best placed to deliver better outcomes.

Delivering unique value

We will take a proactive and collaborative approach to the functioning and development of the regulatory system in the UK and worldwide. We will facilitate and nurture innovation and help others to do the same. We will deliver independent regulatory oversight within the legislative and policy framework set by Parliament and Government.

Acting proportionately

We will explore different ways of achieving desired outcomes, regulating only where we have to. The benefits expected from our regulation will outweigh any burden or cost we impose. We will maintain a strong understanding of the differences among the organisations and individuals we regulate and will tailor regulatory approaches accordingly.

Engaging proactively and transparently

We will constantly look outwards and challenge ourselves to prepare for sectoral and technological innovation and new challenges. We will draw on a wide range of evidence, ideas, and feedback from those we regulate and wider society to inform our decisions. We will be clear about how our actions and decisions may affect our stakeholders. We will publish appropriate information in a clear and accessible manner to ensure transparency.

Acting on our combined insight

We will value the collective insights of the CAA, and continually encourage innovative approaches in our work. We will draw on evidence, data, best practice, and external insights, particularly when balancing competing interests or considering trade-offs.

Our Strategy

Our strategy sets out our enduring mission – Protecting People, Enabling Aerospace – alongside our vision of the future for the organisation and our sector, and the strategic focus areas and values that guide our work. This core foundation then supports an agile and flexible annual approach of considering the key objectives under each of our focus areas to deliver our mission and realise our vision.

Our core statutory role of protecting people remains unchanged. During the course of 2024/25, our agile approach has enabled us to give increased emphasis to those activities that support the Government's economic growth priority, including being proactive to support change. The core foundation of our mission supported us responding rapidly to the incoming government's commitment to deliver economic growth as an enabling regulator. As we look ahead to 2025/26, our strategy will continue to guide our work, and delivering on our core strategic programmes will enable us not only to move towards realising our vision, but also to support passengers, the sector, and government, in achieving their own ambitions.

Our CAA Strategy

Our Mission Protecting people, enabling aerospace

Our vision Safe, secure and sustainable aviation and aerospace working for consumers and the public

Our Values

- Do the right thing
- Never stop learning
- Build collaborative relationships
- Respect everyone

Our Strategic Focus Areas

- Protecting consumers and the public
- Enabling aviation and aerospace to innovate and grow
- Developing relationships to improve standards globally
- Supporting aviation to improve environmental sustainability
- Enhancing our organisation to deliver this strategy

Annual Strategic Objectives

The table below contains the Annual Strategic Objectives for 2024/25:

Protecting consumers and the public

- Publish alternative means of compliance and guidance material for airworthiness organisations to implement **Safety Management System** frameworks and agreed revised approach to oversight.
- Deliver research and develop options for fire containment to reduce the risks associated with fire during the carriage of **dangerous goods,** and take to the State Safety Board for approval.
- Set the parameters of the type/level/degree of oversight required for **Ground Handling** organisations.
- Complete the review of our approach to **economic regulation (process, governance and mechanics)**
- Deliver our **Consumer Strategy,** and continue to engage with industry and consumers to improve it
- Assist and oversee the delivery of the **"Next Generation Security Checkpoint"** across UK airports.
- Consolidate, simplify and issue **security chapters** 8, 11 and 12 of the regulatory framework for aviation security across all areas, including replacing retained EU law.

Enhancing our organisation to deliver this strategy

- Consult on revisions to our **funding structure** which improve transparency and builds financial resilience.
- Deliver the first year of our multi-year **Customer Experience programme,** which will include completing work to improve ATCO licensing.
- Implement the governance recommendations from the **Public Bodies Review** of the CAA.
- Develop and embed an **integrated planning** model that enables colleagues to deliver this strategy, ready for 2025/26 planning round.
- Deliver our **People Strategy** and empower our people to deliver our mission and realise our vision.

Enabling aviation and aerospace to innovate and grow

- Commence delivery against the **AMS Part III** detailed deployment plan including funded elements relevant to Future of Flight strategic objective 3.
- Develop and publish a CAA Strategy for **Artificial Intelligence.**
- Deliver strategic **objective 1 of the Future of Flight Programme.**
- Deliver **Specific Category Operational Authorisation IT system,** pilot and flight worthiness assessment capabilities, and appropriate ruleset and guidance

Supporting aviation to improve environmental sustainability

- Complete our regulatory mapping project, to understand what standards may need to be amended to bring **hydrogen** into service and design a certification framework for large hydrogen aircraft.
- Produce a **framework for improving environmental information** and reporting within aviation.
- Enhance and expand our **environmental performance reporting** of the UK aviation sector.

Developing relationships to improve standards globally

- Develop an ambitious but realistic programme of work for the next three years for the **National Aviation Authorities Network** (USA, Australia, New Zealand and Canada).
- Develop **new relationships with European Union and EASA,** in our position as a third country, and reinforcing our position as a prominent participant in ICAO and other key multilateral organisations.

Annual Strategic Objectives

The table below contains the Annual Strategic Objectives for 2025/26:

Protecting consumers and the public

- Deliver CAA-focused recommendations from the **independent review into the NATS technical IT failure** and drive industry engagement with full set.
- **Reform** CAA legislative frameworks to enable more flexible, agile regulation.
- Embed the **State Safety Objectives** into our work and promote collaboration to achieve them.
- Improve **industry compliance** with passenger rights during delays and cancellations and ensure they effectively communicate with consumers.
- Ensure appropriate r**egulation of Heathrow** including the delivery of H8 price control and support for Heathrow expansion to protect consumers and users.
- Enhance our **aviation security regulation** with technology and data

Enabling aviation and aerospace to innovate and grow

- Produce accessible regulatory pathways to enable **Beyond Visual Line of Sight** Operation of RPAS.
- Produce accessible regulatory pathways to enable **commercial piloted eVTOL** operations.
- Implement UK **Airspace Design Service** to progress delivery of airspace modernisation.

Supporting aviation to improve environmental sustainability

- Develop regulations to safely enable **hydrogen-powered flight.**
- Enable greater accountability through enhanced **environmental information.**

Enhancing our organisation to deliver this strategy

- Improve customer experience of our **People Licencing** Systems for Commercial Pilots and Air Traffic Controllers.
- Embed our CAA competencies and develop leadership **competencies, job families and career pathways.**
- Develop a framework to ensure the **CAA is financially and operationally sustainable.**

Developing relationships to improve standards globally

- Define and deliver our ambitions for the **ICAO General Assembly.**

Key Strategic Enablers and Values

Our one-CAA approach underpins our people strategy to create a high-performing, values-based organisation. It is based on shared accountability where we all have a role to play in creating a culture and work environment where everyone's best talents are used to deliver the people strategy and realise our vision.

Our principal capability is the expertise and commitment of our people and their skills and knowledge which makes us a world leading aviation regulator. Our colleagues have the experience and knowledge to both regulate and guide the industry to achieve outcomes that maintain high levels of safety, while also enabling the UK's aviation system to grow and develop.

It is therefore critical that we recruit well and that we provide an environment which enables colleagues to develop and thrive. This allows us to continue to perform at the highest level.

Our culture is supported by our four values which underpin how we operate:

> **Do the right thing** - we always do the right thing, not the easy thing, to achieve our vision and mission

> **Never stop learning** - we're always open to challenging our thinking

> **Build collaborative relationships** - we have common goals and we use our diverse experiences, skills and knowledge to achieve them

> **Respect everyone** - we know, and show, that everyone deserves respect

We make sure our actions are evidence-based and that we follow the Government's better regulation principles.

What We Did

ATOL Licenses Granted
2,282 Through 2024/25 | 2,066 Through 2023/24

PACT Cases received
7,602 Through 2024/25 | 5,205 Through 2023/24

Air Traffic Service Providers
70 As at end 2024/25 | 70 As at end 2023/24

Training Organisations
295 As at end 2024/25 | 261 As at end 2023/24

UK Registered Aircraft
18,652 As at end 2024/25 | 18,800 As at end 2023/24

Flight Crew Licensing Applications Completed for Commercial Pilots
6,543 Through 2024/25 | 6,179 Through 2023/24

Air Operator Certificate (AOC) Holders
109 As at end 2024/25 | 113 As at end 2023/24

Licensed Air Traffic Controllers
2,209 As at end 2024/25 | 2,330 As at end 2023/24

Flight Crew Licensing Applications Completed for Private Pilots
4,941 Through 2024/25 | 4,824 Through 2023/24

What We Did

Foreign Carrier Permits Granted
11,515 Through 2024/25 | 9,726 Through 2023/24

Airspace Change Request Applications
90 Through 2024/25 | 80 Through 2023/24

Space Orbital Licences Issued
385 As at end 2024/25 | 209 As at end 2023/24

Active Aerodromes
130 As at end 2024/25 | 132 As at end 2023/24

Active Operational Authorisations Holders
2,793 As at end 2024/25 | 2,806 As at end 2023/24

Active Part 145 Maintenance Organisations
1,354 As at end 2024/25 | 763 As at end 2023/24

Aeromedical Examiners
124 As at end 2024/25 | 117 As at end 2023/24

Licensed Maintenance Engineers
13,946 As at end 2024/25 | 14,045 As at end 2023/24

Pilot Licence Holders
42,098 As at end 2024/25 | 48,602 As at end 2023/24

ATOL Claims received
494 As at end 2024/25 | 803 As at end 2023/24

Active RPAS Flyer ID Holders
470,321 As at end 2024/25 | 336,073 As at end 2023/24

2024/25 timeline

April 2024

Our Board visit various aerospace establishments in Wales, including GE Aerospace and British Airways, as part of our outreach programme.

SaxaVord Spaceport is granted a range control licence to enable the company to provide a number of safety critical services before and during launches.

May 2024

Selina Chadha is appointed as our new Group Director for Consumers & Markets. With a career spanning over 25 years in consumer and competition regulation, Selina brings a wealth of regulatory experience to the role.

July 2024

We launch a consultation setting out how consumers would be able to find out the environmental impact of flights from and within the UK, allowing them to make informed travel choices when booking flights.

A new CAA working group is set up to continue to support the development of hydrogen as the next step for green fuel in the aviation industry

Our stand at the Farnborough Airshow enables our Board to meet people from across the aerospace sector from helicopter associations to rocket companies.

Plans to modernise the UK's airspace by 2040 has taken a significant step forward, when we outline how the motorway of the skies could change over the next seven years.

Our Chief Executive, Rob Bishton, signed a new working arrangement with the Japan Civil Aviation Bureau at the Farnborough International Airshow. The agreement further expands the scope of cooperation between the UK and Japanese regulators.

Key:

- **Protecting consumers and the public**
- **Enabling aviation and aerospace to innovate and grow**
- **Developing relationships to improve standards globally**
- **Supporting aviation to improve environmental sustainability**
- **Enhancing our organisation to deliver our strategy**

August 2024

Our annual report on airport accessibility shows eleven airports are rated 'very good' although there is mixed progress across the country. As demand for accessibility services increases, more still needs to be done to make the experience of disabled passengers as good as for other passengers.

We announce new trials that are set to help unlock drone deliveries and inspections in the UK. They include testing drone deliveries to consumers, inspections of infrastructure and flights to remote locations.

Our Know Before You Go campaign urges consumers to brush up on their passenger rights ahead of the August Bank Holiday.

We confirm that active carbon monoxide detectors will be mandated in some light aircraft following incidents linked to the gas.

September 2024

Our Chair, Sir Stephen Hillier, hosts a roundtable with companies across the Midlands' aerospace industry.

We publish a plan that will allow drones to safely fly regularly and routinely beyond the line of sight of operators, unlocking benefits across society

October 2024

Giancarlo Buono is appointed as the CAA's new Group Director, Safety and Airspace Regulation. With over 30 years of experience in the aviation sector, Giancarlo brings a wealth of industry knowledge and leadership expertise to the role.

We launch a consultation on the biggest shake up to airspace design in 70 years which could see quicker, quieter, cleaner flights.

Our newly launched ATOL claims portal enhances consumer service and experience.

We partner with the US regulator, the Federal Aviation Administration, to announce a significant step forward in enhancing aviation safety and regulatory oversight with a strategic partnership on inspections of US-registered aircraft operating in the United Kingdom.

November 2024

We start the process of setting the next price control for Heathrow Airport. It will dictate how much the airport can charge airlines from 2027 to 2031.

The final report is published as part of the independent review into the August 2023 NATS flight planning system failure.

We set out our approach to exploring how the challenges and opportunities presented by AI could be addressed in a new strategy.

January 2025

We approve the UK's first vertical space launch for Rocket Factory Augsburg to launch from SaxaVord Spaceport in the Shetland Islands.

February 2025

Our Hydrogen Challenge is expanded and extended with the launch of a second round.

Two new Non-Executive Directors, Trisha McAuley OBE and Professor Jordan Giddings, are appointed to join our Board.

March 2025

The Government appoints us as the Market Surveillance Authority (MSA) for drones.

Our Chief Executive, Rob Bishton, visits London Luton Airport and easyJet to see improvements for passengers with accessibility requirements.

Statements

Statement by the Chair

Sir Stephen Hillier

Recent tragic accidents in global aviation remind us that we cannot take safety for granted and the need therefore for us to maintain our relentless focus on safety and protecting people, as well as ensuring that we have the capacity to respond rapidly and effectively to emerging events. Our reputation as an effective safety regulator remains strong, but our culture is never to be complacent and always to strive to learn lessons and to improve further.

Against our strategy and priorities for the last year, we have delivered well. We continue to grow in size and in line with our expanding responsibilities. As we do so, we seek to deliver a regulatory environment which offers the attractions of quality, stability and predictability, combined with one which is also sufficiently flexible, agile and timely to respond and adapt to the constantly growing and evolving aerospace environment.

Key to our responsiveness and to understanding current and new requirements is sector engagement. The Board seeks to lead by example, over the last year holding Board meetings and visiting the aerospace sector in South Wales and at the Farnborough International Air Show. We also held in 2024 the first 'CAA Annual Address', giving us the opportunity to review our performance over the last financial year, and outline our plans for the next year with our wide range of stakeholders. The event was well-received and has now become a part of our annual business cycle.

The underlying aim is greater transparency in our decision-making and the opportunity for others to question us on how we are delivering against our commitment to provide a service to our customers which is both valued and value for money. We are also making good progress in the efficiency commitments which we made as part of the Government Review of the CAA in 2023. This includes our customer experience and modernisation programme, which is on budget and schedule to deliver a fully digitised licensing service for our stakeholders.

Whilst maintaining the independence of our statutory decision-making, we have responded this year to the priorities of the new Government. An early signal from Government was the wish for us to do more in support of consumers' interests, a focus sharpened by the publication in autumn 2024 of the review into the August 2023 NATS failure. Building on the consumer strategy which we published last year, and working with our Consumer Panel, we are now moving more quickly in gathering data, investing more in resources and capability, and pushing further on our existing powers and influence, whilst at the same time continuing to make the case for the new consumer powers which would bring us into line with those already available to other consumer-facing regulators. The Government also made welcome early announcements on aviation sustainability measures, which connect into our steadily growing work and influence across this vital area, guided by our published Sustainability Strategy and supported by our expert Sustainability Panel.

Towards the end of 2024, the Government underlined its strong interest in the important role of regulators in generating economic growth and investment. This is generating a significant new and very likely enduring phase of activity for the organisation. The inter-connected features of this activity are the generation of increased capacity in the aviation system, including through Heathrow expansion; the enabling of future flight and space technologies, including our approach to the associated risks; and moving more quickly on airspace modernisation.

None of these issues are of course new for us, although Heathrow expansion has not been at the forefront of our thinking since before the pandemic. But they are all now set within a new and evolving context, which we are currently in the process of responding to, at pace.

Statement by the Chair

Sir Stephen Hillier

At the Board, I'm particularly pleased to see the new executive leadership team fully in place, with Selina Chadha joining in August 2024 as Group Director Consumer and Markets Group, and Giancarlo Buono joining in January 2025 as Group Director Safety and Airspace Regulation Group. Whilst these appointments have provided welcome certainty after a period of significant executive churn at the Board, at the same time we are in a period of greater turnover within the non-executive cadre.

Marykay Fuller left the Board in July 2024 as planned: I thank her most sincerely for her first-rate contribution to the CAA over the preceding five years. Anne Lambert's tenure was further extended, to December 2025, as a result of delays in the non-executive director (NED) recruitment process. We welcomed two new NEDs, Trisha McAuley and Jordan Giddings, to the Board in February 2025, respectively providing particular increased focus on consumer interests and new technologies in line with the recommendations of the 2023 Review of the CAA.

However, Jane Hanson, Chair of the Audit & Risk Committee, elected to conclude early her second term and left the Board in January 2025, due to the pressure of other work commitments. I thank sincerely Jane for her first-class contribution to the CAA. The Audit & Risk committee Chair role is currently being filled by Anne Lambert, pending the outcome of a recruitment campaign for a further two new NEDs, focused on the audit chair role and safety. But despite all of this churn, I remain satisfied that the Board is performing well and delivering its remit. That hasn't happened without significant effort from all concerned, so to all my Board colleagues, executive and non-executive, I offer my sincerest thanks for their leadership and commitment to the CAA throughout another demanding year.

Finally, and most importantly, I also take this opportunity sincerely to thank and congratulate colleagues across the CAA for their exemplary efforts and achievements – our successes over the last year and our ability successfully to protect people and enable aerospace, in the UK and internationally, are ultimately down to them.

Sir Stephen Hillier, Chair
18 June 2025

Statement by the Chief Executive

Rob Bishton

Introduction

As Sir Stephen has covered in his introduction, in the space of just a few weeks this winter we sadly saw significant accidents in South Korea and Washington, along with the earlier Azerbaijan Airlines accident. The fact that flying remains the safest form of transport will be of little comfort to those directly affected by these tragedies.

What I can promise them, and everyone that uses our industry, is that aviation will learn from these accidents and become even safer as a result. At the time of writing all remain under investigation, but we will continue to monitor the findings to be able to react where necessary.

Closer to home, the UK industry had anticipated another strong year in 2024. Much of the focus at the planning stage by airlines and airports had looked at resilience challenges following the harsh lessons identified in 2023. It was reassuring to observe that these lessons were clearly learned, as while the overall European network performance was impacted by weather events, industrial relations and short-notice amendments to airline flying programmes, the UK system performed well overall and responded to any disruption events.

Last year I wrote of the significant challenges and demands on the organisation. This year has unsurprisingly seen us in a very similar situation. I believe that we continue to adapt well to changes in the aerospace industry that we oversee, as well as progressing our own improvements in areas such as customer experience and meeting our mission to protect people and enable aerospace.

Protecting consumers

Our prime work in protecting consumers is our total day-to-day commitment to upholding UK aerospace to the highest safety standards.

This is not a 'business as usual' or 'taken for granted' task. I can assure you that the passion among my colleagues to maintain and enhance the safety of aviation runs deep.

Throughout the year we remained an active participant in safety and security matters on the global stage, deepening existing relationships and developing new ones. Our international team delivered on many valuable contracted safety endeavours throughout the year. These included hosting the major International Civil Aviation Organisation legal advisors forum, and assisting the Pakistan Authority to enhance its aviation exam system.

But, rightly, offering protection for those that use or are affected by aerospace should, and does, go beyond that safety task.

Most passengers' journeys are seamless, and the industry performs well. Unfortunately, occasionally, travel plans go wrong. So, giving consumers reliable and helpful information enables them to be better prepared. This counts both while undertaking their journey and being able to make sure they get the support they are entitled to if things don't go to plan. Our 'Know Before You Go' campaign undertaken in December 2024 reached hundreds of thousands of consumers with this vital information.

Of course, we also need to go beyond information. We should, and do, directly protect people where we feel it's necessary to hold industry to account. I believe a great example of this is our frameworks and reports on how airports and airlines meet the accessibility requirements of passengers. We are the only regulator in the world that undertakes such work, and I believe they provide a clear and public record that has directly helped raise standards across the UK.

The resilience of the system is something the worldwide aviation industry must continue to develop and it's something we closely monitor. Part of this work is the independent report that we published into the air traffic control failure of August 2023. I believe this will deliver useful improvements across a wide range of issues.

Rest assured we will continue to build on this work and take action to protect consumers across the board.

Statement by the Chief Executive

Rob Bishton

Enabling Aerospace – a modern day regulatory challenge

Much of what I have set out above talks to our approach to protecting people, but what about the second part of our mission, enabling aerospace?

2024/25 represented another year where progress has been made across the industry. Whether this be in the form of remotely piloted platforms and their commercial utility, including flying beyond visual line of sight, advances made in the Advanced Air Mobility sector or on sustainable fuels, we have continued to invest and grow our capability to enable these vital aerospace developments.

Key organisational achievements included:

Drones: Continuing to allow the unlocking of potential uses including a major NHS trial in London using some of the nation's most complex airspace to deliver pathology samples within minutes.

Advanced Air Mobility: Supporting UK manufacturers and working internationally with other NAAs to make approvals of future aircraft easier for manufacturers around the world.

Space: Granting the first ever vertical launch licence for a flight from the UK that will enable our growing space industry to take another significant leap forwards.

Airspace: Continuing work to allow access for new users and setting the system up for future enhancements with roadmaps and consultations to allow this vital infrastructure to be re-developed.

Artificial Intelligence (AI): This year we launched our first strategy looking at how aviation could safely and successfully use AI across its whole arena.

As the boundaries of what we cover increase, it brings challenges in making sure we are suitably resourced, while still offering value for money. Ultimately, I strongly believe the year under review, while challenging, has seen us deliver on all these fronts.

Positive response to change

I am particularly reassured by our ability to connect positively with Government with early engagement with new Ministers in the Department for Transport, Department for Science, Innovation and Technology and HM Treasury. Aviation featured helpfully in the new Government's manifesto, with mention of airspace modernisation, sustainability and consumer matters. Towards the end of 2024 the Treasury's leadership of the UK growth agenda provided us with an opportunity to set out aerospace's potential role in contributing to the UK's overall growth and to describe our role in this. Our response to the Prime Minister's growth challenge letter of the 24th of December 2024 identified these five key areas of activity as:

- Airspace modernisation
- Improving capacity and resilience
- Enabling aerospace innovation
- Digitising regulatory services
- International aviation

The ease with which all stakeholders engage with us to achieve these positive outcomes is also key to success. We have been working on a significant customer experience and modernisation project to improve our customer experience across the board, covering a range of interactions from our website to application processes and enquiry systems. By directly including stakeholders in this task, we believe we are starting to make recognisable progress in these areas.

As I hope this report shows we are already taking many of these issues positively forward, working closely with Government and the entire aerospace industry.

Statement by the Chief Executive

Rob Bishton

Industry growth

We are already engaged with the Government's announcements on support for airport expansion and are well prepared to play our part in these plans.

That includes changes in the air as well as on the ground. Major airports need significant infrastructure development of the airspace system. We have advanced plans for the modernisation of UK airspace that will play a significant part in getting the best capacity out of expanding airports, while also taking appropriate account of the impact of the activity on the environment.

We welcomed the Government's ongoing commitments to industry's use of sustainable aviation fuel. Noise and air quality are equally as important to address and there are many and varied innovations and programmes underway as to how this might be achieved.

One solution to the sustainability challenge we have been seeking to drive this year is the potential for hydrogen fuels and powerplants. The innovation challenge we issued in early 2025 looks at all aspects of how this exciting fuel could be used. We look forward to seeing what industry develops and how it can be brought to market. We are absolutely set up to enable this development.

Aerospace also faces challenges around recruiting appropriately qualified and experienced people. How we fill key roles in industry will dictate how well it performs in the future. I'm pleased to report that our data shows that more women are now flying aeroplanes, helicopters and other forms of aircraft than ever before. And at the end of 2024 I was also able to visit a major airline's engineering facility and meet apprentices in engineering who will go on to provide one of the most vital roles in keeping industry safe and moving.

During the year, our STEM campaign continued to reach out to those still in education and hopefully open their eyes to some of these roles available in our exciting industry.

Building on firm foundations

I would like to thank the CAA Board for their support and challenge throughout the year and helping the organisation successfully navigate the considerable issues we faced.

Equally the professional and supportive approach of colleagues in Government, particularly with the Department for Transport, has enabled us to present the UK 'as speaking with one voice' with the international community and helped us progress areas such as the Future of Aviation.

Our international partners, through our National Aviation Authorities network, and the many other supportive agencies and individuals around the world, help us to achieve the high safety and regulatory standards that consumers deserve.

My direct engagement with stakeholders through regular meetings and visits enables us all to keep in touch and share insights.

None of the achievements I have described here would have been possible without my colleagues' skills, experience and commitment. It is no surprise that other regulators and organisations frequently approach us for their help and advice. I would like to take this opportunity to thank them for all their continued efforts.

Where we are not unique is in facing ongoing financial pressures and challenges. We have managed to continue to recruit into new roles to help meet our expanding remit and carefully planned our resources to be able to deliver our work. But the coming year will again challenge us as an organisation.

It was a year of record growth in our capacity and with the leadership we have in place I'm excited at the prospect of taking the organisation into another challenging year reassured in the knowledge we are even better prepared than in previous years.

Rob Bishton, Chief Executive
18 June 2025

Strategic

Strategic Report

Review of Our Business

All regulators aim to provide protection. For our prime role as the UK's regulator of civil aerospace we set out to achieve this by holding the sector we regulate to account for delivering high standards of safety, security and consumer protection.

Alongside this we also fulfil important roles in enabling the sector to innovate and grow, including through the introduction of new technologies.

We aim to be an effective regulator, using our principles to guide all our decisions. In doing so we act within the legislative and policy frameworks set by Parliament and the Government.

Aviation is a true global industry and so all our responsibilities flow into our international efforts to learn from, share with, and influence other regulators, international aerospace institutions and the wider aerospace community.

This review also encompasses the priorities set for us by the new government, primarily to enable growth while keeping existing systems safe and playing a role in helping aerospace to become more sustainable.

The following annual review of our work is split into strategic focus areas which our Executive Committee believes best represent the key issues and challenges we faced last year.

Regulating to protect consumers and the public

Protecting consumers

We exist to protect consumers in every aspect of their interaction with aerospace. We seek to champion this core role while acknowledging that we undertake this work in a changeable and uncertain operating environment.

In the 2024 calendar year UK airports handled 163 million passengers while in the same period, ATOL holders flew 27.9m holidaymakers.

While most of those passengers will have experienced a seamless journey, unfortunately the world-wide industry faces ongoing challenges around resilience and disruption. As commercial aviation changes and grows addressing these issues will be fundamental to maintaining public confidence in air travel and for the industry to attract investment.

A significant example of disruption occurred as a result of the NATS air traffic control failure of August 2023 when over 700,000 passengers were impacted, including 300,000 people by cancellations, and 95,000 with delays of over three hours, and a further 300,000 with shorter delays.

The final report into the case, prepared by an independent review panel, was published in November 2024. It set out 34 recommendations for NATS, airlines and airports, and the CAA, as well as Government.

We believe it is vital that we learn the lessons from major incidents such as this and the Heathrow power outage. The recommendations are sector-wide in their scope and will help improve the UK's aviation system for the future.

When disruption does unfortunately occur, consumers need to be aware of what is happening, their rights and what they can do themselves to help address any issues they face.

To help achieve this, over Christmas 2024 we ran an extensive consumer facing campaign entitled: 'Know Before You Go,' aimed at helping raise consumer awareness. Using traditional and social media channels we were able to get important information to over 800,000 people.

We want to make sure that everyone who wants to fly is able to access air transport. Some people may need extra support from the industry to achieve this and so it is vital that this is available when requested.

Our annual airport accessibility report ranks every airport in the UK, with an annual passenger volume of more than 150,000, on their accommodation and treatment of passengers with reduced mobility and disabilities.

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The latest report covering April 2023 to March 2024 showed standards increasing across the board, with no airports in the lowest 'poor' category. Eleven airports were rated 'very good', although progress needed to be made for some of the airports rated as 'needs improvement'.

Making aviation more accessible to all is an important part of our work and it is good to see progress being made, but there is more to do to raise standards across the industry.

The UK's airlines play a key role in accessibility to aviation. In 2024 we consulted on, and introduced, a new framework for airline accessibility performance to mirror that in place for airports. We will continue to work with the sector and report on performance to ensure that standards are maintained and improved.

Economic regulation

We also seek to ensure that those service providers that are subject to economic regulation, because of their monopoly and/or market power (NATS, Heathrow and Gatwick airports), are appropriately constrained in the interests of consumers.

Following our work on resetting the price controls for NATS and Heathrow in 2023/24, we conducted a review of our approach to setting price controls in the summer of 2024, before consulting on our approach to the next Heathrow (H8) price control in November 2024 and publishing our method statement and business planning guidance in March 2025. This price control will focus on the operation of the two-runway airport between 2027 and 2031. There will be significant engagement with Heathrow Airport Limited and its stakeholders as the H8 process progresses.

Looking further into Heathrow's future, the Government has announced its support for the expansion of the airport, including the construction of a third runway. We have commenced a programme of work to support this initiative, including looking at the regulatory model that should apply to Heathrow in the context of expansion.

Expanding the sector will give passengers more choice and build resilience and we will work closely with Government on these matters.

Gatwick Airport is subject to a lighter set of economic requirements (or commitments), in part because many of its airline customers have been able to negotiate longer-term commercial deals with the airport. We reviewed our approach to the economic regulation of Gatwick during 2024, to ensure that it continues to protect consumers, and made final proposals to extend the commitments regime for another four years. Extending the framework in this way will also support capacity expansion at Gatwick and the northern runway expansion programme.

Air Travel Organiser's Licence (ATOL) scheme

An area of consumer protection where we have a long and successful history is in running the Air Travel Organiser's Licence (ATOL) scheme. It protects consumers and their money if the travel operator they booked with ceases trading, before, or while they are away.

While no one wants to lose their holiday because of the failure of a travel provider, if the worst case happens then we seek to make the process of a consumer making a claim for a refund as straightforward as possible. To help achieve this we launched a new online claims portal in October 2024. As well as working to protect all parties against fraud, this also allows automated verification of consumer claims submitted via the portal.

Driving outcomes to ensure that aviation markets deliver in the interests of consumers is a key role in the organisation and we were therefore pleased to appoint Selina Chadha as the new CAA Group Director for Consumers and Markets who joined in August 2024.

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Safety regulation

Internationally, aviation remains one of the safest and most highly regulated industries in the world. However, the end of 2024 and beginning of 2025 saw several tragic accidents. These remind us that seeking the highest levels of aerospace safety and security must always be our priority.

We continue to closely monitor the investigations into all these incidents. Aviation has a history of learning from cases such as these and quickly implementing change to seek to prevent further tragedies. We will not hesitate to make any necessary changes in the UK to maintain or enhance our high levels of safety and security.

A key area of interest in world-wide aviation safety is the carriage of items that may pose a safety risk. This could range from a passenger's device powered by a lithium battery to chemicals in cargo. During the year we introduced an enhanced dangerous goods occurrence reporting system to allow industry to easily report issues and incidents, enabling us to gather more useful intelligence on the issue.

The diverse range of requests to our safety teams this year show the diversity and extent of the UK aerospace sector. Examples range from permissions for former second world war transport aircraft to return to flight, to guidance on the use of personal jet packs and approvals for civilian operators supporting air combat training for military customers.

As well as supporting this extensive industry, we aim to make aviation as accessible a career as possible, while maintaining high level of safety. We have previously established an assessment protocol for insulin treated diabetes and this enabled us to issue certificates to pilots with heightened levels of oversight, while gathering data to demonstrate the safety of the system. This year we have progressed with our research and now have over 80 pilots in the study group who have safely flown over 22,000 hours. We are pushing forward with the use of continuous glucose monitoring and have undertaken work with insulin pumps anticipating future closed loops systems which will improve safety and reduce monitoring workload in the cockpit.

Overall, we are seeing a continued increase in demand for complex risk decisions on fitness to fly for pilots. As medical treatments improve, pilots with conditions that were career ending twenty years ago are now able to keep flying, but usually with heightened oversight as proportionate, evidence-based decisions need to be made. We continued our close relationship with military regulators to recognise military qualifications for civilian licences.

Space

The UK's space industry continues to develop and increase its level of operations. In April 2024 we granted SaxaVord Spaceport in the Shetland Islands a range control licence that enables the company to provide safety critical services before and during launch. It builds on our granting of a spaceport licence to the organisation in December 2023.

This was followed in January 2025 with the granting of the first ever commercial vertical launch licence for a rocket heading to space from UK soil. The licence was granted to Rocket Factory Augsburg (RFA) which plans to launch from SaxaVord Spaceport using its 30m tall RFA ONE rocket.

The licence comes with several conditions that will need to be met before launch, including making sure international agreements with other countries are in place and that all insurance requirements are met. We will continue to monitor the company to ensure public safety is maintained in the build-up to, and during any launch.

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General Aviation

Recreational and General Aviation (GA) form a key sector of the overall UK aerospace system. Our GA Unit that regulates the area has been assembled from airworthiness, flight operations and licensing specialists from across the organisation. All have significant knowledge and experience of general aviation.

We use a risk-based approach to safety regulation for the sector and seek levels of safety that are appropriate for the various elements of GA. By doing this we strive to keep those involved and affected by GA safe.

While we seek to minimise the regulation of recreational aviation, we will not hesitate to mandate change that is required for safety. One example is our decision to make active carbon monoxide detectors mandatory in certain GA aircraft from 1 January 2025. This follows the gas being linked to several accidents.

Our wider safety promotion work with the GA sector included growing our popular Safety Sense Leaflet range by publishing new guides on mountain flying, carbon monoxide and flying into instrument meteorological conditions. We also updated existing material on strip flying, care of passengers and the paramotor code.

We continue to closely monitor the safety of civil air displays in the UK, with appropriate stakeholder engagement, and oversight being standardised and based on regulations and (performance based) risk assessment. As part of this work, we are commissioning an independent review which aims to evaluate all individuals and organisations responsible for managing safety controls at flying display events, focusing on their statutory functions, roles, core responsibilities, and associated risk management. This review is expected to be completed by December 2025.

As with the consumer work, we also welcomed a new director for safety in this reporting year. Giancarlo Buono is the new Group Director, Safety and Airspace Regulation Group. Giancarlo brings a wealth of industry knowledge and leadership expertise to the organisation.

Security regulation

Protecting the public from the threat of malicious attacks against aviation remains an important part of our work. This covers both the maintenance of an appropriate regulatory framework and oversight of its effective implementation by the UK aviation industry.

This year new rules came into effect requiring the use of new technologies for screening passengers, staff and their belongings as they pass through airport security. We have worked closely with Government and airports to facilitate the introduction of this equipment, which is now in place at most UK airports, as well as new security procedures around it, which will both improve the passenger experience at UK airports and enhance security capabilities.

We are part-way through a multi-year programme to consolidate retained EU law in this area within a single, simplified set of UK regulations. UK security requirements continue to be at least equivalent to, and often above, those in force in the EU. We are also taking this programme as an opportunity to streamline and improve the regulatory framework.

This year has seen the agreement of a 'one stop security' regime between the UK and US, based on mutual recognition of the security standards in place at each nation's airports. When fully implemented this will enable passengers and their bags, on designated flights, to transfer on to other flights without being rescreened, enabling shorter connections and a better experience for passengers.

A restructure of our aviation security directorate in 2024 created a new human performance and training division, within existing headcount. This brought together the existing training and human factors, testing and security management teams into one division to ensure we have the right organisational capability today and in the future.

Human performance remains an integral part of security measures within the aviation security domain, increasingly so in combination with more use of new technology and semi-automation. The division works to bring together key performance data and expertise to support regulatory change, drive technical innovation and understand the impact of human factors on the wider security system.

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We continue to lead in human factors in aviation security internationally, through the International Civil Aviation Organisation (ICAO) and the European Civil Aviation Conference, and domestically working closely with industry partners and government to support our workforce to perform to the best of their ability.

Cyber security remains a key focus for the organisation, both in the interests of protecting our own systems and networks and also ensuring that industry organisations take appropriate measures to manage their own cyber risks. We continue to undertake a leading role in ICAO's Cyber Security Group and work with lead Government departments and fellow cyber regulators in the UK across different sectors to ensure that protection of the UK's Critical National Infrastructure (CNI) assets stay in step.

Overall Cyber regulation development in the UK looks to enhance protections of CNI where aviation plays a key role. We are involved in shaping these regulations aligned with national security strategies.

Enabling aviation and aerospace to innovate and grow

Future of Flight

Safely enabling new users and technologies into the aviation system is some of our most exciting, fast moving and challenging work.

We are committed to enabling new technologies and innovations that will benefit the UK and everyday life. In the drone environment, the year under review has seen key advances in how drone operations can go further and expand their use cases.

We have selected a small number of projects for trials that will test drone use in deliveries, inspections of infrastructure, emergency services and flights to remote locations.

The trials will gather key safety data, such as how drones detect and avoid other aircraft and the electronic signals they can send to be able to be visible to other airspace users and air traffic control. This will support our ongoing development of policy and regulations so that drone flights can, over time, be more fully integrated with other airspace users.

Trials and learning from the data they can provide, is a key part of helping achieve our goal of making drone operations beyond visual line of sight a safe and everyday reality. The NHS supported trial using drones to fly between Guy's and St Thomas' hospitals in London that commenced in October 2024 is an example of where we can learn. The trial moves pathology samples between the locations speeding up testing turnaround times, ensuring vulnerable or high-risk patients are safe to undergo surgery sooner.

Investigating how these beyond visual line of sight (BVLOS) flights become an everyday occurrence is one of our key enabling projects. In September 2024 we published our roadmap to how we believe the UK can safely achieve this aim. This extensive work supports the Government's Future Flight programme which we have remained a key member of.

Our Future of Flight role and work extends well beyond drones. Another key area is enabling Advanced Air Mobility (AAM), which primarily covers electric powered vertical take-off and landing aircraft (eVTOL).

Globally the AAM industry is moving into test flights and trials of new aircraft. We are engaged with UK eVTOL manufacturers who are progressing with crewed test flights that we directly regulate and with other overseas based manufacturers and regulators to make sure we can coordinate and safely accommodate their aircraft in the UK airspace system. This work extends beyond the vehicle itself into considering airspace integration and the unique aspects of their powerplants and landing sites. In the international relationships section of this report, we cover how we are coordinating with some of these nations to ease the burden on manufacturers.

Airspace Modernisation

The modernisation of airspace is a critical task for the UK. In July 2024 we unveiled our plans for the next seven years to transform this vital element of the UK's infrastructure.

Part three of our airspace modernisation strategy covers a significant milestone in the drive to modernise. It sets out the key activities and milestones the industry and regulator will need to jointly deliver, alongside the regulatory frameworks we will set.

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As well as looking at how new technologies such as drones can safely fly in the same airspace as other aircraft, it includes work looking at the services needed to support all airspace users, and the technology that needs to be developed for more aircraft to safely detect and avoid each other. Making our airspace more efficient is also a key enabler to increasing the resilience of UK aviation and getting the most out of any airport expansion.

The other key part of the airspace modernisation programme is updating flight paths used by commercial air transport in and out of the UK's major airports. This is a significant undertaking that aims to allow for the efficient use of airspace as well as taking appropriate account of the impact of the activity on issues such as sustainability.

The publication of our airspace modernisation plan was followed in October 2024 by a significant consultation seeking views on proposals to establish a UK Airspace Design Service (UKADS). This is a new team of aviation experts, located within NATS, to lead the charge and work with UK airports to improve the way aircraft fly in, out, and over the country.

In coordination with airports, airlines and air navigation service providers, UKADS will create a holistic and integrated design, simplifying the change process and bureaucracy to deliver benefits for the passenger and local communities impacted by aviation noise.

The proposed work will start by looking at London's airspace. This is the busiest and most congested in the UK and delays in the area often have a knock-on effect for the rest of the UK.

We approved the implementation of pairwise separation at Heathrow Airport, safely enhancing air traffic efficiency. This approach determines the minimum safe separation distance between arriving aircraft based on their individual aerodynamic characteristics, rather than traditional weight-based categories.

By using this data-driven methodology the airport benefits from improved resilience for its landing rates, reduces airborne holding times, and contributes to a decrease in carbon emissions.

Ultimately, overhauling our airspace is a long-term and complex endeavour, requiring concerted efforts and collaboration from the aerospace industry. It is key to enabling new and innovative technologies to thrive in UK aerospace. The strategy not only outlines our priorities but is also a blueprint for industry to engage and contribute towards the vision of a modernised airspace for the UK.

Artificial intelligence

Artificial Intelligence (AI) has the potential to change aerospace for passengers, industry and regulators, including how aircraft are designed, pilots trained, routes plotted and even how passengers navigate through an airport.

Using this resource in a safety critical setting like aviation will need careful oversight and management. So, in November 2024, we released our thinking on how we will oversee its use in the UK industry. We laid out a two-pronged approach to enabling the use of AI and how it could support the sector's own operations.

The new strategy addresses both the challenges and opportunities, with a focus on gaining the trust of the complete range of those affected, from passengers to pilots. It sets out the steps that will guide the regulation of AI within the aerospace industry with the aim of enabling innovation while also protecting people.

We will continue to engage with organisations in the aerospace sector to identify emerging AI technologies and models. This is essential as by talking to the people it most effects we will continue to enable innovation and maintain the highest levels of safety and security.

Developing relationships to improve standards globally

While our prime focus will always be the oversight of UK aerospace, we also recognise that aviation is a global enterprise and that UK consumers use aviation around the world, experiencing airlines and infrastructure regulated by other nations.

We therefore seek to work closely with corresponding regulatory bodies to learn and share knowledge and experience and to provide a joined-up ecosystem for those we regulate.

Supporting this work, we hosted the third Civil Aviation Legal Advisers Forum convened under the auspices of ICAO in London in November 2024. The event was attended by the Secretary General of ICAO.

International commercial activities

During the year our commercial subsidiary, CAA International, has continued to contract with other nations and to assist them in their development. Examples this year include working with Thailand on its state safety programme and helping Saudi Arabia align more closely with the safety framework of the European Aviation Safety Agency (EASA).

Working with our technology partner, our team engaged with Pakistan's regulator on changes to its aviation exam system and we now deliver its professional pilot examination system on its behalf, as we do for other states; this has played a key role in helping Pakistan to address a significant audit finding from ICAO. Alongside CAAi's capacity building and e-exams services, the team trained over 4,500 delegates from the UK and across the world in aviation regulatory subjects on both open and bespoke courses, and over 6,000 e-learning delegates took our Fundamentals of Security course. We were proud to retain our 'Platinum' Service rating from review platform Feefo.

The year under review also saw the first graduation from the Master of Science degree in Aviation Safety Management, Risk and Regulation, which CAAi deliver in partnership with Cranfield University. The course is accredited against a UK apprenticeship standard and attracts delegates from the CAA, UK industry, and around the world.

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National aviation authority network

Regulating a fast-moving global industry requires the sharing of thinking, intelligence and data, as well as the requirement to learn from other similar bodies. The National Aviation Authority Network, which includes the UK CAA, US Federal Aviation Administration, Transport Canada, New Zealand CAA, and Australian Civil Aviation Safety Authority, allows each body to cooperate in these areas as we share many of the same issues and challenges.

The network is key to each regulator being able to provide the most joined up and seamless regulatory environment for those we regulate.

Bilateral arrangements and agreements

Bilateral safety arrangements between national aviation authorities allow the airworthiness certification of civil aeronautical products to be shared between countries. They allow technical cooperation and help reduce duplication of activity, aiming for mutual acceptance of certificates.

During the year we have continued to develop these agreements across the world. Our International Agreements Team, working closely with specialists from across the organisation and the Department for Transport (DfT), achieved several key milestones.

The technical arrangement with CAA Israel was signed and is now in force. At the Farnborough Airshow, we signed the updated working arrangement and technical procedures with the Japanese regulator, allowing further development of the maintenance agreement. Our working arrangement with Transport Canada was updated, paving the way to start work in autumn 2025 on a new annex for flight simulation training devices. We also signed revised maintenance agreements with Transport Canada and the Singapore regulator. Progress continues with the Australian Civil Aviation Safety Authority following a visit to the UK, with arrangements being drafted for completion soon. We continue to hold our regular meetings with the EASA and continue to maintain a good working relationship.

Following an earlier change in the US/UK bilateral aviation safety agreement, a US based maintenance organisation working on UK aircraft is now required to hold a UK Part-145 approved maintenance organisation approval. As a result, over 600 such approvals were issued during the year allowing the operators of UK registered aircraft to utilise the maintenance provisions from these providers.

Supporting aviation to improve environmental sustainability

The future sustainability of aerospace is a key challenge for the sector. As an enabling regulator we are seeking to assist industry in becoming more sustainable while also increasing the level of information available to consumers on aerospace's performance to help them make informed decisions.

An area we have prioritised this year is engagement on the potential for hydrogen. Introducing hydrogen propulsion is key to achieving the UK Government's Jet Zero strategy and is also a key deliverable for our own environmental sustainability work. Its use as an aviation fuel is at an early stage of development and the sector does not yet have a comprehensive understanding of the potential risks to aviation safety this type of fuel may have, nor the right pathway to certification.

We therefore launched an expanded innovation sandbox in February 2025 to facilitate collaboration with industry and academia to improve understanding of hydrogen-related risks in aviation, identify gaps in policies, and propose new recommendations to develop net-zero policies. This will allow for increased regulatory readiness, reduced risk of failure, and improved collaboration between industry and the regulator.

Providing consumers with understandable and useful information on the impact of flying and aerospace more generally is key to allowing them to make informed decisions on their travel. In October 2024 we consulted on the principles we should use, including designing a set of draft principles for airlines (and other companies that advertise or sell flights) to follow when calculating and providing this environmental information to consumers.

It's important that all these changes are enabled and measured worldwide. Therefore, on behalf of the DfT, we have delivered ICAO capacity-building programmes on carbon offsetting and reduction schemes for international aviation and SAF to ICAO states across Africa, the Caribbean, and Asia. These initiatives support global efforts to measure emissions and advance aviation decarbonisation. We have also contributed aircraft noise modelling and specialist advice to ICAO to support global environmental trends projections and the development of the next environmental standards for new aircraft designs.

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Supporting Jet Zero

The UK Government's Jet Zero Council work ceased in November 2024 and was replaced with a new Jet Zero Taskforce. The new group will provide strategic leadership and take an outcome-focused, whole systems approach to support innovation, economic growth and the decarbonisation of UK aerospace.

We are represented on both the plenary and expert groups and will continue to provide extensive support to the taskforce's aims.

Enhancing our organisation to deliver our strategy

Customer experience and modernisation

The ease with which our stakeholders can interact with us and make applications is key both to our continued successful oversight and enabling growth.

As well as implementing technical and service improvements, our customer experience and modernisation programme aims to shift the whole organisation to have a complete customer focused mindset throughout our work, while never compromising on safety and regulatory decisions.

This year has seen the project take significant steps on improving some of our application systems. Work this year has included:

- A new aircraft engineer licencing application solution to modernise this important service.
- A new Airspace Coordination and Obstacle Management System online process streamlining the way stakeholders notify activities such as construction cranes.
- Securing agreements with European partners to enable the UK to continue to benefit from the main safety data and reporting system used by aviation.

More detail on these updates are given in the efficiency section of this report.

For these new services, and any existing ones we overhaul, we seek to make sure they are aligned with the Government's digital standard. That means the service design starts from customer research, rather than what may work best for us. We have laid the groundwork for this with the first stages of modernisation of our air traffic service licences, which will be launched in 2025/26.

Key areas of our digital estate, including our website, were independently reviewed by an expert agency in 2024. Our website modernisation board is now taking the recommendations of this report forward to make a series of continual improvements.

Our Shared Service Centre, which deals with many of our individual and organisation applications for licences and approvals, has invested in several improvements in the year including additional colleague cross skilling, resulting in a more consistent service delivery being experienced by customers across most applications.

In 2024 a large multi-year programme of work to improve our internal information security maturity was completed. This established a range of additional capabilities and improvements to policy, awareness, practice, technology and tooling across the organisation that ensures our customer's data is appropriately protected, and our operations continue to be robust in the face of increasingly sophisticated attempts at disruption. As a result, we have received a positive independent assessment of our compliance with the Cyber Assessment Framework, as part of the GovAssure process.

Key to all these aims and achievements is the upgrading of several important components of our infrastructure and core systems which had reached or exceeded the end of their intended life. In particular, the platforms supporting our main personnel information management system and aircraft registration system were completely overhauled this year to ensure they remain secure, resilient and highly performing.

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Engagement and focusing on continual improvement of our people capabilities

We spent time during the year building and shaping our new People Strategy covering 2025 to 2028, with our mission to retain great people, recruit diverse talent and make our culture the best it can be. In future years we will focus all our people activity on three strategic areas:

Capacity: We will optimise the talent and capacity to protect people and enable aerospace;

Capability: We will focus on developing our capability to continue to be fit for purpose as the UK's aerospace regulator, and;

Culture: We will live our values and shape our culture to enhance our future workplace environment and colleague experience.

We set out below some of our key achievements during the year in each of these three categories:

Capacity

During the year under review we processed a total of 422 offers to colleagues moving roles within the CAA or who are new to the CAA. Key appointments include 19 airworthiness surveyors, 29 design and certification vacancies and an increase in the number of roles in our Consumer and Markets Group. We have also seen recruitment to our Future of Flight programme.

We have worked to better identify the future skills, knowledge and experience we need which will develop into our 2025/26 CAA Future Skills Strategic Workforce Plan.

Capability

In 2024 we launched our corporate leadership programme and have continued to standardise our training provision, working towards an academy approach. Our focus this year has been on beginning to centralise training governance and continues our focus on developing our people while demonstrating to ICAO and other accredited bodies that we fully meet our requirements in recruitment, training, development and retention.

Our values are a key part of our culture, and we work hard to bring them to life in all we do and how we do it.

Our early careers programme has shown significant expansion, with the introduction of a second graduate cohort, the launch of our in person work experience programme and an expanded internship programme.

Culture

In 2024 we applied to be independently assessed and accredited by the charity Mind for the work we have been doing to improve the wellbeing of our colleagues. This independent survey gave us a comprehensive, objective assessment covering several areas such as culture and engagement, wellbeing initiatives, people management and support. We were very pleased to be awarded a silver accreditation. We are building on the findings and recommendations from the survey as we develop our next wellbeing delivery plan 2025 – 2028.

Diversity and inclusion

We are passionate about diversity and ensuring all are included. We are an equal opportunity employer and actively encourage applications from candidates of all backgrounds. We are a member of the Business Disability Forum (BDF). We use their services to improve our processes in areas like recruitment with over 50% of teams so far in the organisation holding insight sessions with the BDF for their colleagues.

Our diversity and inclusion Board and network support our executive team and the wider organisation to deliver our diversity and inclusion responsibilities and ambitions to better reflect the public and consumers whose interests we serve.

Colleague engagement

Alongside the comprehensive Mind survey as part of our accreditation process, we took the decision to do a series of shorter, more focused pulse surveys in 2024.

The first pulse survey in June 2024 focused on 'speaking up'. Nearly 70% of colleagues responded and told us about those areas to celebrate, as well as ones to improve. Our second survey, which had a similar response rate, focused on change, specifically how we manage and communicate change, an area where colleagues told us in the 2023 colleague engagement survey we could do better. We are now finalising our plans to build on our strengths and tackle these areas for improvement.

During the year the CAA maintained an open dialogue with its two recognised Trade Unions, Prospect and PCS, to discuss further the annual pay award for all eligible CAA colleagues.

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Our internal efficiency and effectiveness

We focus on continuously improving our efficiency and effectiveness, using our resources to meet customer expectations and achieve our mission. The CAA has good foundations of financial management, strategy, and planning in place, and we have further enhanced our capability ensuring we continue to demonstrate the value the CAA offers. We have embedded strong planning principles of zero-based budgeting and multi-year planning to align with demand and internal capacity, ensuring our teams are productive and focused on value adding activity minimising waste. Decisions regarding investment in systems and projects have been strengthened to ensure we are targeting resources to need and use prioritisation and risk-based models to help inform such decisions.

Given the ever evolving domestic and international operating environment it is paramount we have a responsive, resilient, and agile funding model. We have a strong reserves policy, underpinned with strong enterprise risk management, as well as good planning and management information. This has helped us to withstand demand changes in the sector and optimise resources whilst delivering against strategic obligations, deliver Arm's Length Body efficiency commitments, and invest in systems development to speed up application processes and simplify processes for our customers.

There is more to do to ensure our funding model helps mitigate risks, remains relevant to the activities and services we provide and of course, customers. We have commenced a programme explicitly for this, Funding Structure Reform, and are developing a set of principles that we will engage and consult with industry to canvas views on which to build a more transparent, less complex and simpler fee / funding model.

Companies Act s.172 Statement

The following paragraphs explain how we have, over the course of the year under review, fulfilled our obligations set out in Section 172(1) (a) to (f) of the Companies Act 2006.

Our approach

The CAA's remit is broad and underpinned by an extensive statutory and legal framework. In performing its functions and carrying out its duties in any given context, the CAA Board considers a range of factors, identifying in that context a course of action or decision that takes due account of:

- The consequences of action or inaction by the CAA for consumers and the public;
- The importance of maintaining sound relationships with regulated entities, consumer and special interest groups, other public authorities and institutions, international stakeholders, suppliers and business partners;
- The role of and impact on the CAA's employees;
- The CAA's performance as a corporate citizen.

When preparing for and taking significant policy decisions, the CAA Board makes sure that meaningful and appropriate steps have been taken to engage and, where necessary, consult with all affected stakeholders. The CAA Board make sure that suitable options for action are identified and carefully considered before conclusions are reached.

By following the explicit application of the CAA's various policies, the CAA Board makes sure, when taking regulatory decisions, that all relevant matters are considered and that the Board is clear about the outcome to be achieved. Members of the CAA Board, its Executive Committee and many CAA employees engage regularly with a range of key stakeholders to understand the concerns and interests of industry sectors, users and consumers to enable our early action or intervention as and when needed.

As well as this direct engagement we seek to use all the channels at our disposal to communicate and consult with our stakeholders and audiences. These can range from formal regulatory consultations that follow a set legal process to using targeted social media as an education and awareness tool.

Those we regulate

Timely and appropriate engagement with both those we regulate, and the users and consumers of the aviation sector is key to achieving our priorities and the safety and success of the aviation industry.

Aviation is a dynamic and changing industry, as such we have a duty to constantly keep our rules and regulations under review to make sure they remain fit for purpose. Given the fast-paced nature of the sector we have a frequent need to alert those we regulate to requirements and changes and to offer advice in our role as regulator. During the year under review, we have continued to seek to target all our communications and regulatory content as accurately and timely as possible. Our Skywise system that allows anyone to sign up for tailored email alerts by topic or subject area now has over 33,000 subscribers. We have also added Facebook and Instagram to our social media channels to provide a wider reach to audiences.

Helping those we regulate to continually improve their own safety levels is a key role for our safety promotion and education work. This year we have continued our outreach to the drone community to promote safe flying and also targeted the General Aviation community with animations, social media posts and videos.

Consumers

We exist primarily to protect consumers and those affected by aviation. One key aspect of this work is consumer rights and financial protection, a topic we regularly communicate directly with consumers about. Having clear and available information helps consumers to make informed choices and understand their rights. We make use of a variety of media channels and online resources including our social media feeds to make this information available. We have again this year made successful use of social media to alert passengers to their rights in times of disruption, such as during episodes of bad weather. We have sought to combine useful advice and information to consumers into specific, targeted campaigns, such as our 'Know Before You Go' project to increase their reach and effectiveness.

Companies Act s.172 Statement

Colleagues

Our Board recognises that all our employees are key to effective performance. Accordingly, the Board makes every effort to engage with all colleagues and oversees a range of actions designed to foster real employee engagement. These include receiving regular reports from the CAA People Director on employee matters, such as diversity, inclusion and pay gap. Our Employee Forum meets regularly and offers elected employee and Trade Union representatives an opportunity to discuss matters of interest or concern with our leadership. Senior managers attend each Employee Forum and other directors attend by invitation. The Employee Forum is actively involved in improvements to ways of working.

We also offer colleagues our 'Speak Up' process providing guidance on what to report and to whom. The programme is backed up by recourse to independent investigation and oversight where necessary or appropriate. The Board receives an annual report on all confidential reporting and is briefed on any important issues arising as and when necessary, throughout the year. Increasing diversity in decision making has been found by many studies to have positive benefits for organisations. Our Skyline Board, which launched in 2021, is comprised of ten colleagues from across the business, from a range of roles below leadership team level. They work alongside ExCo to help establish greater diversity of thought at Board level. Members share their knowledge, areas of expertise and qualifications, and their experiences from a variety of different backgrounds. It all helps to play a big part in how we develop leadership throughout our organisation.

We consider the wellbeing of every colleague to be of the utmost importance, and we seek to support and enable wellbeing as a core element of 'business as usual' for the whole organisation. Our Wellbeing Board, chaired by the CAA's Professional Services Group Director and our Wellbeing Consultant, meets monthly and is responsible for the implementation of all necessary actions, supported by a network of representatives from each group.

Government

We have extensive contact with and work alongside a number of Government departments, though principally with our sponsor, the DfT. We have continued to actively support the UK Government's programmes on future flight and sustainability.

Those we work with

Aviation is an international industry, and we have counterparts and partners across the world. These range from global bodies, such as the International Civil Aviation Organisation (ICAO), to other national regulators. We use a variety of fora, working groups and project team contacts to coordinate work and information and share best practice. We have colleagues seconded to support the ICAO's work in situ as part of a UK delegation. Our advisory arm, CAA International, continue to develop their offer to match the needs of regulators around the world.

On a national level, we use working groups and team partnerships with bodies such as the Military Aviation Authority and Health and Safety Executive to make sure there is close coordination on shared areas of regulation.

With the Military Aviation Authority, we co-fund the UK Airprox Board, whose primary objective is to enhance air safety in the UK, in respect of lessons learned and applied from air proximity occurrences reported within UK airspace (an air proximity is a situation in which, in the opinion of a pilot or a controller, the distance between aircraft, as well as their relative positions and speed, was such that the safety of the aircraft involved was, or may have been, compromised).

In addition to meeting all relevant legal requirements, such as those relating to Modern Slavery, we actively participate in initiatives of wider societal impact. We undertake extensive STEM related work including direct engagement with schools and colleges. We are a signatory to the Women in Aviation and Aerospace Charter and colleagues actively support programmes designed to encourage girls and women to pursue careers in science and technology.

Risk Management

Our framework and approach

We have an established Risk Management Framework (RMF). It is embedded at all levels of the organisation to ensure we apply a consistent approach to identifying, assessing, and mitigating risks.

Our Regulatory Safety Management System is a core part of the RMF. It is the mechanism we use to provide oversight of aviation safety risks owned and managed by the aviation industry.

Risk reporting is standard practice in all our business areas. Risks are escalated through the management chain where necessary, supported by our central risk function.

Regular updates are provided to the Board on any significant changes to our top risks. The Executive Committee and Board conduct periodic reviews to ensure we capture the right threats and are managing these effectively.

Our Audit & Risk Committee receives regular updates on the overall health of our risk management processes, undertakes reviews of key risks and provides challenges on any areas for improvement.

We are continuing to evolve our risk management arrangements using the advice of our Audit & Risk Committee and best practice. During the year we made good progress in expanding our current RMF to become an Enterprise Risk Management Framework (ERMF). This included the Board reviewing our risk appetite in key areas, and work to assess and enhance our three lines of defence model, which included the provision of training to colleagues.

Three lines of defence:

First line of defence

Executive Management

- Identify, manage and own risks.
- Ensure the embeddedness of the risk management framework.
- Design and implement systems of internal control.
- Deliver risk mitigations.
- Monitor and respond to emerging threats.
- Undertake processes and activities in accordance with policies set by the second line of defence.

Second line of defence

Risk Management Function & Specialists

- Maintain and update our risk management framework and oversee its application.
- Support the first line of defence to identify and assess risks.
- Monitor the progress of mitigation strategies.
- Provide quality assurance / constructive challenge.
- Facilitate risk escalation.
- Report on key risks.
- Provide second-line insights / advice on key risks.

Third line of defence

Internal Audit

- Provide independent and objective assurance over the effectiveness and sustainability of the organisation's governance, risk management and internal control framework. This includes the effectiveness of the first and second line of defence.

Risk Management

Key risks

A core element of our ERMF is the categorisation of risks, which encourages us to consider risk as widely as possible. We have three risk categories:

- **Consumer and public risks** - these are risks which could impact directly on consumers and the public. We do not own these risks as they often belong, or are relevant to, others, such as industry or the Government. Our role is to ensure that these risks are effectively managed by the organisations that own them, through our regulatory activities.
- **Strategic risks** - risks to the delivery of our strategy.
- **Business risks** - routine risks to our day-to-day operations/ the running of the organisation including compliance with legislation.

A summary of the overarching consumer and public risks our work seeks to influence, followed by the principal strategic and business risks facing our organisation, is set out below. Each risk is linked to one or more of our strategic focus areas:

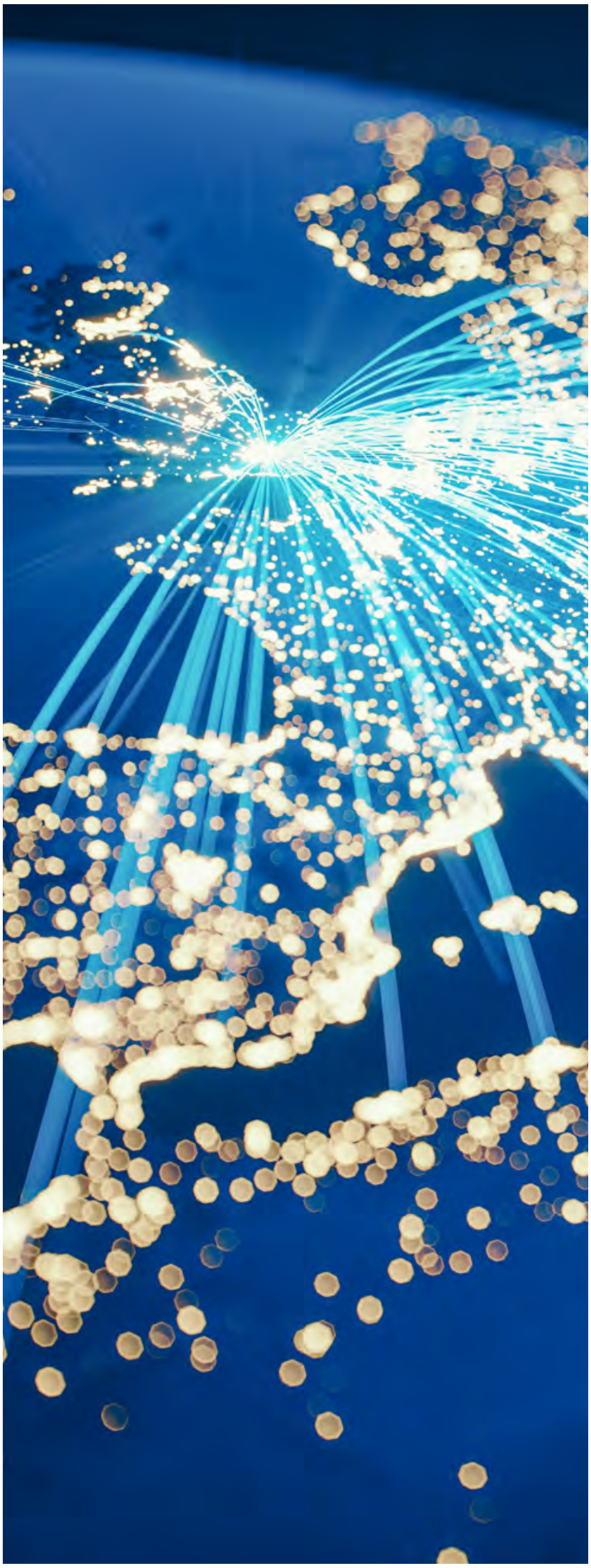
- Protecting consumers and the public
- Enabling aviation and aerospace to innovate and grow
- Developing relationships to improve standards globally
- Supporting aviation to improve environmental sustainability
- Enhancing our organisation to deliver our strategy

We have also indicated the trend / direction of travel for each risk:

↓ Risk on downward trend

↑ Risk on upward trend

←→ Risk steady (neither trending up or down).



Risk Management

Consumer and Public Risks

Title	Description	Trend	Strategic Focus Area	Key Mitigations
Aviation Safety	Commercial air transport accidents in the UK or affecting UK passengers globally. This includes remotely piloted aircraft systems, and space flights. General aviation accidents in the UK.	↔	> > >	We oversee the UK aviation sector's compliance with the required safety standards and the management of the safety risks it owns. We use a performance-based approach to target our resources and ensure the industry addresses any weaknesses we identify. Where we identify systemic safety risks (that span significant parts of the industry in the UK and internationally), such as the carriage of potentially dangerous goods (lithium batteries) in the cargo holds of commercial aircraft, we take a holistic approach to improve the mitigations. This includes reviewing the regulations, increasing our oversight activity, delivering targeted safety promotion campaigns and engaging with international partners to reduce the UK's exposure. We continue to monitor industry's ability to maintain safety standards in light of resilience challenges, such as shortages of some key personnel, and in the availability of aircraft, components and parts. Our work also includes enabling new aviation technologies to enter the aviation system ensuring that any associated safety risks have been identified and addressed (see Emerging Risks **page 43**). During the year we rolled out the use of a key risk area methodology, to help enhance our ability to focus on industry wide safety threats. This approach has been endorsed by the Department for Transport (DfT) and adopted by the UK State Safety Board.
Aviation Security (including cyber security)	A terrorist or other malicious attack at a UK airport or on an aircraft. A cyber-attack on aviation services / infrastructure.	↔ ↑	> > >	We work to ensure security regulations reflect and remain proportionate to the threat. Through our oversight activity, we monitor the regulated industry's compliance with UK and international law. This includes ensuring the aviation industry addresses any improvements required. During the year we have continued to work with the Government and the industry on the installation of new advanced screening equipment in UK airports. A new regulatory framework came into effect in June 2024 with the requirements industry must follow when adopting this new capability. Cyber-attacks are increasing both in terms of number and complexity, and the UK aviation industry (and its supply chain) is an attractive target, particularly those organisations that are critical national infrastructure. Our cyber security team continues to support and oversee industry compliance with the Cyber Assessment Framework (CAF). This framework helps aviation organisations identify and manage their cyber security risks. During the year aviation organisations (as a whole) made good progress in applying the CAF and initiating any enhancements that might be needed to their cyber security arrangements. In the year ahead, we will continue to review the regulatory framework as we consolidate and simplify retained European Union Law within a single UK regulation.

Risk Management

Consumer and Public Risks (continued)

Title	Description	Trend	Strategic Focus Area	Key Mitigations
Consumer choice and fair treatment	Consumers are provided with air transport services which do not perform as expected and consumers have difficulties seeking redress. Consumers are stranded abroad following a UK tour operator failure(s).	↔	>	When transport services do not perform as expected, we work to ensure the industry meets its obligations to consumers and take enforcement action where necessary. This includes consumers that might need additional help accessing air travel. We encourage airlines to appoint Alternative Dispute Resolution (ADR) providers so consumers can seek independent redress. During the year we initiated an independent review of the service ADR provides to consumers to ensure that it is effective. We have also initiated work to increase the size of our consumer protection team to enhance our approach to enforcing consumer rights, and commissioned research to understand how airlines could better communicate with consumers when disruption occurs. Our economic regulation of airports and air traffic services also furthers the interests of consumers, in areas such as cost and service quality. We operate the Air Travel Organisers' Licence scheme to protect consumers in the event of a failure of a UK tour operator(s). This includes repatriation and payment of claims for which we work closely with (and act as agent for) the Air Travel Trust.
Environment	Insufficient action is taken to reduce the impacts of aviation (and its contribution to climate change). Or the actions taken disproportionately affect consumers (higher prices and less choice).	↑	>	We have a sustainability strategy and a dedicated team to play a role in supporting the sector achieve sustainability outcomes set out in law or by Government. Our strategy is currently being refreshed and an updated version will be published during 2025/26. The work of our sustainability team includes the provision of more comprehensive reporting on the sector's environmental performance, such as through the annual Aviation Environmental Review. We are a member of the Government's Jet Zero Expert Group, as well as progressing our work to provide a regulatory framework that supports the development of new low carbon technologies, such as hydrogen propulsion.

Risk Management

Principle Strategic and Business Risks

Title	Description	Trend	Strategic Focus Area	Key Mitigations
Engagement and influence	We might be unable to drive sufficient progress in key areas where we do not hold all the levers and delivery is the responsibility of others, such as airspace modernisation and sector resilience. This may mean opportunities for industry wide improvements are delayed and the benefits might not be fully realised.	↔	> > > >	We highlight performance issues across the industry (including where we may not hold all the levers/delivery responsibility). We use our convening powers and influence to bring stakeholders together and seek consensus on key areas for improvement, such as industry capacity and resilience to meet growing demand. We continue to actively engage and partner with government where we consider changes in policy and legislation may be required and on key initiatives such as airspace modernisation which we jointly sponsor with the DfT.
Demand management	We may not be able to meet demand and expectations for our regulatory work (this includes the potential for capacity challenges to arise in some areas). Delays and backlogs could occur which might impact on the aviation industry, our customers and other stakeholders.	↔	> > > > >	Our Executive Committee (ExCo) continues to oversee performance across the organisation and make prioritisation decisions where needed. When appropriate we initiate recruitment and other mitigations, such as organisational changes, to help ensure that we maintain the capacity and capabilities needed to minimise the potential for delays and backlogs. Work continues on our customer experience programme to enhance the services we provide to our customers. This includes making our services as efficient and effective as possible which will help to manage demand fluctuations. Our future safety and innovation team continues to manage demand in relation to emerging aviation technologies. During the year we made good progress in identifying the future skills and capabilities needed as a whole to support the aviation industry as it continues to innovate and grow.

Risk Management

Principle Strategic and Business Risks (continued)

Title	Description	Trend	Strategic Focus Area	Key Mitigations
Information security and management	Information stored and processed by the organisation may become unavailable or corrupted. Sensitive information may be unduly disclosed. We may not fully comply with applicable legislation and standards.	↓	>	We maintain a range of measures to protect the information we hold. These include controls to prevent, detect and minimise the impact of cyberattacks, such as using the services of the National Cyber Security Centre to identify malicious activity and our own internal measures; continuous (24 hour seven day a week) monitoring, network security controls and e-mail filtering. We also have cyber insurance which enables swift access to additional specialist resources in the event of a cyber attack(s). Cyber security risks are dynamic and constantly evolving. There are (and may always be) some aspects of our cyber security arrangements we need to enhance. So, we continue to review our arrangements, through audits, penetration tests, crisis management exercises and using the Government Cyber Assessment Framework. Any improvements identified are prioritised and acted upon. We also work to ensure information, including sensitive personal information, is managed in line with applicable legislation/standards and initiate corrective actions where needed.
Financial exposure	Changes in the income we receive from industry (as a result of macro-economic conditions) or from Government (due to funding constraints /changing priorities) could create financial pressures. We may be unable to secure funding streams for new aviation activities. Changes in the financial markets could increase the liabilities of the Defined Benefit Pension Scheme.	↔	>	We continue to monitor the status of the industry and how this might affect our income. Issues might include potential changes to consumer booking levels, and industry's ability to meet demand during peak periods, or other factors. We continue to work closely with the DfT, including when the level of Government funding we receive might reduce and create financial pressures. We will take mitigating actions to minimise the impact any changes to our income could have on our operations which might (for example) include a review of project activity and resource allocation. Our funding structure reform programme is underway to develop a new and more sustainable funding model which includes securing funding for new aviation activities. We continue to work with the CAA Pension Scheme (CAAPS) and our advisors around changes in financial markets and how this might affect our Defined Benefit Pension Scheme. The latest triennial valuation of CAAPS will be finalised by March 2026. We remain actively engaged in this review utilising the support of our advisors.

Risk Management

Emerging risks

Mechanisms are in place to identify emerging risks, such as new aviation technologies and how these could be safely incorporated into the aviation system.

We have a horizon scanning team which draws together information from a wide range of sources to identify signals and trends in relation to emerging technological and innovative developments in the aviation sector. We use this work, alongside our advisory work with individual innovators, to help identify and manage any emerging threats or opportunities at an early stage. This includes where we might need to adapt aviation safety regulations.

Our horizon scanning team continues to expand its focus to include signals and trends beyond new aviation technologies and has established a network of champions across the organisation to help it do so. This will help us prepare for a wide range of potential changes.

Climate change

We recognise climate change will lead to more extreme weather events which impact how we work, such as physical risks to our staff and infrastructure. We do not currently consider climate change as a significant threat to our viability, but we will continue to actively monitor the issue.

We are able to adapt if necessary. Our approach to procurement enables us to secure value for money and manage the risk of climate change which could for example lead to higher costs, insurance and utilities.

We continue to improve our own environmental performance. For more information on this, see our corporate environmental sustainability section on **pages 53 to 55**.

Financial Review

Significant financial developments

- Total revenue: £205.1m, up by 10.4% (2024: £185.8m)
- Operating profit: £9.4m (2024: operating profit £6.1m)
- Pension surplus: £6.8m, down by 78.1% (2024: £31.1m)

The aviation industry has seen strong growth during the year with consumer demand growing, rapid technological change and innovation continuing to add new dimensions to the aerospace sector, leading to increased demands on the CAA as regulator and enabler.

We have achieved an operating profit of £9.4m in 2024/25 which includes savings of £5.0m, in line with our efficiency strategy to deliver a 5% reduction in like-for-like operating costs over the three years to March 2026. The £5.0m of savings are being used for re-investment in customer-facing systems and to ensure that our price increases are capped to 1% below the rate of inflation – this has been reflected in our approved budget for 2025/26.

We are directed by the DfT to prepare the financial statements in accordance with the accounting and disclosure requirements of companies' legislation currently in force and generally accepted international accounting practice. The financial results of the Group are assessed, however, by reference to financial targets agreed with the Secretary of State for Transport. We achieved a 12.8% rate of return in 2024/25 compared to the target rate of 3.5% for the Regulatory Sector, the rate set by the Secretary of State for Transport.

Throughout 2024/25, the CAA realised £5.0m (2024: £5.0m) in efficiency savings, aligned to the three-year efficiency and reinvestment plan in Customer Experience & Modernisation (CX&M) including Digitising Specific Category Operations (DiSCO) following recommendations from the Arms Length Body review of the CAA. The programme seeks to digitise the CAA's services to improve the service offering for customers and realise efficiencies in the CAA's processes. In the year the CAA spent £5.5m on the programme bringing the total investment across the two years to £9.4m. Of this, £2.8m (2024: £1.1m) has been recognised in the Income Statement within operating expenditure and a further £2.7m (2024: £2.8m) within additions to intangible assets under the course of construction, which will be released to the Income Statement in future periods as amortisation of intangible assets. This year's Income Statement includes amortisation of £0.5m (2024: £nil) relating to CX&M intangible assets capitalised in the previous year.

Although we are required to comply with International Accounting Standard (IAS) 19 'Employee Benefits' in accounting for pension costs in its financial statements, the regulatory target is based upon the amount of employer cash contributions paid to the CAA Pension Scheme (CAAPS) during the financial year, rather than pension costs evaluated under IAS 19.

In order to manage its pension liability, CAAPS has been implementing a strategy of buy-in annuity contracts for pensioners since 2015. The value of the buy-in policies held on behalf of the members is equal to the value of the benefits covered by the policies and is included under insured annuity policies. The value of these benefits as at 31 March 2025 is estimated to be £906.6m (2024: £986.8m).

The last formal actuarial valuation of the CAA Section of the CAAPS was carried out as at 31 December 2021. The 2021 valuation revealed a deficit of £17.9 million. A recovery plan was agreed by the CAA and the Trustees of the scheme, whereby we will remove the deficit over the period to 31 December 2030. The primary reason for the difference in valuation between the last formal valuation and that used for accounts purposes is that IAS 19 requires that the discount rate used to value scheme liabilities is determined by reference to high quality corporate bonds. Work has commenced on the actuarial valuation as at 31 December 2024, the results of which may not be available until March 2026.

Overall financial performance

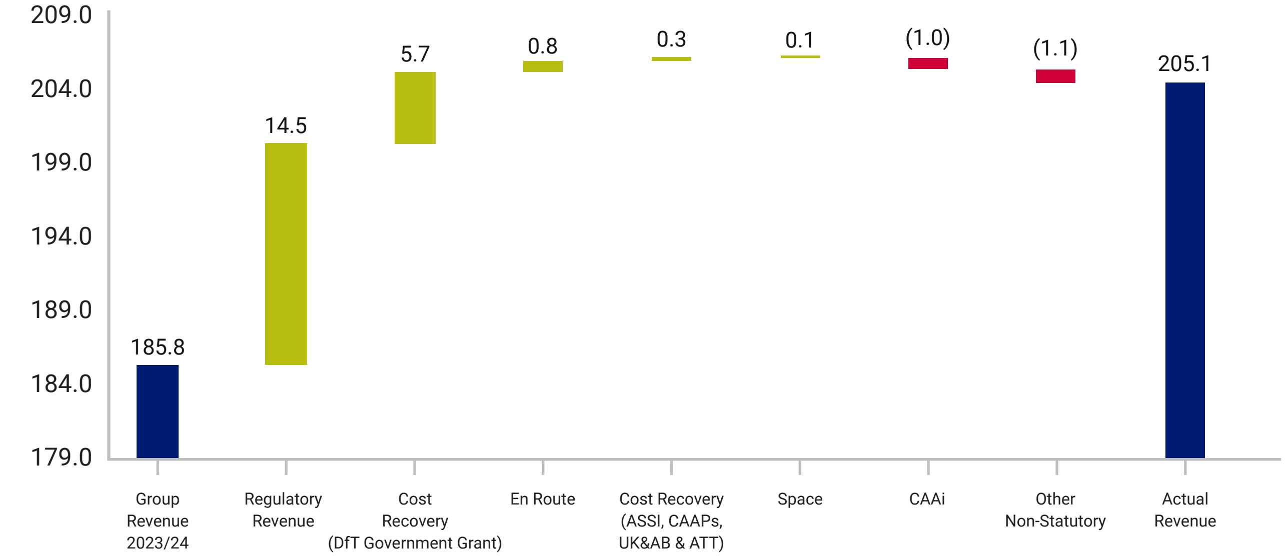
In the year ended 31 March 2025, the CAA recorded an operating profit before interest and tax of £9.4m (2024: operating profit £6.1m). These results included the effects of IAS 19. Within the operating result, the Regulatory Sector, comprising the activities of Safety & Airspace Regulation, Consumers & Markets, Aviation Security and Space Regulation, made a £6.6m profit before IAS 19 adjustments (2024: £3.1m profit) and a profit after adjustments for IAS 19 pension costs and net interest, but before tax, of £10.6m (2024: £8.1m profit).

CAA Financial Performance Results	2025 £m	2024 £m
Group revenue	205.1	185.8
Operating costs (excluding IAS 19 pension scheme adjustment)	(197.8)	(181.7)
Group operating profit	7.3	4.1
IAS 19 pension scheme adjustment	2.1	2.0
Group adjusted operating profit	9.4	6.1
Net interest	3.6	5.1
Profit before taxation	13.0	11.2
Taxation	(3.4)	(3.0)
Profit after taxation	**9.6**	**8.2**

Financial Review

Revenue

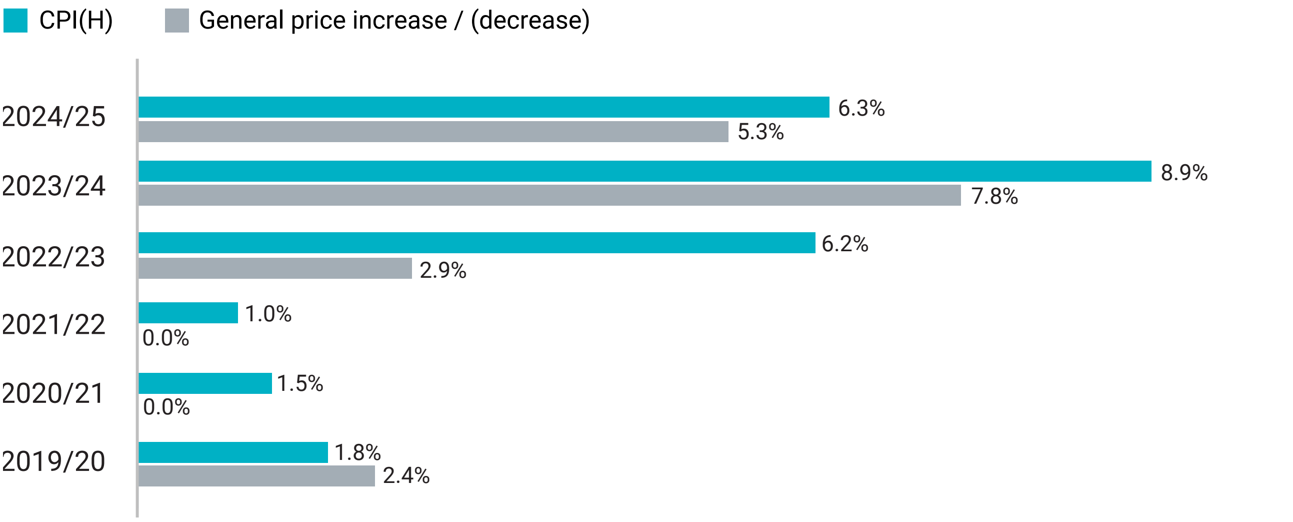
Movement in Group Revenue (£m)



Group revenue for the year ended 31 March 2025 was £205.1m (2024: £185.8m), an increase of £19.3m (10.4%). The Regulatory Sector saw an increase of £13.1m (10.5%) to £137.5m (2024: £124.4m). This increase in income has arisen primarily due to the expansion of services following EU Exit in particular Design & Certification as well as the general price increase implemented from April 2024.

General price changes

Price increase/(decrease) versus CPI(H) (%)



CPI(H) source is Office for National Statistics

We are required to set statutory charges to recover our operating costs. The general increase in charges excludes any new charges that we have been consulting on during this financial year. General increases of 7.8% and 5.3% were implemented across all charges schemes for 2023/24 and 2024/25 respectively, which were below the rate of inflation (CPIH), in line with the commitment to reduce like for like prices by 1% against CPIH.

Financial Review

Operating Costs

Operating costs (including IAS 19 pension scheme adjustment) for the year ended 31 March 2025 increased to £195.7m (2024: £179.7m). The significant areas of change are described below:

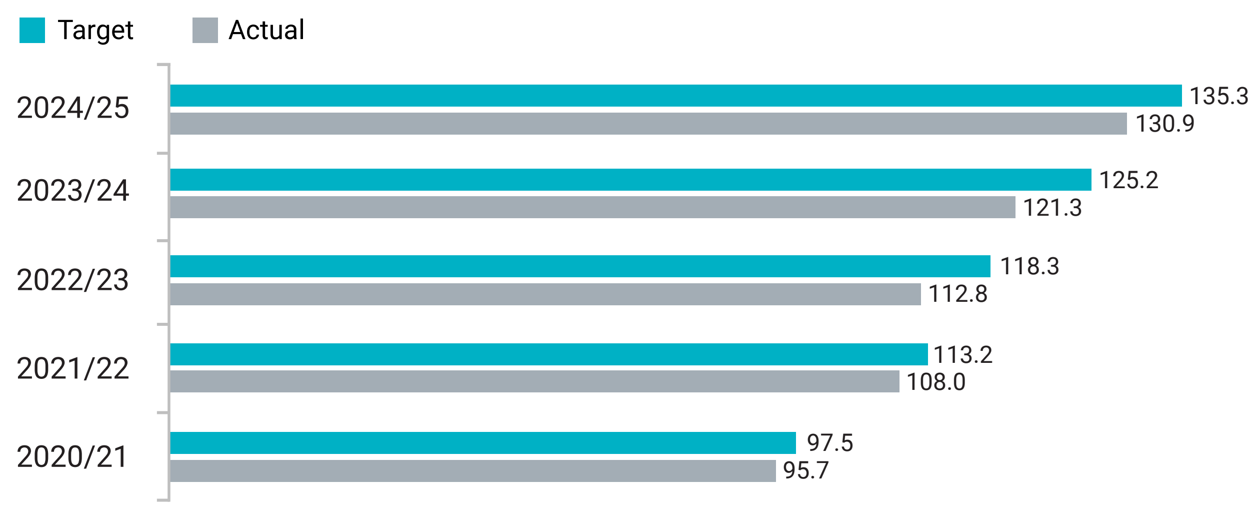
> Employment costs were £132.4m, showing an increase of £12.6m (10.5%) compared to the prior year. An annual pay increase of between 3% and 4% depending on grade (2024: 5%) and pay progression through grade based on performance, together with an increase in the average number of employees in the Group by 111 (7.4%) in the financial year to 1,602 (2024: 1,490) as disclosed in note 3 contributed to this increase.

> Other expenses costs were £37.9m (2024: £35.6m). The majority of the year-on-year increase is due to the CX&M programme and increased travel costs net of a reduction in professional fees and Heathrow pricing control costs following the outcome of the judicial review in the previous year.

Operating Costs - Regulatory Sector

The graph below shows the operating costs for the Regulatory Sector, which is made up of the activities of safety and airspace regulation, consumers and markets, aviation security and space regulation.

Operating costs – Regulatory Sector (£m)



Regulatory costs were £4.4m lower than the target, driven largely by reduced employment costs compared to budget over the course of the year. Although resources increased steadily throughout the year, the pace of recruitment was slower than budget assumptions, leading to the favourable variance in operating costs compared to target. Average FTE's for the Regulatory Sector were 1,330 compared to average budget assumptions of 1,390.

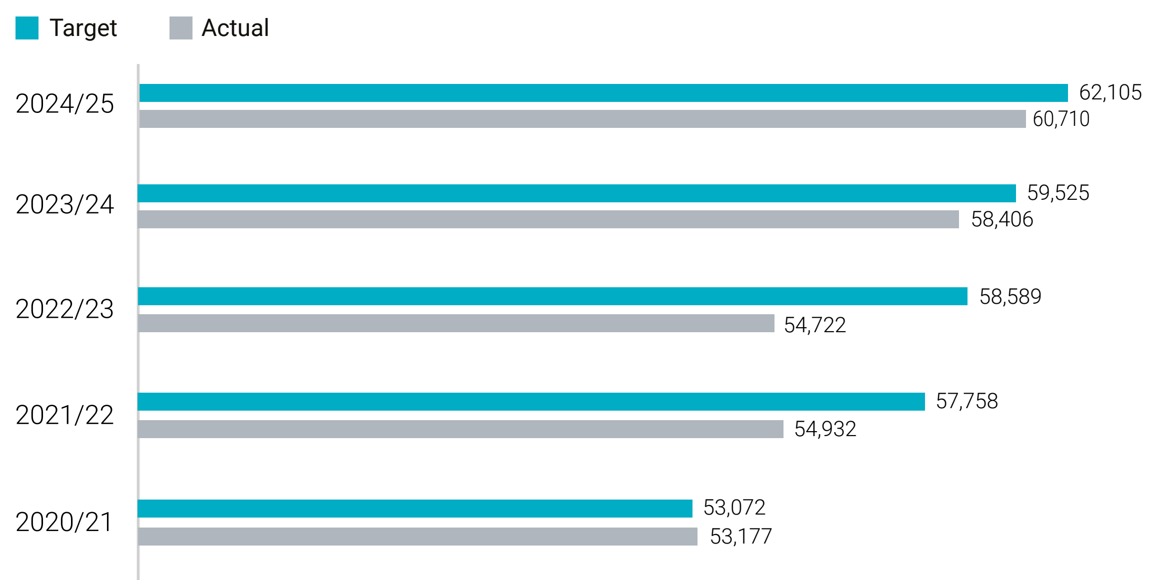
Costs overall were £9.5m higher than the previous year. The CAA has continued to see a significant upturn in recruitment activity with average staff numbers increasing by 111, including resources needed to support the organisation's new and growing regulatory activities. As well as employment costs, there have been rises in travel and related expenses and expenditure on the CX&M programme.

Financial Review

Cost per employee including CAA Board

The cost per employee in the graph below represents an average employment cost. All employees, including our Board members, are included within the cost per employee.

Cost per employee (£)



The nominal terms increase in the average cost per employee this year compared to 2023/24 is largely attributable to:

- A between 3% and 4% depending on grade cost of living increase awarded to colleagues effective 1 April 2024; and
- Pay progression increases of 0.5% to 1.5% (based on colleagues' zone positions within their grades) for colleagues that met certain performance criteria, effective 1 October 2024.

Corporation Tax

The estimated tax charge for this year is £3.4m (2024: £3.0m). This is primarily as a result of the £13.0m net profit (before tax) that was achieved by the Group for the year.

Capital Expenditure

Capital expenditure additions during the year totalled £3.7m (2024: £3.6m). This principally related to IT development projects (£2.7m), more specifically, the development of the UK Specific Operation Risk Assessment (SORA) platform part of the DiSCO programme – more information on this project can be found in Our Efficiency Report on **pages 56 to 66**. The remaining £0.8m of spend was on IT equipment (£0.3m) and a right of use asset (£0.5m) associated with Air Safety Support International Limited's move to new leased premises in the year.

Financial Review

Financial Management

Treasury Policy

Our Board sets our terms of reference for treasury policy. This covers strategy, control and overall financial management, including compliance with any borrowing covenants. All relations with banks and other third parties are governed by dealing mandates, facility letters and other agreements.

We do not enter into speculative treasury arrangements as we match all transactions in financial instruments to our underlying business requirements. Our treasury department works closely with all areas of our business to manage and minimise all material financial exposures; and to anticipate what our funding requirements will be. In addition, our internal auditors regularly review our treasury activities.

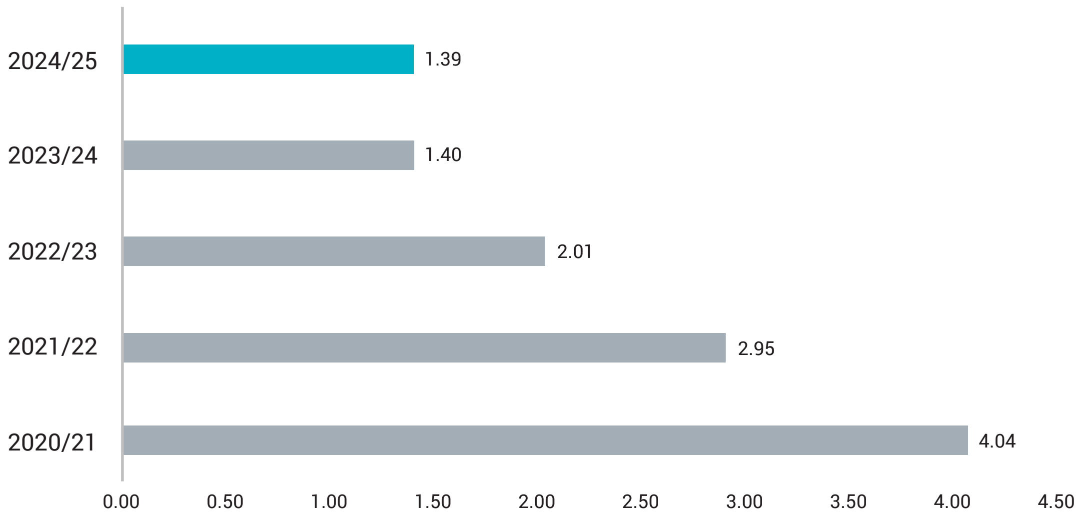
The aim of our funding policy is to ensure that we are not constrained by lack of funds, so we can meet our operational requirements, and that we are not unreasonably or imprudently bound by restrictive covenants or liquidity risks. Working within the constraints of the public sector, we aim to ensure that we can meet all our forecast cash needs on a short, medium and longer-term basis. Our cash forecasts are subject to stress testing and reverse stress testing based on a number of different historical and hypothetical scenarios.

We primarily place our surplus sterling funds with either HM Treasury debt management office or on short-term or overnight deposit at banks that have money market credit ratings of at least BBB+. We keep these institutions under constant review to secure the best returns available, consistent with the minimum credit rating we require. We limit our credit exposure to individual banks and other counterparties by reviewing credit ratings and closely monitoring aggregate exposures. The majority of our expenditure is settled in sterling. There is some foreign currency exposure on the part of the revenue earned by CAA International Limited, although this exposure is minimised through hedging contracts where the cash flows are material and reasonably certain.

Liquidity

This graph below shows the level of cash resources available to the Group compared to relevant levels of current liabilities in the Group's Statement of Financial Position. Current liabilities for this purpose include the following: trade payables, social security and other taxes, and other payables. This ratio is acceptable in the context of the organisation and the Group is well placed to meet its liabilities as they fall due as set out in the Viability Statement on **page 83**.

Cash resources / current liabilities ratio



The cash balance was £25.1m at the end of March 2025. This balance includes £9.8m of external cash including Airspace Modernisation, Sky Challenge and some advance grant funding received from the DfT for specific project costs that are expected to be incurred in 2025/26.

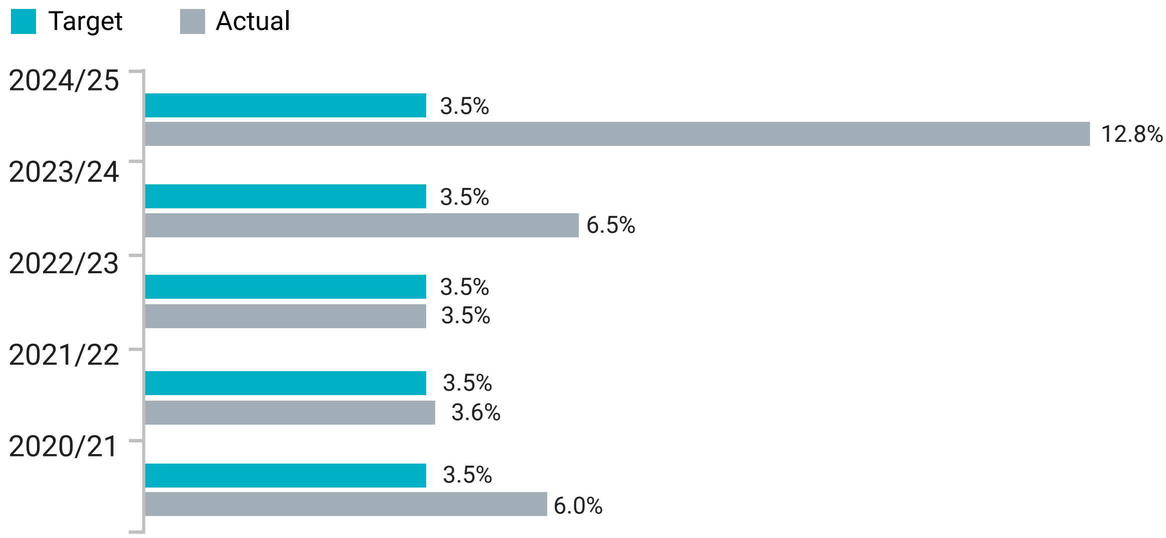
An analysis of our borrowing facilities can be found in note 14 to the accounts on **page 137**.

Financial Review

Financial Target

The Secretary of State for Transport sets us a financial target for the Regulatory Sector, which covers safety and airspace regulation, consumers and markets, aviation security and space regulation. The target is the higher of an annual 3.5% rate of return on average current cost of capital employed or break-even after charging interest and tax. This both reflects Government policy and allows the CAA to retain a modest level of reserves for investment and managing risks.

Rate of Return (%)



The rate of return for 2024/25 was 12.8%. Although this is higher than the planned target of 3.5% (£1.75m) it is a consequence of timing differences from capital investments to support our efficiency strategy to ringfence and fund future depreciation equating to 6.0% (£3.25m), as well as an underlying increase to our operating profit due to slower growth and recruitment equating to 3.3% (£1.5m). The increase to operating profit is a non-recurring windfall and will be carried forward to our reserves to mitigate emerging risks, manage revenue volatility or expedite further capital investment into our Customer Experience and Modernisation programme. Although windfalls help to mitigate risk in the short term, the CAA does not rely on non-recurring source of funds to manage financial sustainability.

Financial Review

Business Sector Review

Our activities are divided into seven sectors.

Safety and Airspace Regulation

Through the work of our Safety and Airspace Regulation Group (SARG) we actively assess compliance with UK civil aviation safety standards in a co-operative and cost-effective manner. We must be satisfied that: aircraft are properly manufactured, operated and maintained; airlines are competent; flight crews, air traffic controllers and aircraft maintenance engineers are fit and competent; licensed aerodromes are safe to use; and air traffic services and general aviation activities meet required safety standards.

To monitor the activities of this complex and diverse industry, we employ a team of specialists. They have an exceptionally wide range of skills, including: pilots qualified to fly in command of current airliners; flight test examiners; experts in flight training, leisure and recreational aviation activities; aircraft maintenance surveyors; surveyors who are fully up-to-date with the latest design and manufacturing techniques; aerodrome operations and air traffic control specialists; and physicians skilled in all branches of aviation medicine.

The operating costs of the safety and airspace regulation activities for the year ended 31 March 2025 (excluding the effects of IAS 19 pension scheme adjustments) were £91.3m (2024: £81.9m), an increase of £9.4m (11.5%). Revenue for the year was £93.1m (2024: £82.5m), an increase of £10.6m (12.8%). The net result (excluding the effects of IAS 19 pension scheme adjustments) was an operating profit of £1.8m (2024: £0.6m). Average staff numbers for the year were 814 (2024: 754), an increase of 60.

Consumers and Markets

Our Consumers and Markets Group's (CMG) work covers the economic regulation of airports and NATS en route air traffic services.

Our consumer work ensures that consumers are protected during disruption, airports and airlines provide for those passengers with accessibility needs, and industry deals with complaints fairly.

CMG is also responsible for airline licensing and administering the ATOL scheme. This scheme protects consumers and manages the consequences for consumers when an ATOL holder becomes insolvent. The activities undertaken include the licensing of ATOL holders, organising repatriation flights and dealing with hotels and paying refunds, where appropriate.

Operating costs of Consumers and Markets activities for the year ended 31 March 2025 (excluding the effects of IAS 19 pension scheme adjustments) were £17.0m (2024: £17.7m), a decrease of £0.7m (4.0%). Revenue for the year was £20.4m (2024: £19.3m), an increase of £1.1m (5.7%). The net result (excluding the effects of IAS 19 pension scheme adjustments) was an operating profit of £3.3m (2024: £1.6m). The average number of staff in the year ended 31 March 2025 was 107 (2024: 104). In addition, the CAA employed, on average, 10 (2024: 8) survey staff at airports.

Aviation Security

Our Aviation Security Group oversees how the aviation industry meets UK and international legal security requirements. Our regulatory team gives the Secretary of State for Transport advice and assistance on security policy and the future evolution of the regulatory framework in accordance with better regulation principles. We also give advice to industry on interpreting and understanding the regulations.

Aviation Security had an operating profit (excluding the effects of IAS 19 pension scheme adjustments) of £1.5m (2024: £0.9m). Operating costs for the year ended 31 March 2025 (excluding the effects of IAS 19 pension scheme adjustments) were £14.8m (2024: £14.0m). Revenue for the year was £16.3m (2024: £14.9m). The average number of Aviation Security staff in the year ended 31 March 2025 was 136 (2024: 130).

Financial Review

Space Regulation

The UK Space Regulation team was established in 2021 to implement the Space Industry Regulations 2021, the modern and innovative new legislation enabling new space activities to operate from within the UK. The multi-disciplinary team contains a wide range of experience, including outcome-focused regulation across hazardous sectors, space and aerospace engineering specialists, environment experts and regulatory officers. The team assesses applications for the space sector, issues relevant licences and monitors and oversees operators to ensure they are meeting their legal obligations in relation to safety. The key regulated elements include launch operators, spaceport operators, range operators and satellite/in-orbit operators.

Space Regulation achieved a breakeven result (2024: breakeven) for the year ended 31 March 2025. Revenue for the year was £7.7m (2024: £7.6m), an increase of £0.1m (1.3%). Operating costs were £7.7m (2024: £7.6m), an increase of £0.1m (1.3%). The average number of Space Regulation staff in the year was 57 (2024: 50).

UK En Route Air Traffic Services (UKATS)

As a signatory to the EUROCONTROL Multilateral Agreement relating to route charges, the UK has agreed to adopt a common policy in respect of route charges and is subject to the EUROCONTROL Principles for establishing the cost-base en route charges and the calculation of unit rates, the costs of providing air navigation services. Consistent with ICAO, these principles allow the recovery of the costs of provision of en route air navigation services from those that use them - i.e. airlines. In addition to ANSP costs, they also include the costs incurred by competent authorities (the CAA), costs stemming from international agreements (DfT's share of costs for the running of EUROCONTROL), and costs for meteorological services (the Met Office).

Under the EUROCONTROL Principles, the costs are established for a 5 year regulatory period and set out in a performance plan. The current period runs from 2023 to 2027. The costs of national authorities like the CAA (and DfT) are not subject to volume risk and are recovered on a fixed basis, to reflect expected costs for the period. The Principles include provisions that where actual costs are higher, or lower, than forecast, national authorities may recover, or return, the difference from or to airlines.

Costs of UKATS for the year ended 31 March 2025 were £24.6m (2024: £23.8m). Our UKATS costs arise from SARG activities, and legal and financial support to the route charges system. Operating costs include the recovery of additional sums relating to pension liabilities in respect of NATS pensioners inherited at the time of the separation of NATS from the CAA in 2001.

Revenue for the year was £25.0m (2024: £24.2m). The net result (excluding the effects of IAS 19 pension scheme adjustments) was an operating profit of £0.4m (2024: £0.4m).

CAA International (CAAi)

CAA International Limited is a leading, globally recognised aviation advisory group and a wholly owned subsidiary of the CAA. The company provides best-practice advice and training to civil aviation authorities and industry worldwide, as well as examinations and licensing systems. CAAi is a social enterprise and, as such, it helps to extend our regulatory influence overseas, working to raise aviation standards across the globe to protect UK air passengers travelling abroad or on non-UK airlines. CAAi's objectives are wholly aligned to the strategic safety, security, consumer protection and environmental objectives of the CAA.

The company's principal business activities include independent advisory services, training, licensing systems and examinations for pilots, engineers and air traffic controllers. Throughout the year, CAAi has been providing advisory technical assistance, mainly to: Civil Aviation Authorities in Asia, the Middle East, Africa and Europe (including some projects for EASA), the Ministry of Defence, UKRI (UK Research and Investment) and innovators in the UK. Activities this year spanned most regulatory areas including: aviation safety, security, environment and economic regulation.

The company also provides open access courses and in company training programmes for Civil Aviation Authorities and industry; in addition, it has a strategic partnership with other training providers, such as SAA (Singapore Aviation Academy), MAVA (Malaysia Aviation Academy) and GAA (Gulf Aviation Academy).

CAAi achieved revenues of £8.6m (2024: £9.4m), excluding intercompany revenue. The company's operating result (excluding the effects of IAS 19 pension scheme adjustments) was a net operating profit of £0.3m (2024: £0.6m). The company employed an average of 51 staff (2024: 51) during the financial year, with a further 9.9 full-time equivalents being supplied from other areas within the CAA (2024: 17). A combination of resources supplied from the CAA totaling £1.1m (2024: £1.5m) and net operating profit before tax of £0.3m (2024: £0.6m) provided a contribution to the Group of £1.4m (2024: £2.1m)

Financial Review

Miscellaneous Services

This includes both our corporate functions and other activities, which are either funded or operated by us but where a degree of independence from the Regulatory Sector is required. These include:

- CAA Corporate Centre (including our Board, People and Culture, Information Technology, Office of the General Counsel, Finance, Procurement, Workplace Services and Portfolio Delivery);
- Air Safety Support International Limited (a subsidiary of the CAA); and
- Other activities (including the UK Airprox Board and the administration of the CAA Pension Scheme).

Turnover for the year was £34.1m (2024: £27.9m), an increase of £6.2m (22.2%). The net operating result for Miscellaneous Services (excluding the effects of IAS 19 pension scheme adjustments) was breakeven (2024: breakeven). The average number of staff in the year ended 31 March 2025 was 437 (2024: 402).

Financial Outlook

It has been encouraging to see growth in aviation despite economic challenges with international air travel surpassing expectations in 2024. The Chancellor's budget in October 2024 has placed additional financial burden on companies and aviation and the CAA is not immune to this. Geopolitical issues have created an element of uncertainty with impact of tariffs, interest rates, and inflation.

The CAA remains vigilant and alert to these issues and has strong foundations of financial management, strategy and planning underpinned with a strong reserve policy and is well placed to deal with challenges. The CAA has proactively responded to the Government's growth agenda and our programmes to automate and digitise systems will deliver efficiencies and benefits for our customers.

Tracey Martin, Chief Financial & Operating Officer
18 June 2025

Corporate Environmental Sustainability

Environment reporting from our operations

Improving environmental performance is a priority for the CAA and the wider organisation. This includes the efforts we put in to minimise our own environmental impacts. To align our exposure to climate-related risks with a 1.5°C temperature rise scenario and achieve the Government's net zero by 2050 targets, we have set the following targets:

- Transition our car fleet to electric by 2030.
- Achieve Net zero GHG emissions by 2035.

Our approach to achieve the above is to reduce usage, increase energy efficiency and switch to sustainable resources. To support this approach, we will expand our data collection, analysis and transparency.

During 2024/25, we focused on aligning our estate strategy with our net-zero targets. We have recruited a dedicated Corporate Environmental Specialist and committed to the rollout of ISO 14001 Environmental Management System. In 2025/26, we will launch an internal engagement campaign, encouraging all staff to reduce both corporate and individual environmental impact.

Streamlined Energy and Carbon Reporting (SECR)

In 2024/25 we extended our Scope 3 reporting items by two additional categories, capturing emissions from business travel fully by adding rail and air travel, and incorporating emissions from waste disposal. With these additions we introduced a new baseline year 2023/24, allowing us to track progress. Our total net greenhouse gas (GHG) emissions were 6,208.1 tonnes of carbon dioxide equivalent (tCO2e). This represents an increase of 10% compared with 5,653.1 tCO2e in the new baseline year.

Corporate Environmental Sustainability

Aspect	2024/25	2023/24	2022/23	2021/22	2020/21	2019/20	% Change from baseline
GHG Emissions (tCO2e)							
Total emissions from combustion of gas and oil (Scope 1)	341.9	339.3	337.8	367.5	375.0	371.5	(8%)
Emissions from combustion of fuel for transport purposes (Scope 1)*	6.3	7.7	36.4	32.1	33.2	55.5	(18%)
Emissions from purchased electricity (Scope 2)	322.1	352.3	315.9	400.4	382.0	714.8	(55%)
Emissions from electricity for transport purposes (Scope 2)*	1.8	0.7	1.1	0.0	0.0	0.0	157%
Emissions from business travel - Road (Scope 3, cat 6)	633.3	525.2	703.5	457.7	178.0	682.2	21%
Total gross GHG emissions (previous reporting items)	**1,305.4**	**1,225.3**	**1,394.8**	**1,257.7**	**968.3**	**1,824.1**	**(28%)**
Itensity ratio: Scope 1 and 2 $tC0_2e$/GIA (m2)	**0.05**	**0.05**	**0.05**	**0.06**	**0.06**	**0.06**	**(24%)**
Waste generated in operations: dry mixed recycling, general and organic waste (Scope 3, cat 5)	0.3	0.9					(67%)
Emissions from business travel - Rail (Scope 3, cat 6)	35.0	27.4					28%
Emissions from business travel - Air (Scope 3, cat 6)	4,867.4	4,399.6					11%
Intensity ratio: Scope 3 $tC0_2e$/FTEe	**3.5**	**3.3**					**4%**
Total gross GHG emissions (Scope 1, 2 and 3)	**6,208.1**	**5,653.1**					**10%**
Energy (MWh)							
Total annual gas consumption for combustion purposes	1,869.1	1,854.7	1,850.8	2,006.6	2,039.6	1,978.2	(6%)
Total annual transport fuel*	26.1	32.9	216.2	243.1	255.9	417.9	(21%)
Total annual purchased electricity consumption	1,555.5	1,701.6	1,633.7	1,885.5	1,638.7	2,796.7	(44%)
Total annual purchased electricity for transport purposes*	8.5	3.3	5.7				158%
Total from business travel - Road (Scope 3, cat 6)	2,631.0	2,167.3	2,853.5	1,860.4	717.7	2,662.9	(1%)
Total annual energy consumption used to calculate emissions	**6,090.2**	**5,759.8**	**6,559.8**	**5,995.7**	**4,652.0**	**7,855.8**	**(22%)**

*Data re-baselined to 2023/24 to reflect vehicles used purely for business travel and average conversion factors.

Corporate Environmental Sustainability

Streamlined Energy and Carbon Reporting (SECR) (continued)

As CAA is a Public Corporation, we are reporting on SECR on a voluntary basis, according to the criteria stated in The Companies and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. The reporting period this submission covers is 1 April 2024 to 31 March 2025. We have followed the GHG Protocol Corporate Accounting and Reporting Standard, and 2024 UK Government Conversion Factors for Company Reporting. We have used an operational control approach, including activities from our two subsidiaries. We have measured our Scope 1 (excluding fugitive emissions), Scope 2 and Scope 3 (waste generated in operations and business travel). The intensity ratio for Scope 1 and 2 emissions is stated in tCO2e per gross internal area while the intensity ratio for Scope 3 emissions is stated in tCO2e per full-time employee equivalent, respectively. These were deemed to be the best metrics to enable consistent year-on-year comparison. We have reported our emissions of CO2 on a CO2e basis.

We started reporting on waste for the first time, including dry mixed recycling, general waste, and organic waste, taking 2023/24 as baseline year and using average emission factors. Compared to the baseline year, total waste for 2024/25 was reduced by 15% to 43.5 tonnes weight; 6.41 tonnes weight were recycled. Most of this waste was generated in Aviation House, where 100% of general waste was processed as energy from waste. We have engaged with landlords of satellite offices, contractors, and suppliers to gather more detailed information for analysis and reporting, enabling waste management to be optimised.

In addition, we have commenced reporting on air and rail travel, which together with road travel fully completes our reporting in this area. We have chosen to report our Scope 3 emissions from business travel by air to include the indirect effects of non-CO2 emissions (with radiative forcing) to capture the full climate impact of travel.

Figures on fuel for transport purposes from 2023/24 onwards reflect vehicles used purely for business travel and average conversion factors. Additional miles driven by mixed-use vehicles are captured through travel expense claims. Overall travel emissions increased by 12% to 5,535.7 tonnes of CO2e.

Our Scope 1 and 2 emissions account for 11% of our total GHG emissions.

Energy use during the period has reduced by 22% compared with the 2019/20 baseline, due to energy efficiency improvements and changes due to hybrid working. The principal measures undertaken to improve energy efficiency included a review of our estate strategy for alignment with net zero targets, the inclusion of hybrid cars in the fleet and replacement chillers at Aviation House. All tCO2e and MWh metrics reported in the table on **page 54** for 2024/25 have been independently assured through a limited assurance engagement, together with the prior year comparative tCO2e data for 2023/24 relating to waste generated in operations and emissions from business travel by air and rail. Previous year's data for fuel and electricity for transport has been restated to reflect vehicles used purely for business travel and average conversion factors. The assurance review has been conducted in accordance with the International Standard on Assurance 3410 "Assurance engagements on greenhouse gas statements" (ISAE 3410).

Our Efficiency Report

We are better able to achieve our key objectives by being efficient and effective, and continually seek to improve the value for money in delivering our regulatory services. Our commitment to better regulation principles means we understand the impact of our regulation and seek to minimise costs and unnecessary ‘red tape’ where possible. Being efficient also ensures we have the resources to focus on the aviation industry’s most significant risks. We strive for a regulatory framework which can effectively and efficiently deliver high safety, security and consumer protection standards. We are working with Government to develop a more agile legislative framework that would better enable us to meet the evolving needs of the sector and be more efficient with our own resources.

Our approach to efficiency is based on three core principles:

1. Challenging ourselves to make sure our regulation is proportionate to the risks being managed.
2. Continuously improving our engagement with stakeholders.
3. Aiming to achieve efficiency and deliver value for money in our costs of operation.

This report reviews the efficiencies we have achieved and our planned improvements.

Efficiency strategy

The organisation recognises the importance of demonstrating value for money to customers, and the recommendations included in the ALB review will support this moving forward. We developed an Efficiency and Reinvestment Plan in 2023 which commits the organisation to delivering a 5% reduction in like-for-like operating costs over the three years to March 2026. The savings this is generating are being split between a real-term decrease in prices (CPIH-1%) passed onto our customers and investment in the organisations customer-facing systems, which is delivering greater and permanent efficiencies in the longer term.

Prices on like-for-like activities have had a capped increase of 1% below the rate of inflation in September prior to the effective year commencing each March. The CAA has delivered this for each of the three years to March 2026. This is broadly consistent with the approach the organisation has taken over the past decade. However, this mechanism is a formal commitment to industry. The surplus generated by reducing the cost base by 5% over the period is being ringfenced for the Customer Experience and Modernisation (CX&M) programme, aimed at delivering tangible improvements to customers’ end-to-end journeys, providing efficiencies to both customers and colleagues, and improving the productivity of the organisation.

Efficiencies totalling £5.0m were delivered in 2024/25 (2023/24: £5.0m) through reducing operating costs relating to use of external professional services and third-party costs, delivering enhanced IT solutions, reductions in operating costs relating to overtime (driven by more efficient workforce planning), economies of scale through centralisation of some costs including training and publicity. These efficiencies are recurring across the three-year ALB window and, therefore, will provide £15.0m to be available for reinvestment.

This drive for efficiency savings will continue beyond the three-year ALB window and the organisation will look to reinvest these savings into enhancing the value for money we offer both consumers and industry. The two major programmes the ALB efficiency savings are being reinvested into during the reporting year were:

- **Digitising Specific Category Operations (DiSCO):** The DiSCO project is an initiative to develop a digital platform to accommodate the anticipated growth in the Remotely Piloted Aircraft Systems (RPAS) aviation sector, providing the CAA with the means to cope with the future demand to assess and authorise Operational Authorisations in the Specific category. Authorisations for the pre-defined risk assessment (PDRA-01) were launched on the new digital platform in April 2024, reducing average customer application processing times from an average of 13 days to approximately 30 minutes. This is a substantial benefit to the RPAS sector, reducing administrative effort and shortening application lead times due to the declarative nature of the authorisation. The UK Specific Operation Risk Assessment (UK SORA) launched on the platform in April 2025. SORA is already used by more than 60 countries worldwide and UK SORA provides the CAA with a more robust, quantitative and proportionate risk assessment methodology to assess customer operations compared to the existing Operating Safety Case (OSC) approval process. The current OSC has been criticised for long application lead times, has led to dissatisfaction from customers and reduced the efficiency of CAA colleagues. The introduction of the UK SORA methodology on this new digital platform addresses all these issues, as well as providing a more transparent risk assessment framework, which, coupled with new Remote Pilot Competency and Flight Worthiness frameworks, improves safety assurance to both RPAS Operators and the CAA.
- **Modernising Aviation Services Licensing & Oversight (MASLO):** MASLO workstream of our Customer Experience and Modernisation Programme is focused on modernising those services that still retain a more traditional application process approach. We have started with personnel licensing, specifically Air Traffic Service licences, and in year we have: completed the ‘Discovery’ phase (including extensive user research), completed the ‘Alpha’ phase where we have tested various solutions with customers, and launched the ‘Private Beta’ phase where we are operating the new system live with a limited number of customers to complete testing. Full roll out of the new ATS licence services is scheduled for autumn 2025, when we will then begin the ‘Discovery’ phase for Professional Pilot Licences. At the same time, the CAA is evaluating a move from paper to digital licences. This will make the licensing process more efficient for customers and the organisation and will enable us to issue certain, less complex, licences more quickly. The new digital service will also allow companies to manage their employees’ licences more effectively and maintain compliance, by providing visibility of their team’s licences and prior notification of expiry of privileges.

Our Efficiency Report

Throughout 2024/25 we have invested in a suite of other customer experience and IT modernisation initiatives aligned with the organisation's strategic objectives. These initiatives have been funded by a variety of sources which include government grant funding, Air Travel Trust sponsorship and other operational efficiency savings. These initiatives include the following:

Enhancing our organisation

Improving readiness and response to ATOL failure.

In 2024 the CAA completed a project to replace its ATOL Claims Portal which is used by customers making a claim for refunds following the failure of an ATOL holder. The new portal provides a modern user interface, with increased security, more accessible content, and the ability to accommodate larger concurrent volumes of users than the system it replaces. It also has a more sustainable support model meaning it can be continually improved and adapted to respond more effectively to changing future needs.

The organisation also established a powerful new data capability designed to validate, store and process data from ATOL holders in support of repatriation and refund activity. This represents an important step forward in the organisation's ability to proactively prepare for failures and significantly improve its ability to accurately carry out repatriation activity and quickly process refunds to affected passengers. The facility also forms the foundation for future capability improvements which will allow the authority to use automation and artificial intelligence to give more advanced warning of potential failures.

Adoption of a new cloud-based Mandatory Occurrence Reporting system.

In 2024 we adopted the new ECCAIRS 2 system for mandatory occurrence reporting with respect to our work as part of the UK Airprox Board and completed the preparation for adoption of the system for its wider safety data operations, which will be rolled out in 2025. This adoption had been delayed by negotiations with EASA to establish a contractual basis for our use of the Europe-wide system post EU Exit, but the appropriate agreements have now been put in place to ensure we and our partners in Europe will continue to benefit from data sharing in this important safety area.

Improving the Aircraft Engineer Licensing Process.

In 2024 the organisation went live with a new Engineer Licence application solution to modernise this important service, improve the user experience, and streamline assessment and processing of those applications.

Improving our Internal Information Security.

In 2024 the large multi-year programme of work to improve the CAA's information security maturity was completed, establishing a range of additional capabilities and improvements to policy, awareness, practice, technology and tooling across the authority which ensures our customers data is appropriately protected, and our operations continue to be robust in the face of increasingly sophisticated attempts at disruption. Improvements have enabled a strongly positive independent assessment of the CAA's compliance with the Cyber Assessment Framework, as part of the GovAssure process.

Breaking down internal silos to improve efficiency and effectiveness.

In 2024 the Aviation Security team moved off the independent infrastructure network it had been using since the team was established, which enabled significant information sharing benefits across the organisation. This change was facilitated by improvements in information security and removed a variety of barriers to effective collaboration, as well as realising financial benefits through rationalisation of technology provision.

Addressing legacy technologies

In 2024 we upgraded a number of important components of our infrastructure and core systems which had reached or exceeded the end of their intended life. In particular the platforms supporting our main personnel information management system, and aircraft registration system were completely overhauled to ensure they remain secure, resilient and highly performant. Given the breadth and depth of our IT systems, further changes are planned over subsequent years.

Enabling Aviation and Aerospace to innovate and grow

Modernising applications for RPAS Operations.

In April 2024 we launched a new online system to support customers using a 'pre-defined risk assessment' – known as a PDRA01 Operational Authorisation, since the launch there have been almost 2,500 customers of this service. Our new system considerably simplifies the majority of the application and assessment process to deliver significant reductions in processing times. Customer application processing times have reduced from an average of 13 days using the previous process to approx. 30 minutes averaged over the first phase of the new systems operation and 82% of customers that provided feedback indicated they were 'Very Satisfied' with the service.

Foreign carrier permits (FCP).

The FCP process allows us to ensure that commercial operations undertaken by foreign operated aircraft meet the necessary requirements in relation to traffic rights, safety, security and insurance. The need for certainty, and the just-in-time nature of such flights, necessitate an efficient system to promote connectivity and meet the needs of UK industry and consumers.

Changes in the way goods and people are carried post COVID and as a consequence of the Ukraine conflict continue to require us to flexibly adapt our processes to both manage the volume of applications we receive and support the UK supply chain, whilst seeking to ensure that UK operators are supported, and that the UK's competitive market not inadvertently undermined. Where appropriate, foreign operators have been required to establish UK carriers licensed by us to continue to operate in the UK market with the FCP system being used to support any transition.

Our Efficiency Report

While FCP's are a necessary administrative burden, this was significantly reduced in 2024/25 by the introduction of new processes to vary granted applications and manage the carriage of emergency freight, facilitating industry by ensuring UK production lines continue without costly interruption. These changes included a new integrated approach to obtaining security approval and the carriage of dangerous goods. The team issued some 11,500 FCPs in 2024/25 in comparison to 4,800 in 2019.

The introduction of new methods of working, including dedicated points of contact, and 'one stop shop' FCP applicant meetings with UK Border Force and the Department for Transport security teams has further improved the service applicants receive.

Aiming to achieve efficiency and deliver value for money in operation costs

The table below sets out the financial efficiency targets we have set and shows our performance against those targets.

Target	Outcome
Deliver on our efficiency strategy commitment of achieving a 5% real terms reduction in like-for-like operating costs over the three years to March 2026.	Efficiencies totalling £5.0m were delivered in 2024/25, in line with our efficiency strategy.
Achieve a real terms charges reduction of CPIH-1% per annum against a September reference point.	A general price increase of 5.3% was implemented for 2024/25 versus CPI(H) of 6.3%.
Manage our pension costs to reduce as a percentage of total employment costs over time.	Our defined benefit scheme is closed to new members. The overall pension cost in the Income Statement has increased by £0.9m. However, average actual contribution per employee has reduced by 7% year-on-year as the proportion of defined benefit members continues to drop due to staff turnover and retirements.

To continue our efficiency outcomes, the above financial efficiency targets continue to apply for the next financial year.

Providing value to our customers

At the Civil Aviation Authority (CAA), we are constantly seeking ways to ensure our services provide our customers with value for money while maintaining the highest standards of safety, security, and consumer protection.

- The CAA's regulatory responsibilities have grown significantly in recent years due to growth and innovation in the sector, as well as EU Exit, increasing resource capacity by circa 35% since 2020.
- Like-for-like charges have decreased in real terms over the past decade resulting in substantial savings for customers.
- CAA charges represent a small percentage of total industry revenue
- Our role as an enabling regulator helps to instil confidence in the sector among the public and investors.
- The CAA consistently achieves high service standards, with our personnel and aircraft licensing services exceeding 97% performance against their service level agreements in the final quarter of 2024/25 – we continue to strive to improve our services and value feedback on service performance from our customers.
- The CAA is committed to enhancing regulatory services by digitising systems, streamlining operations, and improving customer experience through initiatives like the Customer Experience & Modernisation (CX&M) programme and new digital platforms.

As we navigate the fiscal year 2025/26, we are implementing several strategic initiatives to enhance the value we deliver to our stakeholders. Through challenging economic conditions and an ever-changing aerospace sector in recent years we have sought to reduce the cost of regulation for our customers wherever possible. Through tight budgetary control we have been able to achieve the following:

Our Efficiency Report

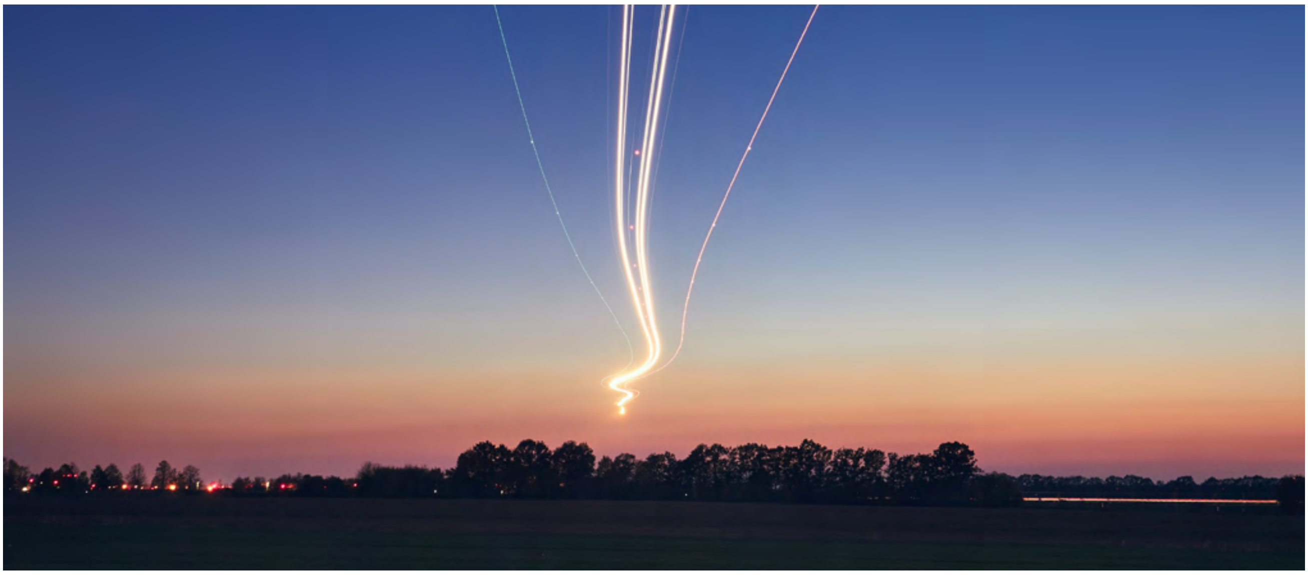
- A statutory funding envelope equating to £0.42 per UK passenger flight in 2024/25, estimated to be 0.2% of the UK aviation and aerospace sector turnover.
- Customer charges 4.3% lower in real terms since 2020, equating to a saving of £5.9m for customers in 2024/25 and £15.4m cumulatively. Over the past decade this saving increases to 6.8%, saving £9.3m in 2024/25 and £38m cumulatively.
- Through our three-year efficiency and reinvestment plan, savings of £15m redirected into the delivery of key value-enhancing programmes.

As the operating environment we work within continues to change, we are vigilant and proactive in our approach to avoid uncontrolled increases to our cost base. We are planning to relocate our Gatwick headquarters to leased premises in the coming years, avoiding a significant future expenditure required to bring our existing office up to the necessary environmental standards. The new premises will be more flexible and better suited to future work requirements, ultimately reducing operating costs and enhancing our ability to deliver value to our customers. Likewise, our decision to invest £8m of the internally generated efficiencies into a new regulatory approach and digital platform for the RPAS sector (the DiSCO project) will enable growth and professionalisation, improve service standards for customers and will realise operational efficiencies that avoid the requirement to substantially increase the size of our workforce to provide effective oversight.

We adopt a proportional approach to regulation of the sector, ensuring the highest standards and protections for those we regulate and the public, whilst also striving for efficiency in our policies and services. Examples include action we have taken to simplify regulation for private pilots and engineers, and the removal of requirements for RPAS operators to hold extra approvals to operate commercially. This is also in the work we are doing to reduce international regulatory barriers by establishing bilateral agreements with our counterparts across the globe.

Our regulatory perimeter has expanded significantly in recent years. The integration of Space Flight regulation, new responsibilities arising from EU-Exit, strategic challenges presented by innovation and sustainability in the sector and an enhanced focus on modernising the CAA have transformed the shape of the organisation and our customer base. Although our resource capacity has increased by circa 35%, since 2020, our revenue from statutory charges has only increased by 21% across the same period. This highlights our commitment to growing in a sustainable and controlled way. Our current customer base is comprised of over 6,000 organisations and more than 800,000 individuals. Some of the changes in the CAA and our customer base in recent years include:

- Space Flight regulation, with 385 orbital licences this year.
- Emergence of the RPAS sector, with over 2,500 Specific Category users and just over 470,000 Flyer ID holders.
- The number of CAA approved Part-145 organisations nearly doubling following regulatory changes brought about by EU-Exit.
- We have taken on the design and certification regulatory responsibility following EU-Exit, with oversight responsibility for nearly 100 organisations and over 500 products, 20 of which fall under the UK as the state of design.
- Roughly 150 additional roles with a focus on key strategic challenges, across airspace, consumers, cyber security, innovation and sustainability.
- Steps to improve operational effectiveness, including rulemaking responsibilities, Government relations and building our service change team.



Our Efficiency Report

We recognise the growing importance of environmental sustainability for those we regulate and the public. We are advancing our sustainability initiatives within our remit. Alongside this, we progress our work to enable innovation in the sector through our Future of Flight Programme. This programme aims to enhance safety, efficiency, and sustainability, benefiting both new and traditional aviation users, as we support the integration of new aviation technologies, such as drones and eVTOL aircraft, into the existing aviation ecosystem. By ensuring effective oversight, we enhance safety and enable industry growth, ultimately benefiting our customers.

Effective markets in aerospace are built on strong consumer confidence, attracting both growth in passenger numbers and investment in the sector. We are committed to improving outcomes for consumers by putting passengers at the heart of every decision we make. We are taking steps to bolster our consumer protection efforts in the coming year: to improve consumer communications and to ensure compliance with the consumer protections that apply when passengers are affected by disruption.

Through recent engagement with Government, we have made representations to Government about creating a more flexible and responsive toolkit across the CAA's safety and markets functions which would enable quicker action to anticipate and adapt to changes and ensure effective enforcement and therefore support both safety and growth.

From Summer 2025 we plan to publish our quarterly performance dashboard which is currently reported to the Department for Transport. This will allow customers to hold us to account on our performance and enable us to highlight the value of the services we provide. We look forward to sharing this with our stakeholders and we welcome feedback on how we can provide information to help demonstrate our performance levels. Through our Customer Experience & Modernisation programme we will continue to iterate and develop our service reporting into the future.

Complaints about the CAA

We are committed to providing a high standard of service to our stakeholders and welcome complaints, as a valuable toolkit into insight and enabling us to continuously improve. Over the past year, we have fully embedded a mechanism to learn from complaints and ensure changes are made.

A table highlighting the number of complaints received during the last three years can be seen on **page 61**. The number of complaints received this financial year reduced to 111 (a decrease of 15% compared to last year).

While the number of complaints received has decreased, they are predominantly about licensing applications or systemic or quality issues where demand and staffing levels in some service areas have adversely affected application and correspondence lead times. In addition, our learning has resulted in improvements to processes and compliance with service level agreements, which in turn has reduced the number of complaints received. More detailed information on our complaint handling performance can be found in our Annual Complaints Report on our Complaint performance and learning webpage.

Our Efficiency Report

Complaints about the CAA	2024/25	2023/24	2022/23
Number of complaints in line with our complaints policy	111	131	199
Upheld in full or in part	47 (44%)	77 (65%)	118 (59%)
The categories of upheld complaints are:			
Poor service, including:	33 (70%)	47 (61%)	64 (54%)
Application processing delays	19 (58%)	35 (74%)	31 (48%)
Failure to respond to enquiries	4 (12%)	5 (11%)	17 (27%)
Other (quality and systematic issues)	10 (30%)	7 (15%)	16 (25%)
Charges/fees	1 (2%)	4 (5%)	4 (3%)
Staff behaviour	4 (9%)	5 (6%)	4 (3%)
Lack of CAA action	3 (6%)	17 (22%)	34 (29%)
Unfair treatment/bias	1 (2%)	2 (3%)	1 (1%)
Over regulation/gold plating	2 (4%)	1 (1%)	3 (3%)
Incorrect advice	3 (6%)	1 (1%)	8 (7%)

Learning from complaints

Complaints remain a valuable insight tool to learn more about the experiences of people using our services, to track and monitor any trends and pinpoint any recurring issues. The complaints process provides us with an opportunity to reflect, analyse and transform complaints into learning and intelligence to determine areas for improvement. It's important to share this learning with our customers and more information is available on our website (Complaint performance and learning | Civil Aviation Authority (caa.co.uk)) with some listed below.

Actions taken from learning:

> Weekly medical case management meetings have been introduced to support medical application processes to ensure consistent action is taken and applicants receive timely updates.

> To create a more joined up approach to handling applications through our CELLMA portal, leads have been introduced within our Shared Services Centre team to establish high-level interaction with our Medical Team.

> Improved communication with stakeholders by phone rather than email to discuss applications and queries, to improve the customer experience.

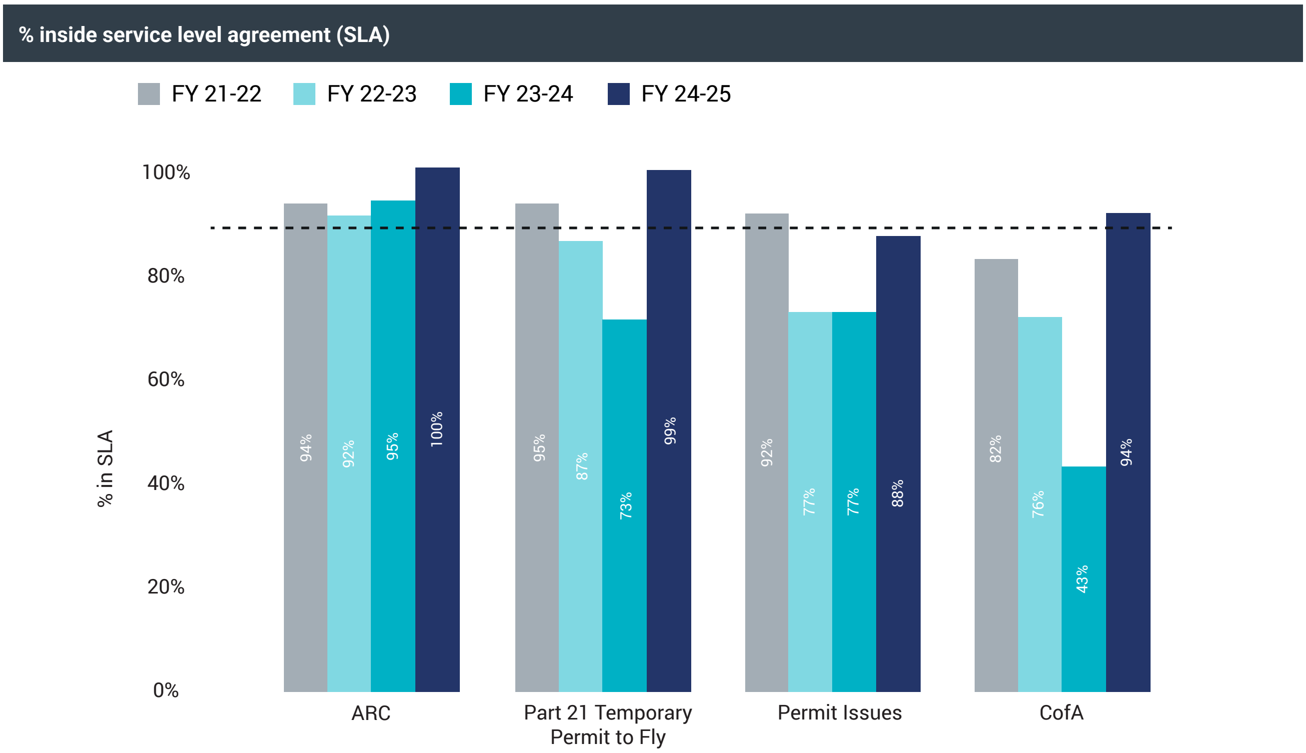
> Trained additional colleagues in the Aircraft Maintenance Licence (AML) application process to improve the management of applications, reducing delays for applicants.

> Introduced a new process where applicants are kept informed of the status of their Certificate of Airworthiness (CofA) applications to maintain good communication.

> Increased the number of technical support colleagues, introduced a duty rota to handle queries & weekly meetings to discuss complex applications in the Flight Crew Licensing (FCL) Team to improve the management of applications, which in turn reduces delays for applicants and improves colleagues' skills.

Our Efficiency Report

Percent of services delivered within published service level agreements by our Shared Service Centre



Airworthiness Review Certificates

The service standards for Airworthiness Review Certificates have been consistent over the last 12 months and over the next year we will look to train further team members to provide more flexibility in the team.

Part 21 Temporary Permit to Fly

Temporary Permits to Fly are treated as a priority over other applications as until granted the aircraft are grounded and need to be moved urgently. Having more trained colleagues in this area has helped us better manage industry demands and our target turnaround times.

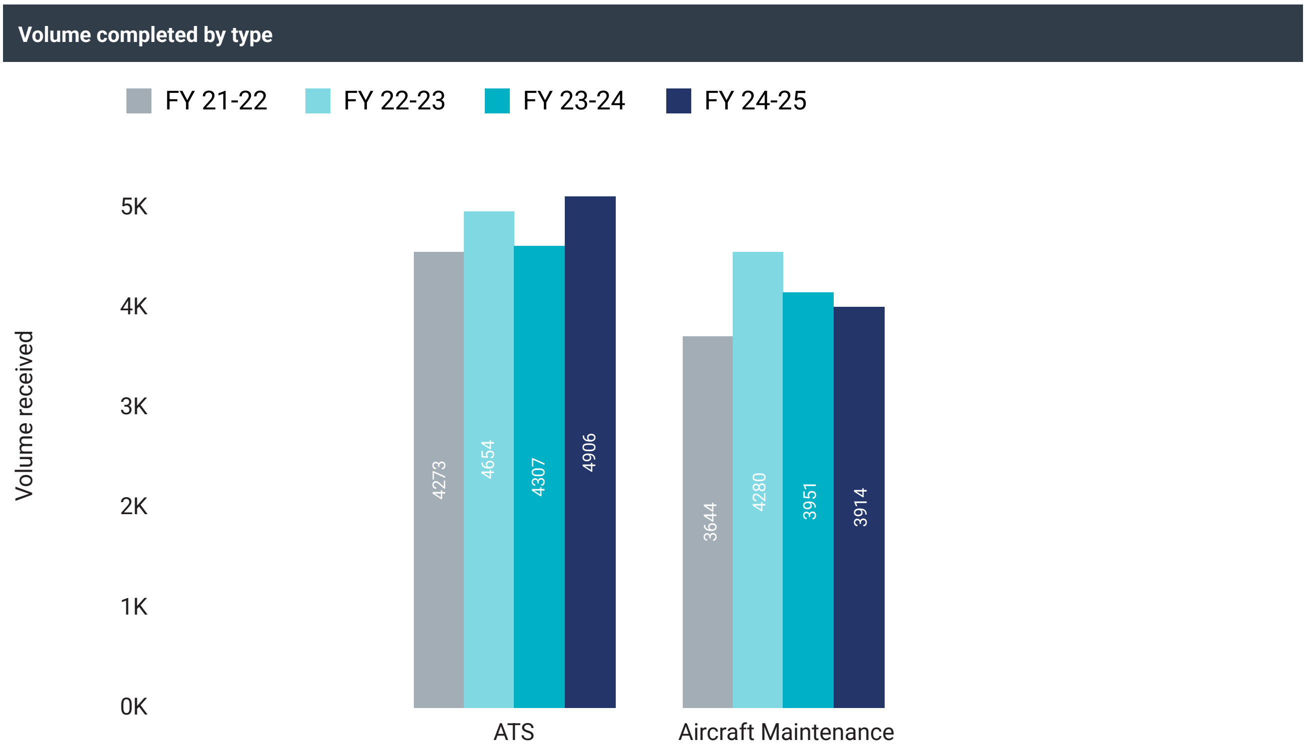
National Permit Issues

Our turnaround times for National Permits has been affected by four historical cases from 2023 when larger backlogs existed which are outside the SLA. All applications received in 2024-25 have remained in SLA timings and we are in the process of training an additional colleague on this workstream.

Certificates of Airworthiness

We have been able to build more resilience in the team with more colleagues trained on this task, this will allow us to better manage industry demands which we expect to be stable over the next year.

Our Efficiency Report



Air traffic services

Within air traffic services licensing, 91.6% of applications were processed within the SLA with an average turnaround time of 6.2 working days in 2024/25, an improvement on 2023/24 (which had a 9.1 working days turnaround). The SLA was achieved for all but one month across the financial year. That month being April which saw 21.7% of applications processed within SLA, due to a combination of leave and sickness. Resulting in our average turnaround time being 10.7 days against the 10-day target. The demand of applications was 14% greater compared to the previous year (2023/24) and 5% greater compared to two years ago (2022/23).

Aircraft maintenance

Aircraft maintenance applications (Part-66) turnaround times have averaged 14.4 working days for 2024/25, an improvement against the previous financial year (16.2 working days) although remaining outside of our SLA of 10 working days. 53.8% of applications were processed within our SLA for 2024/25. The demand for applications was 1% greater than the previous year (2023/24) and 6.5% less than two years ago (2022/23), which is in part attributed to the closure of the European Union to UK application route following the UK leaving the European Union.

By January 2025, the turnaround times for aircraft maintenance applications had recovered and is consistently being delivered within our SLA of 10 working days, with 91.4% of applications issued within our SLA. This has been achieved by a combination of having a team trained across the various application types, and the launch of the 'Engineer Licensing (ENL)' CRM-based application system in November 2024.

This new system has delivered improvements to both the application submission process and assessment of applications, and we are confident that we will now be able to maintain our service levels across the next 12 months.

Our Efficiency Report

Remotely Piloted Aircraft Systems – Pre Defined Risk Assessment 01 (PDRA01)

The Digitising Specific Category Operations (DiSCO) project launched the PDRA01 application form on the new digital platform in April 2024 with a substantial positive impact on application lead-times, reducing these on average from 13 days to circa 30 minutes. The total number of PDRA01 applications received for the period across previous application route and new digital platform totalled 2,615, which was a 1.4% reduction on the previous year (2,652). Of customers who provided feedback on the new digital platform, 82% indicated they were 'Very Satisfied' with the service.

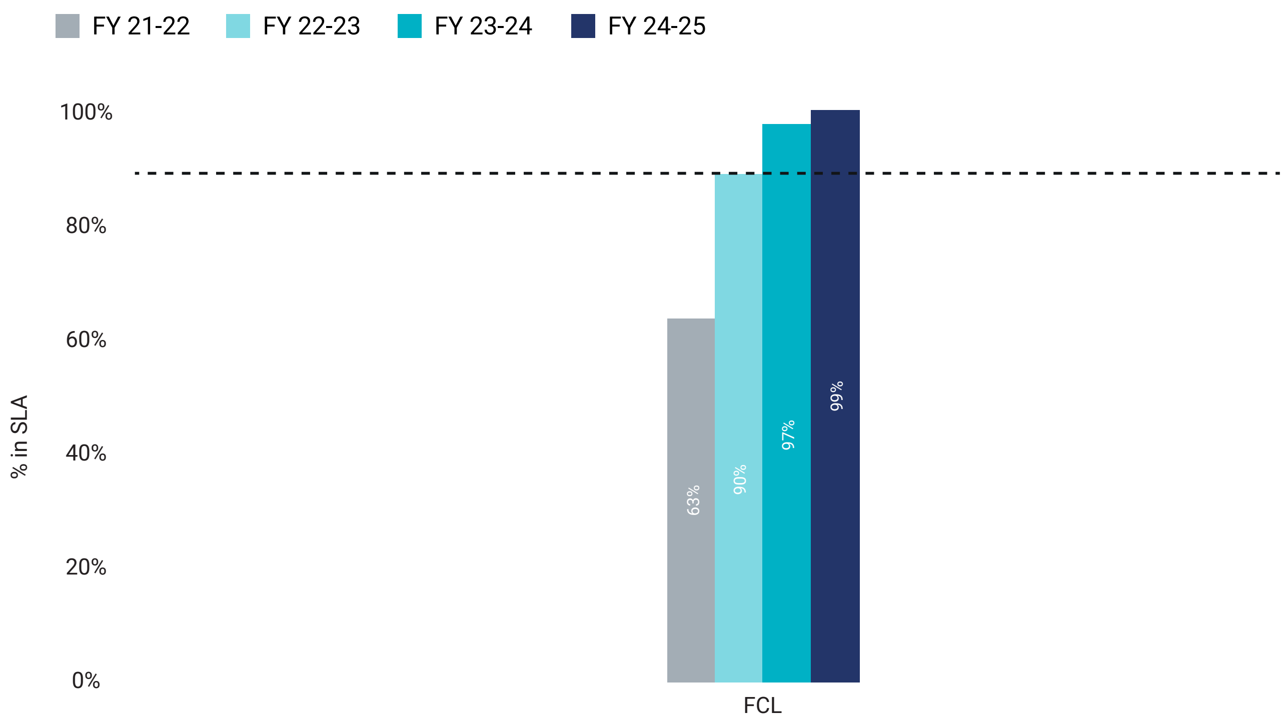
Remotely Piloted Aircraft Systems – Operating Safety Case (OSC) and Article 16 Model Aircraft based Operational Authorisations (OA)

There were 153 OAs issued between 01 April 2024 and 31 March 2025. This is 24 more OAs than in the same period in the previous year and represents a 18.6% increase.

Remotely Piloted Aircraft Systems – Approvals of Recognised Assessment Entities (RAEs) for remote pilot competency

There were 25 RAEs approved between 01 April 2024 and 31 March 2025. This is the same as in the same period in the previous year.

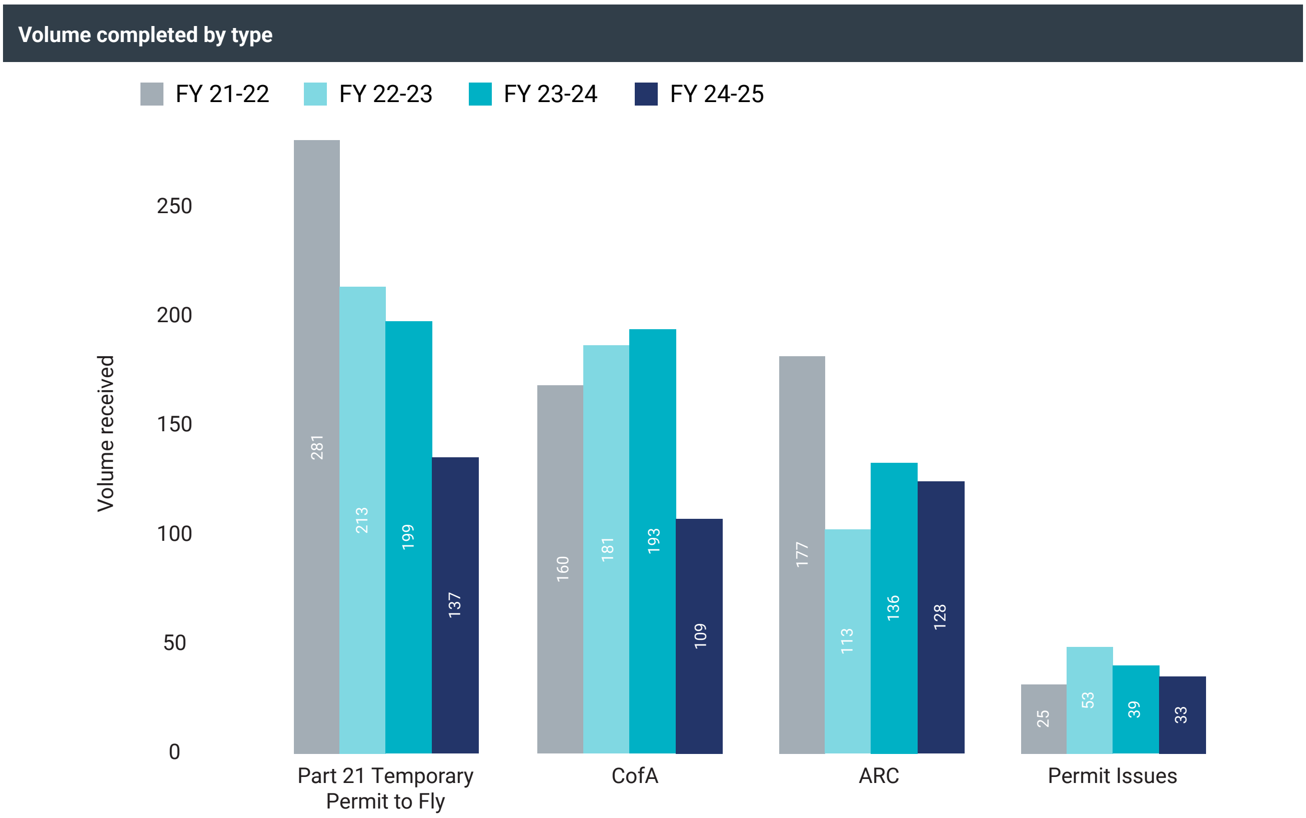
% Inside service level agreement (SLA)

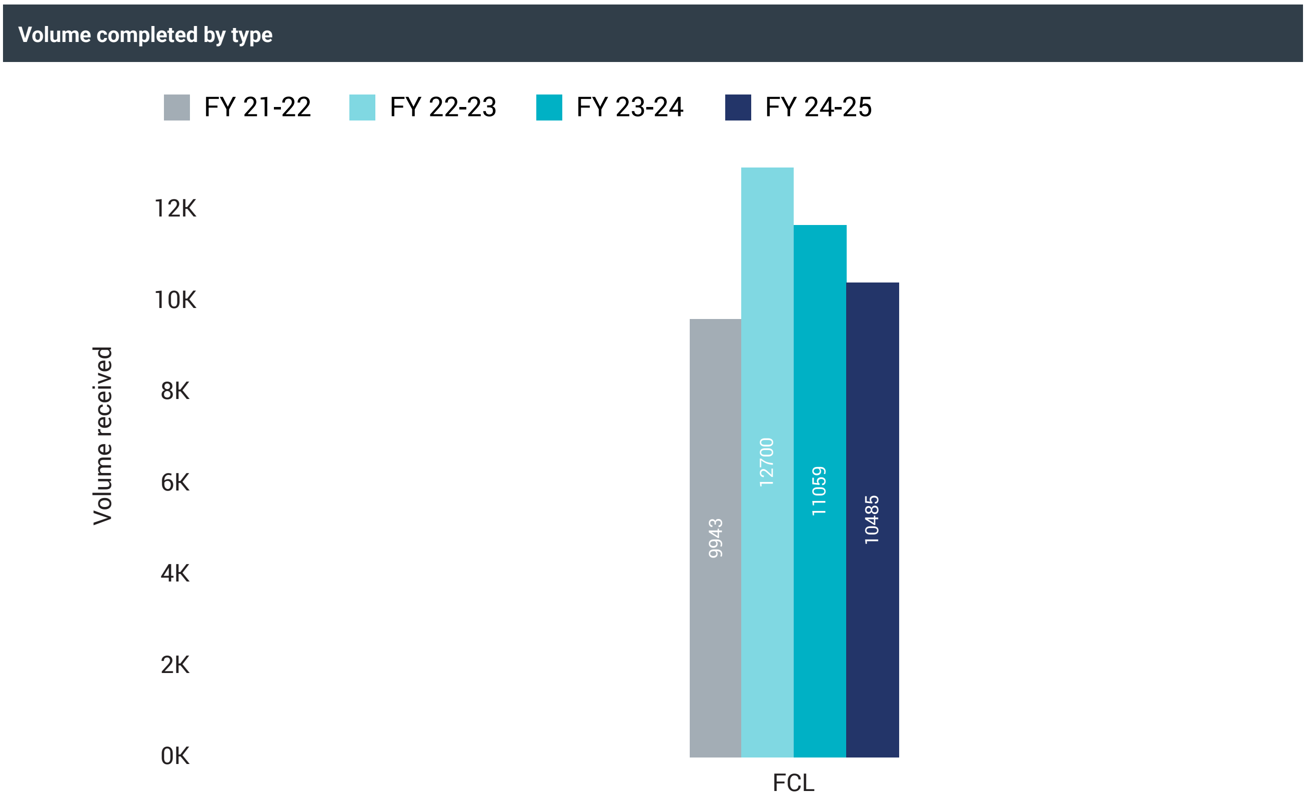


Flight crew licensing

Flight crew licensing service delivery has continued to deliver to agreed service levels and improved throughout 2024/25, resulting in 99.3% of applications being processed within 10 working days, versus 97.5% for 2023/24. Demand was 6% less compared to the previous year (2023/24) and 18% less compared to two years ago (2022/23). The lower demand reflects a smaller pool of licence holders following COVID and the UK leaving the EU. The performance represents a strong service delivery over the past 12 months.

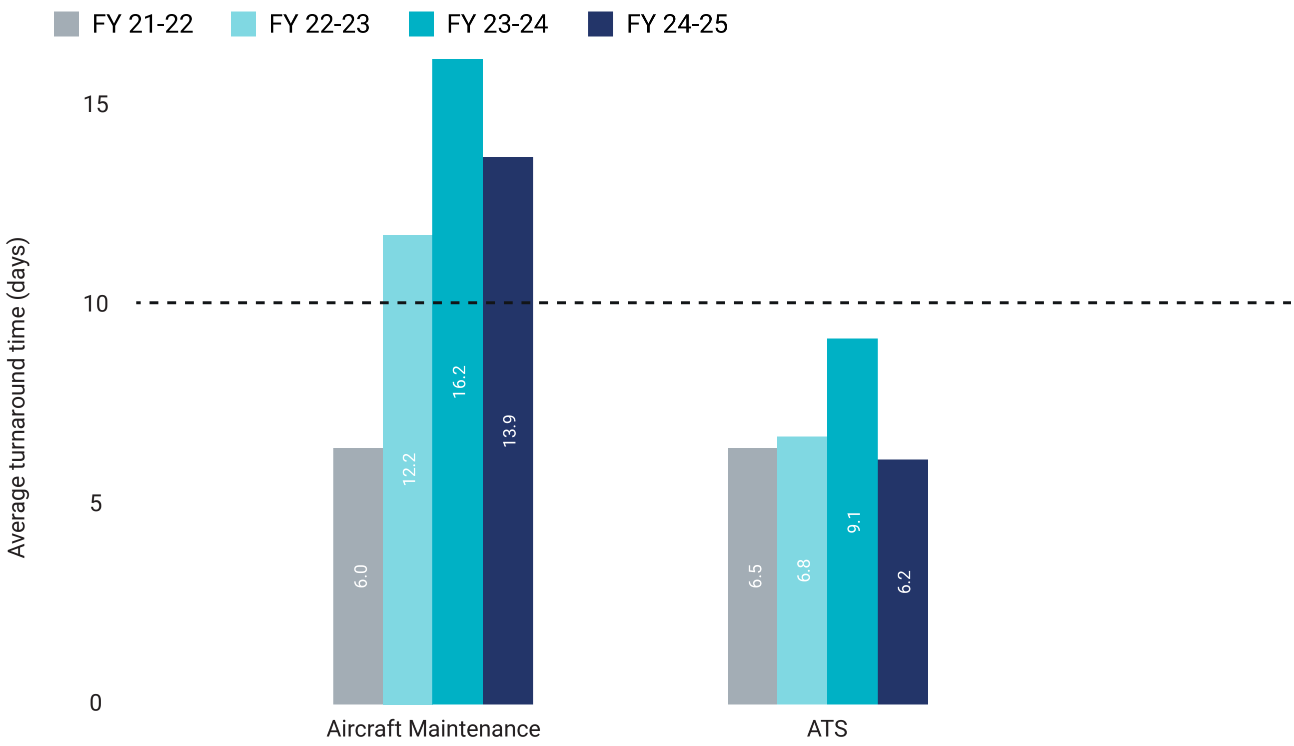
Our Efficiency Report





Our Efficiency Report

Average turnaround time of application against 10 day service level agreement



Auditor's Statement

Under section 102 of the Civil Aviation Act 2012, the Board members of the Civil Aviation Authority (the "CAA") are required to make to the Secretary of State, a report on the performance of the CAA's functions during the year. This report shall contain a statement by the CAA about efficiency in the performance of its functions (the "Efficiency Statement") and shall contain the auditor's assessment of the Efficiency Statement.

As noted in our audit report on the financial statements for the year ended 31 March 2025, as the CAA's auditors, our responsibility is to read the other information in the Annual Report & Accounts 2024/25, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have read the Efficiency Statement for the year ended 31 March 2025 and we have nothing to report in this regard. The full audit report can be found on **pages 97 to 105**.

BDO LLP
Chartered Accountants and Statutory Auditors
55 Baker Street
London

W1U 7EU

18 June 2025

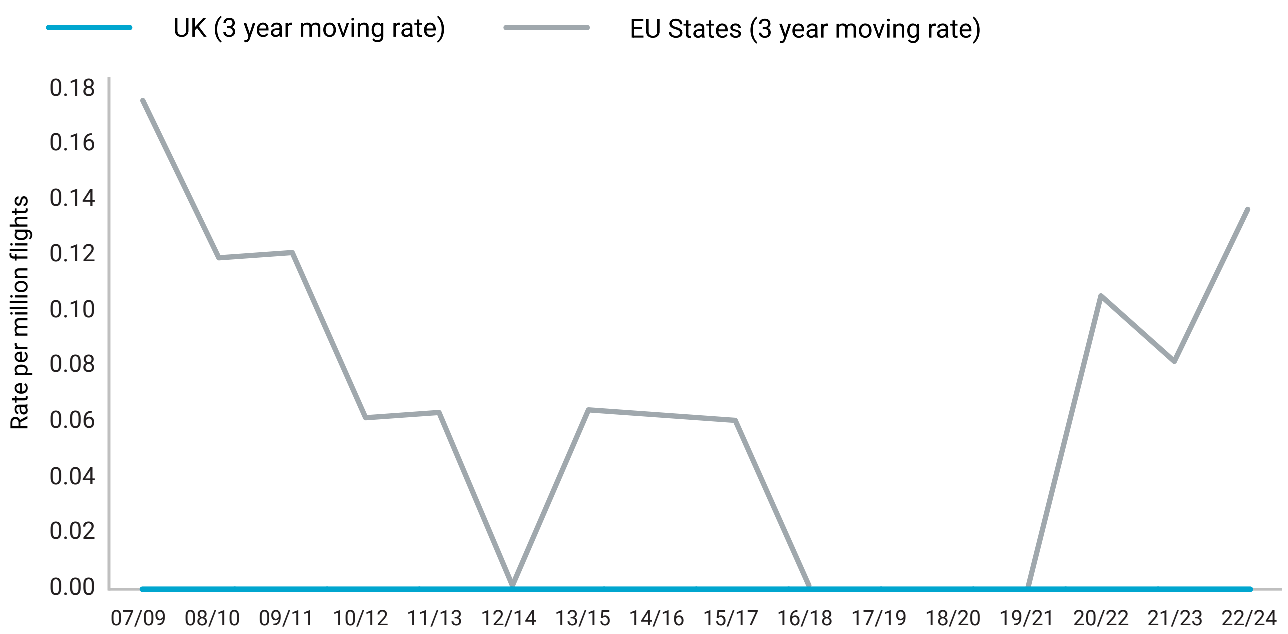
Key Safety Performance Indicators

Fatal accident rates

The following safety performance indicators are for UK-registered or operated passenger aircraft, using a three-year moving rate (based upon the preceding calendar years) of fatal accidents per million flights. A fatal accident is defined as an accident that results in fatal injury to any person in or upon the aircraft, by direct contact with any part of the aircraft or by direct exposure to jet blast.

UK-Registered/AOC fixed wing passenger aircraft above 5,700kg MTWA

Fatal Accident Rate



(MTWA: maximum take-off weight authorised)

(AOC: Air Operator Certificate)

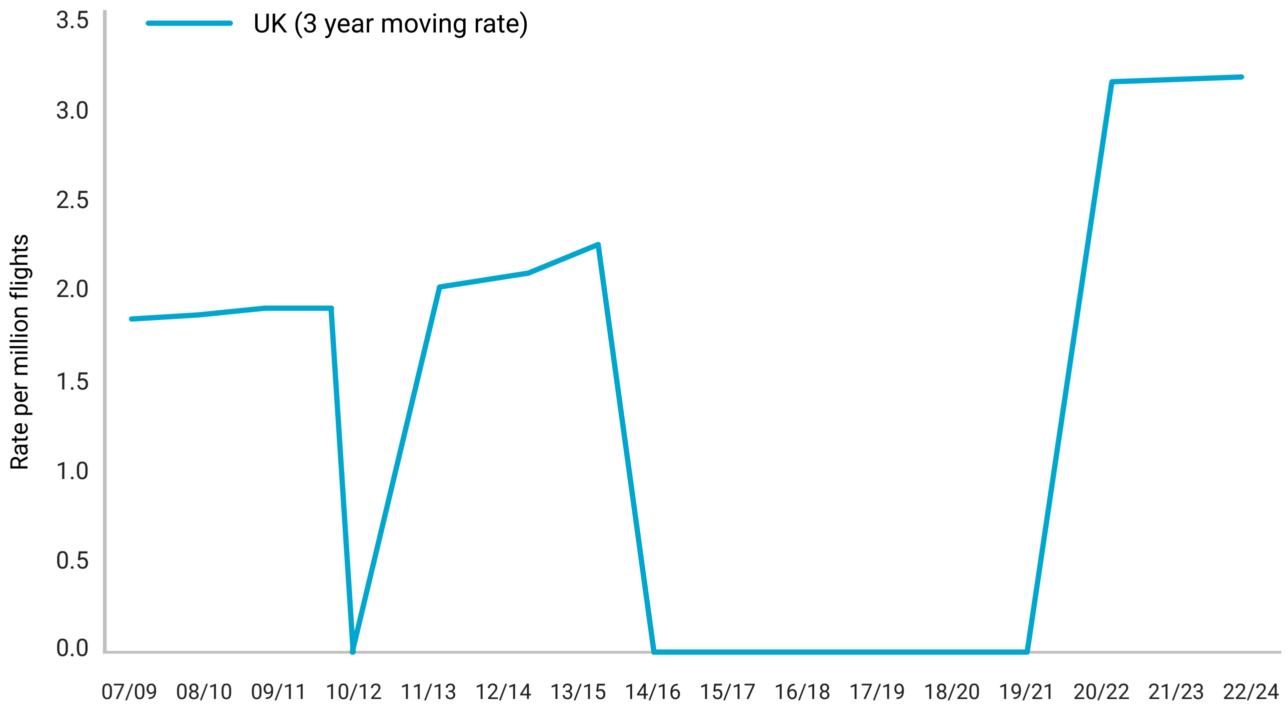
Analysis

In the three-year period between 2022-2024 there were no fatal accidents involving UK operators. The last fatal accident for a passenger flight from an EU member state occurred in December 2024 and involved a Swiss International Air Lines A220. The aircraft suffered an engine issue with smoke entering the cabin, the crew and several passengers were taken to hospital, one cabin crew member died a week later in hospital. The UK fatal accident rate in this category has remained at zero since 1999 when a Boeing 757 experienced a heavy landing in Girona, Spain, resulting in one fatality.

Key Safety and Service Performance Indicators

UK-registered/AOC public transport helicopters above 3,175kg MTWA

Fatal Accident Rate



Analysis

On 22 July 2024, AW189 G-FSAR was involved in the sea search and rescue of the Argos Georgia, 190nm East of Stanley Airfield, Falkland Islands. The crew attempted to hoist an unresponsive casualty, who fell into the sea. The UK AAIB has classed the passenger as missing at the time of writing.

The fatal accident rate per million flights for UK commercial air transport helicopter operations remains above three for the three-year period from 2022 to 2024 due to a fatal accident on 4 March 2022.

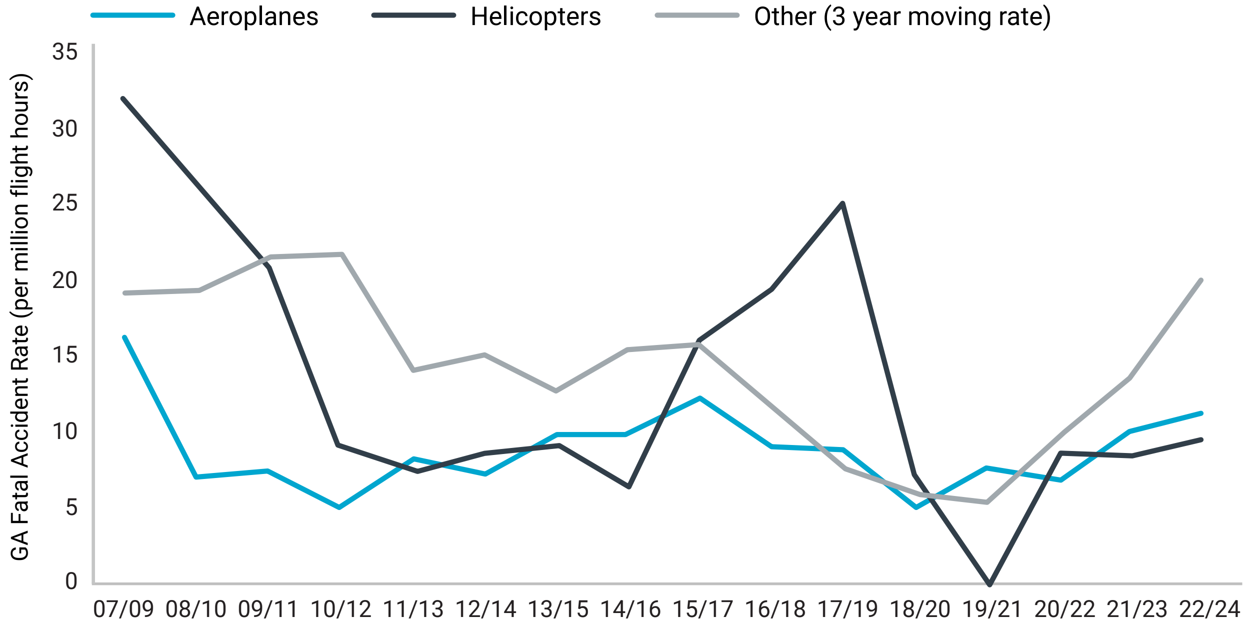
The accident involved a Sikorsky S92-A which was landing with a patient at Derriford Hospital, Plymouth. The downwash from the arriving helicopter fatally injured one pedestrian and injured another.

Prior to this the last fatal accident involving this category of aircraft occurred in 2013 when a AS332 Super Puma crashed into the North Sea, resulting in four fatalities.

Key Safety and Service Performance Indicators

UK General Aviation

Fatal Accident Rate



The General Aviation (GA) fatal accident rate for UK registered aircraft has been segmented into 3 categories: Fixed Wing Aeroplanes, Helicopters and Other. The Other category includes lighter than air vessels (e.g. balloons & airships), gliders, gyroplanes and microlights.

The rates shown above has been calculated using aircraft utilisation (e.g. annual flight hours) as gathered by the UK CAA aircraft registration team. The utilisation data for 2024 is likely to be incomplete.

For each group, the number of reported fatal accidents has been expressed as the rate per one million flying hours, which has then been aggregated into a three-year moving average that is presented by sector on the chart above.

Analysis

Aeroplanes

There were 5 fatal accidents in 2024 resulting in 6 fatalities. These figures are consistent with previous years. However, fatal accident rate is trending higher for less regulated aeroplane categories (also known as non-Part-21).

Loss of control inflight remains the biggest cause of fatal accidents. Of all accident categories, only (piston) engine failures and runway excursions have risen since COVID.

Helicopters

There were no fatal accidents involving a GA helicopter in 2024.

Other

There were 11 reported fatal accidents involving other sector aircraft reported between 2022-2024, with three (3) fatal accidents reported during 2024. This sector has seen an increase in fatal accident rate in the past 2 years, specifically accidents involving gliders.

CAA Consumer Panel: Summary of 2024/25 Annual Report

The Rt. Hon Jenny Willot OBE

The CAA Consumer Panel is an independent non-statutory body providing expert advice to the CAA to make sure that the consumer interest remains central to its policy development. The Panel acts as a critical friend, helping the CAA to understand fully and take account of the interests of current and potential aviation consumers. We publish our own Work Programme and Annual Report, which are available on the Consumer Panel page of the CAA website.

Between March and November 2024, we continued to deliver on our 2022-2024 Work Programme which focused on driving the industry's recovery, rebuilding consumer confidence and improving services following a few turbulent years in the aviation sector. In the Autumn, we published our new Work Programme covering November 2024 to November 2026. The overriding focus of our new Work Programme is on navigating the new 'post-pandemic' aviation landscape in the best interests of consumers, which we achieve by building the evidence base, driving better outcomes for consumers and influencing future frameworks.

In 2024 and early 2025, we are pleased to have provided support, advice and guidance to progress several areas of work across the CAA, and our expert opinion in response to emerging issues as well as consultative work and engagement with the CAA, Government and independent bodies. This includes:

Consumer interest

- We provided input at the January 2025 CAA Board and Panel meetings on proposed plans for more investment in the Consumer Protection area as set out in the CAA's 2025/26 Scheme of Charges. We are very supportive of additional investment in this area and recommend that the CAA's focus is on a consumer rights compliance programme and in the area of general consumer law. In late 2024, we were also asked by the CAA's Chair to consider how the CAA could deliver more for consumers. Among other things, we recommended the CAA:
  - builds a cross-CAA 'consumer network' that embeds targeted consumer focused resource to promote a better understanding of the consumer interest in different policy areas, informed by a 'consumer interest' mapping exercise across the organisation;
  - creates a cross-CAA 'consumer research and insights' hub to foster a more joined up approach to gathering, sharing and utilising consumer insights;
  - reviews its approach towards risk appetite on consumer matters and whether further consumer focused training and education across the CAA could be beneficial; and
  - considers updating its September 2023 Consumer Strategy, which we helped shape, to reflect these developments.
- We continued to input to the area of accessibility, including participating in the Government's Aviation Accessibility Task and Finish Group, supporting development of the CAA's airline accessibility framework and developing a new accessibility guide and template to help colleagues develop material which is accessible for visually impaired colleagues.
- We input to the CAA's ongoing Alternative Dispute Resolution (ADR) review and made recommendations on potential suppliers the CAA might want to approach.
- We have continued to work with the CAA on making best use of its existing powers where this benefits consumers, including in respect of the Digital Markets, Competition and Consumers Act 2024.

Independent Review of NATS (En Route) Plc's Flight Planning System Failure

- We engaged with the Independent Review the CAA commissioned following the major disruption incident in August 2023. We provided comments on the terms of reference for the Independent Review Panel and advised on options for gathering views from affected passengers. It was considered we could offer useful insights due to our expertise in complaints handling in aviation and other sectors, and involvement with previous occurrences of mass disruption. We provided input to the Interim Report and the Final Report was discussed with the Panel before its publication in November 2024. This included a discussion around the Panel's role in monitoring and providing an independent view on the implementation of relevant recommendations which is due to report to Parliament in May 2025.

CAA Consumer Panel: Summary of 2024/25 Annual Report

The Rt. Hon Jenny Willot OBE

Consumer intelligence and insights

- Following publication of the Independent Review's Final Report, the CAA commissioned consumer research into communication with passengers when flights are delayed or cancelled. We provided advice on the draft brief and will continue to input to the research.
- We input to the design of wave 13 of the Aviation Consumer Survey and provided advice on new questions and areas to explore, and offered insights and analysis of the results. We will continue to input to the next wave of the Survey.
- We input to research commissioned by the Department for Transport (DfT) to explore the effects of carbon labels on consumer flight choices which helped ensure a consumer focus and that accessibility was taken into account.
- More generally, our new Work Programme expands our evidence base beyond the Aviation Consumer Survey including other publicly available insights and CAA data to help build a richer picture of consumer sentiment towards air travel, including on topics such as sustainability and innovation. We continue to make the case for the CAA to conduct a gap analysis to help inform what further targeted research is needed to understand the new 'post-pandemic' normal. We also encourage the CAA to undertake research in specific areas where we consider there are gaps or where consumers are at particular risk.

Economic regulation

- We input to the CAA's approach to the Heathrow airport price control review (H8), including advising on the team's approach to consumer research and the Outcome Based Regulation Mid-Term Review. We have also started discussions around the potential expansion of runway capacity at Heathrow airport and its implications for consumers.
- We input to the CAA's review of its future approach to the economic regulation of Gatwick airport, including reviewing the team's draft August 2024 consultation and providing comments on the Final Proposals which were discussed at the January 2025 CAA Board meeting which the Panel Chair attended.
- As part of the NR28 price control process, we have also worked with the CAA to provide advice on draft research methodology proposals from NATS (En Route) Plc's research agency, to ensure the consumer interest is reflected in the business planning process.

Environmental sustainability

- We have continued to input to the CAA's consumer environmental information project, by holding workshops with CAA colleagues on the 'draft principles' consultation and submitting a written response. Our written response, which recommended that the principles should form part of and be mapped onto a broader framework, was well received and we understand the Panel's proposals are being considered to help inform next steps for the project.
- We also input to the CAA's 2024 Aviation Environmental Review (AER) consultation by holding a workshop with colleagues, where members provided views on the future development of the AER.
- The Panel Chair has continued to engage with the Chair of the Environmental Sustainability Panel on areas of collaboration. In December 2024, both Chairs held a 'joint lunch and learn' event for CAA colleagues. The purpose of the event was to:
  - Raise awareness of the Panels' roles as advisors to the CAA on matters relating to consumers and environmental sustainability.
  - Build CAA colleagues' understanding of what the 'consumer interest' and 'environmental sustainability' means in practice – and how the Panels can help CAA colleagues build this in when developing policy.
  - Discuss policy areas where there is both 'consumer' and 'sustainability' angles and why it's important for the CAA to think about these angles in a holistic way – including possible interactions and trade-offs.

CAA Consumer Panel: Summary of 2024/25 Annual Report

The Rt. Hon Jenny Willot OBE

Spaceflight regulation and innovation

- We have engaged with the CAA team responsible for regulating the commercial spaceflight industry to understand the regulatory framework and identify possible interactions with the consumer interest.
- We have continued to input to the Law Commission's project looking at autonomy in the aviation sector, which also forms part of the CAA's Future of Flight Programme, including holding workshops with Law Commission colleagues and submitting a comprehensive written response to their call for evidence. We will continue to engage with the Law Commission, CAA and UK Research and Innovation (UKRI) as this project progresses.
- We have worked with the CAA as it develops its approach to the regulation of AI in the aviation sector and its use in the CAA, including helping develop a 'think piece' on how the Consumer Principles interact and align with the AI Principles. This is in the process of being published, in a format similar to CAP2966. We have also input to the CAA's AI Strategy which was published in November 2024, to ensure a stronger consumer focus. Part B of the strategy sets out some proposed steps on how to integrate the AI and Consumer strategies. We will continue to provide input and advice on the potential benefits and risks of AI to aviation consumers.
- We have engaged with UKRI on the Future Flight Challenge, who presented updated consumer research to the Panel around consumer attitudes towards the future of flight.
- We will shortly be holding a horizon scanning workshop with CAA colleagues to understand the latest signals and trends and how these might impact consumers. As part of this, we will update on how new technology is being used to enhance the passenger experience and improve accessibility.

In terms of other work, we input to the CAA's People Strategy and Annual Strategic Objectives for 2025/26. We also held interactive workshops with the CAA on its customer experience work and website survey, and its new ATOL Claims Portal, where members undertook user testing. We have continued to build our impact and visibility across the CAA, including through internal blogs and the launch of a new accessible intranet site to promote the Panel's role and how members could help CAA colleagues understand and reflect the consumer interest in their work.

The 2023 Public Bodies Review made a number of recommendations relating to the Panel. In this regard, we welcome the increased engagement between the CAA's Senior Executive and Panel. This includes the Panel Chair's attendance at two CAA Board meetings per year and more regular sharing of the Board's forward agenda as well as recent discussions around the Panel Chair being sighted on ExCo and Board papers which have particular relevance to consumers. We also welcome the recent appointment of two new Non-Executive Directors to the CAA Board and look forward to further engagement with appointees as recommended by the Public Bodies Review.

The terms of two Panel members sadly ended in March 2025. I would like to take this opportunity to thank Carol Brennan and Helen Dolphin for their valuable contributions to the Panel since 2018. We look forward to welcoming two new members in April 2025, and continuing to work with the CAA, Government and industry stakeholders to ensure consumers' needs remain at the heart of decision-making in the ever changing and ever challenging aviation sector.

The Rt. Hon Jenny Willot OBE,
Chair of the CAA Consumer Panel

CAA Environmental Sustainability Panel: Summary of 2024/25 Annual Report

Dr Ruth Mallors-Ray OBE

The CAA Environmental Sustainability Panel was established in June 2022 as a specialist, non-statutory and non-executive panel providing expert scientific, technical and strategic expertise and insight to the CAA. The Panel acts as a 'critical friend' to support and challenge the CAA on delivery and evolution of its **Environmental Sustainability Strategy**. This covers a wide range of environmental impacts and effects of aviation, from emissions that lead to global climate change (and the mitigations and adaptations that must be made to accommodate the resulting changing weather) to the more local impacts from aviation noise and air quality on local communities and biodiversity.

The role of the Environmental Sustainability Panel

The Panel provides insight and expertise across a broad range of disciplines to support the CAA in its execution of its own environmental agenda, roles and responsibilities, and where the CAA has identified embedding environmental sustainability as a priority. This reaches across many areas of CAA work such as airspace modernisation, innovation, economic regulation, consumer information and environmental reporting. The Panel provides advice, insights and expertise to the CAA as policy is being developed to ensure that, where our duties and powers require it, environmental sustainability is considered in our policies and decision-making. It also aims to build a broader understanding and knowledge of environmental sustainability challenges and opportunities throughout the CAA to help embed sustainability thinking into our work. The Panel does this by:

- supporting and challenging the delivery and future evolution of the CAA's Environmental Sustainability Strategy: supporting the CAA to develop and deliver a robust and informed strategic focus on how it will improve environmental performance within its roles as set out in its Environmental Sustainability Strategy;
- providing expert scientific, technical and strategic advice in response to requests from the CAA for assistance on specific projects: providing credible research and evidence that may be considered by the CAA in its policy development and decision-making;
- helping the CAA to embed sustainability as a cross-organisational theme: contributing to a knowledge delivery programme that builds and strengthens the CAA's collective knowledge, skills and understanding of sustainability impacts and issues; and
- proactively providing wider strategic input based on the Panel's own broad experience and expertise of sustainability developments in both the aviation industry and more widely, supporting the CAA to identify where it may have an emerging role. The Panel also brings attention to issues and areas of best practice that are evolving across environmental sustainability.

Panel work programme

Over the last year, the Panel's activities have been guided by a two-year work programme running from April 2023 to March 2025. The work programme is structured around five pillars:

1) Supporting delivery of the CAA's Environmental Sustainability Strategy;
2) Providing technical advisory support to CAA activities that are directly and indirectly concerned with environmental impacts;
3) Working collaboratively with the CAA Consumer Panel on mutually agreed themes of interest;
4) Supporting the development of the CAA's collective knowledge, understanding and awareness of environmental sustainability; and
5) Providing strategic Panel input based on Panel's expertise and views of developments in environmental sustainability.

This has included:

- Input and challenge to the evolution of the CAA's Environmental Sustainability Strategy, as the CAA undertakes a strategy refresh, including discussing with the CAA possible interpretations of the CAA's roles and advising on how the CAA could fulfil its 'leading' role in the environmental sustainability space;
- Expert technical advice to support CAA programmes of work including the Airspace Modernisation Strategy, the Hydrogen Challenge, reviews of the Heathrow and NATS price controls environmental reporting, a review of the methodologies used to assess the effect of airspace change proposals on greenhouse gas emissions, and regulation of future technologies and innovations which may directly or indirectly address environmental impacts;

CAA Environmental Sustainability Panel: Summary of 2024/25 Annual Report

Dr Ruth Mallors-Ray OBE

- Supporting the CAA in the development of the Aviation Environmental Report (AER), including technical input on the different areas of environmental impact and challenging the CAA to be more ambitious in developing the AER into a tool to drive environmental performance;
- Support to the development of the CAA's environmental sustainability literacy, by delivering webinars, discussing key issues directly with the CAA's Senior Leadership Team, providing the CAA with the latest relevant research and providing critical insight and review of developments in industry and academia;
- Meeting with the Board and the Executive Committee and regular meetings between the Panel Chair and the CAA Chair, CEO, Director of Comms Strategy and Policy and the Head of Sustainability.
- Strategic input on the importance of systems thinking in aviation sustainability, including how the CAA can build systems thinking into its own considerations and how environmental impacts and effects may interact and affect each other.

Panel Chair's commentary

The Panel has continued to develop and mature as an advisory body, looking at how to support the CAA in a more strategic way, as well as continuing to provide advice and support on individual projects. Our advice and challenge has been instrumental in helping the CAA develop its roles and ambition regarding environmental sustainability in the aerospace sector and helped build a more robust strategic awareness of environmental sustainability issues, including bringing insights from other sectors, links with other scientific and government-led groups and updates on progress internationally.

The Panel has helped to increase knowledge and awareness within the CAA of the environmental impact of aviation, particularly on local impacts from noise and poor air quality, and global impacts from emissions, as well as looking at synergies between sustainability and consumer issues. This has supported the CAA as it continues to embed a culture of considering environmental sustainability from the outset of projects and programmes of work.

Aviation is a difficult sector to decarbonise at a faster rate, it is predicted to become one of the biggest emitters of carbon in the UK, second only to the agricultural sector. The issues of noise and air quality are also difficult to resolve. The pace for a sector which is so globally integrated is always a challenge and the Panel will continue to support the CAA as it works to understand and minimise the effects of these impacts on people, biodiversity and the planet.

Dr Ruth Mallors-Ray OBE,
Chair of the CAA Environmental Sustainability Panel

Governance

Board Members

CAA Chair

Sir Stephen Hillier

Sir Stephen Hillier became the Chair of the UK Civil Aviation Authority in August 2020.

He previously had a long career in the Royal Air Force, eventually becoming Chief of the Air Staff, the head of the Service. He has extensive military flying experience as a pilot and instructor on a wide range of aircraft types, although his flying career started at age 17 when the UK CAA issued him his Private Pilot's Licence.

He has wide experience of leading large, complex and high-profile portfolios and programmes, and of change and risk management within regulated environments.

In addition to his CAA role, he is a Board member of the UK Atomic Energy Authority; chairs the Association of Accounting Technicians and the Board of the RAF Museum; and holds Patron and President roles in a number of charities, focused on either equal opportunity and social mobility or on military veterans' interests.

Executive Board members

Rob Bishton

Rob Bishton is the Chief Executive of the UK Civil Aviation Authority and has held the role since October 2023.

Rob became Chief Executive after holding the Interim Joint CEO position between April and October 2023.

Appointed to the Board as Group Director of Safety and Airspace Regulation in November 2019, Rob has been at the UK CAA since 2014 and previously held the role of Head of Flight Operations.

He has extensive experience in the aviation industry, having held Board level roles at several airlines as well as having been Chief Pilot of easyJet. Rob remains a qualified Airline Transport Pilot with more than 10,000 commercial flying hours on Boeing and Airbus aircraft alongside his private helicopter flying experience.

Rob has also represented the UK at the EASA Management Board and was formerly a NED of the UK Flight Safety Committee.

Giancarlo Buono

Giancarlo Buono joined the UK Civil Aviation Authority in January 2025 and is the Group Director of Safety and Airspace Regulation and a member of the Board.

A seasoned leader, Giancarlo's career encompasses both civil and military aviation. Prior to the UK CAA he served as Regional Director for Safety and Flight Operations in Europe for the International Air Transport Association (IATA), working closely with international stakeholders to enhance operational safety and efficiency across the industry.

He started as an officer and pilot in the Italian Air Force before transitioning to commercial aviation, where he held several senior positions prior to joining the IATA. He is a qualified Airlines Transport pilot with more than 8500 flying hours on different types of military and commercial aircraft.

Giancarlo holds a Master's degree in Air Transport Management from City St. George's, University of London, and has completed an executive leadership programme at Harvard University Law School. He also is Fellow of the Royal Aeronautical Society.

Board Members

Selina Chadha

Selina Chadha joined the UK Civil Aviation Authority in August 2024 and is the Group Director for Consumers and Markets and a member of the Board.

Prior to joining the UK CAA, Selina was Director of Policy (Competition and Consumer) at the Office of Communications (Ofcom). Her time at Ofcom was focused on promoting investment and competition, and protecting consumers in the communications sectors.

Selina is a Trustee of the UK's Air Travel Trust.

Tracey Martin

Tracey Martin joined the UK Civil Aviation Authority in May 2023 as Chief Financial Officer and was appointed to the Board on 20 September 2023.

Tracey became Chief Financial and Operations Officer in April 2024, assuming responsibility for Corporate Enabling Services supporting the CAA to deliver its strategy.

Tracey brings her vast experience to the role, having previously held executive finance and business positions across a number of sectors including Defence, Health, Regulation and Policing operating in complex and political environments. Her experience spans business transformation, strategic development and financial strategy to create value and improve service and customer outcomes.

Tracey is a Trustee of the UK's Air Travel Trust.

Non-Executive Board members

Katherine Corich

Katherine Corich was appointed as a Non-Executive Director of the UK Civil Aviation Authority Board in July 2019 and became Senior Independent Director in July 2024. She serves on the CAA Audit & Risk and People Committees and also as a Non-Executive Director of CAA International.

Trained as a commercial pilot before becoming a technology entrepreneur, founding Serendata Transformation Intelligence Platform, Katherine was inducted into the NZ Hi-Tech Hall of Fame in 2015 and has been twice named as an EY Entrepreneur of the Year.

Katherine has extensive experience of corporate governance, performance/risk-based regulation and aviation safety, serving on public, corporate, academic and third sector boards.

Currently Chair of the Sysdoc Group and IAP Boards, Katherine is an Independent Member of the Royal New Zealand Air Force Leadership Board, a trustee of Pure Advantage Climate Change Think Tank, and a Fellow of the Royal Aeronautical Society.

Board Members

Professor Jordan Giddings

Professor Jordan Giddings was appointed as a Non-Executive Director of the UK Civil Aviation Authority Board in February 2025, leading on emerging technologies and innovation.

An experienced Board member and Chair, he now works primarily as an independent adviser. He serves as a Non-Executive Director for the Met Office, advises the UK MOD and National Security Community on science and technology, and supports various start-ups, scale-ups, and strategy consultancies. He is also a visiting Professor at UCL and other academic institutions.

Recognised nationally and internationally, Jordan is a leader in innovation and change across systems, data, cyber, and technology. He specialises in dual-use and emerging technologies, complexity, AI, autonomy, and data science, fostering long-term collaboration between government, industry, and academia.

A Fellow of the Institution of Engineering and Technology, Institute of Physics, and Royal Society of Arts, he is also a Chartered Physicist and Chartered Scientist. He holds an MA in Physics from the University of Oxford and a PhD in High Energy Particle Physics from the University of London.

Anne Lambert CMG

Anne Lambert CMG was appointed as a Non-Executive Director of the UK Civil Aviation Authority Board in February 2019, and serves on the People Committee and as interim Chair of the Audit & Risk Committee.

From 2014 to 2019 Anne was an Inquiry Chair at the Competition and Markets Authority (CMA) and a Non-Executive Director of the CMA from 2016 to 2018. Her previous roles include the UK's Deputy Permanent Representative to the EU, and Director European and Government Affairs for NATS.

Anne has broad experience and understanding of regulation across many sectors (insurance, telecommunications, competition, and aviation) and extensive knowledge in EU policy and negotiations.

Anne is also a Non-Executive member of the Horserace Betting Levy Board (HBLB) and was appointed as Interim Chair of HBLB in September 2024. She also chairs HBLB's Audit and Risk Committee.

Manny Lewis

Manny Lewis was appointed as a Non-Executive Director of the UK Civil Aviation Authority Board in October 2021, leading on people, change and business excellence. He serves as Chair of the CAA People Committee.

Manny has a wide array of skills and experience having worked in numerous leadership roles across the public sector and local government, including as Executive Director, Greater London Authority, Chief Executive of the London Development Agency, and Managing Director of Watford Borough Council.

He brings considerable non-executive experience from chairing roles in the NHS and Social Housing, and is a Fellow of the Chartered Institute of Personnel & Development.

Manny is currently a Non-Executive Director at National Highways and also at Green Square Accord Housing Association.

Board Members

Air Vice-Marshal Suraya Marshall CBE Assistant Chief of the Air Staff

Air Vice-Marshal Suraya Marshall became a Non-Executive Director of the UK Civil Aviation Authority Board in June 2024.

Suraya is a decorated Royal Air Force (RAF) officer with extensive experience in operations, command, and staff roles.

She joined the RAF in 1994 as a Navigator, flying Tornado F3s and participating in numerous deployments including the second Gulf War. Suraya has held various command positions, including Commandant of the RAF College and Air Officer Commanding No. 2 Group. In 2019, she directed Coalition Air Operations across the Middle East. She also served in defence procurement, the Typhoon Force Headquarters, and the Ministry of Defence.

Suraya holds a Bachelors of Law, a Masters in Defence Studies and is a Trustee of the Royal Air Force Museum.

Trisha McAuley OBE

Trisha McAuley OBE was appointed as a Non-Executive Director of the UK Civil Aviation Authority Board in February 2025.

Trisha brings expertise in consumer interests, serving on the UK CAA Audit & Risk Committee, and has extensive experience as a Chair, Non-Executive Director, and independent consumer expert in regulated markets.

With over 20 years as a senior executive in UK and Scottish consumer organisations, she previously served as Scottish Director of Consumer Futures and was awarded an OBE for services to consumer affairs in 2015. A strategic public policy leader, Trisha has worked with governments, regulators, and businesses.

Currently, she is the Independent Chair of the National Grid Electricity Transmission Independent Stakeholder Group, Independent Chair of the CUSC and Grid Code Panels, Board Member for Scotland at Transport Focus, Independent Passenger Representative on the Dept for Transport's Rail Sector Transformation Board, Independent Chair of the Strategic Panel for the Business Retail Water Market in England, and an Ambassador for Women on Boards UK.

Governance Statement

Good corporate governance is vital to us at the CAA, and to those we regulate and protect, and our Board ensures we have the right corporate governance procedures in place and reviews them regularly.

We have applied the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code 2018, as appropriate for a public corporation, throughout the year ended 31 March 2025.

Board effectiveness

In line with Corporate Governance Code requirements the Board has undertaken its annual, internally facilitated, effectiveness review. The review concluded the Board functions well and plays its part in supporting the CAA to deliver its mission. The CAA will complete an externally facilitated review in the forthcoming financial year. The last external review was completed and reported on in March 2022, with a further external review undertaken via the Government's review of the CAA in 2023.

The Government's 2023 review of the CAA as part of its programme to assess all arm's-length bodies, was designed to evaluate our efficacy, governance, accountability, and efficiency in carrying out our regulatory responsibilities. The review's report, published in July 2023, noted the high regard in which we are viewed by other aviation regulators around the world and was clear in its assessment of the value of the independent status of the CAA in supporting the continuing success of UK aerospace. It also made a series of recommendations to promote the improvement of the CAA. Many have already been completed in previous reporting periods, with the remaining recommendations being delivered as part of multi-year change programmes.

In addition, our Audit & Risk Committee conducted its annual assessment of CAA governance against the UK Corporate Governance Code's requirements. The Committee also assessed its own work against its terms of reference and reported the results of both assessments to the Board.

The Board

The Board comprises the non-executive Chair, four executive members and six independent non-executive members of the CAA. Except for the ex-officio representative appointed by the Secretary of State for Defence, the Secretary of State for Transport appoints non-executive members on fixed-term contracts and also appoints and sets the objectives of the Chair. In June 2024, Marykay Fuller's term ended as the Senior Independent Director. In July 2024, the Chair appointed Katherine Corich as the new Senior Independent Director.

Our Board members must declare all their interests and memberships when appointed and throughout their terms of office. We actively and continuously manage any actual or perceived conflicts. Non-executive members of the Board are considered to be independent.

During the reporting period there were the following changes to the Board:

- Paul Smith ceased to be a Board member on 29 April 2024.
- Air Vice-Marshal Tim Jones CBE ceased to be a Board member on 14 June 2024.
- Air Vice-Marshal Suraya Marshall CBE was appointed to the Board on 14 June 2024.
- Marykay Fuller ceased to be a Board member on 30 June 2024.
- Selina Chadha was appointed to the Board on 27 August 2024.
- Giancarlo Buono was appointed to the Board on 8 January 2025.
- Jane Hanson CBE ceased to be a Board Member on 21 January 2025.
- Trisha McAuley OBE was appointed to the Board on 24 February 2025.
- Professor Jordan Giddings was appointed to the Board on 24 February 2025.

No changes to the Board occurred between the end of the reporting period and the signing of the 2024/25 Annual Report and Accounts.

Governance Statement

Board meetings and attendance

Two Committees assist the Board:

- **Audit & Risk Committee** – chaired on an interim basis by Anne Lambert CMG; and
- **People Committee** – chaired by Manny Lewis.

Members' attendance at Board and Committee meetings is shown below. When invited by the Committee's Chair, they can also attend meetings of committees of which they are not members.

Attendance for the 12 months to 31 March 2025	Board meetings	Audit & Risk Committee meetings	People Committee meetings
Number of meetings held	**9**	**4**	**5**
Sir Stephen Hillier	9	*2	*5
Rob Bishton	9	*3	*5
Giancarlo Buono	2	N/A	N/A
Selina Chadha	5	N/A	N/A
Katherine Corich	9	4	5
Marykay Fuller	3	0	N/A
Professor Jordan Giddings	1	N/A	N/A
Jane Hanson CBE	6	3	N/A
Anne Lambert CMG	9	4	4
Manny Lewis	8	N/A	5
AVM Suraya Marshall CBE	3	N/A	N/A
Tracey Martin	9	*4	N/A
Trisha McAuley OBE	1	0	N/A
Paul Smith	1	N/A	N/A
AVM Tim Jones CBE	1	N/A	N/A

* Meetings attended by invited non-members

The Board delegates responsibility for operations and management, and the development of strategy and policies to executive members. Executive members and management make regular reports and presentations so that the Board is aware of developments within each business sector. In addition, the CAA's Governance Statement provides details of matters reserved for decision by the Board. The Governance Statement was published on the CAA website on 25 May 2023.

The Board is given appropriate and timely information in advance of its meetings and care is taken to ensure that the form and quality of this information enables it to fulfil its responsibilities: maintaining strategic direction, approving major capital expenditure, considering significant financing matters and monitoring our overall performance and key business risks.

Our General Counsel and Company Secretary is responsible for ensuring the Board follows correct procedures. As part of this, they ensure that members are offered guidance on complying with relevant rules and regulations. All Board members have access to the advice of the General Counsel and Company Secretary.

It is the responsibility of the non-executive members to ensure Board reports are fully discussed and critically examined. Their different backgrounds and experience complement those of the executive Board members and they bring independent judgement to Board decisions. They also make up the membership of the Audit & Risk and People Committees.

Governance Statement

Accountability and Audit

Financial reporting

We present a balanced and comprehensible assessment of our position and prospects in the Statement by the Chair, Statement by the Chief Executive, the Review of Our Business and the Financial Review, which can be found on **pages 19, 21, 25 and 44**. In particular, the Financial Review details each business sector's performance and financial position.

For the Board members' responsibilities for the financial statements see **page 96**.

Risk management and internal control

The Board is responsible for our systems of risk management and internal control and monitors and reviews their effectiveness. The Board reviewed the effectiveness of our risk management and internal control systems throughout the year receiving pertinent updates, such as periodic updates on the CAA's top risks, and the mitigations for these, and updates from specialist compliance teams, such as health & safety. The aim is to give the Board regular oversight and assurance about the degree of risk control rather than ad-hoc reports when exceptional risks arise.

The Board completed its review of the effectiveness of our risk management and internal control systems in June 2025 when it reviewed and approved the CAA's Annual Report & Accounts. It confirmed that the necessary actions have been taken to remedy any significant failings or weaknesses and that no material weaknesses in the internal control system relating to financial reporting have been identified.

Internal control systems are designed to manage the risk of failure to achieve business objectives, but they cannot eliminate them. The systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

We have a robust assessment process for identifying, evaluating, and managing our emerging and principal financial, operational and compliance risks. It was in place for the year ended 31 March 2025 and up to the date of approval of the annual report and accounts. The Board reviews this as part of the annual risk reporting cycle. It complies with the internal control guidance for directors of the UK Corporate Governance Code 2018. See **pages 37 to 43** for a detailed description of the principal risks and uncertainties.

Executive members report to the Board on possible control issues brought to their attention by operational units' early warning mechanisms. In addition, our risk management arrangements are subject to regular scrutiny by our Audit & Risk Committee. This includes receiving regular reports from our internal auditors, which incorporate recommendations for improvement. The Audit & Risk Committee then monitors how the recommendations are implemented.

Our Head of Internal Audit's annual independent opinion provided moderate assurance that our governance, risk management and internal control processes were designed and operating effectively. Several in-year improvements were noted as were initiatives to further strengthen management's internal control framework.

Governance Statement

Viability statement and going concern

The aviation industry operates within a long-standing and well understood international legal framework. While the UK has now left the EU, the international framework's requirement for the UK to have an independent, competent and sustainable regulator remains unchanged. That is the structural context within which the Board has assessed the CAA's continued viability.

The Board has also considered the financial context in which the CAA operates. The organisation is largely funded by charges payable by those subject to its oversight including a significant level of income calculated by reference to passenger/cargo/available seat kilometre volumes. Accordingly, where industry's financial performance and operational activity is adversely affected by economic factors, there is also an effect on the organisation. The Board and Executive Committee consider these matters in setting the annual budget and in actively managing expenditure.

While we have been actively involved in supporting the Government in its work associated with the war in Ukraine, we have no reason to believe that the conflict will result in a significant financial impact to the CAA.

For the purposes of this Annual Report the Board has assessed the CAA's ability to continue to operate and meet its liabilities through to 31 March 2027. The Board chose this period for its review as there is a reasonable degree of certainty about our regulatory objectives.

It considered the information in the strategic plan, the approved budget for the financial year ending 31 March 2026 and plan for the following year. It also carried out a robust assessment of the principal risks that would threaten our business model, future performance and solvency.

The Board has regularly reviewed the CAA Group's three-year cash forecasts. These typically incorporate a sensitivity analysis on organisations cash position in the event of several crisis scenarios, primarily involving the potential loss of income as a result of the failure of large and medium-size UK airlines. The Group's three-year cash flows have also been subjected to similar tests in terms of the potential speed of aviation growth and the associated revenue assumptions on which they are based. Based on these tests, the Board is satisfied that the scenarios modelled could be managed within the organisations existing funding resources.

The Board members confirm that they have a reasonable expectation that the Group and Authority will be able to continue in operation and meet its liabilities as they fall due through to 31 March 2027.

The Board considered it appropriate to prepare the financial statements on the going concern basis. An explanation can be found in note 1.1 to the accounts on **page 112**.

Compliance with the Framework Document and Managing Public Money

In early 2025, a revised Framework Document was introduced, reinforcing our responsibilities under HM Treasury's Managing Public Money guidance. While implementation is ongoing, we are actively reviewing our governance and assurance arrangements to align with the updated requirements. We are committed to embedding the principles of regularity, propriety, and value for money into our operations and will continue to strengthen our compliance framework over the coming year.

Governance Statement

Compliance statement

We are directed by the Secretary of State for Transport to report on our compliance with the Financial Reporting Council's July 2018 UK Corporate Governance Code provisions throughout the accounting period. The code includes 18 principles of good governance and 41 supporting provisions. Our Board considers that it has complied, throughout the year ended 31 March 2025 and up to the date of approval of the annual report and accounts, with all relevant provisions of the code, except for provisions 18, 23, 24 and 33. We have provided a full explanation for this as below:

Provision 18: The Board Members' Contracts section of the People Committee report explains that Non-Executive Directors are appointed on fixed-term contracts. The exception to this is the ex-officio Non-Executive Director whose appointment is linked to their substantive post. Executive Directors are ordinarily appointed on open-ended permanent employment contracts. The exception to this at present is Giancarlo Buono who is employed on a fixed-term contract.

Provision 23: Our People Committee Report includes details of the Committee's work with regards to succession planning for appointments, and on measuring progress in delivering the CAA's Diversity & Inclusion Strategy. An internally-facilitated Board Effectiveness Review has been undertaken, and discussed by the CAA Board. However, due to the turnover of Non-Executive Directors over the financial year, discussions on Board composition have been postponed until new Members are in post.

Provision 24: Our Audit & Risk Committee comprises three Non-Executive Directors, each bringing extensive experience and expertise relevant to the aviation industry. However, following Jane Hanson CBE's decision to step down as Chair on 21 January 2025, the Committee no longer possesses a member with an accountancy or financial qualification. To address this, Anne Lambert CMG has assumed the role of Interim Chair, a position she currently holds in another Arm's Length Body, until a new Non Executive Director with dedicated financial expertise is appointed.

Provision 33: Our People Committee has delegated responsibility for the policy for, and setting of, executive director remuneration. Our People Committee has no responsibility for determining the policy for Chair remuneration as this is a matter for the Secretary of State.

Audit & Risk Committee Report

Anne Lambert CMG,
Interim Chair of the Audit & Risk Committee

Committee membership

- **Anne Lambert CMG:** Interim Chair
- **Katherine Corich:** Senior Independent Director
- **Trisha McAuley OBE:** Non-Executive Director

Jane Hanson CBE was Chair of the Audit & Risk Committee until her resignation on 21 January 2025. Anne Lambert CMG was appointed interim Chair at this time. Arrangements are underway to appoint additional Non-Executive Directors to the Committee.

Audit & Risk Committee main responsibilities:

- Oversee the integrity of the group's financial statements
- Oversee and challenge the effectiveness of the organisation's financial and other control systems, risk management framework, statutory and other external compliance requirements and financial reporting
- Oversee and challenge the plans, reporting and effectiveness of the internal and external auditors
- Oversee the organisation's financial and non-financial disclosures including any climate-related financial disclosures.

Areas of focus in the reporting period

1. Pensions estimate: a significant estimate in the financial statements is the valuation of net pension surplus for employees in the CAA Pension Fund. The net pension surplus at 31 March 2025 was £6.8 million (2024: £31.1 million), an overall decrease in the surplus of 78.1% in the past 12 months. Having taken into account the external auditor's view, the Committee considered the reasonableness of the assumptions underlying the pension calculations and agreed the assumptions are within an acceptable range.

2. Key accounting judgements and estimates: the Committee considered the key accounting judgements and estimates made by management where these may have a significant impact on the financial results of the organisation and the approaches taken in determining those estimates. See significant judgements and issues table on **page 87**.

3. Accounting principles and policies: the Committee scrutinised and approved the selection of significant accounting policies and practices that have, or could have, a material effect on the statement of accounts. We were satisfied there were no new or revised accounting standards that would have a significant impact on the financial statements.

The Committee considered whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and whether it gives the Secretary of State for Transport the necessary information to assess the organisation's performance, business model and strategy. We reported to the Board that we believed this to be the case and the Board were in agreement with this assessment.

Audit & Risk Committee Report

Anne Lambert CMG,
Interim Chair of the Audit & Risk Committee

Other Committee activities during 2024/25

Financial Reporting:

- Reviewed lessons learned from the 2023/24 annual report and accounts production process and the associated external audit.
- Reviewed and approved the 2024/25 annual report and accounts timetable.
- Reviewed and provided inputs to the 2023/24 and 2024/25 annual report and accounts outline, format and structure.
- Reviewed environmental reporting frameworks and their appropriateness to the organisation.
- Reviewed an update of the pension scheme arrangements.

External Audit:

- Reviewed the Auditor's audit completion report for 2023/24 and the draft letters of representation.
- Reviewed the auditor's effectiveness, independence and fees.
- Reviewed the auditor's interim audit plans and 2024/25 audit planning report.
- Received updates and finalised the re-tender of the organisation's external audit contract.

Risk Management:

- Reviewed the health of the organisation's risk management arrangements and received an update on the resourcing of the risk function.
- Carried out in depth reviews of key risk areas including: Safety and Airspace Regulation Group, Corporate Enabling Services, consumer public risks and information security.
- Reviewed updates on cyber and information security risks.
- Received updates on the adoption of the three lines of defence framework.

Internal Audit:

- Reviewed activity reports from the Head of Internal Audit.
- Reviewed the Head of Internal Audit's opinion on governance, risk management and internal control.
- Reviewed and approved the Internal Audit planning process and the themes arising, the assurance needed, and the forward plan of audits.
- Reviewed and approved the organisation's internal audit charter, mandate and strategy.

Governance:

- Reviewed an assessment of the organisation's compliance with the UK Corporate Governance Code 2018.
- Reviewed and approved the Audit & Risk Committee terms of reference.
- Reviewed and approved the internal confidential reporting policy.
- Reviewed an update of the organisation's anti-fraud and anti-bribery policies.
- Reviewed the annual update on general data protection risks.

Audit & Risk Committee Report

Anne Lambert CMG, Interim Chair of the Audit & Risk Committee

Committee skills and experience

In line with the UK Corporate Governance Code 2018, all members of the Audit & Risk Committee are independent. The Board has confidence that, given our considerable financial, aviation, regulatory and business experience (as outlined in the Committee members' profiles on **pages 76 to 79**) we had sufficient recent and relevant financial and other experience to fulfil the Committee's functions up until Jane Hanson CBE resigned as Chair on 21 January 2025.

Following this resignation the Committee no longer possesses a member with a professional accounting qualification. To address this, Anne Lambert CMG has assumed the role of Interim Chair, a position she currently holds in another Arms Length Body, until a new Non Executive Director with dedicated accounting and audit expertise is appointed.

Significant judgements and issues

Matter Considered	Description	Action
Valuation of pension scheme assets and obligations	The defined benefit pension scheme funding position as determined under International Accounting Standard 19 'Employee Benefits' requires a number of actuarial assumptions to be made, including judgements in relation to long-term inflation, salary growth and longevity. The final calculations in respect of the scheme are carried out by a qualified actuary that is independent of the scheme. Note 17 to the accounts sets out the main actuarial assumptions used, including sensitivity analysis.	The Committee were satisfied that assumptions were consistent with previous years and the professional advice received from the organisation's consultant actuaries.
Intangible assets and impairments	Historically, the organisation has capitalised development and project costs, particularly in relation to transformation programmes. A review has been undertaken to consider whether there are any impairments of projects from previous years' capitalisations or new project costs capitalised in this financial year. Given the level of associated management judgement, the options arising from such reviews are subject to senior review and scrutiny.	The Committee was satisfied with the management's approach for intangible assets impairment reviews in the financial year.
Revenue recognition	The organisation has a number of different types of revenue and a complex scheme of charges that underpins the regulatory charges that are issued to charge payers. A review has been undertaken to ensure our revenue recognition policies adhere to IFRS 15 for its various types of revenue where relevant.	The Committee were satisfied with management's approach to review its revenue recognition policies and adherence to International Financial Reporting Standard (IFRS) 15 where relevant.
Expected Credit Losses	The level of bad debt provision is subjective in nature. A number of factors, including the age of the debt, specific customer knowledge, past history of the organisation, and the aviation environment generally, inform our approach to bad debt provisioning. We also make an Expected Credit Loss (ECL) provision based on the ageing category for debt not otherwise specifically provided for.	The Committee considered the basis used for the group's Expected Credit Loss provisions and was satisfied that this was appropriate in the current operating environment.

Audit & Risk Committee Report

Anne Lambert CMG, Interim Chair of the Audit & Risk Committee

Risk management

Risk management is a standing agenda item at each Audit & Risk Committee meeting. The Committee receives regular updates on the health of the organisation's risk management arrangements including risk identification, management and escalation by our first line of defence functions. The Committee also regularly reviews the resourcing and capability of the second line corporate risk function. Any areas for improvement identified by the Committee are followed up and addressed.

At each meeting, the Audit & Risk Committee reviews the outcomes of the executive committee's rolling review of all organisational risks (by functional area). These updates enable the Committee to determine whether or not risks are being appropriately scrutinised. Where necessary, the Committee will seek additional assurance in relation to any risks of particular concern, including the actions being taken to manage them.

The Committee also reviews the work undertaken by organisational functions covering specific risk areas and/or disciplines. During the year under review, this included reviewing the mechanisms in place to manage cyber and information security risks and the work undertaken to comply with the General Data Protection Regulation. The Committee also uses the insights of the organisation's third line of defence (internal audit) to inform its view of the organisation's risk management arrangements.

The Chair, and subsequent interim Chair, of the Audit & Risk Committee continues to help the organisation further evolve its approach to risk management, including risk appetite and the three lines of defence model.

The Board receives regular updates from the Chair, and subsequent interim Chair, of the Audit & Risk Committee. These updates provide an overview of the work of the Committee including its ongoing review of the organisation's risk management framework.

Internal audit

During the year, internal audit (IA) provided the Committee with independent and objective reports on the adequacy and effectiveness of the organisation's governance, risk management and internal controls. Our Head of Internal Audit suggests a forward plan of risk-based assurance audits that should be carried out. The forward plan is then reviewed and, if thought fit, is approved by the Committee on a rolling basis during the year.

All audits are carried out independently by our IA function, in accordance with the Institute of Internal Auditors (IIA), International Professional Practices Framework (IPPF), which includes the Global Internal Audit Standards (GIAS), and in the UK Public Sector, is accompanied by an Application Note, that contextualises the GIAS and sets minimum expectations in some key areas.

The assurance ratings from these audits inform our Head of Internal Audit's report to the Committee on governance, risk management and internal control arrangements.

The IA function has three permanent staff members, internal secondments, and 'co-sourced' resources obtained from a third-party supplier on an assignment basis. Our Head of Internal Audit, Andrew Broadhead, is a Chartered Member of the IIA, a Certified Information Systems Auditor (CISA) and holds a Master of Business Administration (MBA).

IA regularly asserts the effectiveness and independence of its work, including by:

- Taking stakeholder feedback on the quality of internal audit activity
- Holding twice yearly private discussions between the Head of Internal Audit and the Committee members
- Performing a yearly self-assessment against the IIA GIAS, the UK Public Sector Application Note and the Government Functional Standards.

It is good practice to perform an External Quality Assessment (EQA) of the IA function every five years. The last one was carried out by the IIA in late 2022. The EQA report and action plan was reviewed by the Audit & Risk Committee and monitored until full completion achieved.

Audit & Risk Committee Report

Anne Lambert CMG,
Interim Chair of the Audit & Risk Committee

Key areas Internal Audit covered during 2024/25

The audits undertaken comprised a dynamic risk-based programme of work across a range of key internal areas, agreed with management and approved by the Audit & Risk Committee. Audits performed during the period included assessments of the adequacy of the:

- Approach to managing public money compliance;
- Transition to assurance led oversight in the aviation security capability area;
- Improvement of the Part 66 engineering licence processes;
- Approach to economic regulation;
- General Aviation Unit strategy development;
- Approach to Procurement Act compliance;
- Delegated regulatory authority approach;
- CAA-wide approach to managing change;
- Approach to rulemaking;
- Management of the funding structure reform project;
- The implementation of the horizon scanning strategy;
- Intended governance arrangements for innovation enablement;
- Development of the second line in Safety and Airspace;
- Remediation and prevention of data breaches in medical assessment processes.

The Audit & Risk Committee received quarterly reports on the progress of audits, changes to the forward plan of work in response to the evolving risk landscape, and, where appropriate, management's response to findings as well as progress made in addressing the issues identified.

Audit & Risk Committee Report

Anne Lambert CMG, Interim Chair of the Audit & Risk Committee

External Audit

In 2017 the external auditors were appointed on a three-year basis, with the option to extend for a further period. In 2021, the Committee held a full tender process, following which BDO LLP (BDO) were reappointed with effect from 1 September 2021. BDO's initial contract commenced in 2017 and the subsequent contract expired on 31 August 2024. In 2024, the Committee held a full tender process, following which BDO were reappointed with effect from 1 September 2024. The current appointment of BDO is on a five-year basis, with the option to extend for a further two periods of a year each. The tender process complied with the applicable parts of the Financial Reporting Council's (FRC) guidance 'Audit Tenders: Notes on best practice'. Charles Morelli is the responsible BDO partner for the audit taking over from Michael Simms who has rotated off the account.

The Audit & Risk Committee is proactive in ensuring an effective relationship with the external auditor. Steps taken to promote this include:

- Senior members of the external audit team are invited to attend all Committee meetings held during the year.
- At least one meeting with the external auditor is held each year at which there are no organisation management attendees present

Each year, the Committee assesses the effectiveness of our external audit by reviewing partner rotation, audit and non-audit fee levels and trends, audit plans, reports, other communications and independence. The FRC published its latest audit quality inspection and supervision report of BDO in July 2024. We discussed the report's findings, as well as BDO's plans to address areas for improvement, with the senior external audit team.

A formal process is in place for the approval of non-audit-related services, which may be proposed to be carried out by the external auditor. The Committee ensures, in order to protect the independence of the external auditor, that such services should not be provided unless there is a strong, clear and understandable business reason.

In addition, the external auditor cannot provide a service that results in it auditing its own firm's work. Nor can it make management decisions for us, create a common interest or advocate for the organisation.

It would not be in our interests to engage our external auditor to carry out services where there is a conflict of interest with one of its other clients and we do not do so.

Non-audit services, permitted by the FRC's Ethical Standard (2019), may be provided by the external auditors but only after pre-approval by the Audit & Risk Committee. Non-audit work performed by the auditor is awarded under our normal procurement procedures and is monitored by our Head of Procurement. The Audit & Risk Committee monitors the application of these procedures and the independence of the external auditor. £0.019m of non-audit fees were paid to the external auditor during the year (2024: £0.016m); nil related to the provision of grant assurance reports (2024: £0.001m) and £0.019m was for streamlined energy and carbon reporting assurance work (2024: £0.015m).

Anne Lambert CMG, Interim Chair
Audit & Risk Committee
18 June 2025

People Committee Report

Manny Lewis, Chair of the People Committee

2024/25 saw the third full year of operation of the People Committee following its establishment in November 2021.

Committee membership

- **Manny Lewis:** Chair
- **Katherine Corich:** Senior Independent Non-Executive Director
- **Anne Lambert CMG:** Independent Non-Executive Director

Our Chair and Chief Executive are invited to attend meetings when matters applying to them are not under discussion. When matters involving the appointment of Non-Executive members are under discussion, that discussion in the meeting is chaired by our Chair. The People Committee met five times during 2024/25.

People Committee main responsibilities:

- In consultation with the Senior Independent Director, agree objectives for the Chair of the Board.
- Agree objectives for the Chief Executive, other Executive Board Members and Non-Executive Directors. On recommendation from the Chief Executive, agree the objectives applying to all members of the Executive Committee.
- Assess performance and agree reward for the Chief Executive, other Executive Board Members and members of the Executive Committee.
- Consider and make recommendations in respect of the appointment of Members of the organisation.

Board appointments

'Members' of the organisation are (up to) 16 individual members of the body corporate which is legally accountable for the discharge of the various functions of the organisation. Board members are appointed as set out in the Civil Aviation Act 1982, and as amended by the Civil Aviation Act 2012. In summary, the provisions are:

- The Secretary of State for Transport appoints the organisation's Chair;
- The Secretary of State appoints the non-executive members on the basis of recommendations made following an Office of the Commissioner for Public Appointments aligned process conducted by the organisation and Department for Transport.
- The non-executive members appoint the Chief Executive, subject to approval by the Secretary of State;
- The Board is invited to approve the appointment of the Company Secretary; and
- The Chief Executive appoints other executive Board members, subject to the approval of the Chair and at least one other non-executive member.

The People Committee, which is chaired by Manny Lewis, with the support of the Executive Committee Talent Board, oversees the succession planning for key roles, including the Chief Executive, other Executive Board Members and members of the Executive Committee on an annual basis. The role of the Board is to provide specific focus on the management of talent across the organisation. It oversees and approves talent approaches as well as reviewing talent pipelines in line with our diversity and inclusion commitments.

There were some changes to our Non-Executive Directors this year, Marykay Fuller's term came to an end in June 2024. Jane Hanson resigned, and her term came to an end in January 2025. Anne Lambert's term has been extended to December 2025 to ensure Board continuity and Katherine Corich was appointed Senior Independent Director in July 2024 ensuring a seamless transition after Marykay Fuller's departure.

The People Committee has overseen the appointment of the Director of People and Culture, who joined the Executive Committee in April 2024, the Group Director for Consumers and Markets who joined the Board in August 2024, and the Group Director of Safety and Airspace Regulation who joined the Board in January 2025.

People Committee Report

Manny Lewis, Chair of the People Committee

Board appointments (continued)

We conduct regular colleague experience surveys to assess and enhance the engagement and experiences of its workforce. This year we have focused on two shorter surveys specifically focused on understanding colleague perspectives regarding Respect and Speaking Up, and their experiences of organisational change. The findings from these surveys are reviewed by the People Committee, which holds responsibility for overseeing and monitoring the implementation of organisational action plans aimed at addressing the identified themes.

The organisation had not previously undergone an independent assessment of its wellbeing offering and associated activities. In 2024, the organisation sought evaluation and accreditation through MIND, a leading authority in mental health. The assessment process comprised two key components: the submission of a comprehensive employer portfolio and the completion of an organisation-wide colleague survey. We are delighted to say that we achieved a silver award in recognition of our commitment to workplace wellbeing. This assessment reinforced the work of our wellbeing board which reports into the Committee ensuring that our people are well led and supported.

The Committee has formally approved a new people strategy for the period April 2025 to March 2028, structured around three core themes: Capacity, Capability and Culture. The development of this strategy was guided by input from the Board and Executive Committee, complemented by extensive colleague consultation and feedback, ensuring a comprehensive and inclusive approach.

The Committee is also overseeing an important programme of work on the future capabilities required in the aviation and aerospace industry with a view to ensuring the organisation proactively maintains the right skill sets and expertise going forward. Technology advancement and new industry challenges are rapidly transforming the sector and directly impacting customer behaviours and expectations. Our future capabilities programme will lead to a longer-term strategic workforce development plan that will enable us to remain up to date and retain our industry wide leadership roles. We are in our fourth year of our 'All are Included' diversity and inclusion (D&I) strategy. Our D&I Board is Chaired by a member of the Executive Committee and comprises colleagues from across the organisation. The D&I Board contributes to the development of proposed deliverables each year and they have been included in the development of our D&I strategy for 2025 - 2028.

The People Committee takes an active role in monitoring our D&I and our gender and ethnicity pay gap data. The People Committee regularly reviews our D&I workforce data. This includes commitments to reducing our gender and ethnicity pay gaps annually and diversifying our workforce through our gender and ethnicity targets. It monitors the progress of delivering our existing D&I Strategy and plans along with reviewing new proposals.

Board members' contracts

All current Non-Executive Directors were appointed on fixed-term contracts ranging from three to four years, with certain extensions applied, as indicated in the table below. Executive members, with the exception of Giancarlo Buono, are employed under open-ended contracts. Giancarlo Buono has been appointed on a four-year fixed-term contract, set to expire in January 2029. All executive members hold permanent employment contracts and are subject to a six-month termination notice period. The People Committee regularly monitors the composition of the Board to ensure it possesses the necessary skills and expertise to effectively lead the organisation, while also fulfilling its governance responsibilities. However, a more formal assessment of the Board's composition will take place once the full complement of Non-Executive Directors is in post.

CAA members' terms

CAA member	Date of first appointment	Date of expiry
Sir Stephen Hillier	June 2020	July 2028
Rob Bishton	November 2019	N/A
Katherine Corich	July 2019	June 2026
AVM Tim Jones	January 2024	June 2024
AVM Suraya Marshall	June 2024	Ex-officio appointment
Marykay Fuller	January 2019	June 2024
Jane Hanson CBE	September 2021	January 2025
Anne Lambert CMG	February 2019	December 2025
Manny Lewis	October 2021	September 2027
Professor Jordan Giddings	February 2025	February 2028
Trisha McAuley OBE	February 2025	February 2028
Giancarlo Buono	January 2025	January 2029
Tracey Martin	September 2023	N/A
Selina Chadha	August 2024	N/A

People Committee Report

Manny Lewis, Chair of the People Committee

Board members' contracts (continued)

We follow the provisions of the UK Corporate Governance Code 2018 (see our Corporate Governance report on **pages 80 to 84**) and comply with the Directors' Remuneration Regulations 2002, as applicable to public corporations. We also apply the principles of good governance to executive Board members' remuneration.

During 2024/25, we focused on further embedding the reward model for the wider organisation introduced in April 2023. We continue to conduct post implementation reviews in order to understand if any amendments need to be made. The People Committee's role is to ensure remuneration policy is operated as intended and that the workforce is engaged with and understand how executive remuneration aligns with wider company pay policy. This year, Executives' pay increased at the same rate as that applied in the general colleague pay settlement – 3% - with effect from 1 April 2024.

Remuneration policy

Our remuneration policy is to reward executive members appropriately, so we can recruit and retain members who are qualified and motivated to deliver our objectives effectively. Executive members' remuneration is reviewed every year. We conduct an annual pay bargaining process with trade unions and ensure all colleagues are consulted on proposals, balancing affordability with consideration of market competitiveness and the importance of retaining the right expertise across the organisation.

Salaries and fees

When deciding on salaries, fees and the total package of benefits, we look at relevant market rates to ensure internal consistency and relativity is maintained. The ratio of the salary of our lowest paid permanent employee and that of the CEO is 18:1. The ratio of the average colleague salary and that of the Chief Executive is 7:1. We bear these figures in mind when making decisions on executive remuneration.

Performance-related pay

We have a long-established policy of considering performance-related payments for Executive Board members, based on clear individual and team objectives. These are agreed by the Committee at the beginning of each financial year and evaluated at both the mid-year and end of the performance year. Under their employment contracts, the performance-related payment is normally up to 25% of basic annual salary for the Chief Executive and up to 20% of basic annual salary for other Executive Board members. Performance-related payments are not pensionable. The amounts paid are reflected in the emoluments table for 2024/25.

When performance-related payments are made, we reserve the right to recover them where, following payment, it is discovered that there is material evidence of a criminal act, misconduct, dishonesty or other deliberate wrongdoing which, had we been aware of such evidence at the time, would have influenced our decision to make the payment. Performance-related payments, when they are made, are agreed on that basis.

People Committee Report

Manny Lewis,
Chair of the People Committee

Board members' emoluments

Emoluments (excluding pension arrangements) of the Chair and Board members for the financial year ended 31 March 2025 were as follows:

Board member	Salary and fees £'000	Benefits £'000	2024/25 Performance-related payments £'000	2024/25 Total £'000	2023/24 Total £'000
Sir Stephen Hillier	130.0	0.0	0.0	**130.0**	130.0
Rob Bishton	314.5	1.5	54.9	**370.9**	325.8
Tracey Martin	196.1	1.5	33.8	**231.4**	120.3
Selina Chadha	112.9	0.9	15.6	**129.4**	0.0
Giancarlo Buono	47.0	0.4	0.0	**47.4**	0.0
Paul Smith	16.4	0.0	0.0	**16.4**	253.2
Katherine Corich [1]	30.2	0.0	0.0	**30.2**	26.0
Marykay Fuller [1]	7.0	0.0	0.0	**7.0**	28.0
Professor Jordan Giddings [1]	2.5	0.0	0.0	**2.5**	0.0
Trisha McAuley OBE [1]	2.5	0.0	0.0	**2.5**	0.0
Jane Hanson CBE [1,3]	25.4	0.0	0.0	**25.4**	28.0
Anne Lambert CMG [1,3]	25.6	0.0	0.0	**25.6**	26.0
Manny Lewis [1,4]	29.6	0.0	0.0	**29.6**	28.0
AVM Tim Jones [5]	0.0	0.0	0.0	**0.0**	0.0
AVM Suraya Marshall [5]	0.0	0.0	0.0	**0.0**	0.0
Board members' emoluments as per the annual accounts	**939.7**	**4.3**	**104.3**	**1,048.3**	**1,395.0**

1 Non-executive members are paid a non-pensionable fixed rate of £25,000 p.a. This is uprated by £3,000 for chairing Committees. In addition, a per-diem rate of £430 is paid for serving on licensing panels. The rates of pay for non-executive members are set by the DfT.

2 Marykay Fuller's salary includes remuneration for her role as Chair of the Air Travel Trust.

3 Formally Jane Hanson and currently Anne Lambert's salary includes remuneration for their role as Chair of the Audit & Risk Committee.

4 Manny Lewis's salary includes remuneration for his role as Chair of the People Committee.

5 Formerly AVM Tim Jones & currently AVM Suraya Marshall is MoD nominee holding an ex-officio with no renumeration.

In the event of termination of a member's contract by the organisation, the Executive Board members would receive compensation on broadly similar terms to those applicable to an employee. Non-executive Board members would not be eligible to receive termination compensation.

People Committee Report

Manny Lewis, Chair of the People Committee

Pension arrangements

The CAA Pension Scheme (CAAPS), a defined benefit scheme governed by an independent trust, has been closed to new members since December 2012. None of the executive members of the organisation were either contributing members of CAAPS or CAAPS pensioners.

A description of the scheme is given on **page 140** in note 17 to the consolidated financial statements.

Since the closure of CAAPS to new entrants we have provided a Defined Contribution (DC) pension scheme, Rob Bishton, Tracey Martin, Selina Chadha, Giancarlo Buono and Paul Smith were members of our DC scheme during the year. Like other employees who are members of the DC scheme, Executive Board members can elect to pay 3%, 5%, or 6% of their pensionable pay into this scheme and receive a contribution from the organisation of 6%, 10% or 12% respectively.

Four years ago, we introduced a scheme offering cash alternatives to pension contributions to those impacted by the pensions' statutory lifetime allowance and/or annual allowance. No Board members have elected to take part in this scheme throughout this year.

Board members' pension arrangements – DC scheme

Board member	CAA contribution during the year £'000	Board member's contribution during the year* £'000
Rob Bishton	57.5	0.0
Tracey Martin	38.0	0.0
Selina Chadha	19.5	0.0
Giancarlo Buono	4.7	0.0
Paul Smith	3.0	0.0

* Our DC scheme operates a salary sacrifice arrangement for employee contributions. Executive Board members were members of this arrangement and so have not directly paid contributions to the scheme since the beginning of the salary sacrifice arrangement, or since joining the organisation, if later. The amount of salary sacrificed is equivalent to the employee pension contribution paid and was equal to £19.2k in relation to Rob Bishton, £6.5k in relation to Selina Chadha , £12.7k in relation to Tracey Martin, £1.6k in relation to Giancarlo Buono and £1.0k in relation to Paul Smith.

Manny Lewis, Chair
People Committee
18 June 2025

Statement of Board Members' Responsibilities

Jonathan Spence

The Board members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

The Accounts Direction issued by the Secretary of State for Transport requires the Board members to prepare financial statements for each financial year. Under the Accounts Direction the Board members have prepared the Group and organisation financial statements in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006. Under the Accounts Direction the Board members 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 of the organisation and of the profit or loss of the Group and of the organisation for that period. In preparing the financial statements, the Board members are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IASs have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the organisation will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the organisation's transactions and disclose with reasonable accuracy at any time the financial position of the Group and of the organisation and enable them to ensure that the financial statements comply with Civil Aviation Act 1982 and the Accounts Direction made thereunder by the Secretary of State for Transport.

The Board members are also responsible for safeguarding the assets of the Group and the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board members are responsible for the maintenance and integrity of our website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each Board member in office at the date the annual report is approved:

- So far as the Board member is aware, there is no relevant audit information of which the Group's and the organisation's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant audit information and to establish that the Group's and the organisation's auditors are aware of that information.

By order of the Board

Jonathan Spence, General Counsel & Secretary

18 June 2025

Independent Auditors' Report to the Secretary of State for Transport

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Authority's affairs as at 31 March 2025 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 Authority financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Civil Aviation Act 1982 (the "Act") and the Report and Accounts Directions made thereunder by the Secretary of State for Transport.

We have audited the financial statements of the Civil Aviation Authority (the 'Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2025 which comprise the Income statement, the Statement of Comprehensive Income, the Group's and Authority's Statements of Financial Position, the Group's and Authority's Statements of Changes in Equity, the Group and Authority's Statements of Cash Flows and notes 1 to 22 to the financial statements, including a summary of material accounting policy information.

The financial reporting framework that has been applied in the preparation of the Group's and Authority's financial statements is UK adopted international accounting standards in accordance with the requirements of the Companies Act 2006, the Civil Aviation Act 1982 and the Reports and Accounts Directions made thereunder by the Secretary of State for Transport.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board members use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board members assessment of the Group and the Authority's ability to continue to adopt the going concern basis of accounting included:

- We obtained the Board members going concern assessment, budgets and forecasts, for a period covering 12 months after the date of approval of the financial statements and assessed the suitability of the inputs and mathematical accuracy of the budgets and forecasts, through discussion with the Board members and obtaining relevant support for key inputs and assumptions.
- We compared the previous forecasts to actual performance to assess the Board members forecasting abilities.
- We assessed the adequacy of the going concern disclosure to check that it gives a complete and accurate description of the Board members assessment of going concern and is consistent with our understanding obtained from audit procedures performed.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Authority's voluntary reporting on how it has applied the UK Corporate Governance Code 2018, we have nothing material to add or draw attention to in relation to the Governance statement in the financial statements about whether the Board members considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Board members with respect to going concern are described in the relevant sections of this report.

Independent Auditors' Report to the Secretary of State for Transport

Overview

		2025	2024
Key audit matters	Valuation of defined benefit pension scheme assets and obligations	✓	✓
Materiality	**Group financial statements as a whole** **Group** - £2.5m based on 1.25% of revenue (2024: £2.3m based on 1.25% of revenue). **Authority** - £2.4m based on 1.25% of revenue (2024: £2.2m based on 1.25% of revenue).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group's system of internal control. On the basis of this, we identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process.

We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the Group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

Components in scope

The Group is structured with a parent Authority i.e. the Civil Aviation Authority (the 'CAA' or the 'Authority'), and two subsidiary companies, Air Safety Support International Limited ('ASSI') and CAA International Limited ('CAAi').

Based on the nature of the entities in the Group, and the processes and controls of the entities, we have deemed there to be three components within the Group.

For the three components, we used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. We performed procedures to respond to Group risks of material misstatement at the component level that consisted of audit procedures included procedures on the entire financial information of the three components and statutory audits.

Procedures performed at the component level

We performed procedures to respond to Group risks of material misstatement at the component level that included the following:

Component	Component Name	Entity	Group Audit Scope
1	CAA	Civil Aviation Authority	Statutory audit and procedures on the entire financial information of the component.
2	CAAi	CAA International Limited	Statutory audit and procedures on the entire financial information of the component.
3	ASSi	Air Safety Support International Limited	Procedures on one or more classes of transactions, account balances or disclosures and statutory audit.

Independent Auditors' Report to the Secretary of State for Transport

The Group engagement team has performed all procedures directly and has not involved component auditors in the Group audit.

Procedures performed centrally

We considered there to be a high degree of centralisation of financial reporting as well as similarity of the Group's activities in the period in relation to;

- Defined Benefit Pension scheme assets and obligations
- Tax balances
- Consolidation, financial statement preparation and cash flow statements
- Going concern; and
- Laws and regulations

We therefore designed and performed procedures centrally in these areas.

The Group operates a centralised IT function that supports IT processes for certain components. This IT function is subject to specified risk-focused audit procedures, predominantly the testing of the design and implementation of relevant IT general controls.

Changes from the prior year

Due to the implementation of ISA (UK) 600 Revised, we have re-evaluated the scope of the audit to focus on the Group risks and the sources of those risks to assess any change in the scope of work in respect of the audit of the Group's components. There have been no significant changes to the Group audit scope from the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Secretary of State for Transport

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of retirement benefit obligations and fair value of plan assets (Notes 1.13, 1.18 and 17) Given the materiality and the level of judgement involved in the valuation of the retirement benefit obligations and certain defined benefit plan assets, the valuation of the retirement benefit obligations and the insured annuity policies within plan assets is considered to be a significant risk. The assumptions used in the valuation of the retirement benefit obligations represent significant management estimates. Due to the significant judgements, assumptions and estimates involved in the valuation of the retirement benefit obligation and fair value of plan assets, we have assessed this to be a Key Audit Matter.	We reviewed the accounting policies and disclosures related to the valuation of plan assets and retirement benefit obligations and checked that these are in line with the accounting framework. We reviewed the scheme audited accounts for the year ended 31 December 2024 to check that there were no operational issues reported related to the pension scheme itself. We evaluated the competence of management's actuarial expert used to value the retirement benefit obligations and the insured annuity policies, considering qualifications, competence and experience. With the assistance of our external pension actuarial expert, we reviewed the assumptions used in calculating the value of the retirement benefit obligations. We considered whether the discount and inflation rates used in the valuation of the retirement benefit obligations were consistent with our pension actuarial expert's internally developed benchmarks. We assessed the terms of the insurance policies to ensure they sufficiently cover the scheme's liabilities. **Key observations:** Based on the procedures performed, we consider the assumptions used in the valuation of retirement benefit obligations and plan assets, including the insured annuity policies to be reasonable.

Independent Auditors' Report to the Secretary of State for Transport

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Authority financial statements	
	2025 £m	2024 £m	2025 £m	2024 £m
Materiality	2.6	2.3	2.4	2.2
Basis for determining materiality	1.25% of revenue	1.25% of revenue	1.25% of revenue	1.25% of revenue
Rationale for the benchmark applied	Revenue is a key measure used both internally by management and externally by entities regulated by the Authority in evaluating the performance of the Group and Authority.			
Performance materiality	2.1	1.8	1.9	1.8
Basis for determining performance materiality	80%	80%	80%	80%
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including expected level of likely misstatements based on past experience and managements attitude towards proposed adjustments.			

Component performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, apart from the Parent Authority whose materiality and performance materiality are set out above, based on a percentage of between 2% and 5% (2024: 2% and 5%) of Group performance materiality dependent on a number of factors including the control environment, expectations about the nature, frequency, and magnitude of misstatements in the component financial information, extent of disaggregation of the financial information across components, relative size of components, significant changes affecting the component since prior year and our assessment of the risk of material misstatement of those components. Component performance materiality ranged from £34k to £86k (2024: £31k to £98k.)

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £90,000 (2024: £69,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditors' Report to the Secretary of State for Transport

Other information

The Board members are responsible for the other information. The other information comprises the information included in the document entitled 'Annual Report and Financial Statements' other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

As the Group has voluntarily adopted the UK Corporate Governance Code 2018 we are required to review the Board members statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Authority compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	> The Board members' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on **page 83**); and > The Board members' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate (set out on **page 83**).
Other Code provisions	> Board members' statement on fair, balanced and understandable set out on **page 85**; > Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on **page 83**); > The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems (set out on **page 82**); and > The section describing the work of the Audit Committee (set out on **pages 85 to 87**).

Independent Auditors' Report to the Secretary of State for Transport

Other reporting

Based on the responsibilities described below and our work performed during the course of the audit, we have agreed to report on certain opinions and matters as described below.

Strategic report and Board members' report	In our opinion, based on the work undertaken in the course of the audit: > the information given in the Strategic report and the Board members' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and > the Strategic report and the Board members' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Board members' report.

Responsibilities of Board members

As explained more fully in the Statement of Board Members responsibilities, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are responsible for assessing the Group's and the Authority'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 the Directors either intend to liquidate the Group or the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed on **page 104**.

Non-compliance with laws and regulations

Based on our understanding of the Group and industry in which it operates, discussion with management, those charged with governance and the Audit Committee, and obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations we considered the significant laws and regulations to be applicable accounting framework, the Civil Aviation Act 1982, the UK Corporate Governance Code and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation, anti-bribery, employment law and certain aspects of relevant applicable legislation in countries where the Group carry out activities within the overseas territories.

Independent Auditors' Report to the Secretary of State for Transport

Non-compliance with laws and regulations (continued)

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, those charged with governance and the Audit Committee, regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management bias in accounting estimates (management override of controls).

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias, including those set out in the key audit matters section of our report.

Independent Auditors' Report to the Secretary of State for Transport

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

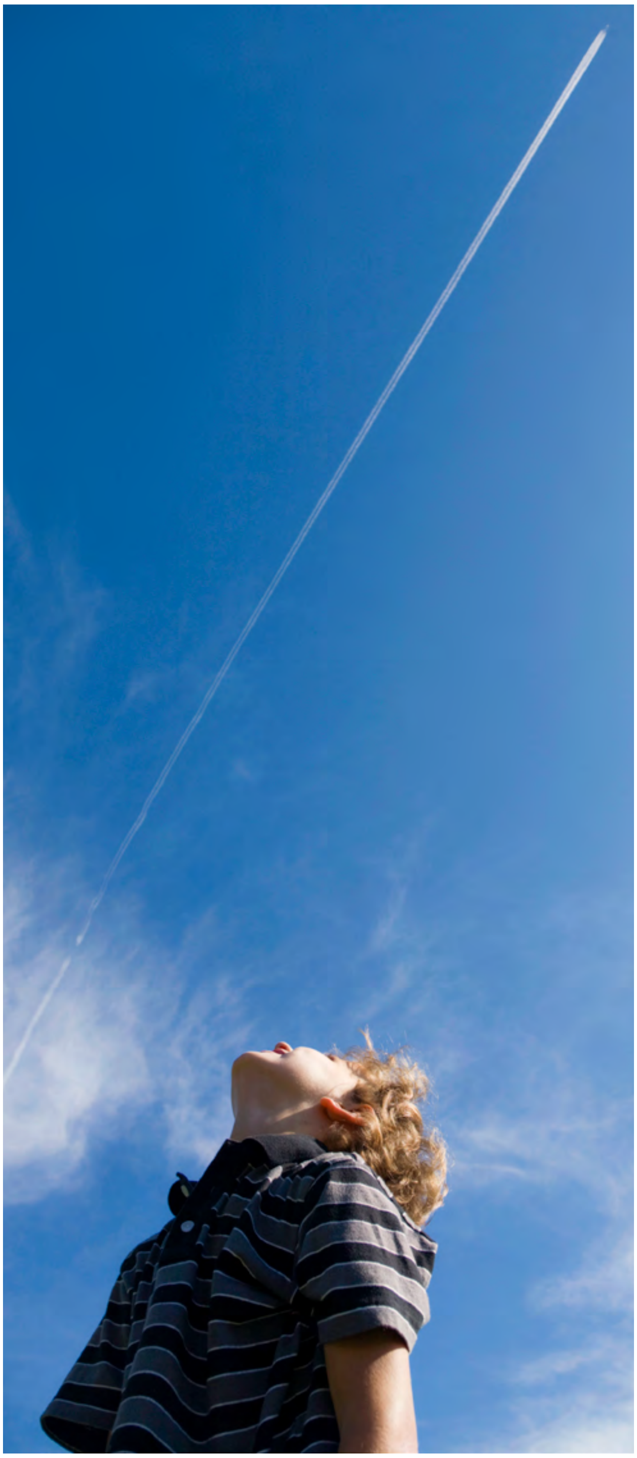
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Secretary of State for Transport, in accordance with Section 15 of the Civil Aviation Act 1982. Our audit work has been undertaken so that we might state to the Secretary of State for Transport 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 Authority and the Secretary of State for Transport, for our audit work, for this report, or for the opinions we have formed.

Charles Morelli, Senior Statutory Auditor
For and on behalf of **BDO LLP**,
Statutory Auditor,
London, UK
18 June 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Financial

Income Statement

For the years ended 31 March	Note	Group 2025 £'000	Group 2024 £'000
Revenue	2	**205,102**	**185,789**
Operating costs			
Employment costs	3	(132,392)	(119,825)
Services and materials		(18,638)	(17,503)
Repairs and maintenance		(3,543)	(3,350)
Research	6	(14)	(60)
Depreciation, amortisation, impairment and disposals	6	(3,176)	(3,301)
Foreign exchange losses	6	(10)	(9)
Other expenses		(37,942)	(35,612)
Net operating costs		**(195,715)**	**(179,660)**
Operating profit	See below	**9,387**	**6,129**
Finance income	7	3,688	5,255
Finance costs	7	(78)	(153)
Finance income - net		**3,610**	**5,102**
Profit before income tax		**12,997**	**11,231**
Income tax charge	8	**(3,402)**	**(2,981)**
Profit for the financial year		**9,595**	**8,250**

The Authority has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Authority Income Statement. The profit for the Authority for the year was £9,154k (2024: £7,556k). The profit before IAS 19 adjustments for the Authority for the year was £6,247k (2024: £1,883k).

The supporting notes on **pages 112 to 152** are an integral part of these financial statements.

Analysis of operating profit	2025 £'000	2024 £'000
Operating Profit before IAS 19 adjustments	7,289	4,083
IAS 19 pension scheme adjustments	2,098	2,046
Operating profit	**9,387**	**6,129**

Statements of Comprehensive Income

For the year ended 31 March	Note	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Profit for the financial year		**9,595**	**8,250**	**9,154**	**7,556**
Other comprehensive loss					
Unrealised foreign exchange differences		5	(25)	4	(25)
Movement on deferred tax relating to unrealised foreign exchange differences	16	(1)	6	(1)	6
Actuarial loss on post employment benefit obligations	17	(26,901)	(43,755)	(26,901)	(43,755)
Movement on deferred tax relating to post employment benefit obligations	16	6,725	10,939	6,725	10,939
Total other comprehensive loss		**(20,172)**	**(32,835)**	**(20,173)**	**(32,835)**
Total comprehensive loss for the year		**(10,577)**	**(24,585)**	**(11,019)**	**(25,279)**

The supporting notes on **pages 112 to 152** are an integral part of these financial statements.

Statements of Financial Position

As at 31 March	Note	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Non-current assets					
Property, plant and equipment	9	5,391	6,347	4,884	6,138
Intangible assets	10	6,504	5,258	6,504	5,159
Deferred tax assets	16	104	312	94	300
Retirement benefit assets	17	6,781	31,052	6,781	31,052
Total non-current assets		**18,780**	**42,969**	**18,263**	**42,649**
Current assets					
Trade and other receivables	12	32,056	30,078	29,573	27,058
Cash and cash equivalents	13	25,058	32,336	23,874	30,844
Total current assets		**57,114**	**62,414**	**53,447**	**57,902**
Total assets		**75,894**	**105,383**	**71,710**	**100,551**
Capital and reserves					
Retained earnings		31,956	42,532	23,856	34,875
Total capital and reserves		**31,956**	**42,532**	**23,856**	**34,875**
Total equity		**31,956**	**42,532**	**23,856**	**34,875**
Non-current liabilities					
Trade and other payables	15	3,448	4,261	3,032	4,018
Deferred tax liabilities	17	1,695	7,763	1,695	7,763
Retirement benefit obligations	17	668	705	668	705
Total non-current liabilities		**5,811**	**12,729**	**5,395**	**12,486**
Current liabilities					
Trade and other payables	15	36,470	46,984	40,966	50,259
Current tax liabilities		1,554	3,038	1,389	2,831
Retirement benefit obligations	17	103	100	104	100
Total current liabilities		**38,127**	**50,122**	**42,459**	**53,190**
Total liabilities		**43,938**	**62,851**	**47,854**	**65,676**
Total equity and liabilities		**75,894**	**105,383**	**71,710**	**100,551**

The supporting notes on **pages 112 to 152** are an integral part of these financial statements. The financial statements on **pages 105 to 150** were authorised for issue by the Board on 18 June 2025 and were signed on its behalf.

Rob Bishton, Chief Executive

Statements of Changes in Equity

	Note	Group Retained Earnings £'000	Authority Retained Earnings £'000
Balance as at 1 April 2023		**67,116**	**60,154**
Profit for the financial year		8,250	7,556
Unrealised foreign exchange differences		(25)	(25)
Movement on deferred tax relating to unrealised foreign exchange differences	16	6	6
Actuarial loss on post employment benefit obligations	17	(43,755)	(43,755)
Movement on deferred tax relating to post employment benefit obligations	16	10,939	10,939
Balance as at 31 March 2024		**42,533**	**34,875**
Balance as at 1 April 2024		**42,533**	**34,875**
Profit for the financial year		9,595	9,154
Unrealised foreign exchange differences		5	4
Movement on deferred tax relating to unrealised foreign exchange differences	16	(1)	(1)
Actuarial loss on post employment benefit obligations	17	(26,901)	(26,901)
Movement on deferred tax relating to post employment benefit obligations	16	6,725	6,725
Balance as at 31 March 2025		**31,956**	**23,856**

The supporting notes on **pages 112 to 152** are an integral part of these financial statements.

Statements of Cash Flows

For the years ended 31 March	Note	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Cash flows (used in) / generated from operating activities					
Cash (used in) / from operations	19	(1,147)	13,343	(932)	13,097
Interest paid	7	(29)	(3)	(29)	(294)
Income tax (paid) / received		(4,021)	367	(3,810)	369
Net cash (used in) / generated from operating activities		**(5,197)**	**13,707**	**(4,771)**	**13,172**
Cash flows (used in) / generated from investing activities					
Purchase of property, plant and equipment	9	(538)	(596)	(466)	(596)
Purchase of intangible assets	10	(2,707)	(2,803)	(2,707)	(2,803)
Proceeds from sale of PPE		1	-	1	-
Interest received	7	2,156	1,765	1,834	1,765
Net cash (used in) / generated from investing activities		**(1,088)**	**(1,634)**	**(1,338)**	**(1,634)**
Cash flows used in financing activities					
Lease liability instalments	20	(993)	(807)	(861)	(731)
Lease interest paid	7	-	(62)	-	(59)
Net cash used in financing activities		**(993)**	**(869)**	**(861)**	**(790)**
Net (decrease) / increase in cash and cash equivalents		(7,278)	11,204	(6,970)	10,748
Cash and cash equivalents at beginning of year		32,336	21,132	30,844	20,096
Cash and cash equivalents at end of year	13	**25,058**	**32,336**	**23,874**	**30,844**

The supporting notes on **pages 112 to 152** are an integral part of these financial statements.

Notes to the Financial Statements

1. General information and material accounting policies

The Civil Aviation Authority (CAA) is a public corporation in the UK, established by Parliament in 1972. The CAA is the UK's independent specialist aviation regulator and its activities include economic regulation, airspace policy, safety regulation, consumer protection, aviation security and space regulation. The Group comprises the CAA (Authority) together with its subsidiary undertakings, Air Safety Support International Limited and CAA International Limited.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements of the CAA have been prepared in accordance with international accounting standards, as adopted by the UK, in conformity with the requirements of the Companies Act 2006, the Civil Aviation Act 1982, the Civil Aviation Act 2012 and the Accounts Directions for the year ended 31 March 2025 authorised by the Secretary of State for Transport. The consolidated financial statements have been prepared under the historical cost convention on a going concern basis as modified by financial assets and liabilities (including derivative instruments) being stated at fair value; year on year movements are taken through the Income Statement or Statements of Comprehensive Income.

The preparation of financial statements in conformity with international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 1.18.

The financial statements, prepared on the going concern basis, assume that the Group and Authority will generate sufficient working capital to continue operational existence for the foreseeable future. The Board has, at the time of approving the financial statements, an expectation that the Group and Authority have adequate resources to continue in operational existence for the foreseeable future.

It is not anticipated that the ongoing global conflicts in Ukraine and the Middle East will impact the going concern of the Group and Authority.

1.1.1 Changes in accounting policies and disclosures

Adoption of new and revised standards

New standards impacting the Group that have been adopted in the financial statements for the year ended 31 March 2025 are:

- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

The above amendments had a transition date of 1 January 2024. There has been no impact on the financial statements as a result of the remaining amendments, nor is there expected to be any impact in the coming financial year.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB (International Accounting Standards Board) that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the Group for the period beginning 1 April 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

The following amendments are effective for the period beginning 1 January 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7);
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7).

The above accounting standards are not expected to have a material impact on the financial statements of the group or the Authority.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.2 Consolidation

The CAA's subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Shareholding of more than one half of the voting rights and the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Air Travel Trust (ATT) does not operate for the benefit of the Authority and its exclusion from the consolidated financial statements has been directed by the Secretary of State for Transport.

Intra-Group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. The accounting policies of subsidiaries are consistent with those of the Authority.

1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CAA Executive Committee. The Executive Committee is responsible for strategic decisions, the allocation of resources and assessing performance of these operating segments.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in pounds sterling, which is the Authority's functional and presentational currency.

(b) Transactions and balances

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Foreign exchange gains and losses resulting from the movement in the fair value of foreign currency derivative instruments are recognised in the Statements of Comprehensive Income. All other foreign exchange gains and losses are presented in the Income Statement within 'foreign exchange losses'.

1.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount, or recognised as separate assets, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any replaced part is derecognised. All other repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred.

Right of use assets are initially measured at the total value of the remaining lease obligations, including lease instalments, provisions for expenditure and net of any inducements. Right of use assets are depreciated using the straight-line method from the start of the lease to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

The estimated useful lives of right of use assets are determined on the same basis as those of similar plant and equipment. In addition, the carrying value of the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Depreciation is calculated using the straight-line method to allocate assets' costs or revalued amounts to their residual values over their estimated useful lives, as follows:

> Freehold buildings	10-30 years
> Leasehold buildings	over the remainder of the lease
> Plant and equipment	3-10 years
> Furniture, fixtures and fittings	10 years
> Vehicles	5 years
> Right of use assets	Length of lease (2-10 years)

Assets in the course of construction are not depreciated. Once the asset is brought into use it is transferred to the relevant category and depreciation commences from that date.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date

The asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Depreciation, amortisation, impairment and disposals' in the Income Statement.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.6 Intangible assets

Intangible assets are stated at historical cost less amortisation and impairment with amortisation charged to operating costs within the income statement. Historical cost includes expenditure that is directly attributable to the generation of the items. Subsequent costs are included in the asset's carrying amount, or recognised as separate assets, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Amortisation is calculated using the straight-line method to allocate assets' costs or revalued amounts to their residual values over their estimated useful lives, typically as follows:

- Software and development costs 5-10 years

Assets in the course of construction are not amortised. Once the asset is brought into use it is transferred to the relevant category and amortisation commences from that date.

1.7 Impairment of non-financial assets

Assets that are subject to depreciation or 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 amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are separately distinguished at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Assets in the course of construction are reviewed for impairment at each reporting date. Impairment losses are recognised in the Income Statement where required. Assets that are subject to impairment are subsequently reviewed at each reporting date to ensure the impairment continues to be appropriate. If necessary, the value of any impairment is reduced or extended through the Income Statement.

1.8 Financial instruments

Financial assets and liabilities are initially recognised on the statement of financial position at fair value when the Group has become party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Income Statement.

Classification of financial assets

Financial instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The Group's financial assets, except derivatives, are categorised as financial assets held at amortised cost. Such assets are subsequently carried at amortised cost using the effective interest method if the time value of money may have a significant impact on their value, less allowances for any expected lifetime credit losses.

The Group's financial assets measured at amortised cost comprise trade and other receivables, contract assets, receivables from related parties and cash and cash equivalents in the Statement of Financial Position. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.8 Financial instruments (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in financial instruments that are measured at amortised cost including trade receivables and contract assets. The level of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group assesses at the reporting date whether there is objective evidence that there has been an increase in the credit risk of its financial assets. The Group uses criteria such as significant financial difficulty of the counterparty the disappearance of an active market for that financial asset because of financial difficulties and breaches of contract as objective evidence.

Definitions of default and write off

The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Decrecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the Income Statement within ‘foreign exchange losses’ in the period in which they arise.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Capital management

The capital structure of the Group consists of retained earnings only with a net surplus of £31,956k (2024: £42,532k). The Group’s main objective when managing capital is to safeguard its ability to continue as a going concern.

The Group reviews its capital structure regularly. The Group is not subject to any externally imposed capital requirements.

1.9 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. These are subsequently remeasured at their fair value and the gain or loss arising is recognised in the Income Statement within ‘Finance income - net’.

1.10 Contract balances

Contract asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks or HM Treasury, and other short-term highly liquid investments with original maturities of three months or less.

1.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management establishes a provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is not provided on temporary differences arising on investments in subsidiaries, as the timing of the reversal of the temporary differences associated with the investment, including dividend policy, is controlled by the Group.

1.13 Employee benefits

(a) Short-term employee benefits

The cost of short-term employee benefits (wages, salaries, social security contributions, annual leave, bonuses and non-monetary benefits) is recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement, or in the case of non-accumulating absences, when the absences occur.

(b) Post-employment benefits - pension obligations (note 17)

The Group has defined benefit and defined contribution retirement benefit plans, and an unfunded scheme for past Board members.

The Group has two defined contribution plans, one in which contributions are paid into an independently administered fund and a second where contributions are paid to the Civil Service Pension Plan following the transfer of responsibility for regulating aviation security from the Department for Transport to the Civil Aviation Authority as from 1 April 2014.

The defined benefit plan, The Civil Aviation Authority Pension Scheme, is a fully funded defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund. The plan was closed to new entrants on 30 November 2012. The asset recognised in the Statements of Financial Position in respect of the defined benefit scheme is the fair value of plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit cost method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the Statements of Comprehensive Income in the period in which they arise.

The CAA also operates an unfunded scheme for some past members of the Board. Costs associated with this scheme are charged to the Income Statement in accordance with the advice of a professionally qualified actuary. A current and a non-current liability are held in the Statements of Financial Position in respect of post employment benefits payable under this scheme.

(c) Termination benefits

Termination benefits are payable 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 termination benefits when it is demonstrably committed to: either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

1.14 Provisions and dilapidations

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.14 Provisions and dilapidations (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money at the balance sheet date, and the risks specific to the obligation. The movement in the provision is recognised within 'Finance income - net'.

Where a dilapidations provision is included as part of a lease contract recognised under IFRS 16, the value of the provision is included within the right of use asset and lease liability balances in the Statements of Financial Position. These are measured at their present value, discounted by the interest rate implicit in the lease contract. The carrying value of the right of use asset is released to the Income Statement evenly over the lifetime of the lease.

1.15 Revenue recognition

The CAA has three types of revenue:

(a) Statutory charges

Revenue is primarily derived from 14 statutory charges schemes approved by the Secretary of State for Transport under section 11 of the Civil Aviation Act 1982. The charges are published on the CAA website and fall broadly into the following categories across different regulatory disciplines:

i) Annual charges

Represent fixed annual fees paid for the regulatory oversight of aviation provided by the CAA and are recognised over the period to which they relate, which typically coincides with the CAA's annual reporting cycle.

ii) Variable charges

Represent fees paid for regulatory services where the customer consumes the service based on variable factors such as passenger or cargo volumes flown. Revenue is recognised based on actual volumes flown or another appropriate measure of consumption.

iii) Application charges

Represent fees collected for applications received from operators and licence holders who are engaged in activities which fall under the CAA's regulatory authority. There is a wide range of services and activities that fall under the scope of application-based charges. Revenue is recognised when the specific service for example approval, registration, licensing or certification is delivered to the applicant and they obtain the approval or documentation sought.

(b) Eurocontrol service charges

Revenue is derived from the collection of en route air traffic service charges paid by airlines in accordance with Eurocontrol Financial Regulations applicable to the Route Charges System. CAA's share of these charges is based on its associated determined costs to provide such services. These charges are effective for a period of one year commencing on 1 January each year and are recognised on a flat line basis across the year.

(c) Other revenue

i) Other service charges

The Group derives revenue from non-statutory aviation related activities which are either for a fixed price or derived on a time and materials expended basis. Revenue is recognised on completion of performance obligations under the contract.

The Group also derives revenue from its commercial aviation related services in providing examination services, training courses and aviation consultancy services. Such revenue is recognised at the contractual transaction price, in line with progress towards completion of the performance obligation of the service being provided.

ii) Rental income

Rental income arises from the letting of leased property, based on an open market rate. Revenue is measured at the rent amount in the lease agreement on a straight line basis over the lease term.

iii) Pensions administration

Revenue is derived from the recharging of the cost of providing services to the Civil Aviation Authority Pension Scheme and is recognised as the cost is incurred.

iv) Interest income

Interest income is recognised based on applicable interest rates on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.16 Leases

At the inception of the contract, the Group assesses whether the contract contains any element relating to the lease of a specific asset. This is defined by the Group obtaining the right to use a specific asset for a period of time, in exchange for consideration. The following exception criteria have been applied when determining whether to recognise a liability for the lease contract:

- Any contract which, at the point of inception, is deemed to be short-term (i.e. expected to expire in the following 12 months) has not been considered.
- Where the contract defines the lease of an asset which is considered to be low-value the lease has not been considered. Low-value in relation to the Group is any amount, or aggregate amounts, which are considered immaterial to these Financial Statements. A lease liability value of £5k has been used for this assessment.
- Where the Group is not reasonably certain that a short-term lease (less than 12 months) will be extended beyond its non-cancellable term the contract has not been considered.

Any leases in line with the exception criteria above are recognised as incurred through services and materials in the Income Statement.

As a lessee, if the Group identifies a contract which contains an identifiable lease in line with the conditions above, a right-of-use asset and a lease liability are recognised. The right-of-use assets are separately identified under property, plant and equipment within the Statements of Financial Position. These are recognised at the value of the remaining lease commitments at the point of commencement of the lease. These assets are depreciated on a straight-line basis over the lifetime of the lease, or the remaining useful economic life of the asset, whichever is shorter. The lease liability is recognised within trade and other payables, with a split between the current and non-current element. The value of this is determined from the remaining lease commitments at the point of commencement of the lease, measured at amortised cost using the effective interest method. The effective interest rate for leases is the Group's incremental borrowing rate, which is in line with those advised by HM Treasury.

1.17 Government grants

Government grants are recognised in the Income Statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate.

Under the direction of the Secretary of State for Transport, Air Safety Support International Limited, a subsidiary of the CAA, carries out enhancement of regulatory oversight of aviation safety in the UK's Overseas Territories providing further assurance of safety standards. The operating costs are met primarily by way of a grant from the Department for Transport.

1.18 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and assumptions concerning the future are made by the Group and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The accounting standard IAS 19 requires that the Authority selects a discount rate based on yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The funding strategy actually adopted and the investment portfolio held, are ignored for the purposes of IAS 19.

The assumption used for the year end insured annuity policies includes the rolling forward of member data from 31 December 2021, updated for current mortality rates. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 17.

Intangible assets

Estimates are made in relation to the value in use and useful economic lives of the fixed assets. These are included within the impairment review calculations. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects the current market assessment of the time value of money. Additional information is disclosed in Note 10.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.18 Significant accounting estimates and judgements (continued)

Expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Fair value measurement

Assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

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

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. Due to their short-term nature, the carrying value of those approximates their fair value. Derivatives are the only financial instruments that are measured at fair value and are included in Level 2 in the above grouping classifications.

Deferred Tax Assets

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Additional information on deferred tax assets is disclosed in note 16.

2. Segment information

The operating segments have been based on the reports reviewed by the CAA Executive Committee that are used to make strategic decisions. The Executive Committee considers the activities from a regulatory function perspective. The country of domicile is the UK for all of the Group entities. The Executive Committee does not consider the performance according to the geographic location of its customers.

The reportable operating segments derive their revenue primarily from the Regulatory Sector, comprising the activities of Safety & Airspace Regulation, Consumers & Markets, Aviation Security and Space Regulation, in addition to that derived from UK en route Air Traffic Services and the commercial activities of CAA International. All other results are included in the Miscellaneous Services column. In accordance with the Accounts Direction issued by the Department for Transport (DfT), disclosure is also given regarding revenue analysed between statutory scheme charges and other revenue.

Other grants from the DfT amounting to £2,643k during the year (2024: £2,634k), of which £173k relates to the release of a grant received for the refurbishment of Aviation House (2024: £153k) included within the regulatory sector, and £2,470k relates to work undertaken by Air Safety Support International Limited on behalf of the DfT (2024: £2,479k) included within Miscellaneous Services. As in prior years, part of the DfT funding has been deferred to be utilised against operating expenditure in future years. As at the year to 31 March 2025 funding of £725k has been deferred (2024: £888k deferred).

Notes to the Financial Statements

2. Segment information (continued)

The segment information for the year ended 31 March 2025 is as follows:

	Safety & Airspace Regulation £'000	Consumers & Markets £'000	Aviation Security £'000	Space £'000	Regulatory Sector Subtotal £'000	UK en route Air Traffic Services £'000	CAA International £'000	Miscellaneous Services £'000	Total £'000
Revenue									
Statutory and scheme charges	91,941	18,546	14,239	-	**124,726**	-	-	-	**124,726**
Eurocontrol service charges	-	-	-	-	**-**	24,976	-	-	**24,976**
Other revenue	1,198	1,819	2,011	7,705	**12,733**	-	8,578	34,089	**55,400**
Total revenue	**93,139**	**20,365**	**16,250**	**7,705**	**137,459**	**24,976**	**8,578**	**34,089**	**205,102**
Operating costs (excluding IAS19 pension scheme adjustments)	91,315	17,040	14,800	7,705	**130,860**	24,576	8,272	34,105	**197,813**
Profit before IAS19 adjustments	**1,824**	**3,325**	**1,450**	**-**	**6,599**	**400**	**306**	**(16)**	**7,289**
IAS19 pension scheme adjustments	1,066	140	178	75	**1,459**	-	67	572	**2,098**
Operating profit	**2,890**	**3,465**	**1,628**	**75**	**8,058**	**400**	**373**	**556**	**9,387**
Profit before income tax	**4,725**	**3,707**	**1,935**	**203**	**10,570**	**400**	**487**	**1,540**	**12,997**

A reconciliation of operating profit to profit before income tax is provided as follows:

	£'000
Operating profit for reportable segments	9,387
Finance income	3,688
Finance costs	(78)
Profit before income tax	**12,997**

A breakdown of revenue from contract assets and liabilities is disclosed within note 12.

Notes to the Financial Statements

2. Segment information (continued)

The comparable segment information for the previous year ended 31 March 2024, is as follows:

	Safety & Airspace Regulation £'000	Consumers & Markets £'000	Aviation Security £'000	Space £'000	Regulatory Sector Subtotal £'000	UK en route Air Traffic Services £'000	CAA International £'000	Miscellaneous Services £'000	Total £'000
Revenue									
Statutory and scheme charges	79,889	17,772	12,533	-	**110,194**	-	-	-	**110,194**
Eurocontrol service charges	-	-	-	-	**-**	24,157	-	-	**24,157**
Other revenue	2,610	1,558	2,378	7,647	**14,193**	-	9,386	27,859	**51,438**
Total revenue	**82,499**	**19,330**	**14,911**	**7,647**	**124,387**	**24,157**	**9,386**	**27,859**	**185,789**
Operating costs (excluding IAS19 pension scheme adjustments)	81,898	17,728	14,049	7,647	**121,322**	23,757	8,768	27,859	**181,706**
Profit before IAS19 adjustments	**601**	**1,602**	**862**	**-**	**3,065**	**400**	**618**	**-**	**4,083**
IAS19 pension scheme adjustments	1,112	198	155	59	**1,524**	-	56	466	**2,046**
Operating profit	**1,713**	**1,800**	**1,017**	**59**	**4,589**	**400**	**674**	**466**	**6,129**
Profit before income tax	**4,208**	**2,247**	**1,470**	**232**	**8,157**	**400**	**840**	**1,834**	**11,231**

A reconciliation of operating profit before income tax is provided as follows:

	£'000
Operating profit for reportable segments	6,129
Finance income	5,255
Finance costs	(153)
Profit before income tax	**11,231**

Notes to the Financial Statements

3. Employment costs

In respect of the employees included in the table below the related employee benefits expenses are as follows:

	Note	2025 £'000	2024 £'000
Wages and salaries		101,669	91,191
Social security costs		11,641	10,403
Defined benefit pension plan costs	17	9,245	9,887
Defined contribution pension plan costs	17	8,273	6,985
Unfunded pension plan costs / (surplus)	17	67	(233)
Other employee benefits expenses		1,497	1,592
Total employment costs		**132,392**	**119,825**

Other employee benefits expenses include termination payments, costs of relocation, professional subscriptions, car leasing and allowance costs.

The monthly average number of employees (including Executive Members) for the Group during the year was:

By business segment	2025 Year end	2025 Average	2024 Year end	2024 Average
Safety and Airspace Regulation	856	814	786	754
Consumers and Markets	116	107	103	104
Aviation Security	136	136	134	130
Space	58	57	53	50
CAA International	54	51	52	51
Miscellaneous Services	459	437	418	402
Total employees	**1,679**	**1,602**	**1,546**	**1,491**

Notes to the Financial Statements

4. Board members' and key management personnel emoluments

	2025 £'000	2024 £'000
Board member emoluments		
Salaries and fees	940	892
Benefits	4	2
Performance related payments	104	90
Emoluments excluding pension contributions	**1,048**	**984**
Pension contributions	123	103
Pension payments to past Board members	98	96
Board member emoluments	**1,269**	**1,183**

Details of aggregate emoluments for each of the 13 Board members (2024: 10) who received remuneration in the year are included in the table above. The report by the People Committee provides details for each Board member.

	2025 £'000	2024 £'000
Key management personnel emoluments		
Salaries and fees	1,272	917
Benefits	13	8
Performance related payments	76	40
Emoluments excluding pension contributions	**1,361**	**965**
Pension contributions	254	160
Key management personnel emoluments	**1,615**	**1,125**

There were 9 employees considered to be key management personnel in the year (2024: 7).

5. Auditor's remuneration

	2025 £'000	2024 £'000
Fees payable to external auditor for:		
Audit of parent corporation and consolidated financial statements	218	147
Audit of subsidiary company financial statements	28	21
Audit of Group's Malaysia branch financial statements	-	12
Audit related assurance services	31	15
Total auditors' remuneration	**277**	**195**

Notes to the Financial Statements

6. Profit for the year

	Note	2025 £'000	2024 £'000
Profit for the year has been arrived at after charging:			
Net foreign exchange losses on operating activities		10	9
Total realised other losses		**10**	**9**
Short-term/low-value operating lease payments:			
Properties (included within services and materials)		24	36
Vehicles (shown within employment costs and other expenses)		-	3
Total short-term/low-value operating lease payments		**24**	**39**
Depreciation, amortisation, impairments and disposals:			
Depreciation on property, plant and equipment	9	1,889	1,890
Grant released on property, plant and equipment		(173)	(155)
Amortisation of intangible fixed assets	10	1,461	1,567
Profit on disposal of property, plant and equipment and software development		(1)	(1)
Total depreciation, amortisation, impairments and disposals		**3,176**	**3,301**

Profit or loss on disposals is shown within 'Depreciation, amortisation, impairments and disposals' on the Income Statement.

In the year ended 31 March 2022 the Department for Transport (DfT) provided £850k of grant funding for the continued refurbishment of Aviation House. This is being released on a systematic basis over the lives of the assets to which the resources were applied (see note 15).

	2025 £'000	2024 £'000
Research expenditure (all in respect of safety regulation):		
Internal costs (included within employment costs)	1,474	1,028
External costs (included within research)	14	60
Total research expenditure	**1,488**	**1,088**

Notes to the Financial Statements

6. Profit for the year (continued)

	Note	2025 £'000	2024 £'000
Charitable donations:			
Confidential Human Factors Incident Reporting Programme		280	289
General Aviation Safety Council		20	20
UK Flight Safety Committee		20	40
Total charitable donations		**320**	**349**

7. Finance income and costs

	Note	2025 £'000	2024 £'000
Finance income:			
Interest on short-term deposits		2,156	1,756
Interest received on overpayment of corporation tax		-	9
Employee benefit scheme - Expected return on assets	17	64,847	67,360
Employee benefit scheme - Interest charge on liabilities	17	(63,315)	(63,870)
Total finance income		**3,688**	**5,255**
Finance costs:			
Other interest costs		(2)	(3)
Lease contract interest expense	20	(49)	(62)
Interest paid on underpayment of corporation tax		(27)	(88)
Total finance costs		**(78)**	**(153)**
Finance income - net		**3,610**	**5,102**

Notes to the Financial Statements

8. Income tax charge

	2025 £'000	2024 £'000
Analysis of tax charge in the year:		
Current tax:		
UK corporation tax at 25% (2024: 25%) on profit for year	2,648	2,956
Adjustment in respect of prior years	(110)	(3)
Adjustments in respect of prior periods (overseas tax)	-	1
Total current tax charge/(credit)	**2,538**	**2,954**
Deferred tax:		
Origination and reversal of temporary differences	172	240
Adjustment in respect of prior periods	36	(20)
Origination and reversal of temporary differences in relation to the defined benefit pension scheme	656	(193)
Total deferred tax charge	**864**	**27**
Income tax charge	**3,402**	**2,981**
Reconciliation of effective tax rate:		
Profit before income tax	12,997	11,231
Corporation tax calculated at 25% (2024: 25%)	3,249	2,808
Tax effects of:		
Fixed asset differences	185	129
Expenses not deductible for tax purposes	36	60
Adjustments to brought forward values	7	-
Adjustments to current tax charge in respect of previous periods	(112)	(2)
Adjustments to deferred tax charge in respect of previous periods	36	(20)
Temporary differences not recognised in the computation	1	6
Income tax charge	**3,402**	**2,981**

Notes to the Financial Statements

9. Property, plant and equipment

Group	Freehold buildings £'000	Leasehold buildings £'000	Plant & equipment £'000	Vehicles £'000	Furniture, fixtures & fittings £'000	Right-of-use assets £'000	AuC* £'000	Total £'000
Cost:								
At 1 April 2023	21,942	1,534	2,651	83	4,313	5,992	424	**36,939**
Additions	-	-	-	-	-	210	596	**806**
Disposals	-	-	-	(6)	-	(126)	-	**(132)**
Transfer	-	-	30	37	892	-	(959)	**-**
At 31 March 2024	**21,942**	**1,534**	**2,681**	**114**	**5,205**	**6,076**	**61**	**37,613**
Additions	-	-	-	-	44	483	494	**1,021**
Disposals	-	-	(787)	(23)	(127)	(738)	-	**(1,675)**
Transfer	-	-	-	-	77	-	(77)	**-**
Early exit of lease	-	-	-	-	-	(88)	-	**(88)**
At 31 March 2025	**21,942**	**1,534**	**1,894**	**91**	**5,199**	**5,733**	**478**	**36,871**
Accumulated depreciation:								
At 1 April 2023	21,472	657	2,034	83	2,458	2,804	-	**29,508**
Charge for the year	145	119	350	1	555	720	-	**1,890**
Eliminated on disposal	-	-	-	(6)	-	(126)	-	**(132)**
At 31 March 2024	**21,617**	**776**	**2,384**	**78**	**3,013**	**3,398**	**-**	**31,266**
Charge for the year	149	238	174	6	525	797	-	**1,889**
Eliminated on disposal	-	-	(787)	(23)	(127)	(738)	-	**(1,675)**
At 31 March 2025	**21,766**	**1,014**	**1,771**	**61**	**3,411**	**3,457**	**-**	**31,480**
Net book value:								
At 31 March 2025	**176**	**520**	**123**	**30**	**1,788**	**2,276**	**478**	**5,391**
At 31 March 2024	**325**	**758**	**297**	**36**	**2,192**	**2,678**	**61**	**6,347**

*AuC: Assets in the course of construction.

Notes to the Financial Statements

9. Property, plant and equipment (continued)

Authority	Freehold buildings £'000	Leasehold buildings £'000	Plant & equipment £'000	Vehicles £'000	Furniture, fixtures & fittings £'000	Right-of-use assets £'000	AuC* £'000	Total £'000
Cost:								
At 1 April 2023	21,942	1,534	2,621	83	4,184	5,401	424	**36,189**
Additions	-	-	-	-	-	210	596	**806**
Disposals	-	-	-	(6)	-	(126)	-	**(132)**
Transfer	-	-	30	37	892	-	(959)	**-**
At 31 March 2024	**21,942**	**1,534**	**2,651**	**114**	**5,076**	**5,485**	**61**	**36,863**
Additions	-	-	-	-	-	24	466	**490**
Disposals	-	-	(785)	(23)	-	(236)	-	**(1,044)**
Transfer	-	-	-	-	77	-	(77)	**-**
At 31 March 2025	**21,942**	**1,534**	**1,866**	**91**	**5,153**	**5,273**	**450**	**36,309**
Accumulated depreciation:								
At 1 April 2023	21,472	657	2,010	83	2,329	2,499	-	**29,050**
Charge for the year	145	119	345	1	555	642	-	**1,807**
Eliminated on disposal	-	-	-	(6)	-	(126)	-	**(132)**
At 31 March 2024	**21,617**	**776**	**2,355**	**78**	**2,884**	**3,015**	**-**	**30,725**
Charge for the year	149	238	172	6	525	655	-	**1,745**
Eliminated on disposal	-	-	(785)	(23)	-	(236)	-	**(1,044)**
At 31 March 2025	**21,766**	**1,014**	**1,742**	**61**	**3,409**	**3,434**	**-**	**31,426**
Net book value:								
At 31 March 2025	**176**	**520**	**124**	**30**	**1,744**	**1,839**	**450**	**4,884**
At 31 March 2024	**325**	**758**	**296**	**36**	**2,192**	**2,470**	**61**	**6,138**

*AuC: Assets in the course of construction.

Notes to the Financial Statements

9. Property, plant and equipment (continued)

Right-of-use assets

The values relevant to each category of leased asset are shown below:

	Group				Authority			
	Leasehold buildings	Plant & equipment	Vehicles	Total	Leasehold buildings	Plant & equipment	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
At 1 April 2023	5,801	41	150	**5,992**	5,210	41	150	**5,401**
Additions	161	-	49	**210**	161	-	49	**210**
Disposals	(115)	-	(11)	**(126)**	(115)	-	(11)	**(126)**
At 31 March 2024	**5,847**	**41**	**188**	**6,076**	**5,256**	**41**	**188**	**5,485**
Additions	459	-	24	**483**	-	-	24	**24**
Disposals	(674)	(41)	(23)	**(738)**	(172)	(41)	(23)	**(236)**
Revaluation	(88)	-	-	**(88)**	-	-	-	**-**
At 31 March 2025	**5,544**	**-**	**189**	**5,733**	**5,084**	**-**	**189**	**5,273**
Depreciation:								
At 1 April 2023	2,739	34	31	**2,804**	2,433	34	32	**2,499**
Charge for the year	676	6	38	**720**	598	6	38	**642**
Eliminated on disposal	(115)	-	(11)	**(126)**	(115)	-	(11)	**(126)**
At 31 March 2024	**3,300**	**40**	**58**	**3,398**	**2,916**	**40**	**59**	**3,015**
Charge for the year	744	1	52	**797**	602	1	52	**655**
Eliminated on disposal	(674)	(41)	(23)	**(738)**	(172)	(41)	(23)	**(236)**
At 31 March 2025	**3,370**	**-**	**87**	**3,457**	**3,346**	**-**	**88**	**3,434**
Net book value:								
At 31 March 2025	**2,174**	**-**	**102**	**2,276**	**1,738**	**-**	**101**	**1,839**
At 31 March 2024	**2,547**	**1**	**130**	**2,678**	**2,340**	**1**	**129**	**2,470**

Notes to the Financial Statements

10. Intangible assets

Group	Software development costs £'000	Assets in the course of construction £'000	Total £'000
Cost:			
At 1 April 2023	17,652	-	**17,652**
Additions	-	2,803	**2,803**
At 31 March 2024	**17,652**	**2,803**	**20,455**
Additions	-	2,707	**2,707**
Transfer	2,552	(2,552)	**-**
At 31 March 2025	**20,204**	**2,958**	**23,162**
Accumulated amortisation and impairment:			
At 1 April 2023	13,630	-	**13,630**
Charge for the year	1,567	-	**1,567**
At 31 March 2024	**15,197**	**-**	**15,197**
Charge for the year	1,461	-	**1,461**
At 31 March 2025	**16,658**	**-**	**16,658**
Net book value:			
At 31 March 2025	**3,546**	**2,958**	**6,504**
At 31 March 2024	**2,455**	**2,803**	**5,258**

Notes to the Financial Statements

10. Intangible assets (continued)

Authority	Software development costs £'000	Assets in the course of construction £'000	Total £'000
Cost:			
At 1 April 2023	16,196	-	**16,196**
Additions	-	2,803	**2,803**
At 31 March 2024	**16,196**	**2,803**	**18,999**
Additions	-	2,707	**2,707**
Transfer	2,552	(2,552)	**-**
At 31 March 2025	**18,748**	**2,958**	**21,706**
Accumulated amortisation and impairment:			
At 1 April 2023	12,427	-	**12,427**
Charge for the year	1,413	-	**1,413**
At 31 March 2024	**13,840**	**-**	**13,840**
Charge for the year	1,362	-	**1,362**
At 31 March 2025	**15,202**	**-**	**15,202**
Net book value:			
At 31 March 2025	**3,546**	**2,958**	**6,504**
At 31 March 2024	**2,356**	**2,803**	**5,159**

During the year asset values totalling £2,958k were included in additions to 'Assets in the course of construction' (2024:£2,803k). The expenditure relates to investment in software which is being delivered as part of the CAA's Customer Experience & Modernisation Programme (CX&M).

Available for use intangible assets are reviewed at least annually for any indications of impairment. Intangible assets that have any elements still unavailable for use are tested for impairment using a value in use model, based on their approved business cases and adjusted for any known material changes. This testing occurs annually or whenever a material change to the project occurs. The current discount rate used in our models is 2%, which is a value provided by the HMT and is in line with market rates.

A rise in the discount rate by 10 basis points (i.e. +0.1%) would result in a further impairment of £nil. A decrease in the discount rate of 10 basis points (i.e. -0.1%) would result in a reversal of impairments totalling £nil.

Notes to the Financial Statements

11. Investments in subsidiaries

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by parent	Proportion of voting rights held by parent	Investment
CAA International Limited	UK	Aviation consultancy, training and examination services	100%	100%	£1
Air Safety Support International Limited	UK	Regulatory oversight	100%	100%	£1

The registered office of both subsidiaries is:

Aviation House
Beehive Ring Road
Crawley
West Sussex
England
RH6 0YR

Shares in Group undertakings

There was no movement in the investments in subsidiary undertakings during the year.

	2025 £	2024 £
Beginning and end of the financial year	2	2

Investments in Group undertakings are recorded at cost which is the fair value of the consideration paid.

Notes to the Financial Statements

12. Trade and other receivables

	Note	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Current receivables:					
Trade receivables		7,307	7,541	6,425	6,620
Less: provision for doubtful trade receivables		(280)	(280)	(200)	(236)
Trade receivables - net		**7,027**	**7,261**	**6,225**	**6,384**
Social security and other taxes		(30)	-	(30)	-
Prepayments		6,336	4,305	5,968	4,020
Contract assets		18,531	18,317	16,975	16,232
Amounts due from related parties	21	-	-	273	268
Other receivables		192	195	162	154
Total current receivables		**32,056**	**30,078**	**29,573**	**27,058**
Total trade and other receivables		**32,056**	**30,078**	**29,573**	**27,058**

The carrying amounts of trade and other receivables are deemed to approximate their fair value.

Invoices raised in relation to statutory charges are due for payment immediately on presentation, unless otherwise stated in the Scheme of Charges. Standard credit terms for commercial activities are 30 days, unless otherwise specified in individual contracts with customers.

As at 31 March 2025 Group trade receivables of £3,387k (2024: £6,763k) were past their due date but were not impaired. The ageing analysis of these is as follows:

	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Past due:				
Up to 3 months	3,241	6,632	2,958	6,177
From 3 to 12 months	56	131	8	-
	3,297	**6,763**	**2,966**	**6,177**

Notes to the Financial Statements

12. Trade and other receivables (continued)

	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Movements on the provision for doubtful trade receivables:				
At 1 April	280	186	236	163
Provision for receivables impaired	138	97	83	97
Receivables written off during the year as uncollectable	(13)	(36)	(13)	(36)
Unused amounts reversed	(48)	(75)	(48)	(75)
Expected credit loss provision	(77)	108	(58)	87
At 31 March	**280**	**280**	**200**	**236**

The creation and release of provision for doubtful receivables have been included in 'Other expenses' in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The expected credit loss figure has been arrived at by allocating a risk probability against different categories of debt after removing balances against which a specific provision has already been made. The probabilities for each category of debt have been calculated based on the average actual loss experienced over the past three financial years. The provision is foward-looking, based on the expected losses of debtor balances held at the reporting date.

Details of this are shown on the following page:

Notes to the Financial Statements

12. Trade and other receivables (continued)

	Probability		Gross value		Expected credit loss	
	2025 %	2024 %	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Group:						
Trade debtors not due	1	1	3,401	254	35	3
Trade debtors overdue by 0-30 days	2	2	2,463	4,892	50	98
Trade debtors overdue by 31-60 days	4	4	704	1,310	28	52
Trade debtors overdue by 61-90 days	8	8	74	430	6	34
Trade debtors overdue by 91-365 days	16	16	56	131	12	21
Trade debtors overdue in excess of 365 days	32	32	-	-	-	-
Already provided and not subject for impairment			609	524	-	-
Expected credit loss provision			**7,307**	**7,541**	**131**	**208**
Authority:						
Trade debtors not due	1	1	3,140	13	31	-
Trade debtors overdue by 0-30 days	2	2	2,284	4,690	46	94
Trade debtors overdue by 31-60 days	4	4	655	1,207	26	48
Trade debtors overdue by 61-90 days	8	8	19	280	2	22
Trade debtors overdue by 91-365 days	16	16	8	-	1	-
Already provided and not subject for impairment	-	-	319	430	-	-
Expected credit loss provision			**6,425**	**6,620**	**106**	**164**

The creation and release of provision for doubtful receivables have been included in 'Other expenses' in the Income Statement.

The maximum exposure to credit risk at the reporting date is the carrying value of all financial assets. The Group does not hold any collateral as security.

Notes to the Financial Statements

12. Trade and other receivables (continued)

The values of trade receivables and other receivables are denominated in the following currencies:

	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
British Pounds	7,149	7,279	6,387	6,538
Euros	34	128	-	-
Thai Baht	32	36	-	-
US Dollars	-	1	-	-
Other currencies	4	12	-	-
Total trade and other receivables	**7,219**	**7,456**	**6,387**	**6,538**

The risk of currency fluctuations impacting amounts receivable from third parties is not material to these Financial Statements.

Contract Balances	Contract assets 2025 £'000	Contract assets 2024 £'000	Contract liabilities 2025 £'000	Contract liabilities 2024 £'000
Group:				
At 1 April	18,317	16,649	(16,001)	(23,233)
Transfers in the period from contract assets to trade receivables	(18,221)	(16,146)	-	-
Excess of revenue recognised over cash (or rights for cash)	18,435	17,814	-	-
Amounts included in contract liabilities that were recognised as revenue during the period	-	-	11,286	15,428
Cash received in advance of performance and not recognised as revenue during the period	-	-	(8,288)	(8,196)
At 31 March	**18,531**	**18,317**	**(13,003)**	**(16,001)**
Authority:				
At 1 April	16,232	14,636	(14,152)	(20,936)
Transfers in the period from contract assets to trade receivables	(16,232)	(14,636)	-	-
Excess of revenue recognised over cash (or rights for cash)	16,975	16,232	-	-
Amounts included in contract liabilities that were recognised as revenue during the period	-	-	9,941	14,608
Cash received in advance of performance and not recognised as revenue during the period	-	-	(7,432)	(7,824)
At 31 March	**16,975**	**16,232**	**(11,643)**	**(14,152)**

Notes to the Financial Statements

13. Cash and cash equivalents

The following cash and cash equivalents are included within the Statements of Cash Flows:

	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Cash at bank and in hand	887	3,169	(297)	1,677
Short-term bank deposits	24,171	29,167	24,171	29,167
Total cash and cash equivalents	**25,058**	**32,336**	**23,874**	**30,844**

A payment run committed at year end has resulted in a credit balance of (£297k) in cash at bank and in hand for the Authority. Payment was made following the year end and was fully covered by Authority funds.

The carrying amounts of cash and cash equivalents are deemed to be approximate to their fair value.

The Group has assessed its exposure to liquidity risk as part of the going concern assessment, details of which can be found in note 1.1. The risk of currency fluctuations impacting amounts held in foreign currencies is not material to these Financial Statements.

14. Borrowings

The Authority has maximum borrowing powers of £550 million (2024: £550 million) under the Civil Aviation Act 1982 (as amended). Below are details of the Authority's undrawn and uncommitted borrowing facilities at the reporting date:

	2025 £'000	2024 £'000
Bank overdraft facility	-	-
Total undrawn and uncommitted borrowing facilities	-	-

The Authority's overdraft agreement expired on 31 May 2023. The decision was taken to not renew this facility as the Authorities current and future expected cashflows are sufficient to the extent that no use of an overdraft facility is anticipated in the foreseeable future.

Notes to the Financial Statements

15. Trade and other payables

	Note	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Current liabilities:					
Trade payables		5,142	7,691	4,765	7,445
Social security and other taxes		116	10	113	6
Amounts due to related parties	21	-	-	6,831	6,209
Accrued expenses		9,042	7,427	8,581	6,733
Contract liabilities	12	12,730	15,553	11,399	13,733
Other payables		8,577	15,428	8,491	15,314
Lease liabilities	20	863	875	786	819
Total current trade and other payables		**36,470**	**46,984**	**40,966**	**50,259**
Non-current liabilities:					
Other payables		489	523	489	523
Contract liabilities	12	273	448	244	419
Lease liabilities	20	2,686	3,290	2,299	3,076
Total non-current trade and other payables		**3,448**	**4,261**	**3,032**	**4,018**
Total trade and other payables		**39,918**	**51,245**	**43,998**	**54,277**

The carrying amount of trade and other payables is deemed to approximate their fair value. The Group is expected to meet the debts listed above as they fall due for payment. None of the debt listed above is interest bearing, therefore the Group carries no risk in relation to interest rate fluctuations. The risk of currency fluctuations impacting amounts payable to third parties is not material to these Financial Statements.

In the year ended 31 March 2022 the Department for Transport (DfT) provided the CAA with liquidity funding support. Contained within this grant funding was an element to support the redevelopment of the CAA's estates portfolio. Of this, £850k was incurred on capital expenditure and the associated grant is being released on a systematic basis over the lives of the assets to which the resources were applied.

Included in contract liabilities are the amounts shown below in respect of the grants received from the DfT:

	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
No later than 1 year	173	170	173	170
Later than 1 year and not later than 5 years	244	419	244	419
Total grant outstanding	**417**	**589**	**417**	**589**

Notes to the Financial Statements

16. Deferred income tax

The gross movement on the deferred income tax account is as follows:

	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
At 1 April	312	526	300	512
Income statement tax charge	(207)	(220)	(206)	(218)
Other comprehensive income tax (charge)/credit	(1)	6	(1)	6
At 31 March	**104**	**312**	**94**	**300**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the taxation authority where there is an intention to settle the balances on a net basis.

The offset amounts are as follows:

	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Deferred tax assets	104	312	94	300
Deferred tax assets - net	**104**	**312**	**94**	**300**

The movement in deferred tax assets and liabilities during the year is as follows:

	Group			Authority		
	Accelerated tax depreciation	Other	Total	Accelerated tax depreciation	Other	Total
Deferred tax assets/(liabilities)	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2024	(71)	383	**312**	(82)	382	**300**
Income statement tax charge	(179)	(28)	**(207)**	(178)	(28)	**(206)**
Other comprehensive income tax charge	-	(1)	**(1)**	-	(1)	**(1)**
At 31 March 2025	**(250)**	**354**	**104**	**(260)**	**353**	**94**

The rate of 25% has been reflected in the calculation of deferred tax at the balance sheet date.

The Statement of Comprehensive Income shows a deferred tax credit of £6,725k (2024: credit £10,939k) which is a result of movements in the pension scheme surplus (see note 17).

On the face of the Statements of Financial Position, the deferred income tax liability of £1,695k (2024: £7,763k) relates to the pension scheme surplus (see note 17).

Notes to the Financial Statements

17. Retirement benefit obligations

The Group's retirement benefit obligations comprise of both defined benefit and defined contribution retirement benefit plans, as well as an unfunded scheme for past Board members. The Group's main plan is the Civil Aviation Authority Pension Scheme which is a defined benefit plan that was closed to new entrants on 30 November 2012. After that date new entrants have been able to join a defined contribution plan, currently the Civil Aviation Authority Personal Pension Plan, contract based arrangement. In order to further mitigate the increase in the defined benefit liabilities the CAA has introduced a cap on the growth of future pensionable earnings. The cap is based upon the members' pensionable earnings as at the 31 March 2013 level plus inflation.

Defined contribution plan: a defined contribution plan is a pension arrangement under which the benefits are linked to contributions paid; the performance of each individual's chosen investments and the form in which the individuals choose to take their benefits. The Group has two defined contribution plans, one in which contributions are paid into an independently administered fund and a second where contributions are paid to the Civil Service Pension Plan following the transfer of responsibility for regulating aviation security from the Department for Transport to the Civil Aviation Authority as from 1 April 2014. The Income Statement charge in respect of the defined contribution plans represents the contributions payable by the Group based on a percentage of the employees' pay. The CAA has no exposure to investment and other experience risks. Costs associated with these schemes of £8,273k (2024: £6,985k) were charged to the Income Statement (see note 3).

Unfunded scheme: the CAA also operates an unfunded scheme for some past members of the Board. The revaluation of the unfunded scheme at the end of the period has resulted in a charge of £67k (2024: credit £233k) to the Income Statement in accordance with the advice of a professionally qualified actuary (see note 3). A non-current liability of £668k (2024: £705k) and a current liability of £104k (2024: £100k) are held in the Statements of Financial Position in respect of post employment benefits payable under this scheme.

Defined benefit plan: a defined benefit plan is a pension arrangement under which participating members receive a pension benefit at retirement determined by the plan rules dependent upon factors such as age, years of service, and pensionable pay and it is not dependent upon the contributions made by the Group or members. The Income Statement service cost in respect of the defined benefit plan represents the increase in the defined benefit liability arising from pension benefits earned by active members in the current period. The CAA is exposed to investment and other experience risks. The pension cost relating to the scheme is assessed in accordance with the advice of independent qualified actuaries and is such as to spread the cost of pensions over the working lives of the employees who are scheme members.

The scheme is currently governed by the Trust Deed and Rules effective from 6 April 2006 and amending documents. The assets of the scheme are held in a separate trustee administered fund. The Trustee is responsible for the operation and the governance of the scheme, including making decisions regarding the scheme's funding and investment strategy in conjunction with the CAA. The Trustee directors meet at least quarterly and, with the exception of the Chair, all the Trustee directors are either contributing members or beneficiaries of the scheme.

In July 2015, the Trustee of the scheme, with the support of the CAA, agreed to purchase a bulk annuity contract with Rothesay Life in respect of pensioners at 31 December 2014, with a second contract put in place with Pensions Insurance Corporation in January 2017 for uninsured pensioners at 30 June 2016; in July 2018, a further tranche of pensioner liabilities was insured with Pensions Insurance Corporation covering the uninsured pensioner population at 31 March 2018. During the 2020/21 financial year an additional contract was placed, with Legal and General, covering the uninsured pensioner population at 31 August 2020. The value of the buy-in policies held on behalf of the members is equal to the value of the benefits covered by the policy and is included under the asset class 'Insured annuity policies'. The value of these benefits as at 31 March 2024 is estimated to be £907 million (2024: £987 million).

The last formal actuarial valuation of the CAA Section of the Civil Aviation Authority Pension Scheme was carried out as at 31 December 2021. Following discussions with the Scheme Actuary, the Trustee determined and agreed with the CAA the assumptions to be used for the latest actuarial valuation as at 31 December 2021. The 2021 valuation revealed a deficit of £17.9 million. A recovery plan has been agreed by the CAA and the Trustees of the scheme, where the CAA will remove the deficit over the period to 31 December 2030. In addition, the CAA will pay contributions in line with the updated Schedule of Contributions dated 27 September 2022 which took effect immediately. The funding rate was set at 28.2% of pensionable earnings for the year 2024/25 (2024: 28.2%) in respect of which the CAA paid contributions of £10.3 million (2024: £5.6 million). The expected contribution for the Group in the 2025/26 year is £10.3 million. The expected future benefit payments for 2025/26 are forecast to be £106.3 million for the Group.

Notes to the Financial Statements

The methodology underlying the formal valuation differs from that used for annual IAS 19 disclosures, particularly in relation to the financial assumptions used. The formal valuation has a more prudent basis than IAS 19 disclosures and this is allowed for by means of adjustments to the discount rate and future improvements in mortality assumptions, and the inclusion of a reserve for contingent events. The main differences in methodology are summarised below:

IAS 19 disclosures:

i) Discount rate based on AA-rated corporate bonds.

ii) Best estimate assumptions for future improvements in mortality.

iii) No allowance for a reserve for contingent events.

Measurement of liabilities for the 31 December 2021 formal valuation:

i) Discount rates:

- Pensioner and deferred liabilities - gilt yields less 0.1% p.a.
- Pre-retirement discount rate for active members - gilt yields plus 0.75% p.a.

ii) Allowance for additional future improvements in mortality above best estimate assumptions.

iii) Allowance for a reserve for contingent events.

	2025 £'000	2024 £'000
Statements of Financial Position assets for Group and Authority:		
Post employment benefits - fully funded pension fund	5,086	23,289
Total Statements of Financial Position assets	**5,086**	**23,289**
Statements of Financial Position obligations for Group and Authority:		
Non-current post employment benefits - unfunded pension scheme	(668)	(705)
Current post employment benefits - unfunded pension scheme	(104)	(100)
Total Statements of Financial Position obligations	**(772)**	**(805)**
Income Statement charge for Group:		
Pension benefits (note 3)	9,245	9,887
Post employment benefits - unfunded pension scheme (note 3)	67	(233)
Total Income Statement charge	**9,312**	**9,654**
Funded pension benefits		
The amounts recognised in the Statements of Financial Position are determined as follows:		
Fair value of plan assets	1,251,230	1,383,930
Present value of future obligations	(1,244,449)	(1,352,878)
Surplus in funded scheme	6,781	31,052
Related deferred tax liability at 25% (2024: 25%) (note 16)	(1,695)	(7,763)
Net surplus in funded pension scheme	**5,086**	**23,289**

The CAA has determined, based on legal advice, that it has a right to any surplus that arises with in the scheme. As such no asset ceiling (IFRIC 14) is applied.

Notes to the Financial Statements

17. Retirement benefit obligations (continued)

	2025 £'000	2024 £'000
The movements in surplus in funded pension scheme are as follows:		
Surplus in funded pension scheme brought forward	31,052	75,579
Income Statement movement	(7,713)	(6,397)
Remeasurement effects recognised in Statements of Comprehensive Income	(26,901)	(43,755)
Employer contributions	10,343	5,625
Surplus in funded pension scheme carried forward	**6,781**	**31,052**
The movements in the defined benefit obligations (DBO) over the year are as follows:		
DBO brought forward	1,352,878	1,394,020
Current service cost (excluding administration costs)	6,988	7,796
Interest costs on the DBO	63,315	63,870
Scheme participants' contributions	45	57
Actuarial loss - membership experience	4,546	16,908
Actuarial gain - demographic assumptions	22,023	(10,648)
Actuarial gain - financial assumptions	(102,347)	(11,330)
Benefits paid from scheme assets	(102,999)	(107,795)
DBO carried forward	**1,244,449**	**1,352,878**
The movements in the fair value of plan assets in the year are as follows:		
Fair value of assets brought forward	1,383,930	1,469,599
Interest income on scheme assets	64,847	67,360
Return on scheme assets less than discount rate	(102,679)	(48,825)
Employer contributions	10,343	5,625
Scheme participants' contributions	45	57
Benefits paid	(102,999)	(107,795)
Administrative costs paid	(2,257)	(2,091)
Fair value of assets carried forward	**1,251,230**	**1,383,930**

The CAA provides pensions administration services to the scheme and has charged £1,113k (2024: £1,082k) over the course of the year.

Notes to the Financial Statements

17. Retirement benefit obligations (continued)

	2025		2024	
	£m	%	£m	%
The scheme assets are allocated as follows:				
Index Linked (UK)	141.5	11.3%	180.7	13.1%
Total Dedicated Bond Fund	**141.5**	**11.3%**	**180.7**	**13.1%**
Pooled investments vehicles - equity	69.3	5.5%	74.9	5.4%
Total Quoted Equities	**69.3**	**5.5%**	**74.9**	**5.4%**
Insured Annuity Policies	906.6	72.5%	986.8	71.3%
Total Insured Annuity Policies	**906.6**	**72.5%**	**986.8**	**71.3%**
Alternatives	40.9	3.3%	37.2	2.7%
Corporate debt/bonds	71.1	5.7%	74.8	5.4%
Cash and cash equivalents	21.8	1.7%	29.5	2.1%
Total Other Holdings	**133.8**	**10.7%**	**141.5**	**10.2%**
Fair value of scheme assets carried forward	**1,251.2**	**100.0%**	**1,383.9**	**100.0%**

As disclosed earlier in this note, the scheme holds a number of bulk purchasing annuity (buy-in) contracts in respect of ensuring all future payments to existing pensioners as at 31 August 2020. The value of the buy-in policies held on behalf of the members matches the value of the benefits covered by the policy and is included under the asset class 'Insured annuity policies'.

	2025 £'000	2024 £'000
Amounts recognised in the Income Statement are as follows:		
Current service cost	6,988	7,796
Administrative costs paid	2,257	2,091
Total Income Statement charge included in employment costs	**9,245**	**9,887**
Net interest on defined benefit obligation	63,315	63,870
Expected return on funded pension scheme assets	(64,847)	(67,360)
Total credit to finance income (note 7)	**(1,532)**	**(3,490)**
Total included in Income Statement	**7,713**	**6,397**
Analysis of the amounts recognised in Statements of Comprehensive Income:		
Actuarial loss due to liability experience	4,546	16,908
Actuarial gain due to liability assumption changes	(80,324)	(21,978)
Return on scheme assets less than discount rate	102,679	48,825
Actuarial loss recognised in Statements of Comprehensive Income	**26,901**	**43,755**

Notes to the Financial Statements

17. Retirement benefit obligations (continued)

	2025 % p.a.	2024 % p.a.
The principal actuarial assumptions used for the purpose of IAS 19 were as follows:		
Discount rate	5.70	4.85
Inflation assumption (RPI)	3.20	3.25
Inflation assumption (CPI)	2.75	2.75
Rate of increase in salaries in future years (over the next 3 years)	2.65	2.60
Rate of increase in salaries in future years (3 years onwards)	2.00	2.00
Rate of increase in pensions (pre 1 June 2015) *	3.20	3.25
Rate of increase in pensions (post 1 June 2015) *	2.75	2.75

* In excess of any guaranteed minimum pension

Mortality assumptions are based on the Self-Administered Pension Scheme All Pensioner Light series 3 tables with allowance for future improvements in line with the Continuous Mortality Investigation 2021 Core Projections model. The expected lifetime of a current pensioner who is aged 60 and the expected lifetime of a current non-pensioner (at age 60) are shown in years below:

	Males Years	Females Years
Age		
60	27.7	29.6
60 in 10 years	28.3	30.3

Additional information	2026 £'000
Expected contributions for the following year end:	
Employer	10,300
Scheme participants	45
Total expected contributions for the following year end	**10,345**

Notes to the Financial Statements

17. Retirement benefit obligations (continued)

The principal risks that the scheme is exposed to include:

Investment risk: the present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate it will reduce the reported surplus.

Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk: the present value of the defined benefit plan liability is calculated by reference to future salaries of plan participants. As such, an increase in salary of plan participants will increase the plan liability.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, expected salary increases and mortality. The table below shows the effect of changes in those assumptions:

Assumption	Base assumption	Sensitivity	Effect on Defined Benefit Obligation
Discount rate increase	5.70%	0.5% increase	4% reduction
Discount rate decrease	5.70%	0.5% decrease	5% increase
Inflation increase	3.20% (RPI), 2.75% (CPI)	0.5% increase	4% increase
Inflation decrease	3.20% (RPI), 2.75% (CPI)	0.5% decrease	4% decrease
Mortality rating	100% (male)/98% (female)	1 year decrease	4% increase
Salary increase	2.65% (1-3 years), 2.0% (3+ years)	0.5% increase	0.3% increase

Notes to the Financial Statements

18. Financial instruments by category

	2025			2024		
	Assets at fair value through the Income Statement	Other financial assets at amortised cost	Total	Assets at fair value through the Income Statement	Other financial assets at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group:						
Assets as per Statements of Financial Position						
Trade and other receivables	-	7,219	**7,219**	-	7,456	**7,456**
Cash and cash equivalents	-	25,058	**25,058**	-	32,336	**32,336**
Net book amount	**-**	**32,277**	**32,277**	**-**	**39,792**	**39,792**
Authority:						
Assets as per Statements of Financial Position						
Trade and other receivables	-	6,660	**6,660**	-	6,806	**6,806**
Cash and cash equivalents	-	23,874	**23,874**	-	30,844	**30,844**
Net book amount	**-**	**30,534**	**30,534**	**-**	**37,650**	**37,650**

Trade and other receivables includes trade receivables net of expected credit losses and other receivables where a contractual receipt of payment is due. Statutory amounts receivable, contract assets and prepayments have been excluded.

Notes to the Financial Statements

18. Financial instruments by category (continued)

	2025			2024		
	Liabilities at fair value through the Income Statement £'000	Other financial liabilities at amortised cost £'000	Total £'000	Liabilities at fair value through the Income Statement £'000	Other financial liabilities at amortised cost £'000	Total £'000
Group:						
Liabilities as per Statements of Financial Position						
Trade and other payables	-	17,757	**17,757**	-	27,807	**27,807**
Net book amount	**-**	**17,757**	**17,757**	**-**	**27,807**	**27,807**
Authority:						
Liabilities as per Statements of Financial Position						
Trade and other payables	-	23,661	**23,661**	-	33,386	**33,386**
Net book amount	**-**	**23,661**	**23,661**	**-**	**33,386**	**33,386**

Trade and other payables includes trade payables, lease liabilities and other payables where a contractual payment is due. Statutory amounts payable, contract liabilities and accrued expenses have been excluded.

The Group and Authority are exposed to risks that arise from its use of financial instruments. Further quantitative information in respect of these risks is presented throughout these financial statements.

Financial risk management disclosures are set out in the Financial Review on **pages 44 to 52.**

Notes to the Financial Statements

19. Cash generated (used in) / from operations

	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Profit before income tax	**12,997**	**11,231**	**12,384**	**10,324**
Adjustments for:				
Depreciation, amortisation, impairment and adjustment on disposal	3,349	3,457	3,106	3,220
Grant amortisation	(173)	(155)	(173)	(155)
Finance income - net	(3,610)	(5,102)	(3,295)	(4,813)
Unrealised foreign exchange difference	5	(25)	4	(25)
Withholding tax movements	2	-	-	-
Early exit of lease	89	-	-	-
Lease termination	(142)	-	(3)	-
Changes in working capital:				
Trade and other receivables	(1,978)	(2,106)	(2,515)	(2,177)
Trade and other payables	(10,588)	1,781	(9,342)	2,460
IAS19 current service cost net of cash contributions	(1,098)	4,262	(1,098)	4,262
Cash (used in) / generated from operations	**(1,147)**	**13,343**	**(932)**	**13,096**

Notes to the Financial Statements

20. Commitments

Capital commitments

At 31 March 2025 the Group had no capital commitments that were contracted for but not provided (2024: £27k).

Lease liabilities

	Note	Group 2025 £'000	Group 2024 £'000	Authority 2025 £'000	Authority 2024 £'000
Brought forward		4,165	4,762	3,895	4,416
Additions		470	210	11	210
Early terminations		(142)	-	(3)	-
Interest expense	7	49	62	43	59
Lease payments		(993)	(869)	(861)	(790)
Total lease liabilities		**3,549**	**4,165**	**3,085**	**3,895**
Analysis of lease liabilities:					
Non-current		2,686	3,290	2,299	3,076
Current		863	875	786	819
Total lease liabilities		**3,549**	**4,165**	**3,085**	**3,895**

Right of use assets associated with the lease liabilities above of £2,277k for the Group (2024: £2,678k) and £1,842k for the Authority (2024: £2,470k) were included within the Statements of Financial Position at the end of the current financial period (note 9).

21. Related party transactions

The Civil Aviation Authority is a statutory corporation whose duties, powers and functions are established in and pursuant to primary and secondary legislation. By virtue of provisions in the Civil Aviation Act 1982, the Airports Act 1986 and the Transport Act 2000 in specified circumstances the Secretary of State for Transport may direct the Civil Aviation Authority as to the performance of those duties, powers and functions. During the year the Group has undertaken work for the Department for Transport (DfT) and has recognised revenue of £30,841k (2024: £25,108k). At the end of the year £932k was owed by the DfT to the CAA (2024: £82k). The CAA also purchased £93k of services from the DfT in the year (2024: £84k), primarily in relation to an employee secondment.

The Air Travel Trust (ATT) exists to fund repatriation or reimbursement of holiday-makers in the event of the failure of a tour operator. The ATT is funded by contributions made when ATOL-protected holidays are purchased and, in certain circumstances, has recourse to bonds or insurance. M Fuller (resigned June 2024), P Smith (retired April 2024), S Chadha (appointed September 2024) T Martin (Board members of the CAA) and J Spence, (Secretary to the CAA) were Trustees of the ATT during the year. As detailed in note 1.2, the ATT is excluded from the consolidated financial statements of the CAA. At the end of the year nothing was owed by the ATT to the CAA in relation to failure administration and recharged expenditure (2024: £nil).

During the year, the CAA charged £366k (2024: £180k) for failure administration services to the ATT, none of which was accrued at the year end. The CAA also recharged £3,453k (2024: £3,408k) to the ATT during the year for repatriation activities, legal fees, accommodation costs, accounting and other administrative services. During the year revenue of £42k (2024: £8k) was invoiced to The Royal Air Force (RAF) by the CAA, primarily in respect of desk rental at CAA's offices. Suraya Marshall was a non-executive member of the CAA Board during part of the year and she also serves as Assistant Chief of the Air Staff on the RAF Board. Board member and key management personnel emoluments are detailed in note 4 and the People Committee Report.

Notes to the Financial Statements

21. Related party transactions (continued)

The following revenue transactions with fellow Group undertakings occurred during the year:

	2025 £'000	2024 £'000
Re-charge of Corporate legal, finance, IT and facilities costs:		
CAA International Limited	695	680
Air Safety Support International Limited	376	358
Re-charge of Corporate Board member costs:		
CAA International Limited	44	40
Air Safety Support International Limited	29	28
Work carried out on behalf of other Group entities with regard to technical assistance:		
Air Safety Support International Limited	20	9
Work carried out on behalf of other Group entities with regard to commercial aviation related services:		
CAA International Limited	1,109	1,503
Total intra Group income	**2,273**	**2,618**

The following expenditure transactions with fellow Group undertakings occurred during the year:

	2025 £'000	2024 £'000
Work carried out by Group entities with regard to aviation regulatory services:		
CAA International Limited	(160)	(199)
Cost of internal training delivered by other Group entities:		
CAA International Limited	(281)	(259)
Cost of internal exams hosting and maintenance charges by other Group entities:		
CAA International Limited	(285)	(258)
Total intra Group charges	**(726)**	**(716)**

Notes to the Financial Statements

21. Related party transactions (continued)

	2025 £'000	2024 £'000
Interest receivable on Group trading balances:		
Air Safety Support International Limited	1	1
Interest payable on Group trading balances:		
CAA International Limited	(307)	(292)
Net interest payable on Group trading balances	**(306)**	**(291)**

The year-end balances owing (by)/to the Authority (to)/by Group undertakings:

	Note	2025 £'000	2024 £'000
CAA International Limited	15	(6,831)	(6,209)
Air Safety Support International Limited	12	273	268
Total payables owing to Group undertakings		**(6,558)**	**(5,941)**

As part of the treasury function, the Group operates a cash pooling arrangement for the Authority and CAA International Limited. A number of other functions, including payroll and accounts payable, are carried out and settled by the Authority on behalf of its subsidiaries. These transactions are not included in the above disclosures.

The Group has not considered it necessary to include an expected credit loss provision against amounts owing by other Group entities. This is owing to the fact that all group entities are fully owned subsidiaries, each with an assessment that they are a going concern, therefore there is no expectation of non-recovery of intra-group debt and all balances are repayable on demand.

Notes to the Financial Statements

22. Ultimate controlling party

The corporation's ultimate controlling party is the Secretary of State for Transport in pursuance of the Civil Aviation Act 1982 and the Civil Aviation Act 2012.

23. Current cost return on capital employed (UNAUDITED)

	Operating profit £'000	Average capital employed £'000	Return on capital employed %
CAA Regulatory Sector	6,539	51,146	12.8%

The Group is set financial targets by the Department for Transport of a 3.5% rate of return for the regulatory and en route sectors. The targets are based upon the annual rate of return before interest and tax, on average capital employed revalued at current cost for the target period. The financial target is calculated to provide sufficient reserves for future capital investment, interest payments and corporation tax. Further analysis is included on **page 49** within the Financial Review.

The differences in accounting convention used when comparing current cost accounts with historic cost accounts are:

(i) The current cost accounts have been prepared in accordance with the withdrawn Statement of Standard Accounting Practice Number 16, by the application of Government indices to the historic cost of fixed assets together with a working capital adjustment, so as to allow for the impact of price changes on profits and losses and asset values; and

(ii) The treatment of the pension scheme under IAS 19 has been excluded from the Statement of Financial Position and from the Income Statement.

The alternative basis has been used as it provides a more consistent basis for assessing the financial target set by the Department for Transport.

The reporting business segment and target rate of return is as follows:

	Target period	Target rate
CAA Regulatory Sector	01/04/2024 - 31/03/2025	3.5%

The business segment is required to achieve the higher of either the annual target rate of return on the average current cost of capital employed or break-even after charging interest and tax.

The calculation of the Return on Capital Employed has not been audited for the 2024/25 Annual Report and Accounts. However it has been prepared on a basis that is consistent with previous years.

Group Five-Year Summary

	2025 £m	2024 £m	2023 £m	2022 £m	2021 £m
Income Statement (historic cost accounts):					
Revenue	**205.1**	**185.8**	**163.6**	**142.3**	**128.0**
Operating profit before finance income - net and income tax charge / (credit)	9.4	6.1	2.8	3.2	4.9
Finance income - net	3.6	5.1	6.9	4.2	5.8
Income tax charge	(3.4)	(3.0)	(2.6)	(2.0)	(2.1)
Profit for the financial year	**9.6**	**8.2**	**7.1**	**5.4**	**8.6**
Statement of Financial Position (historic cost accounts):					
Non-current assets	18.8	43.0	87.6	246.2	231.2
Current assets	57.1	62.4	49.3	56.9	31.7
Total assets	**75.9**	**105.4**	**136.9**	**303.1**	**262.9**
Reserves	32.0	42.5	67.1	181.0	185.0
Equity	**32.0**	**42.5**	**67.1**	**181.0**	**185.0**
Total liabilities	**43.9**	**62.9**	**69.8**	**122.1**	**77.9**
Total equity and liabilities	**75.9**	**105.4**	**136.9**	**303.1**	**262.9**

Out-turn against financial target set by the Department for Transport based on current cost accounting:

	2025	2024	2023	2022	2021
CAA Regulatory Sector	**12.8%**	**6.5%**	**3.5%**	**3.6%**	**6.0%**

Civil Aviation Authority (Accounts) Direction 2022

The Secretary of State for Transport, with the approval of the Treasury, in pursuance of section 15(1) of the Civil Aviation Act 1982, hereby gives the following Direction:

1. The statement of accounts, which it is the duty of the Civil Aviation Authority (the Group, which is comprised of the Regulatory Authority and its subsidiaries) to prepare in respect of its financial year ending 31 March 2022 and in respect of any subsequent accounting year, shall comprise:

- **a.** an annual report;
- **b.** a statement on internal control;
- **c.** a statement of Board members' responsibilities;
- **d.** an income statement;
- **e.** a statement of comprehensive income;
- **f.** a balance sheet of the Regulatory Authority and of the Group;
- **g.** a statement of changes in equity; and
- **h.** a statement of cash flows

including in each case such notes as may be necessary for the purposes referred to in paragraphs 2 and 3 below.

The statement of accounts shall, without limiting the information given, meet insofar as they are appropriate to public corporations:

- **a.** the accounting and disclosure requirements of companies legislation currently in force;
- **b.** the accounts disclosure requirements of paragraphs 9.8.6 and 9.8.8 of the UK Listing Rules;
- **c.** International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- **d.** any additional disclosure or accounting requirements that the Treasury may issue from time to time in respect of public corporations' accounts.

2. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 to this Direction. The annual accounts shall include the information set out in Schedule 2 to this Direction.

3. The accounts kept and the statement prepared in pursuance of Section 15, subsection (1) of the Civil Aviation Act 1982 ("the Act") shall be audited by auditors who are appointed, after consultation with the CAA, for each year by the Secretary of State, and a person shall not be so appointed unless he / she is eligible for appointment as a company auditor under the Companies Act 2006 or is a member of the Chartered Institute of Public Finance and Accountancy with a current practicing certificate and approved to carry out the audit by a firm of auditors registered with one of the bodies listed below:

- the Institute of Chartered Accountants in England and Wales;
- the Institute of Chartered Accountants of Scotland;
- the Association of Chartered Certified Accountants;
- Chartered Accountants Ireland;
- any other body of accountants established in the United Kingdom and for the time being recognised for the purposes of the Companies Act 2006 by the Secretary of State;
- but a Scottish firm may be so appointed if each of the partners therein is qualified to be so appointed.

This paragraph supersedes section 15, subsection (2) of the Civil Aviation Act 1982.

4. The Direction issued to the Authority dated 29 March 2021 is hereby revoked.

Benjamin Smith, Director, Aviation
Signed by authority of the Secretary of State
7 April 2022

Civil Aviation Authority (Accounts) Direction 2022

Schedule 1

1. The Companies Act 2006 requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate; the information relating to the Civil Aviation Authority shall be contained in the Annual Report.
2. The income statement shall be prepared in accordance with International Accounting Standard (IAS) 1.
3. The summary financial position shall be prepared in accordance with IAS 1, separating the classification of the current and non-current assets, and current and non-current liabilities on the face of the balance sheet.
4. The Civil Aviation Authority has no power over the Air Travel Trust Fund (ATTF) and no exposure to variable returns from its involvement with the ATTF. Accordingly, the ATTF shall not be consolidated as part of the Group financial statements.

Schedule 2

Supplementary Information

1. The income statement or the notes thereto shall include:
   a. analyses of revenue and operating profit or loss over the following:
      - Regulatory Sector made up of:
        - Safety & Airspace Regulation
        - Consumers & Markets
        - Aviation Security
        - Space
      - UK en route Air Traffic Services
      - CAA International
      - Miscellaneous Services

   b. revenue shall be analysed, as appropriate, between statutory and scheme charges and other income;

   c. expenditure shall be analysed between employment costs, services and materials, repairs and maintenance, research, depreciation, amortisation and disposals, other gains/(losses) (as appropriate) - net and other expenses; and

   d. a statement showing separately the interest on capital loans.

2. The balance sheet or a note thereto shall show:
   a. the Group's maximum borrowing power; and

   b. all sums borrowed showing separately amounts borrowed from the National Loans Fund and other borrowings and showing separately when repayment is due.

3. The statement of accounts or notes thereto shall include:
   a. statement of the target rate of return achieved by the Regulatory operations based upon the average total equity based upon changing prices;

   b. an explanation of the manner in which the returns have been computed and a definition of the target to be achieved;

   c. comparisons with other financial targets which have been agreed with the Group; and

   d. the amount, source and purpose of capital grants receivable.

Civil Aviation Authority (Report) Direction 2025

The Secretary of State for Transport, in exercise of their power under Section 21 (2)(d) of the Civil Aviation Act 1982 hereby specifies that the Annual Report of the Civil Aviation Authority (the Group which is comprised of the Authority and its subsidiaries) ending 31 March 2025, and in respect of any subsequent accounting year, should include:

1. the agreed performance and service aims of the Group, and the outturn against them;
2. the main features of the latest Strategic Plan of the Group;
3. an audited statement of efficiency;
4. a full and fair review of the development of the business during the year, the significance of the circumstances facing the Group, and an indication of likely future developments for each of the significantly different classes of business.
5. dealing separately with the Group's financial position:
    - **a.** a comparison of results against targets, including an explanation of the relationship between current and historic cost accounts and the significance of returns on assets employed;
    - **b.** comments on and changes to funding levels;
    - **c.** significant changes in property, plant and equipment and intangible assets, with a brief description of the assets involved;
    - **d.** a description of activities in the field of research;
    - **e.** comments on other relevant aspects of the financial results; and
    - **f.** a summary of significant events up to the end of the reporting period.
6. a five-year summary of the Group's financial results, including and identifying amongst other things:
    - **a.** appropriate analyses of income and expenditure and assets and liabilities;
    - **b.** total equity;
    - **c.** operating profit/(loss), as appropriate, before interest, expressed as a return on average current cost of total equity, excluding treatment of the pension scheme under International Accounting Standard 19, analysed between the different classes of business; and
    - **d.** this Direction and the relevant extant Accounts Direction.

The secretary of State has agreed that the CAA shall continue to make a separate report on its Growth Duty which they will lay before both Houses of Parliament, alongside the Annual Report and Accounts, and both of which the CAA shall then publish on its website.

The report Direction is previously issued to the Civil Aviation Authority dated 5 April 2024 is hereby revoked.

David Silk, Director, Aviation
Signed by authority of the Secretary of State
25 April 2025

UK Civil Aviation Authority

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