BBA Aviation

Annual Report 2016

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BBA Aviation plc is a market-leading, global aviation support and aftermarket services provider, primarily focused on servicing the Business and General Aviation (B&GA) market.

We support our customers through three principal businesses:

Flight Support

Signature Flight Support
is the world's largest fixed base operation (FBO) network for B&GA users with more than 200 locations covering key destinations in North America, Europe, Caribbean, Africa and Asia.

Aftermarket Services

Ontic
is a leading provider of high-quality equipment and cost-effective solutions for the continuing support of maturing and legacy aerospace platforms with locations in the USA, Europe and Asia.

Engine Repair & Overhaul (ERO)
is a leading independent engine service provider to global B&GA operators, the rotorcraft market and regional airline fleets with locations in the USA, Europe, South America, Asia and the Middle East.

Our Vision, Mission & Values
BBA Aviation is a values-focused organisation, dedicated to being the world's leading provider of aviation support and aftermarket services with the overarching objective to deliver exceptional, long-term, sustainable value for all our stakeholders.

Our businesses are individually and collectively focused on:
- Consistently exceeding customer expectations;
- Valuing and empowering our people in a zero incident, safe environment;
- Encouraging innovation;
- Working together for greater gain;
- Always behaving with integrity and respect.

Our Values – Performance, Safety, People, Service, Responsibility, Integrity – align us in what we focus on and how we act and behave every day.

BBA Aviation – enabling flight; expanding horizons

A transformational year for BBA Aviation

During the year we have:

Materially expanded the size of Signature and created a unique global network of FBO locations

The acquisition of Landmark Aviation, additional expansion in the USA and Europe, and the continuing growth of the Signature Select™ affiliate programme has significantly increased our already market-leading footprint at key destinations for B&GA travel. We have created a unique and high-quality global network of FBO locations, with an unrivalled ability to satisfy the needs of our customers at many more of the locations that they want to fly to.

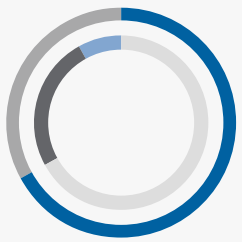
Focused the Group on higher value-added, better IP-protected, strong ROIC and cash generative businesses

In September, we announced the sale of ASIG, which completed on 31 January 2017. Coupled with the growth of Signature, this has significantly increased our focus on providing value-added services to the attractive and growing B&GA market where we are a market leader. We have also continued to invest to grow Ontic's IP-protected portfolio of products, most recently through the GE Avionics acquisition. As a result, we have enhanced our focus on areas which are highly cash generative and where we see the potential to generate enhanced returns on capital on a through-cycle basis.

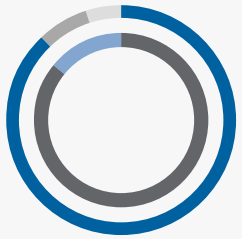
Successfully integrated Landmark Aviation and delivered faster than anticipated cost synergies

The Landmark Aviation acquisition brought 62 FBOs and nearly 3,000 new employees to BBA Aviation. Business performance has met all of our expectations and the detailed and complex integration plan was executed effectively. Synergies have been delivered ahead of schedule and we anticipate annualised cost savings of $39 million from 2017.

2016 Revenue Splits



Flight Support	67%
Aftermarket Services	33%
Signature	67%
Engine Repair & Overhaul	25%
Ontic	8%



B&GA	88%
Commercial	7%
Military	5%
North America	86%
Rest of World	14%

$2,149.1m	Revenue, up 25%
$302.6m	Underlying operating profit, up 67%
10.1%	ROIC, down 90bps
>220	Locations
5	Continents
>6,500	Employees

Figures are reported on a continuing operations basis unless otherwise stated.

2016 Financial Highlights

$m	2016[2]	2016 continuing	2015	2015 continuing	Change	Change continuing
Revenue[1]	2,565.9	2,149.1	2,129.8	1,714.0	20.5%	25.4%
Organic revenue growth[1]	(2%)	(2%)	2%	2%	–	–
Underlying EBITDA[1]	414.7	384.5	273.1	241.2	51.9%	59.4%
Underlying operating profit[1]	330.1	302.6	202.0	181.5	63.4%	66.7%
Operating profit	192.9	166.1	130.8	112.7	47.5%	47.4%
Underlying operating margin[1]	12.9%	14.1%	9.4%	10.6%	–	–
Underlying profit before tax[1]	266.1	238.7	170.0	149.7	56.5%	59.5%
(Loss)/Profit before tax	(164.6)	(82.2)	95.3	77.4	(273%)	(206)%
(Loss)/Profit for the period	(98.9)	(19.3)	83.1	69.7	(219%)	(128)%
Exceptional and other items including tax[1]	(316.0)	(218.5)	(61.2)	(59.2)	(416%)	(269%)
Earnings per ordinary share – basic						
Adjusted[1]	21.1¢	19.4¢	20.1¢	18.0¢		
Unadjusted	(9.6¢)	(1.9¢)	11.6¢	9.8¢		
Earnings per ordinary share – diluted						
Adjusted[1]	20.9¢	19.2¢	20.0¢	17.9¢		
Unadjusted	(9.6¢)	(1.9¢)	11.5¢	9.7¢		
Dividends per ordinary share	12.75¢	–	13.53¢[4]	–		–
Return on invested capital[1]	10.1%	–	11.0%	–	–	–
Operating cash flow[1]	299.4	–	119.4	–	151%	–
Cash conversion [1]	155%	–	92%	–	–	
Free cash flow[1]	224.1	–	88.4	–	154%	–
Net debt[1]	(1,335.3)	–	456.5	–	–	–
Net debt to underlying EBITDA[1]	3.2x	–	2.3x[3]	–	–	–

1 Defined and reconciled to reported financials under alternative performance measures (APMs). See pages 169 to 173.
2 From continuing and discontinued operations.
3 Historical net debt is no longer used as an alternative performance measure. The reason it was used in 2015 was because there was a timing difference between the raising of capital in 2015 and the issue of debt in 2016 for the Landmark acquisition.
4 Dividend per share is disclosed as historically reported. Adjusted for the new capital base, the restated dividend per share is 12.15¢.

Chairman's Statement

BBA Aviation delivered a strong overall performance in 2016 and has made excellent strategic progress. With the completion of the acquisition of Landmark Aviation, the sale at the beginning of 2017 of ASIG and continued investment in Ontic's portfolio, the Group has transformed and is positioned strongly for the future.

Results

In Flight Support we saw excellent organic underlying operating profit progression of 7% despite modest market growth. The integration of the new Landmark FBOs has been successfully completed. During the year we also further extended the Signature network around the world through acquisition and our Signature Select™ licensing model and completed the transaction to form Gama Aviation Signature Aircraft Management.

In Aftermarket Services, Ontic delivered another solid operating performance with incremental contributions from new licences and we completed the acquisition of a portfolio of legacy avionics products from GE Aviation. We saw a weak overall performance in Engine Repair & Overhaul as trading conditions remained challenging, but continued progress on our footprint reduction programme, which supported an improved second half performance.

Net cash flow from operating activities was strong at $374.9 million with ROIC at 10.1%.

Dividend

At the time of the interim results the Board declared an increased interim dividend of 3.63c per share (2015: 3.47c per share when adjusted for the new capital base). The Board is now proposing a final dividend of 9.12c per share (2015 adjusted: 8.68c per share), up 5% on an underlying basis, reflecting the Board's progressive dividend policy and its continued confidence in the Group's future growth prospects.

Corporate Governance and the Board

In this Annual Report we have created a new Corporate Governance section (pages 42-78) which sets out our approach to governance, how we comply with our governance obligations and how governance works in practice at BBA Aviation.

We announced at the end of 2015 that Nick Land would be leaving the Board at the 2016 AGM and that, from January 2016, Peter Edwards and Peter Ventress would join the Board as non-executive directors. I would like to again thank Nick for his contribution to BBA Aviation and thank each of our non-executive directors for their counsel during the year.

On 1 March 2017 we announced that Mike Powell was standing down from the Board on 31 May 2017. I would like to thank Mike for his significant contribution to BBA Aviation and I am very pleased with the appointment of David Crook as his successor as Group Finance Director.

Safety

The Board values the skills, commitment and enthusiasm of all of our employees in what has been an exceptionally busy year for BBA Aviation. Our dedicated teams around the world are at the heart of our success. This year we have been especially pleased with progress in the vital area of safety where we have delivered a significantly improved performance versus last year.

Outlook

The integration of Landmark Aviation has delivered more cost synergies than anticipated, with annualised cost savings now expected to be $39 million. Signature now comprises the majority of the Group and has a global network of over 200 FBOs that can meet more of the needs of our customers at most of the locations they want to fly to, enhancing our opportunity for continued market outperformance. Ontic continues to see significant growth opportunities and has a strong pipeline and a good order book. Although ERO will continue to be impacted by reduced legacy mid-cabin fixed wing flying, our footprint reduction programme remains on track and should lead to further improved financial performance at lower levels of activity.

The Group is now focused on higher value-added, better IP-protected, high ROIC and strongly cash generative businesses and the Board is confident of good growth in 2017.

Sir Nigel Rudd,
Chairman

Q&A with Group Chief Executive

"We have been effective over a number of years in executing our strategy of building leadership positions in aviation service and aftermarket businesses that show good underlying growth, where we can create or enhance barriers to entry, that generate cash and deliver sustainable returns well in excess of our cost of capital"

Simon Pryce
Group Chief Executive

Q. Has BBA Aviation's business model/strategy changed post Landmark and the ASIG disposal?

A. Not really. We have been effective over a number of years in executing our strategy of building leadership positions in aviation service and aftermarket businesses that show good underlying growth, where we can create or enhance barriers to entry, that generate cash and deliver sustainable returns well in excess of our cost of capital. This was particularly true in 2016.

The acquisition of Landmark Aviation materially extended and enhanced our network of high-quality and global FBO locations, through which we can deliver Signature's industry-leading service offering and operational excellence to a broader range of customers at significantly more of the places in the world that they want to fly to. We also have a greater focus on B&GA and on higher value-added, better IP-protected, strong ROIC and cash-generative businesses. From here, the impact of having an FBO network that is so much larger and in customer-relevant locations, gives us ample opportunity for further expansion, not just by continuing to add new locations, but also through the provision of a broader range of B&GA services to our extensive customer base. And, by using our unique knowledge of, and relationship with, our customers we can optimise the nature of the services they receive and the way we deliver them to reduce their total cost of flying.

The decision to sell ASIG was triggered by interest we received towards the end of 2015 and highlights our focus on value creation; others saw more long-term value in ASIG than we felt we could generate in the foreseeable future. The combination of ASIG and Menzies creates an enhanced global leader in the provision of commercial aviation services offering greater benefits to customers and to the ASIG team that has left BBA Aviation.

Going forward, our strategy and business model remain the same – focusing on the customer, driving innovation in quality and type of service, leveraging knowledge and skills across the Group, increasing our value-added activities and continued financial discipline.

Q. Tell us about the Landmark integration – any surprises, good or bad?

A. Acquiring and integrating 62 FBOs at once was no small feat and took the focused efforts of a significant number of our dedicated and highly capable team; but there really were no surprises. We knew most of the FBOs well and had been monitoring them for a number of years. We also had the opportunity to do extensive due diligence prior to completion. The Carlyle Group were also good stewards of Landmark and had enhanced the underlying quality of the FBO estate through investing in lease extensions and development projects.

Nevertheless, combining the two businesses has allowed us to reduce the combined cost base by $39 million of annualised synergies from 2017 and we are very excited about the opportunity to enhance our relationship with all our customers and bring them the full range of our much broader service offering across a significantly larger global network of high-quality FBOs.

Q. Can you see opportunities for further transformational deals?

A. The cash-generative nature of BBA Aviation, as our track record demonstrates, means we have plenty of capacity to continue investing where we see opportunities for business expansion, improvement and value creation.

Specifically, while it is unlikely that we will find something of a similar scale to Landmark, at least in the near future, we'll continue to review and pursue opportunities to expand the Signature network as and when they arise, whether in the USA or elsewhere. We'll also continue to look for incremental investments and acquisitions to enhance Ontic's licence portfolio and, more broadly, will continue to deploy capital across the Group where we see the opportunity to generate good risk-adjusted returns.

Q. Why are BBA Aviation's Values so important?

A. We are a values-led organisation. Our Vision, Mission and Values provide focus and direction for the organisation, and guide each of us every day in our personal and business interactions. They were introduced in 2007 and they haven't materially changed in that time. They have been effective in driving strategy and the very strong performance we have delivered, despite the challenging environments we have sometimes faced, and they remain very relevant going forward.

Q. As CEO you have a lot of responsibilities. What keeps you awake at night?

A. I worry about safety. Airports, particularly ramp-side, can be dangerous places used by people and vehicles that may have a different attitude to safety than we do. This is why we place such emphasis on good safety practices and everyone taking responsibility for themselves and for others around them. But we have the right processes in place and a great team working at all levels of the organisation, so I am confident that we are doing the right things to mitigate that risk and that we can meet the high standards we have set.

I worry about our people, who continue to work hard and achieve extraordinary things despite the sometimes challenging and uncertain environment. In recent years, we have placed even greater focus on development programmes and training for everyone in the organisation to expand individual capabilities and give people the tools needed to reach their potential.

I also worry about a lot of other little things. However, the nature of our business model is such that it can cope with any shocks, economic or otherwise. We are in a strong financial position, we are very cash generative with low operational gearing; we are not reliant on any one customer, supplier or technology and the business is in great shape and has an exciting future.

Q. Of what are you most proud this year?

A. I am exceptionally proud of the performance of our people. It is amazing looking back and seeing what our organisation and individuals within it have achieved since we announced the Landmark transaction in September 2015.

The Landmark deal has significantly expanded the size of Signature and we completed the integration within 12 months, realising synergies in excess of those identified at the outset of the transaction. We successfully sold the six Landmark FBOs required by the U.S. Department of Justice and have added further Signature locations across the world. ASIG was our largest business in terms of employees and we worked extremely hard to ensure for them a smooth transition to John Menzies plc. Ontic has significantly grown its portfolio, most recently with the GE Avionics acquisition, and ERO is in the final stages of this phase of its footprint optimisation programme, as it moves repair activities out of Forest Park and into its new state-of-the-art facility at Dallas Fort Worth. We also reached a further milestone at the beginning of 2017 with the formation of Gama Aviation Signature Aircraft Management which is one of the largest aircraft management and charter businesses in the world.

I'd like to thank everyone at BBA Aviation for their hard work in 2016, a year that has been truly transformational for the Group and of which our whole organisation can be proud.

Signature's new
7,500sq ft hangar at
London Luton Airport

"The cash-generative nature of BBA Aviation, as our track record demonstrates, means we have plenty of capacity to continue investing where we see opportunities for business expansion, improvement and value creation"

Our Enlarged Operations

BBA Aviation now operates at more than 220 locations on five continents worldwide. We have over 6,500 employees.

North America, Central America and Caribbean

65% of world's business jets and turboprops

153 Locations

139 Signature

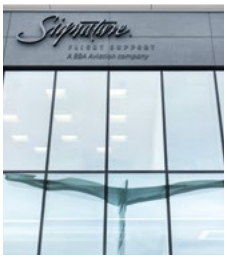
13 ERO

1 Ontic

Signature Cleveland Burke Lakefront.

Europe

11%	of world's business jets and turboprops
38	Locations
35	Signature
2	ERO
1	Ontic



Signature London Luton.

South America

11%	of world's business jets and turboprops
25	Locations
24*	Signature
1	ERO

*Signature's South American network operates under a joint venture agreement with Lider Aviãçao

Asia & Middle East

7%	of world's business jets and turboprops
6	Locations
3	Signature
2	ERO
1	Ontic

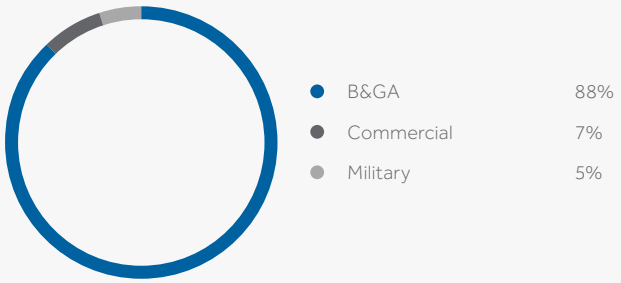
Africa

4%	of world's business jets and turboprops
2	Locations
2	Signature

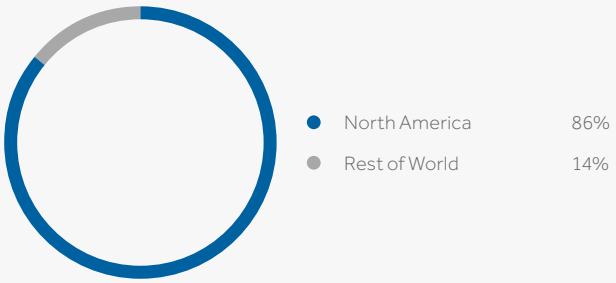
Our Markets

BBA Aviation is primarily focused on providing services to global Business & General Aviation (B&GA) customers; 88% of revenue comes from this market. Ontic has a wider customer base, supporting maturing and legacy aerospace platforms in the global commercial, B&GA and military markets. While principally focused on B&GA, Engine Repair & Overhaul (ERO) also provides services to regional commercial operators flying with engines in the sub-25,000 lb thrust category.

2016 Revenue Split by Market



2016 Revenue Split by Geography



Business & General Aviation (88% of Group revenue)
B&GA covers thousands of aircraft large and small, outside the commercial and military aircraft fleets, serving a wide variety of private, business, utility and public service roles. Worldwide there are more than 21,000 jets, 15,000 turboprops and 24,000 turbine civil helicopters in operation classified as B&GA aircraft. Signature primarily provides flight support and line maintenance services to business and private aircraft in this segment and ERO and Ontic provide aftermarket technical services and licensed products for a broad range of jet, turboprop and helicopter platforms.

Private and business travel using B&GA aircraft is a productivity and efficiency tool, particularly in North America where there are significant distances between large populations and a lack of efficient intermodal alternatives in other travel sectors. 65% of the world's business jets and turboprops are based in North America and it is BBA Aviation's key focus. In all regions, customers value a consistent, high-quality flight support offer to aid their journey.

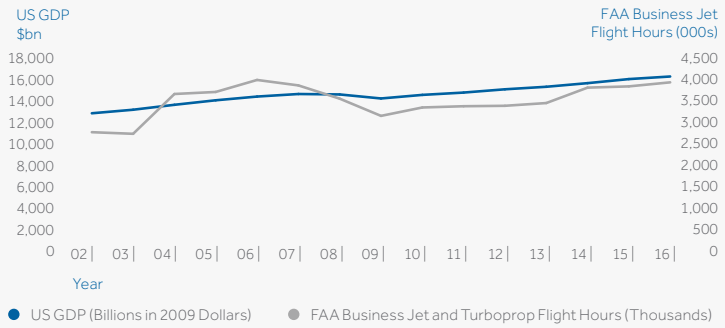
B&GA flight hours and aircraft movements are key drivers for Signature and for ERO. Increased activity, measured in the US by the Federal Aviation Administration (FAA) and in Europe by Eurocontrol, means more arrivals and departures and a higher uptake of fuel and other services across Signature's global network, and a greater number of engine and other technical service events driven by increased aircraft usage.

The US B&GA market has attractive growth characteristics that are both cyclical and structural in nature. B&GA travel is driven by corporate confidence and wealth creation with a long-term through-cycle correlation to US GDP. More broadly, new business aircraft deliveries, in addition to pricing and demand in the second-hand market, indicate the longer-term health of the market.

Commercial and Military Aviation (7% and 5% of Group revenue)

Much like the B&GA market, demand for BBA Aviation's services in both the commercial and military aviation markets is principally driven by flight activity. For Ontic, factors supporting the life extension of existing platforms, such as the age of the fleet and military spend come into play.

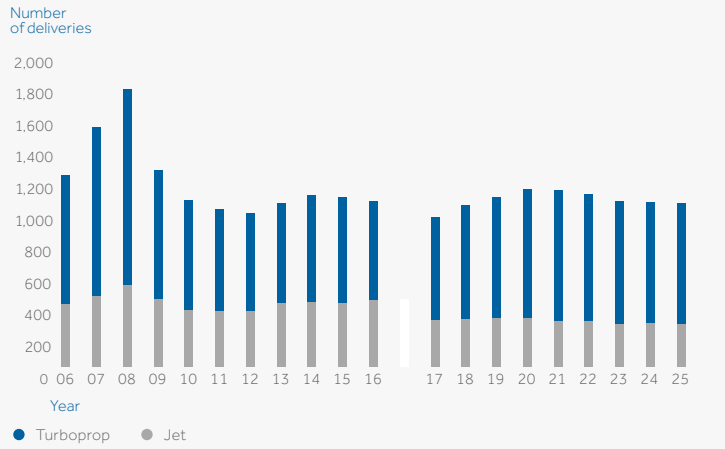
FAA Flight Hours and GDP



Sources: FAA 2016 Forecast and U.S. Bureau of Economic Analysis

The US market remains approximately 15% off its peak activity levels, giving scope for B&GA market recovery as well as long-term structural growth in flying hours.

Business Jet and Turboprop deliveries – historical and forecast



Source: 2006-2016 historic deliveries: GAMA 2016 General Aviation Statistical Databook (excludes Airbus ACJ, Boeing BBJ, head of state/shuttles, ag turboprops)
Source: 2017-2025 forecast deliveries: Teal Group Business Aircraft Forecast (excludes Airbus ACJ, Boeing BBJ and head of state/shuttles)

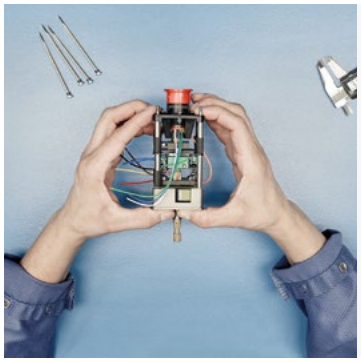
Private and business travel using B&GA aircraft is a productivity and efficiency tool, particularly in North America where there are significant distances between large populations and a lack of efficient intermodal alternatives in other travel sectors

Business Model

BBA Aviation is focused on delivering exceptional, long-term sustainable value through optimising the network effect of Signature's unique global FBO portfolio and leveraging our technical and customer expertise at Signature and our ERO and Ontic aftermarket services businesses.

Signature Flight Support

The world's largest fixed base operation (FBO) network for B&GA users.



Ontic

Leading provider of high-quality equipment and cost-effective solutions for the continuing support of maturing and legacy aerospace platforms.

Engine Repair & Overhaul

Leading independent engine service provider to global B&GA operators, the rotorcraft market and regional airline fleets.

Drivers

- Long-term structural growth in flying hours. particularly in B&GA
- Fragmented and large addressable markets
- Diversified customer base
- Low asset intensity

What sets us apart

Market leadership	• World's largest FBO network • Market-leading positions in broad range of small thrust capacity engine overhaul programmes • Ontic's unique portfolio of IP-protected components and systems
Track record of market outperformance	
Barriers to entry	• Scale • Locations and capabilities • Licence, adoption process and authorisation IP • Highly recognised brands
Customer-relevant network	• 39 Signature locations at top 50 US airports • Cover key European and ROW B&GA destinations • Service global customer base through Ontic and ERO locations
Strong and extensive customer relationships and deep customer knowledge	• Customer contact, data management analytics and use
Extensive IP-protected technical skills and service offering	• Signature's industry- leading service and offer • Ontic's proven adoption and supply chain management capability • Knowledge of multiple aircraft systems • Flexible workshop capabilities
Aligned, values-led organisation	
Management and employee experience, expertise and track record	

How we create value

- Satisfying a significantly greater proportion of our customers' demand at more places they want to fly to
- Providing a broader range of value-added B&GA services through our unique network
- Utilising customer knowledge to drive innovation in quality and type of service
- Leveraging customer and technical knowledge across the Group
- Further growing our FBO, licence and authorisation portfolio
- Extending the operational life of legacy platforms
- Continued improvement in underlying efficiency; reduced costs of delivery
- Deploying capital in a disciplined way

Strategy

The Group and each of our businesses have aligned strategies that enable us to compete effectively, deliver through-cycle growth and drive value creation.

Growth
BBA Aviation operates in markets with attractive growth characteristics and barriers to entry. We aim to outperform those markets through:

- A unique network of high-quality locations
- Leveraging customer knowledge to optimise their cost of flying and grow share
- Expanding our FBO range of services
- Cross-business co-operation

Performance Optimisation
We target continuous operational improvement through:

- Investing in our people
- Focusing on innovation
- Improving processes
- Reducing duplication
- Enabling a world-class safety culture

Cash Generation
We focus on effective and disciplined management of capital with absolute cash generation and cash conversion through:

- Improving processes
- Reducing duplication
- Maintaining financial discipline

Value Creative Investment
We deploy capital to expansion and investment projects that will optimise customer opportunities and deliver strong returns focusing on:

- Growing the Signature network in relevant markets
- Expanding our FBO service offer
- Maintaining the quality and lease length of our FBO locations
- Growing our IP-protected licence and authorisation portfolio

Measuring Success

Each year we set a series of short-term specific and measurable goals aligned with our Vision, Mission and Values and embed them in our businesses. Execution of actions associated with these goals is actively monitored by our management processes. Group financial Key Performance Indicators (KPIs) are detailed below. Our non-financial safety KPIs are described on pages 26-29 in Corporate Responsibility.

Growth

Organic Revenue Growth

Organic revenue growth is a measure of the underlying growth of the business. It excludes the impact of foreign currency and fuel price fluctuations and any contribution from acquisitions and disposals.

Signature continued to perform well, delivering good organic growth. This growth was offset by a weak performance from ERO, driving a small decrease in organic underlying continuing revenue.

(2)% 2016

2015	2%
2014[2]	3%
2013[2]	2%
2012[2]	(1)%

Performance Optimisation

Adjusted Earnings per Share

Adjusted earnings per share measures the profit attributable to shareholders after interest and tax. It excludes the impact of exceptional items.

Underlying PBT increased by 59% and the average number of shares increased by 308 million via the October 2015 capital raise, resulting in continuing underlying adjusted EPS increasing by 8%.

21.1¢ 2016

2015	20.1¢[1]
2014[2]	18.0¢[1]
2013[2]	21.8¢[1]
2012[2]	19.9¢[1]

Cash Generation

Cash Conversion

Cash conversion measures how effectively we convert operating profit into cash. Focusing on this measure encourages strong discipline in the management of working capital and decisions on capital deployment, enabling us to continue to invest in growth opportunities.

The Group delivered another year of excellent cash generation, reflecting its attractive underlying financial characteristics which have been further enhanced by the acquisition of Landmark Aviation.

155% 2016

2015	92%
2014[2]	65%
2013[2]	101%
2012[2]	92%

Value Creative Investment

Return on Invested Capital

Measuring ROIC ensures we are focused on the efficient use of assets and capital, with the target of operating returns generated across the cycle exceeding the cost of holding the assets. ROIC is defined as underlying operating profit expressed as a percentage of average invested capital at constant currency, including goodwill and intangible assets amortised or written off to reserves.

ROIC increased to 10.1% despite the Group's increased capital base.

10.1% 2016

2015	11.0%
2014[2]	9.4%
2013[2]	10.0%
2012[2]	9.8%

1 Historic adjusted earnings per share figures restated for the impact of the October 2015 rights issue.
2 Key performance indicators are on an as reported basis for the total Group.

Customer jet parked in Signature's hangar at Mineta San Jose International Airport.

Signature Flight Support

World's largest fixed base operation (FBO) network for B&GA users with more than 200 locations covering key destinations in North America, Europe, South America, Caribbean, Africa and Asia. There are 139 locations in North America.

67% 2016 Group revenue

Signature Flight Support provides premium, full service flight and home base support to the owners and operators of private and business aircraft worldwide, including comprehensive MRO services through Signature TECHNICAir™, and management and charter services through the Gama Aviation Signature Aircraft Management partnership, which is one of the largest aircraft management and charter businesses in the world.

Signature services the needs of customers – passengers, operators and pilots of the B&GA fleet – offering what they value through a customer-relevant network of high-quality locations, with tailored services that meet their specific and sometimes specialist needs. All underpinned by consistent, exceptional standards of professional service and execution through Signature's highly trained employees.

Key facts

63%	Signature USA touches 63% of the world's business jet and turboprop fleet annually
>1.4m	Aircraft movements handled in 2016
9.2m sq ft	9.2 million square foot of hangar, terminal and office space under management in the USA

Key services

High-quality, full service support for B&GA travel including fuelling, ground handling, passenger and pilot services and amenities

Hangarage for resting and at home aircraft

Technical support, line maintenance and "aircraft on ground" services through Signature TECHNICAir™ at 18 locations

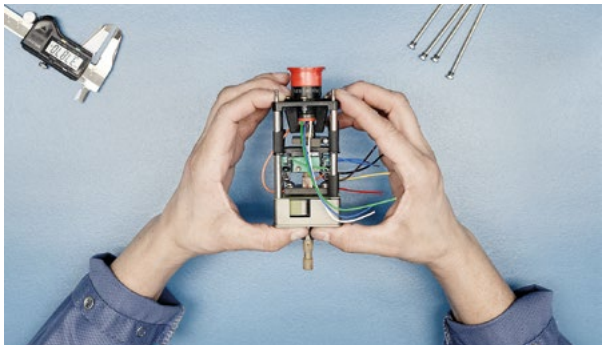
Aircraft management and charter services through Gama Aviation Signature Aircraft Management

A G550 is refuelled by one of Signature's highly trained team.

Signature services the needs of customers, offering what they value through a customer-relevant network of high-quality locations

What sets us apart

- Largest international network of FBOs with 63 sole source locations
- Average remaining lease life of 18 years across US FBO portfolio
- Customer relevant network
  - 39 locations at top 50 US airports
  - Presence at 14 of the 20 top home bases for business aircraft in the USA
  - Presence at both ends of 34 of the 50 most trafficked city pairs in the USA
- Industry-leading service and safety
- Highly recognised and valued customer brand
- Diversified customer base
- Strong relationships with key customers
- Exceptional customer knowledge through customer contact and Signature loyalty programmes
- Highly engaged, well-trained team



A Boeing 737 rudder trim switch is inspected.

A leading provider of high-quality equipment and cost-effective solutions for the continuing support of maturing and legacy aerospace platforms.

8%

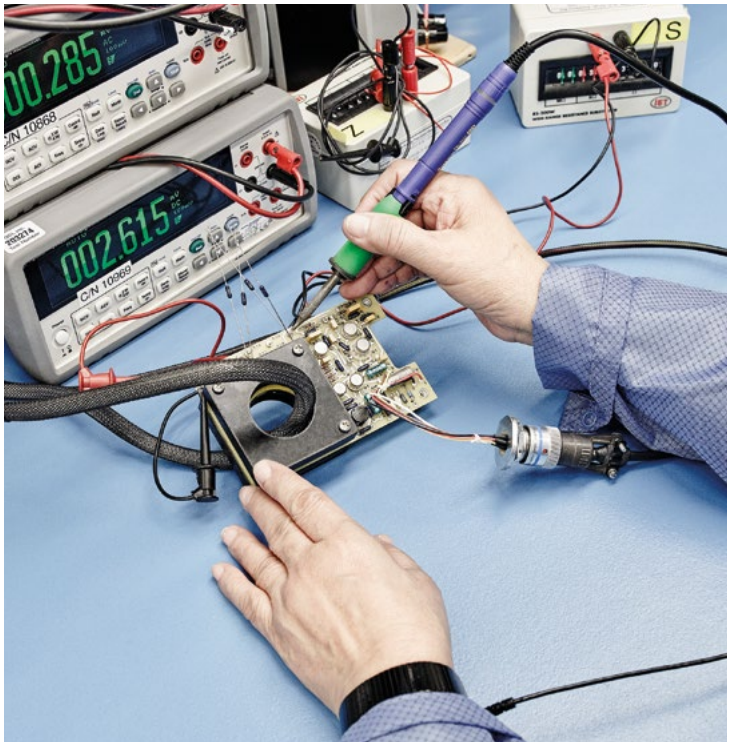
2016 Group revenue

Ontic offers comprehensive solutions to Original Equipment Manufacturers (OEMs) and their customers through the provision of a broad and fast-growing portfolio of licensed parts and MRO services for commercial, B&GA and military fixed wing and rotorcraft platforms. It has a proven capability in the seamless transition of products from more than 25 OEM partners, with knowledge of multiple systems and flexible support capabilities, enabling it to quickly respond to customer needs.

Ontic has locations in the USA, UK and Singapore from which it services a global customer base, including airlines, aircraft operators, repair and overhaul providers, distributors, airframe manufacturers and military forces around the world.

Ontic

Key services
Provision of equipment, components and spare parts for maturing and legacy platforms
Transition of non-core products from OEMs
Maintenance, repair and overhaul



The internal electronics of a Boeing 737 DC current sensor undergoing testing.

Ontic has a global customer base, including airlines, aircraft operators, repair and overhaul providers, distributors, airframe manufacturers and military forces around the world

Key facts

>6,000	Over 150 licences for more than 6,000 parts
~69,000	Large addressable market of around 69,000 aircraft more than 15 years' old
>900	More than 900 customers worldwide

What sets us apart

- Intellectual property rights for a wide portfolio of owned and licensed products
- Partner relationships with more than 25 OEMs
- Diverse global customer base
- Balanced portfolio of licences between commercial and military aviation
- Proven product transition process
- Knowledge of multiple aircraft systems
- Flexible manufacturing and product support capabilities with cross-trained workforce

Engine Repair & Overhaul

A leading independent engine service provider to global B&GA operators, the rotorcraft market and regional airline fleets.

25% 2016 Group revenue

Together, the Engine Repair & Overhaul (ERO) businesses have strong and established relationships with all the major engine OEMs, authorising them to undertake work on 80% of engines powering the B&GA fleet and over 65% of engines powering the rotorcraft fleet. The companies also provide engine accessory parts and component repair services.

ERO's main repair facilities are located in the USA, UK and Abu Dhabi and are supplemented by nine regional turbine centres across the USA, UK, Singapore and Brazil. A roster of field service technicians is available to respond quickly to in-field engine issues around the globe.

A PW305 engine is inspected by a cross-trained engineer at Dallas Airmotive.

Key services

- Full engine overhauls
- Scheduled engine repairs
- On-wing in-field repairs
- Aircraft-on-Ground (AOG) support
- Engine accessory parts
- Component repair

A PT6A engine is reassembled, inspected and tested before it is returned to service.

What sets us apart

- Intellectual property in the form of authorisations for 80% of the B&GA fleet and over 65% of the rotorcraft fleet
- Service and support in customer-relevant locations
- In-field capability in the USA and across the world
- Long-standing customer relationships with a global network of more than 8,000 customers
- Technical capability and efficient processes in new state-of-the-art facilities

Key facts

18	Locations
>50	More than 50 remote field service personnel
>2,200	More than 2,200 turbine engines processed annually

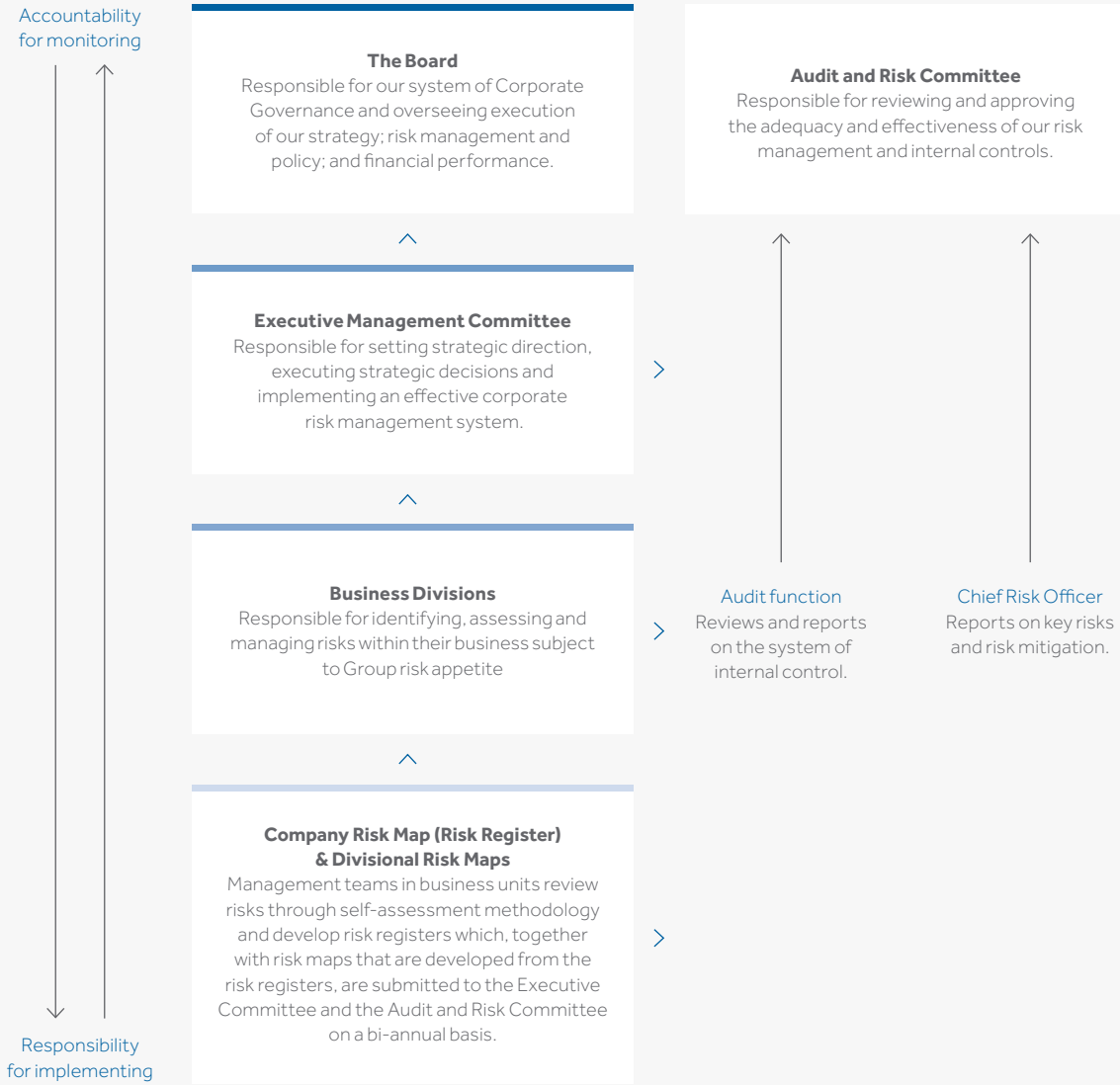
ERO is authorised to undertake work on 80% of engines powering the B&GA fleet and over 65% of engines powering the rotorcraft fleet

Managing Our Risks

We are committed to effective risk management in support of delivery of our strategic objectives.

Our risk management process is designed to improve the likelihood of delivering our business objectives, protect the interests of our shareholders and key stakeholders and enhance the quality of our decision-making through the awareness of risk-assessed outcomes. It also assists in the safeguarding of our assets, including people, finances, property and reputation. We are committed to conducting business in accordance with all applicable laws and regulations and in a manner that is consistent with our values.

Risk Governance Structure



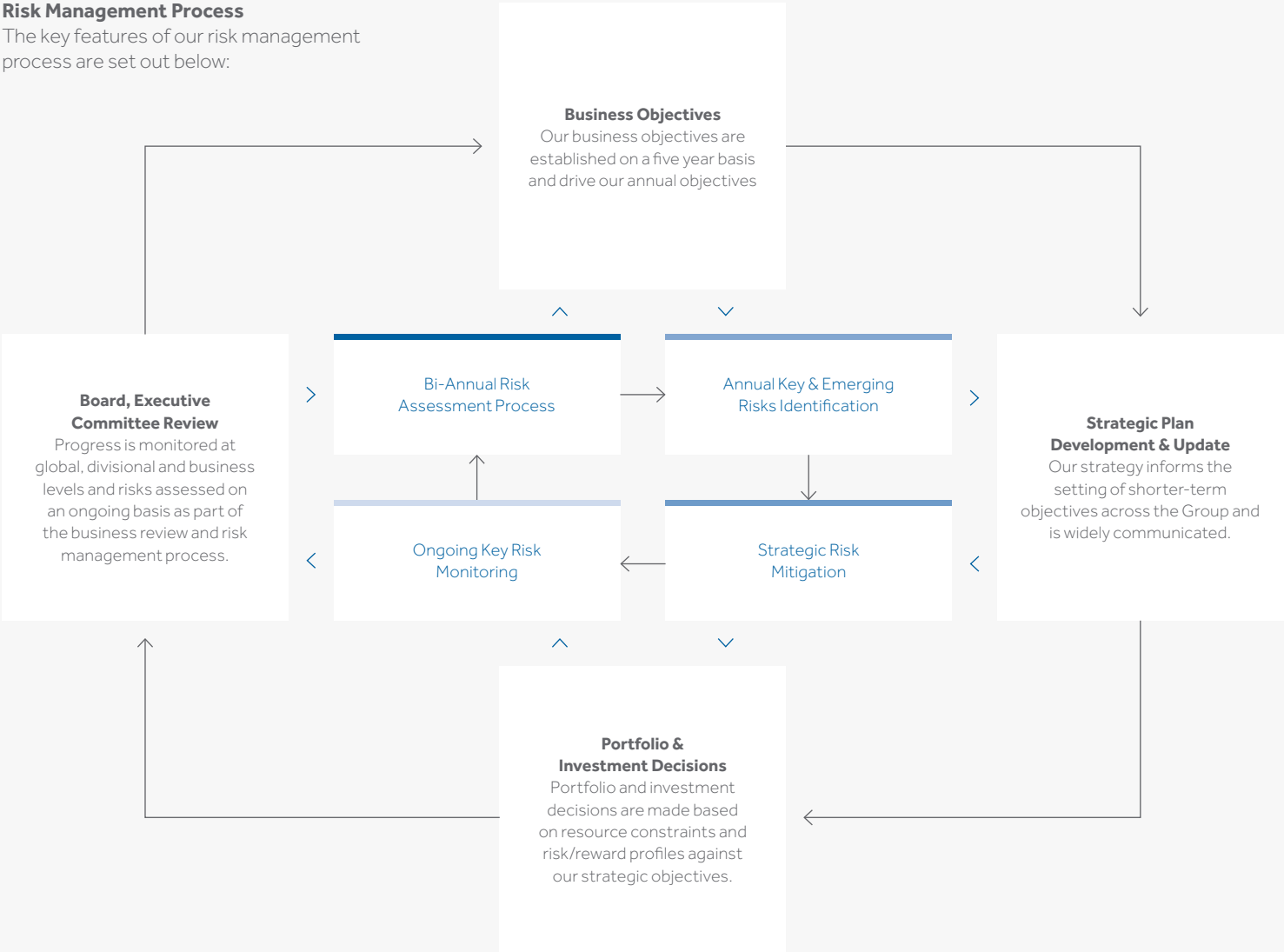
BBA Aviation's risk mitigation strategy and risk appetite are matters that are overseen by the Board, with the support of the Audit and Risk Committee, which manages the processes that underpin risk assessment and our systems of internal control.

How we manage risk across BBA Aviation
The Board has established a framework for assessing risk in the context of likelihood and impact in financial and reputational terms. Each risk within the Group is assessed against this framework and the Board reassesses its risk appetite on a bi-annual basis when risk maps are presented to the Audit and Risk Committee.

Group policies, standards and internal controls, together with our Values and our focus on safety, underpin our approach to risk management. We are committed to being a responsible values-led business and our leaders are responsible for embedding this into BBA Aviation's culture, our decision-making and how we work.

Our employees are accountable for working to established standards and for identifying and escalating encountered risks so that they can be appropriately managed. The Group has comprehensive training programmes to ensure that employees are appropriately trained in BBA Aviation's ethics policies.

Risk Management Process
The key features of our risk management process are set out below:



The bi-annual risk assessment process looks forward three years to create BBA Aviation's risk profile. These key Group-level risks are input into the scenario modelling for the Viability Statement, which is explained further on page 79.

Progress in 2016

During 2016 we have updated our Risk Management Framework and continued to develop the alignment between our Risk Management and Internal Audit functions. The risk assessment process drives the internal audit scope, and the Chief Risk Officer and Head of Internal Audit attend Audit and Risk Committee meetings to provide regular updates.

We have improved the risk management process by:

- Improving the Risk Register so that risk cause is clearly identified and the mitigating control addresses the risk cause. We also determine whether activity associated with every risk should be 'Treated, Tolerated, Transferred or Terminated' – which drives deeper understanding of risk management within the business.
- A 'Deep Dive' process has been introduced whereby we probe more deeply into risk areas to provide additional and more specific information. We addressed Anti-Bribery and Corruption and Security risk areas during 2016.

We continue to adopt a risk and controls-based approach and have improved our reporting to provide practical insight in executive summaries to enable senior management to understand issues quickly. All audit findings are reported in terms of risk and impact, which is aligned with BBA Aviation's Risk Model, and a structured follow-up process operates driven by action dates agreed collaboratively between Internal Audit and BBA Aviation's management and overseen by executive management.

Our project management capability on major projects continues to improve. For the carve-out and sale of the ASIG business we employed a specialist separation management consultancy to guide us through the planning process to ensure that we delivered an effective carve-out of the ASIG business to John Menzies plc.

Principal Risks

We have identified 11 principal risks and uncertainties facing BBA Aviation which are considered by the Board to be material to the development, performance, position or future prospects of the Group. These risks, mitigations and changes during the year are summarised in the table below. They are not set out in priority order.

Objective	Risks	Mitigation action/Control	Change during year	
Growth	Structural changes in the global economic environment, or cycle fluctuations: – drive down B&GA and commercial flying and military expenditure. – cause market wea kness in the ERO sector.	– Active monitoring of lead economic indicators. – Strong financial controls to monitor financial performance and provide a basis for corrective action when required. – Low fixed costs allow cost base to be flexed to meet demand.	↑	Brexit and the US election have caused some uncertainty in the economic environment.
	Global terrorist events either in-flight, at or near major airports materially impacting global air travel.	– Airport and internal access security processes, vetting of potential staff members in recruitment process. – Low fixed costs allow cost base to be flexed to enable corrective action to be taken.	↑	Ongoing events continue to cause concern.
	Legislative changes causing material increase to cost of B&GA flight relative to alternatives such as commercial flying, road or rail travel.	– Active participation in all relevant industry bodies. – Ongoing monitoring of all US and EMEA political activity which may impact B&GA activity. – Low fixed costs allow cost base to be flexed to meet demand.	↑	Ongoing discussions regarding privatisation of Air Traffic Control in the USA.
	Ongoing competitor activity to replicate market position of Signature network.	– Active monitoring of competitor activity. – Strong financial controls to monitor financial performance.	NEW	Purchase of Landmark Aviation created market-leading position.

Objective	Risks	Mitigation action/Control	Change during year	
Performance Optimisation	Ability to attract and retain high-quality and capable people at senior and mid-management levels.	– Succession planning process embedded with review at Executive Management Committee and Board level annually. – Remuneration structure designed to reward superior performance and promote retention. – Proactive employee development and key talent retention processes.	—	
	Potential liabilities from defects in services and products.	– Standard operating procedures with routine root cause analysis of all incidents. – Liability insurance.	—	
	Impact of a successful cyber attack.	– Operation of a specialist Information Security team. – Continual refreshment of firewalls and endpoint protection, laptop encryption, mobile device management, intrusion protection, password policy, vulnerability and penetration testing, identity and security event management.	^	Increasing threat of cyber attacks draw focus as a major risk
	Intentional or inadvertent non-compliance with company values and legislation, both within BBA Aviation and with trading partners.	– Clear values statement and ethical policies. – Semi-annual compliance certification by all senior management. – Rigorous third party vetting processes. – Robust internal control environment and regular review by internal and external audit.	—	
	Environmental exposures.	– Strong procedural controls and physical containment when working with fuel or other hazardous chemicals. – Active management of known environmental matters to minimise costs to resolve. – Environmental insurance where appropriate.	—	
	Non-compliance with banking covenants caused by a tighter regulatory environment around sanctions compliance, which is a key condition of our banking covenants.	– Strong treasury management controls concerning liquidity management. – Rigorous third party vetting processes, which includes the compliance with sanctions regulations.	v	Good progress made paying down debt funding.
Value Creative Investment	Changes in tax regulation in both the USA and EMEA could impact our effective tax rate and our cash tax liabilities.	– Timely compliance with all international tax requirements. – Continuous monitoring of changes to tax legislation, taking advice where appropriate from reputable professional advisers.	—	

Corporate Responsibility

BBA Aviation is a values-led organisation and our Vision, Mission and Values guide each of our employees every day, wherever we are.

Our Values describe our aspirations as individuals and as a company and we all take care to behave in ways that are consistent with our Vision, Mission and Values, whatever we are doing.

Corporate Responsibility (CR) and sustainability are embedded into our Vision, Mission and Values and are fundamental to everything we do at BBA Aviation. Our Vision, Mission and Values are also relevant to our customers, our suppliers and to everyone that has a relationship with us. Taking a sustainable approach is crucial if we are to achieve our long-term goals and, for us, this means integrating social and environmental concerns into our business operations; embracing the opportunities and managing the risks of social and environmental developments; and living our Values to support our objectives.

Overall responsibility for CR sits with the Board. Day-to-day management is delegated, via the Executive Management Committee, to the CR Committee, which sets direction on CR and sustainability issues. The Committee is made up of senior members of the BBA Aviation team with relevant business roles and the ability to share knowledge and best practice across the Group. The Committee meets 10–11 times each year and the Committee Chairman regularly reports progress to the Executive Management Committee and to the Board.

The CR Committee is currently focused on the following Special Issues:

- continuous improvement in environmental performance, including "alternative fuels";
- community involvement: local participation and charitable giving;
- employee recognition; and
- diversity initiatives.

The Committee also continues to measure the Group's environmental impact, focuses on social issues and monitors developments in the CR field.

On the BBA Aviation website you can read more about our Approach to CR and download copies of our 2016 Values Report and past years' reports, showing some of the varied projects that BBA Aviation's businesses have been undertaking, together with copies of our relevant policies.

FTSE4Good and Carbon Disclosure Project
Since 2006, as BBA Aviation plc, we have been a member of the FTSE4Good index and participate in the Carbon Disclosure Project.

Safety Council and Charitable Giving Committee
BBA Aviation also operates a Safety Council and Charitable Giving Committee to oversee our activities in those areas. Our Safety Council includes Health, Safety and Environment (HSE) professionals from across BBA Aviation. Its role is to enhance our safety policies and procedures and to promote safety best practices and behaviours. Our Charitable Giving Committee reviews and approves applications for additional funds to BBA Aviation's charitable giving programme, which is now in its seventh year.

Integrity
We earn the trust and respect of our stakeholders with honesty, fairness, openness and by honouring our commitments.

Responsibility
We are committed to managing our impact on, and contributing positively to society and the environment.

Service
We strive continually to anticipate customer needs, exceeding their expectations.

Performance
We focus on delivery of long-term and sustainable value, continuous improvement and reliability.

Safety
We are dedicated to safety and security, the elimination of hazards and protecting people, property and our environment.

People
We are committed to investing in and empowering our people through training and education and to providing them with opportunities for rewarding careers.

Reporting on Corporate Responsibility

Our Values align and link all of our businesses together as one team. Wherever you go in BBA Aviation you will see them displayed and our teams actively promote and demonstrate them on a daily basis. We report on CR using our Values.

Performance

We focus on the delivery of long-term and sustainable value, continuous improvement and reliability.

Performance is relevant to everything we do at BBA Aviation. It applies to our operational and financial results and to our non-financial goals such as safety, reliability, customer service and environmental progress. Our Group Committees share best practices, with the Innovation and Continuous Improvement Committee (iCI) being responsible for supporting continuous improvement initiatives and the development of knowledge, and the Business Alliance Team looking at how we can leverage customer relationships across the Group.

We report on a range of sustainability and CR KPIs, together with internal expectations that motivate all of our teams to do their very best. All members of the BBA Aviation team are encouraged to contribute what they can to the success of the whole Group.

Safety

We are dedicated to safety and security, the elimination of hazards and protecting people, property and our environment.

Protecting the health, safety and security of our teams, our sites, our customers and all those who come into contact with us is a priority for BBA Aviation. Our goal is zero preventable incidents (ZIPP) and our Health and Safety strategy seeks to deliver an environment and proactive safety culture at all sites to make this achievable. Each employee takes responsibility for their own safety, and that of co-workers, and with the support of their local Health and Safety teams, can identify ways to improve performance. Our focus continues to be on acknowledging and learning from near misses and the root causes of incidents which, together with a shift towards behavioural-based safety, is, raising awareness and helping to more deeply engage team members in safety issues.

In 2016, our Safety Management System was implemented across the Group and we also introduced formal hazard and security incident reporting, alongside near misses, in our SHEBBA reporting and tracking system.

Walk A Safety Mile

In 2016, additional Walk A Mile days, which are required annually by our leadership team, took place with HSE colleagues to encourage a greater understanding of HSE professionals' day-to-day responsibilities and how safety is integrated into our processes across the Group.

Safety Performance
Recordable Incident Rate (RIR)

RIR is our primary Health and Safety performance metric. RIR is measured as the total number of injuries and illnesses multiplied by 200,000, divided by the number of actual hours worked by all employees.

1.79[1] 2016

2015	3.97
2014	4.00
2013	3.11
2012	3.04

[1] Figure for 2016 excludes ASIG, Comparative figure including ASIG for 2016 was 3.31.

Safety Performance
Number of locations achieving zero RIR

130 out of 210 BBA Aviation reporting locations achieved zero RIR during 2016, reflecting 62% of our reporting locations.

130[1] 2016

2015	160
2014	164
2013	144
2012	160

[1] Figure for 2016 excludes ASIG. Comparative figure for 2016 including ASIG was 206 out of 343 locations (60%).

People

We are committed to investing in and empowering our people through training and education and to providing them with opportunities for rewarding careers.

Our people are the foundation of our success. Their service skills and their functional, operational and engineering expertise are the core of our business. Ensuring that BBA Aviation attracts, develops and retains the best people is vital to the Group's success and the achievement of our goals.

We provide every member of the team with equal opportunities to thrive, as well as specific and relevant job-related training designed to expand individual capabilities and give people the tools needed to reach their potential. We listen to all points of view, encourage everyone to have their say in both formal and informal ways and then we act on what we hear. We continue to encourage the use of our Above and Beyond cards, which recognise individual achievement at all levels of the Group, and we have an annual Vision, Mission and Values Awards programme.

Landmark Aviation Integration

In 2016, we welcomed almost 3,000 new team members to BBA Aviation, following the acquisition of Landmark Aviation. Our integration programme aimed to ensure that joining personnel had a deeper understanding of our Values and their importance in our day-to-day behaviour.

At BBA Aviation we believe diversity of background and experience enhances the performance and inclusive culture of our businesses and we apply this philosophy when seeking to find people to fill roles across the Group.

Recognising that gender is only one particular form of diversity to which we are committed, we are pleased that across BBA Aviation's various executive management teams, women make up between 12% and 19% of the population and we look forward to seeing this develop.

The table below shows the percentage of women employed in various roles as at 31 December 2016:

Population	Total Population	Number of women	% of women
Board	8	1	12.5%
Executive Management Committee	8	1	12.5%
Senior Management Group	103	20	19.4%
Directors of subsidiaries included in consolidation[1]	58	5	8.6%
All employees of the Group	15,292	3,699	24.2%

1 This disclosure includes dormant companies and multiple directorships and we do not believe it is an accurate indicator of diversity.
Note: These figures include ASIG.

Service

We strive continually to anticipate customer needs, exceeding their expectations.

Our customers expect high-quality, reliability and excellent service from every business and person they deal with at BBA Aviation. We aim to exceed expectations in everything we do and have designed our businesses to anticipate customer requirements both now and into the future so that we can continue to lead in this area.

We constantly review what we provide in order to meet changing customer needs. Innovation is crucial and BBA Aviation takes opportunities to serve the customer better whenever appropriate, including working together across the Group to create and deliver new ideas.

Responsibility

We are committed to managing our impact on, and contributing positively to, society and the environment.

(a) Community – We recognise the benefits of working in partnership with the communities in which we operate and we play an active role in local projects through volunteering and fundraising.
BBA Aviation's companies and locations are encouraged to focus their efforts on activities and organisations in the fields of aviation, education and engineering and benefiting the communities in which they operate. Our local efforts are complemented by the BBA Aviation parent company charitable giving programme which was launched in 2010. Donations to date total more than $1.4 million.

(b) Environment – We are committed to working in ways that limit the impact of our business activities on the environment and aim for continuous improvement in environmental performance every year, including the elimination of environmental incidents.
Every BBA Aviation site records and tracks the use of resources for reporting purposes and to monitor efficiency and environmental performance. We consider ways to reduce and prevent pollution; reduce emissions, electricity and waste, and increase our levels of recycling where possible.

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 require quoted companies to report globally on greenhouse gas emissions (GHG reporting). We have reported on all the required emission sources. All of these sources fall within our Consolidated Financial Statements.

Ray Pearson,
Customer Services Administrator, Ontic UK.

Greenhouse gas emissions/environmental reporting data

	2016	2015[1]	
Combustion of fuel and operation of facilities	62,246	62,152	tCO_2e
Electricity, heat, steam and cooling purchased for own use	62,628	51,600	tCO_2e
Total	124,874	113,753	tCO_2e
GHG intensity measurement			
Emissions reported per $m of revenue	48.67	53.41	tCO_2e

1 A number of the 2015 figures have been updated to reflect data that was unavailable at the time of publishing the 2015 Annual Report.
Note: These figures include ASIG.

BBA Aviation has voluntarily reported on environmental metrics for a number of years. The table below shows the disclosures, in a format that is consistent with previous disclosures.

Units	2016	2015	2014	2013	2012
Electricity consumption					
KWh/$m revenue	49,349	50,676	54,884	48,155	51,829
GHG emissions					
Tonnes/$m revenue	48.67	53.41	53.42	49.54	57.25
Water consumption					
1,000 litres/$m revenue	174	203	169	161	182
Revenue					
$m	2,565.9	2,129.8	2,289.8	2,218.6	2,178.9

Note: These figures include ASIG.

Environmental KPIs

The Group's environmental KPIs are normalised for comparison purposes to dollars of revenue. We use the services of an external consultant to review the process for collecting and consolidating this data.

We have used the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition), and emission factors from the UK 2013 Government's GHG Conversion Factors for Company Reporting.

Both our recorded total GHG emissions and GHG intensity (emissions per $m revenue) have decreased relative to 2015. The decrease in GHG emissions is the result of a variety of factors, including lower utility usage.

Integrity

We earn the trust and respect of our stakeholders with honesty, fairness, openness and by honouring our commitments.

Acting with integrity is critical to maintaining good and continuing relationships – from those we have with customers and other external stakeholders to the way we interact with each other. This is vital for our current and future success.

Ethical conduct and legal compliance are key expectations at BBA Aviation and any breach is taken extremely seriously. We continually look for ways to strengthen our compliance and control programmes to ensure we uphold these standards, which are fundamental to the way we operate.

BBA Aviation has a range of formal policies relating to such areas as Ethics, Gifts and Entertainment and Equal Opportunities. These policies are reviewed regularly and compliance with our policies is monitored through BBA Aviation's Internal Audit process and informal and formal reporting processes.

Our Vision, Mission and Values govern the way we do business and are consistent with our human rights obligations. A number of our policies, including the Disclosure of Unethical Conduct Policy, the Bribery and Corruption Policy and the Ethics Implementation Policy, while not specifically mentioning human rights, recognise the importance of how we conduct our business and its impact on a wide range of stakeholders. The requirement for a specific human rights policy will continue to be monitored.

We respect the principles of the Universal Declaration of Human Rights and the International Labour Organization's core conventions. We value diversity of background and experience and believe in an inclusive culture for all of our employees.

Solar panels at Signature Bradley International Airport

Our Markets in 2016

BBA Aviation's key market continued to recover in 2016. B&GA movements in the USA increased by 1% year on year. B&GA movements in Europe grew by 2%.

Business & General Aviation (88% of Group revenue)
B&GA flight activity in the USA continued to grow during 2016, with movements up 1% year on year. US B&GA monthly flight activity cycles were positive for the majority of the period with growth every month from August, albeit against slightly weak comparator months in 2015. In Europe, B&GA aircraft movements were up 2% for the year, a significant improvement, but against a weak comparator of (3)% in 2015.

Modest growth in the economies of the majority of the top 20 business aviation markets worldwide is a key factor affecting new aircraft orders and sales of pre-owned aircraft. Worldwide delivery volumes of new business jets and turboprops fell in 2016, with business aircraft underutilised in the short-term.

However, long-term forecasts still predict the delivery of nearly 8,000 new business jets between 2017 and 2026; projecting total active global fleet growth of 23% or 2.1% CAGR in the period, with new platforms coming to market. The North American market is expected to take nearly 60% of these deliveries, growing the total active fleet of business jets in BBA Aviation's key region by 20% over 10 years.

The number of pre-owned business jets for sale was stable year on year at c9% of the active jet fleet, but average asking prices were down 13% in the year.

Over the longer term, the key drivers for B&GA remain the same as historically - continued growth in GDP and total wealth, the increasing value of people's time, corporate confidence and corporate activity levels. The unusual nature of the 2007–2009 crisis and the halting return to growth have meant that, although corporate profits have recovered and confidence is now improving, investment in aircraft and flight activity continue to lag.

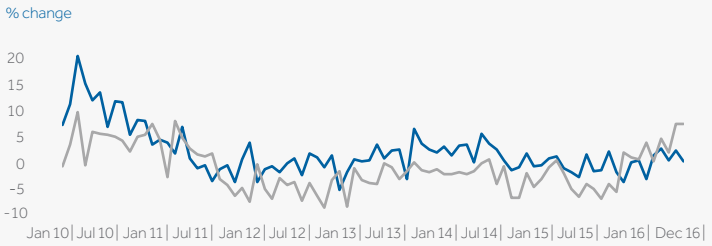
However, steady growth in US GDP and the current upward trend in US business confidence supports a continued increase in B&GA movements in the USA with the FAA currently forecasting an average growth in B&GA Jet and Turboprop flying hours of 2.5% per annum to 2036. The political environment in the USA could also be positive in the short and medium-term, but there remains uncertainty as to the new US Presidential Administration's policy programme.

Military Aviation
Trends in military aviation are likely to improve as the global defence market begins to recover after years of pressure due to budget retrenchment. The perceived and continuing threat environment and regional tensions are expected to be the biggest driver of spending.

US defence spending represents approximately 34% of global spending and this grew in 2016 as a result of the DoD 2-year budget deal, with expected continuing growth of 0.6% CAGR 2017-21. The USA accounts for 26% of the global military aviation fleet (c13,700 aircraft). Budget growth and a higher tempo of military operations are expected to positively impact flight activity and thus maintenance spend as more missions are executed.

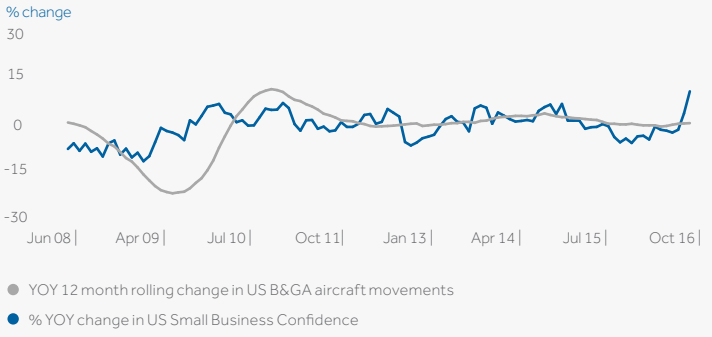
Life extension programmes continue to be important as the US military aircraft ages. The current US Air Force fleet is more than 25 years old on average, with some platforms significantly older. Average age is expected to continue to rise despite budget increases.

B&GA Aircraft Movement Trends USA and Europe



Source: FAA (ETMSC) and EUROCONTROL (ESRA 08)

US B&GA Aircraft Movements and US Small Business Confidence



Source: FAA (ETMSC) and Bloomberg

Group Finance Director's Review

BBA Aviation delivered a strong performance in 2016, with significant progress on implementing the Group's strategy.

Group Financial Summary

	2016		2015			
	Continuing[1] $m	Total $m	Continuing[1] $m	Total $m	Continuing[1] %	Total %
Revenue	2,149.1	2,565.9	1,714.0	2,129.8	25.4%	20.5%
Underlying EBITDA[3]	384.5	414.7	241.2	273.1	59.4%	51.9%
Underlying operating profit[3]	302.6	330.1	181.5	202.0	66.7%	63.4%
Underlying operating margin[3]	14.1%	12.9%	10.6%	9.4%	–	–
Total operating profit	166.1	192.9	112.7	130.8	47.4%	47.5%
Underlying profit before tax[3]	238.7	266.1	149.7	170.0	59.5%	56.5%
(Loss)/Profit before tax	(82.2)	(164.6)	77.4	95.3	(206%)	(273%)
Adjusted earnings per share[3]	19.4¢	21.1¢	18.0¢	20.1¢	–	–
Adjusted cash earnings per share[3]	22.1¢	24.6¢	18.6¢	21.5¢	–	–
(Loss)/Profit for the period	(19.3)	(98.9)	69.7	83.1	(128%)	(219%)
Operating cash flow[3]	–	299.4	–	119.4	–	151%
Free cash flow[3]	–	224.1	–	88.4	–	154%
Net debt[3,4]	–	(1,335.3)	–	456.5	–	–
Net debt to underlying EBITDA[3,4]	–	3.2x	–	2.3x	–	–
Return on invested capital[3]	–	10.1%	–	11.0%	–	–

1 Continuing operations comprises Signature Flight Support and Aftermarket Services
2 ASIG is reclassified as discontinued operations and reported gross of BBA Aviation support costs previously included within ASIG
3 Defined and reconciled to reported financials under alternative performance measures (APMs). See pages 169-173.
4 Historical net debt is no longer used as an alternative performance measure. The reason it was used in 2015 was because there was a timing difference between the raising of capital in 2015 and the issue of debt in 2016 for the Landmark acquisition.

Mike Powell,
Group Finance Director

During the year we significantly expanded the size of Signature and created a unique global network of FBOs through the transformational $2.1bn acquisition of Landmark Aviation, which was completed in February 2016. The acquisition is delivering well and the integration is now successfully completed with the cost synergies now higher than originally anticipated and ahead of plan. In addition, we further enhanced BBA Aviation's focus as a high quality, cash generative market leader in the provision of business and general aviation and legacy support services through the agreement to sell ASIG to John Menzies for $202 million, and Ontic's acquisition of GE Aviation's portfolio of legacy avionics products.

In Continuing Operations, existing Signature delivered excellent operating profit growth, continuing to outperform its markets, with good drop through to profit; and Landmark Aviation delivered in line with our expectations. Ontic, our Legacy Support business, delivered in line with our expectations with good contribution from licences added in 2015 and the anticipated second half uptick in revenue. In Engine Repair & Overhaul (ERO) trading conditions remained challenging, with no recovery in legacy mid-cabin fixed wing flying and continued pressure on pricing and workscopes, which led to a weak ERO result for the year as a whole, albeit there was an improvement in ERO's operating performance in the second half of the year supported by ongoing cost reduction and footprint rationalisation actions.

Continuing Group revenue increased by 25% to $2,149.1 million (2015: $1,714.0 million), including $558.7 million contribution from acquisitions. Continuing Flight Support revenue increased 55%, reflecting a good Signature result and the contribution of acquisitions of $545.9 million, including Landmark Aviation and the addition of four new FBOs in Italy, offset by the impact of lower fuel prices and foreign exchange movements that reduced Flight Support revenue by $68.3 million. Aftermarket Services' revenue was down 10% driven by ERO.

Continuing underlying Group operating profit was $302.6 million (2015: $181.5 million). There was an excellent performance in Flight Support as well as a $132.4 million contribution from acquisitions, of which $21.9 million related to cost synergies. Aftermarket Services, now only 12% of continuing Group underlying operating profit, pre-central costs, was down 30%; again due to ERO's weak performance.

Continuing Group underlying operating profit margin increased to 14.1% (2015 constant fuel price: 11.0%) with a greater contribution from Signature partly offset by a lower margin in Aftermarket Services.

Underlying net interest increased by $32.1 million to $63.9 million (2015: $31.8 million) mostly due to the acquisition facilities drawn down on completion of the Landmark Aviation acquisition. Net debt increased to $1,335.3 million (2015: net cash position of $456.5 million). On a covenant basis, the net debt to EBITDA ratio increased to 3.1x (2015 historically adjusted for the results of the capital raise: 2.3x), and on a reported basis to 3.2x (2015 historically adjusted 2.3x). Interest cover on a covenant basis decreased to 6.5x (2015: 8.5x), due to the increased interest on the drawn debt.

Underlying profit before tax increased to $238.7 million (2015: $149.7 million).

The Group's underlying tax rate for continuing operations is 16.5% (2015: 13.9%). Underlying profit before tax increased by 60% and the adjusted average number of shares increased by 308 million via the October 2015 capital raising; resulting in continuing underlying adjusted earnings per share (EPS) increasing by 8% to 19.4 cents (adjusted 2015: 18.0 cents).

Exceptional and other items after tax, for continuing and discontinued operations, totalled $316.0 million. Key items of this are the previously reported impairment charge of $184.4 million in relation to ERO's assets due to its continuing challenging trading environment; and the impairment charge of $109.1 million following the write down of ASIG's assets in anticipation of its sale.

Further items which were all anticipated include: restructuring expenses of $9.9 million (2015: $15.1 million), mainly associated with ERO's ongoing footprint rationalisation programme; $24.9 million of integration costs related to the acquisition of Landmark Aviation; and $98.6 million of non-cash amortisation of acquired intangible assets (2015: $9.3 million), an increase resulting primarily from the acquisition of Landmark Aviation. This is accounted for as an other item within exceptional and other items.

Continuing statutory loss before tax was $(82.2) million versus $77.4 million profit for the prior year. The statutory loss before tax arises due to the exceptional and other items charges during 2016 as outlined above.

Free cash flow was an inflow of $224.1 million (2015: $88.4 million inflow), the increase mainly due to Landmark Aviation's strong cash generation.

Gross capital expenditure amounted to $102.4 million (2015: $90.7 million). Principal capital expenditure items include the investment in Signature's FBO development projects at San Jose and London Luton, both of which are now complete, the integration of Landmark and completion of Landmark development projects at Grand Rapids and Cleveland Burke Lakefront, and the new ERO facility associated with its footprint rationalisation programme.

Working capital improved by $51.5 million due to the Group's working capital disciplines and processes being applied across the enlarged group and the timing of some payments at year end. Approximately $20 million of this improvement is one-off in nature and will reverse in 2017.

Cash flows on exceptional and other items during the year were $63.5 million (2015: $28.6 million) which included integration costs in relation to Landmark Aviation, transaction costs arising on the completion of the acquisition of Landmark Aviation and the disposal of ASIG, ERO footprint rationalisation costs and other costs.

The Group's tax payments during the year were $15.8 million (2015: $5.0 million) and interest payments were $64.5 million (2015: $41.1 million). The dividend payment was $124.3 million (2015: $76.6 million).

Total spend on acquisitions ($2,098.2 million) and licences ($10.6million) completed during the period amounted to $2,108.8 million (2015: $32.9 million), which included $2,076.6 million for Landmark Aviation; a controlling shareholding in Signature Flight Support Italy Srl, which operates FBOs at four locations in Italy; and deferred consideration for Ontic's acquisition of licences for selected JT15D engine component parts from Pratt & Whitney Canada. In December 2016, Ontic completed the acquisition of a portfolio of legacy avionics products from GE Aviation for $61.5 million. The cash payment for this acquisition was made in January 2017. The Group recorded net cash proceeds from the disposal of six FBOs of $186.6 million after adjusting for the impact of working capital. Post year end, the Group completed the disposal of ASIG for $202.0 million, will deliver approximately $170 million of net proceeds after tax, professional transaction fees and other costs.

Following a review of the impact of the Landmark Aviation acquisition on the Group's long term incentive plans, in consultation with shareholders, the basis for calculating the key performance measures of EPS and return on invested capital (ROIC) has changed to simplify them and focus them more on cash generation.

ROIC is now calculated as underlying operating profit, as defined in the Group's financial statements; divided by statutory invested capital, calculated as net assets plus net debt, on a look back 13 month average.

Underlying earnings per share (EPS) is now calculated as adjusted earnings pre-exceptional and other items attributable to BBA Aviation (using a current tax charge rather than total accounting tax charge), divided by the weighted average shares in issue.

$¢ / share	Continuing		Discontinued		Total	
	2016	2015	2016	2015	2016	2015
Underlying adjusted EPS	19.4	18.0	1.7	2.1	21.1	20.1
Cash EPS	22.1	18.6	2.5	2.9	24.6	21.5

Discontinued Operations

In April 2016 the ASIG business was reclassified as a discontinued operation in anticipation of its sale, and an exceptional write down of its assets of $109.1 million was taken. The disposal of ASIG to John Menzies plc ('Menzies') was completed in January 2017. The gross consideration of $202 million will deliver approximately $170 million of net proceeds after tax, professional transaction fees, and other costs, which has been used to reduce Group borrowings. As part of the transaction, BBA Aviation is providing transitional services to Menzies for support services for the six month period following closing, which is extendable to twelve months if required by Menzies.

On an underlying basis, ASIG's operating profit increased by 34% to $27.5 million (2015: $20.5 million, which included the $4.3 million gain on purchase of the Panama acquisition). During the year ASIG delivered significant operational improvements and new business wins, which were partially offset by reduced de-icing activity in the first quarter. ASIG's profit improvement also benefited from a suspension of depreciation of $7.1 million during the year, the required accounting treatment whilst the asset was held for sale.

Financial Matters

Exchange Rate

BBA Aviation's revenues, cash flows and Balance Sheet are principally denominated, and as a result reported, in US dollars. The exchange rates used to translate the key non-US dollar flows and balances were:

	2016	2015	2014
Sterling – average	1.36	1.53	1.65
Sterling – spot	1.23	1.48	1.56
Euro – average	1.11	1.11	1.33
Euro – spot	1.05	1.09	1.21

Acquisition of Landmark Aviation

The Group completed the acquisition of Landmark Aviation on 5 February 2016 for a final consideration of $2,076.6 million, net of cash acquired. The acquisition was partially funded by the proceeds of the rights issue completed in 2015 and by the drawdown of debt under the Acquisition Financing Agreement (AFA). Details regarding the acquisition of Landmark Aviation are disclosed in note 24 to the consolidated financial statements.

Divestment of ASIG

In April 2016 the ASIG business was classified as held for sale and as a major line of business for the Group it has been presented as a discontinued operation with appropriate restatement of comparative financial disclosures. As a result of the classification as held for sale the Group now holds its investment in ASIG at fair value less cost to sell. Further details regarding ASIG's carrying value are included below under 'Carrying value of assets'. On 16 September 2016 the Group announced it had reached agreement with John Menzies plc on the terms of the sale of substantially all of the ASIG business for a consideration of $202.0 million. The transaction was completed on 31 January 2017. The financial matters that follow represent the Group's continuing operations unless stated otherwise.

Central costs

Unallocated central costs before exceptional and other items were $0.9 million higher at $33.4 million (2015: $32.5 million), primarily driven by an increase in the costs of supporting the ASIG business, previously absorbed by Flight Support which are now reported as unallocated central costs of continuing operations following ASIG's classification as a discontinued operation.

Exceptional and other items

Exceptional and other items are defined in note 2 to the consolidated financial statements. Total exceptional and other items, net of tax for 2016 were $218.5 million (2015: $59.2 million). This loss recognised in operating profit comprised the integration costs for the acquisition of Landmark Aviation totalling $24.9 million (2015: $nil), transaction costs of $1.5 million in respect of Ontic's acquisition of a portfolio of GE Aviation's avionics products (2015: $38.4 million representing costs associated with the acquisition of Landmark Aviation), restructuring costs totalling $9.9 million (2015: $15.1 million) relating to ongoing ERO footprint rationalisation and the exit of ASIG's operations in

Singapore in 2015, $98.6 million (2015: $9.3 million) of non-cash amortisation of acquired intangibles and $1.6 million (2015: $6.0) of other exceptional items.

In the year, the Group incurred net exceptional finance costs of $nil (2015: $3.5 million). The exceptional net finance costs in 2015 related to certain facility and commitment fees incurred in the debt financing arrangements to enable partial funding for the acquisition of Landmark Aviation.

The exceptional and other items incurred an exceptional tax credit of $102.4 million (2015: $13.1 million) in relation to these items bringing the net loss in exceptional and other items to $218.5 million (2015: $59.2 million). In addition to the net loss in exceptional and other items for continuing operations the Group incurred a loss from discontinued operation, net of tax of $97.5 million (2015: $2.0 million). The loss from discontinued operations in 2016 represented the impairment of the ASIG business when valuing the assets held for sale at their fair value less costs to sell and non-cash amortisation of acquired intangibles on ASIG in both periods.

Acquisitions and disposals

During 2016 the Group completed five acquisitions for a total initial consideration of $2,101.5 million, net of cash acquired including settled deferred consideration totalling $0.8 million. Further details of these acquisitions are given in note 24 to the consolidated financial statements. The acquisitions represented the purchase of Landmark Aviation encompassing FBOs, maintenance & repair facilities, aircraft management & charter operations and cargo operations, the purchase of Prime Aviation including four FBOs in Italy and the acquisition of manufacturing rights and associated processes from GE Aviation, Pratt & Whitney Canada and Ultra Electronics by our Ontic business.

Interest

Net interest expense increased by $28.6 million to $63.9 million (2015: $35.3 million) primarily due to the impact of higher net debt resulting from the acquisition of Landmark Aviation. Adjusted interest cover decreased as a result of the higher underlying interest expense to 6.5 times (2015: 8.5 times).

Tax and Dividends

The underlying tax rate increased to 16.5% (2015: 13.9%). This increase was primarily due to a greater proportion of taxable profits being generated in the US.

At the time of the interim results, the Board declared an increased interim dividend of 3.63¢ per share (2015 adjusted: 3.47¢ per share). The Board is now proposing a final dividend of 9.12¢ per share (2015 adjusted: 8.68¢ per share), taking the dividend for the full year to 12.75¢ per share (2015: 12.15¢ per share).

After adjusting for the impact of the rights issue this represents a 5% increase in the dividend on a historical basis and continues to reflect the Board's progressive dividend policy and continuing confidence in the Group's medium-term growth prospects.

Carrying value of assets

As noted earlier, in April 2016 the ASIG business was classified as held for sale resulting in a change in the determination of its carrying value to a fair value less cost to sell basis rather than a value in use basis. This resulted in an impairment of $109.1 million based on the agreed consideration of $202.0 million with John Menzies plc.

During the year a review of the carrying value of the ERO business was undertaken following a further period of challenging market conditions. Despite B&GA growth in flying hours the authorised engine platforms at Dallas Airmotive (DAI) and H+S are no longer projected to experience this level of growth as they do not have engine authorisations for a number of the engine platforms that are now projected to have above average growth. This has resulted in an impairment of both our DAI and H+S cash generating units. The total impairment loss against our ERO business is $184.4 million.

Pensions

Agreement was reached on 31 May 2016 to close the UK defined benefit scheme to future accrual, principally affecting ERO employees. This resulted in a curtailment loss of $1.5 million which has been charged to exceptional and other items for the year.

The actuarial valuation of the UK plan at 31 March 2015 indicated a funding deficit of £45 million ($66 million rate as at 31 March 2015). The Group paid £4.7 million of pension payments in to the UK plan, of which £3.0 million represented pension deficit payments, reflecting the agreed payments to the scheme under an agreement to make additional contributions of £0.3 million ($0.4 million) per annum over the next five years bringing the annual deficit contribution to £3.0 million, and £2.7 million thereafter until 2034 in accordance with the asset-backed funding arrangement established in 2014.

As at 31 December 2016, the accounting net deficit across the UK and US plans was $82.8 million (2015: $40.1 million). The significant increase in the accounting net deficit is primarily as a result of lower corporate bond yields in the UK as at 31 December 2016 and therefore a reduction in the discount rate applied to associated pension liabilities.

Cash Flow and Debt

At 31 December 2016 the Group had net debt of $1,335.3 million (2015 net cash: $456.5 million), the increase being primarily due to the completion of the Landmark Aviation acquisition for a total consideration, net of cash acquired of $2,079.4 million. The Group's net debt to underlying EBITDA ratio at 31 December 2016 was 3.1x (2015: 2.3x) on a covenant basis.

Net cash flow from operating activities of $374.9 million is significantly higher than the prior year (2015: $188.4 million) primarily as a result of the contribution from the acquisition of Landmark Aviation on 5 February 2016 and improvements in working capital. Free cash flow increased by $135.7 million to $224.1 million (2015: $88.4 million) as a result of the acquisition of Landmark Aviation partially offset by increased capital expenditure and interest payments associated

with funding the Landmark Aviation acquisition. Capital expenditure amounted to $102.4 million (2015: $90.7 million). Principal items included the completion of investment in Signature's FBO development projects at San Jose and London Luton, integration projects associated with the acquisition of Landmark Aviation along with our Engine Repair & Overhaul's footprint rationalisation and investment in its new Middle East facility in support of the rotorcraft authorisations.

Other significant cash flow items include acquisition of subsidiaries, net of cash acquired $2,098.2 million (2015: $19.4 million), dividend payments of $124.3 million (2015: $76.6 million), $1.3 related to share repurchases (2015: $22.0 million), license acquisitions by Ontic of $10.6 million (2015: $13.5 million).

A significant proportion of our debt is held in US dollars as a hedge against our US dollar assets. A profile by currency is shown in the table below:

(Debt)/Cash Profile by Currency

	2016	2015
US dollars	(1,389)	394
Sterling	24	41
Euros	15	12
Others	15	9
Total	(1,335)	456

The Group policy with respect to cash deposits is only to have deposits with pre-approved banks with limits on the amounts deposited with each institution dependent on their long-term credit rating. Deposits are generally for short-term maturity (less than three months).

Financial Risk Management and Treasury Policies

The main financial risks of the Group relate to funding and liquidity, interest rate fluctuations and currency exposures. A central treasury department that reports directly to the Group Finance Director and operates according to objectives, policies and authorities approved by the Board, manages these risks.

The overall policy objective is to use financial instruments to manage financial risks arising from the underlying business activities and therefore the Group does not undertake speculative transactions for which there is no underlying financial exposure. More details are set out in note 17 to the consolidated financial statements.

Funding and Liquidity

The Group's operations are financed by a combination of retained profits, equity and borrowings. Borrowings are generally raised at Group level and then lent to operating subsidiaries. The Group maintains sufficient available committed borrowing facilities to meet its forecasted funding requirements.

The Group has a $650 million (2015: $650 million) multi-currency revolving credit facility. In addition, the Group has $500 million (2015: $500 million) of US private placement loan notes. These debt obligations and facilities are subject to cross-default. In addition, the Group maintains uncommitted facilities for daily working capital fluctuation purposes.

During 2015, the Group put in place an Acquisition Financing Agreement (AFA) to fund the Landmark Aviation acquisition in conjunction with the rights issue. The AFA comprised three term debt facilities for $150 million, $400 million and $450 million. During the year the Group prepaid all of the $150 million facility and partially prepaid the $400 million facility.

At the end of 2016, the Group had committed bank facilities of $1,463 million (2015: $1,650 million) of which $1,043 million (2015: $nil million) was drawn.

The revolving credit facility, AFA facilities and the US private placement loan notes are subject to two main financial covenants: maximum net debt to underlying EBITDA of 3.5 times and minimum net interest cover of 3.0 times underlying EBITDA. The facilities and the loan notes do permit the use of an 'acquisition spike' which allows for the net debt to be up to 4.0 times underlying EBITDA for two test periods following activation of the 'acquisition spike'. The 'acquisition spike' was activated in February 2016 and the financial covenant test for net debt to underlying EBITDA has been 4.0 times at the 30 June 2016 & 31 December 2016 test dates. The group has operated within these covenants.

The rationale for preparing the financial statements on a going concern basis is set out on page 79.

Interest Rate Risk Management

The interest rate exposure arising from the Group's borrowing and deposit activity is managed by using a combination of fixed and variable rate debt instruments and interest rate swaps. The Group's policy with respect to interest rate risk management is to fix portions of debt for varying periods based upon the debt maturity profile and an assessment of interest rate trends. At the end of 2016, approximately 65% (2015: 77%) of the Group's total borrowings were fixed at weighted average interest rates of 3.3% (2015: 3.2%) for a weighted average period of three years (2015: four years).

Currency Risk Management

The Group's policy is to hedge all significant transactional currency exposures through the use of forward currency contracts. The Group's policy is to draw its borrowings principally in US dollars in order to match the currency of its cash flows, earnings and assets, which are principally denominated in US dollars.

Flight Support 2016 performance

Flight Support's continuing operations comprise Signature (existing Signature) and the acquired Landmark Aviation operations (Landmark Aviation).

88% of underlying operating profit of continuing operations.

Financial Summary

$m	2016	2015 restated	Change
Revenue	1,443.2	931.6	55%
Underlying operating profit	294.0	154.4	
Underlying operating margins†	20.4%	17.6%	280bps
Statutory operating profit	177.3	140.1	27%
Operating cash flow*	276.8	143.5	93%
Divisional return on invested capital	11.2%	15.3%	(410)bps

† Underlying operating profit at constant fuel prices as a percentage of revenue
* Operating cash flow represents net cash inflow from operating activities less purchase of property, plant and equipment, purchase of intangible assets (excluding Ontic licences), plus proceeds from disposal of property, plant and equipment and add back taxes paid

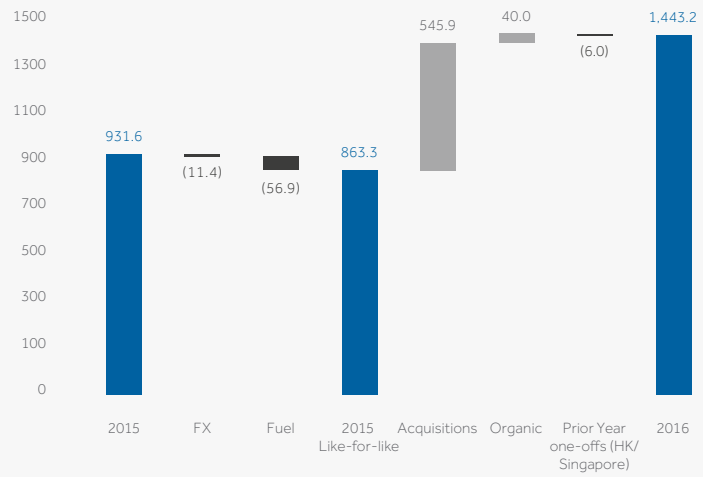
Revenue in Flight Support increased by 55% to $1,443.2 million (2015: $931.6 million), reflecting the $545.9 million contribution from acquisitions, primarily Landmark Aviation, and the net impact of lower fuel prices and foreign exchange movements that reduced revenue by $68.3 million. Existing Signature delivered good organic growth of 5% against a background of modest growth in its markets with US B&GA movements up 1% and European B&GA movements up 2% during the year.

Underlying operating profit in Flight Support increased by 90% to $294.0 million (2015: $154.4 million), driven by a $132.4 million contribution from acquisitions, which included cost synergies of $21.9 million and supported by continued strong underlying operational performance in existing Signature. Underlying operating profit also benefited from the profit from disposed FBOs and the aircraft management and charter business which is accounted for as an associate undertaking. On an organic basis, adjusting for acquisitions ($132.4 million), FX ($(1.8) million), underlying operating profit increased by 6%. The comparator in 2015 was impacted by two one-off items; the reclassification of our investment in the Hong Kong Business Aviation Centre as an associate and the trading losses from ASIG's operations at Singapore Changi Airport with a net impact of $(1.2) million, adjusting for which, organic underlying operating profit grew 7%.

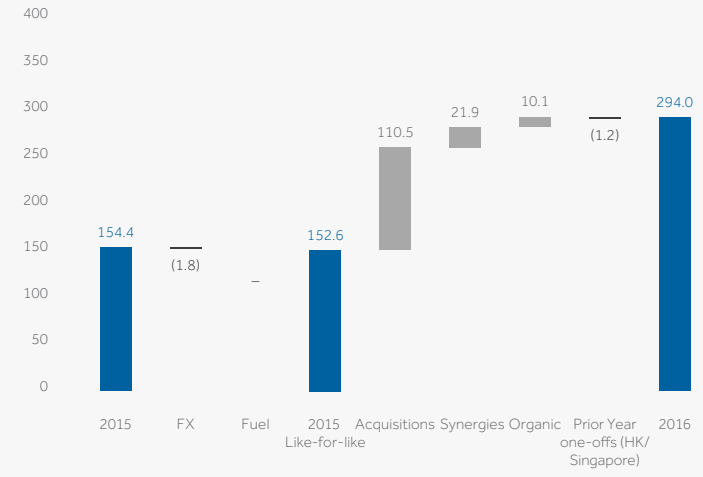
Statutory operating profit of $177.3 million increased by 27% (2015: $140.1 million). This is a result of good organic growth plus the impact of acquisitions in the period, partially offset by increased other item costs associated with the integration of Landmark Aviation and amortisation of intangible assets.

Operating cash flow for the division was $276.8 million (2015: $143.5 million) due principally to increased EBITDA following the acquisition of Landmark Aviation. Return on invested capital is 11.2% (FY 2015: 15.3%) reflecting the recent acquisition of Landmark Aviation.

Revenue Bridge ($m)



Underlying Operating Profit Bridge ($m)



Signature Flight Support 2016 Performance

Revenue

	2016 $m	2015 $m	Inc/(dec) %
North America	1274.3	787.4	62%
Europe & ROW	164.0	132.8	23%
Total	1438.3	920.2	56%

Signature Flight Support's existing locations (i.e. excluding acquired locations) delivered another strong performance in a moderate growth environment, reflecting the continued benefits of its strong and customer-relevant network. Organic revenue increased by 5% to $892.4 million. Signature's continued market outperformance further demonstrates the strong demand from existing and new customers for its market leading services, and facilities across its unique, growing and global network.

The acquisition of Landmark Aviation completed on 5 February 2016 and the business has subsequently met all of our expectations. The detailed and large scale integration plan has been executed very effectively and all FBOs are now fully integrated within the Signature network. Following the successful integration, Signature is now well positioned to focus on optimising this unique and high quality global network of FBOs, through the provision of a broader range of B&GA services to our extensive customer base and enhancing network performance to accelerate value creation. The enlarged Signature network has the unmatched ability to satisfy the needs of our customers at many more locations that they want to fly to, supporting anticipated continued outperformance in 2017 and beyond.

Cost synergies have been delivered ahead of schedule and we anticipate delivering $39 million of cost synergies in 2017. Landmark Aviation and the associated synergies will no longer be reported separately and will instead form part of Signature's overall performance from 2017 onwards. The total cost of integration is approximately $42 million, consisting of $25 million of one-off expenses, (shown as exceptionals), which is in line with guidance, and $17 million of capital expenditure, which is below the $19 million originally anticipated.

Six FBOs were sold in order to satisfy regulatory requirements for the Landmark Aviation acquisition and this transaction was completed on 30 June 2016; the $186.6m proceeds were used for debt repayment. The full year 2016 results include an EBITDA contribution of $7.9 million from these FBOs.

In December we completed the transaction to combine the aircraft management and charter business, acquired through the acquisition of Landmark Aviation, with Gama Aviation's US aircraft management business. The combined business, which is named Gama Aviation Signature Aircraft Management, is one of the largest aircraft management and charter businesses in the world with around 200 airplanes under management. It also offers our Signature business the opportunity to provide support in terms of its global FBO network, hangar space, line maintenance and engine support capability.

During the year, Signature continued to expand its network with the addition of a new location at Stewart International Airport, NY in July, as well as further extensions of the Signature network in Latin America and the Caribbean, with the opening of new facilities at Tocumen International Airport, Panama and Trinidad-Piarco International Airport, Port of Spain. In Europe, Signature added four new FBOs to its network in Italy in April 2016 through a joint venture with SEA Prime S.P.A., adding locations at Milan Linate, Milan Malpensa, Rome Ciampino and Venice Marco Polo airports.

Signature further expanded its network globally through its affiliate FBO programme, Signature Select™, with the addition of three new locations in Johannesburg, South Africa, Bogota, Colombia, and at Farmingdale, Long Island, increasing the Signature Select™ network to 18 locations globally.

Signature continued to invest in its current network, with the successful opening of its newly constructed state-of-the-art FBO at London Luton Airport in December 2016 and new FBO at Mineta San Jose International Airport in February 2016. Signature also opened newly constructed facilities at Cleveland Burke Lakefront Airport and at Gerald R. Ford International Airport in Grand Rapids, Michigan. In addition, Signature secured two new strategic and significant leases at its existing facilities at Biggin Hill Airport, outside of London, and in Nashville International Airport, in Tennessee, where the construction of a new FBO terminal and hangars will begin this year.

There are now 203 locations in Signature's global network.

Aftermarket Services 2016 Performance

Our Aftermarket Services division is focused on the support of maturing aerospace platforms through Ontic, our legacy support business, and the repair and overhaul of engines through our Engine Repair and Overhaul (ERO) businesses.

12% of underlying operating profit of continuing operations.

Financial Summary

$m	2016	2015	Change
Revenue	705.9	782.4	(10)%
Organic revenue growth	(10)%		
Underlying operating profit	42.0	59.6	
Underlying operating margins	5.9%	7.6%	(170)bps
Statutory (loss)/profit before tax	(162.2)	47.6	(441)%
Operating cash flow*	34.0	31.8	7%
Divisional ROIC	6.9%	8.2%	

*Operating cash flow represents net cash inflow from operating activities less purchase of property, plant and equipment, purchase of intangible assets (excluding Ontic licenses), plus proceeds from disposal of property, plant and equipment and add back taxes paid.

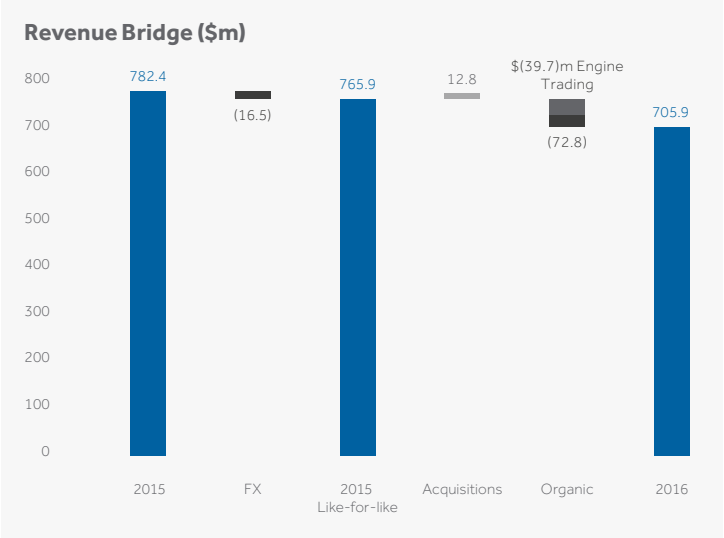
In Aftermarket Services, revenue decreased by 10% to $705.9 million (2015: $782.4 million, a comparator that includes $39.7 million of engine trading).

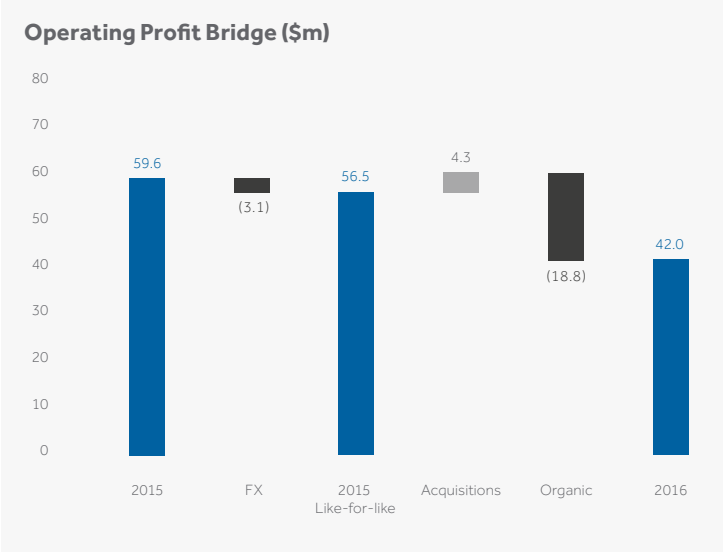
Underlying operating profit of $42.0 million (2015: $59.6 million) was driven by Ontic which now represents more than 85% of the division's profits, on an ongoing basis.

The decline in both revenue and operating profit was due to a weak performance from ERO. On an organic basis, the Aftermarket Services underlying operating profit was down 33% with underlying operating margins of 5.9% (2015: 7.6%), against a comparator which saw a material contribution from engine trading.

Statutory loss before tax was $(162.2) million (2015: $47.6 million profit). This is a result of ERO's weak operating performance, as well as the expected increase in the ERO footprint rationalisation costs which is presented as part of exceptional and other items, and the impairment of ERO $184.4 million during the year.

Operating cash flow for the division was $34.0 million (2015: $31.8 million) which reflected lower operating profit in ERO and the capital expenditure associated with the investment in new ERO facilities and the footprint restructuring. Return on invested capital decreased to 6.9% (FY 2015: 8.2%) reflecting the investment in the new ERO facilities and operating profit decline.





Ontic 2016 Performance

Revenue

	2016 $m	2015 $m	Inc/(dec) %
North America	108.9	99.3	10%
Europe & ROW	55.6	63.9	(13)%
Total	164.5	163.2	1%

Ontic, our legacy support business, continues to perform well, with revenue up 1% to $164.5 million (2015: $163.2 million) with increased activity in the second half as expected, and a good contribution from licences acquired in 2015, reflecting a good performance and in line with our expectations.

In December, Ontic completed the acquisition of a portfolio of legacy avionics products from GE Aviation for $61.5 million. The acquisition supports Ontic's strategy to deliver continued profitable growth in mature avionics and electronics products with high intellectual property content. This business will be transitioned into Ontic's existing UK facility in Cheltenham over the course of 2017. The cash payment for this acquisition was made in January 2017.

Additionally, Ontic further extended its licensed product portfolio during the year with the addition of important new licensors; signing its first product licences with Ultra Electronics for electronic engine control equipment used on commercial aircraft, and with Safran Nacelles, to support the Saab 2000 nacelles and AWACS CFM56 thrust reverser. Ontic also expanded its existing licensor relationships by increasing its portfolio of JT15D products from Pratt & Whitney Canada Corp. Ontic continues to assess a strong pipeline of opportunities in relation to new products and licence adoptions.

Engine Repair & Overhaul 2016 Performance

Revenue

	2016 $m	2015 $m	Inc/(dec) %
North America	459.0	520.1	(12)%
Europe & ROW	82.4	99.1	(17)%
Total	541.4	619.2	(13)%

Engine Repair & Overhaul's revenue decreased by 13% to $541.4 million (2015: $619.2 million). Conditions in ERO's market remain challenging and, while organic revenue was down 11% for the year as a whole, there was a small improvement in ERO's operating performance in the second half of the year, in line with our expectations.

Volumes in legacy mid-cabin and rotorcraft engine overhauls remained depressed throughout the year, with reduced workscopes and competitive market pricing. Engine trading and demand for lease engines was significantly reduced, and this together with strong competitive pressures and OEM actions put further pressure on margins. The footprint restructuring programme and cost saving activities taken in the first half delivered the planned lower cost base which contributed to improved second half results.

Whilst the small thrust engine repair and overhaul market remains competitive and volatile month-to-month, our ERO businesses did see improvements in market share over the second half of the year in the PT6 and Tay markets.

ERO's footprint rationalisation programme, which began in 2014, remains on track, and is now close to completion. The new overhaul facility at Dallas Fort Worth Airport (DFW) has commenced production with the successful transfer of overhaul operations from the Neosho and Forest Park facilities in the second half of the year. The sale of the Forest Park site is planned for this year. The new test cell facility at DFW has now started production on several engine models. We anticipate the test facility reaching full production levels in the first half of 2017. As the new DFW facilities become fully operational in 2017, we expect the continued operational improvements and further footprint consolidation in the Dallas metroplex will help to improve flexibility, customer service and financial performance and provide a more stable base from which to execute a long-term strategy for value creation from our ERO businesses.

The Strategic Report was approved by the Board on 28 February 2017 and signed on its behalf by:

Simon Pryce
Group Chief Executive

Mike Powell
Group Finance Director

Chairman's Introduction

"I am pleased to introduce the Corporate Governance Statement for 2016. The Board is responsible for ensuring the continuing long-term success of BBA Aviation and the delivery of long-term, sustainable value creation for all of BBA Aviation's stakeholders."

Sir Nigel Rudd
Chairman

Opposite
Our Chairman Sir Nigel Rudd at our London headquarters, 105 Wigmore Street

Governance is an important contributor to the success of the Group and we take pride not only in what we do but also in the way we conduct our business and deliver our strategic objectives. The Board is committed to ensuring that appropriate standards of governance are maintained throughout the Group.

I have updated the format of the Corporate Governance Statement this year to include an at-a-glance section, a section setting out our compliance with obligations under the UK Corporate Governance Code and a report on each of the Committees introduced by the Committee Chairman. The work of the Remuneration Committee is covered in the Directors' Remuneration Report on pages 56-78.

As reported last year, Peter Edwards and Peter Ventress joined the Board on 1 January 2016 and Nick Land retired at the AGM in May.

The Board considers that its own continuing effectiveness is vital to the Group delivering its strategic objectives. My role as Chairman has been to provide leadership to ensure that it is possible to make high-quality decisions. I am responsible for leading the Board and ensuring ongoing improvement in the Board's effectiveness. I am supported by all the directors, but particularly by Susan Kilsby, as the Senior Independent Director. Susan meets independently with the other directors and is available, if required, to meet with shareholders. As a Board, and as individual directors, we strive to continuously improve the effectiveness of the Board and its Committees in support of the Group's objective of delivering exceptional long-term sustainable value for all our stakeholders.

The Board spent a significant proportion of its time in 2016 reviewing the integration of Landmark into Signature and considering the ASIG disposal.

As shareholders will recall, in 2015, Clare Chalmers of Independent Audit conducted an external Board evaluation. For 2016, we again engaged Clare to support the evaluation and found this to be a very effective approach. The evaluation is discussed on page 49.

The Company's remuneration policy seeks to align the interests of executive directors and shareholders and is structured to promote the long-term success of the Company.

We keep Group policies and procedures under regular review, bearing in mind the ever-evolving business and governance environment that we operate in, as well as drawing on the range of experience offered by Board members.

The Corporate Governance Statement that follows provides more details about our governance policies and procedures, about the structure of our Board Committees and the areas our meetings focus on.

Board members appreciate their interactions with shareholders and listen carefully to any comments. I welcome your comments on this Corporate Governance Statement and on the 2016 Annual Report more generally.

Board of Directors and Executive Management

Executive Directors

Simon Pryce,
Group Chief Executive

Mike Powell
Group Finance Director

Chairman and Non-Executive Directors

Sir Nigel Rudd,
Chairman

Wayne Edmunds

Peter Edwards

Susan Kilsby

Peter Ratcliffe

Peter Ventress

Executive Management

David Blizzard

Kevin Erickson

Gareth Hall

Mark Johnstone

Erik Keller

Tony Lefebvre

Maria Sastre

Executive Directors

Simon Pryce (55)
Group Chief Executive

Appointed to the Board as Group Chief Executive in June 2007. Simon also chairs the BBA Aviation Executive Management Committee. In addition to his BBA Aviation plc position, Simon is on the board of Electrocomponents plc and the General Aviation Manufacturers Association (GAMA), the US general aviation trade body, and is chairman of its International Affairs Committee. Simon is a Fellow of the Royal Aeronautical Society, a member of the Council of the University of Reading, a chartered accountant and a member of the Chartered Institute for Securities and Investment. He was previously with JP Morgan and Lazards in London and New York and GKN plc in a range of international finance and management roles.

Mike Powell (49)
Group Finance Director

Appointed to the Board as Group Finance Director in July 2014. Mike joined from AZ Electronic Materials, a FTSE 250 company with international reach, where he held the role of Chief Financial Officer from 2011. Prior to this Mike was Group Finance Director of Nippon Sheet Glass Co. Limited, having previously spent 15 years at Pilkington plc in a variety of senior finance roles. He is a non-executive director of Low & Bonar PLC.

Chairman and Non-Executive Directors

Sir Nigel Rudd (70) **N R**
Chairman

Appointed to the Board in December 2013. Sir Nigel Rudd became Chairman in May 2014. Sir Nigel is also chairman of Meggitt PLC and Sappi Limited. In February 2011, he was appointed Chairman of the Business Growth Fund. Sir Nigel has a wealth of experience at the top of UK industry, including previous chairmanships of Invensys plc, Alliance Boots plc, Pendragon plc, Heathrow Airport Holdings Ltd and Pilkington plc; and as founder of Williams plc he oversaw its demerger in 2000, creating Chubb plc and Kidde plc. Sir Nigel is a Deputy Lieutenant of Derbyshire and a Freeman of the City of London.

Peter Ratcliffe (68) **A N R**
Non-Executive Director

Appointed to the Board in January 2009. Peter brings to the Board his experience of working in an industry focused on customer service, as he was the chief executive officer of P&O Princess Cruises PLC until April 2003 and chief executive officer of the P&O Princess Cruises division of Carnival Corporation and Carnival plc from 2003 to 2007. He also brings his significant experience both as an executive and a non-executive director of UK and US public listed companies. He was previously an executive director of The Peninsular and Oriental Steam Navigation Company. He is a chartered accountant and a dual US/UK citizen. He is currently a non-executive director of Mead Johnson Nutrition Company and Casa Pacifica Centers for Children and Families.

Peter Ventress (56) **A N R**
Non-Executive Director

Appointed to the Board in January 2016. Peter is Chairman of Galliford Try plc and a non-executive director of Softcat plc. He was formerly a non-executive director of Premier Farnell plc . From 2009 he spent six years as Chief Executive Officer of Berendsen plc. Prior to this he held several senior executive roles, including International President at Staples Inc. and Chief Executive Officer, at Corporate Express NV a Dutch quoted company prior to its acquisition by Staples Inc. Peter has held a number of other senior management positions across different businesses in a variety of industries and has lived and worked in France, Canada and the Netherlands.

Susan Kilsby (58) **A N R**
Non-Executive Director

Appointed to the Board in April 2012 and became Chairman of the Remuneration Committee in May 2013. Susan brings to the Board her global investment banking experience, having begun her career at the First Boston Corporation and later worked at Bankers Trust and BZW, before the latter was acquired by Credit Suisse. She was chairman of the EMEA Mergers and Acquisitions Group at Credit Suisse until 2009 and she was also a non-executive director of L'Occitane, Keurig Green Mountain and Coca Cola HBC. Her current appointments include being chairman of Shire plc, a non-executive director of Fortune Brands Home & Security, Inc. and Goldman Sachs International. Her experience advising clients across a range of industries includes significant deals in the aviation and aerospace sectors.

Wayne Edmunds (61) **A N R**
Non-Executive Director

Appointed to the Board in August 2013. Wayne's current appointments include being Chairman of Dialight plc, a non-executive director of Ashtead Group plc, and MSCI. He was Chief Executive of Invensys plc until January 2014. He has extensive commercial experience, particularly in the US markets. Previously, Wayne was chief financial officer of Invensys plc, having joined the business in 2008 as CFO of Invensys Process Systems. He joined Invensys plc from Reuters America, Inc., having held other senior business and financial roles in the technology sector, including 17 years at Lucent Technologies, Inc.

Peter Edwards (61) **A N R**
Non-Executive Director

Appointed to the Board in January 2016. Peter has spent his career primarily in the aerospace sector across a wide spectrum of roles. He began his career with Air Research Aviation, followed by nine years at Gulfstream in a variety of senior sales and marketing roles. In 1995, he joined Bombardier Aerospace Corporation, where in 2001 he was appointed President of Business Aircraft. Peter was Chief Executive Officer of Jet Aviation, a global business aircraft service provider, between 2007 and 2011. Since leaving Jet Aviation, Peter is active with his aviation advisory practice, along with various roles in European-based ventures in the commercial and business aviation sectors. In January 2012, he co-founded Axis Simulation Holdings, the parent company of Austrian-based Axis Flight Training Systems, a high-end manufacturer of advanced full-motion aircraft flight training simulators, where he is both principal and Chairman.

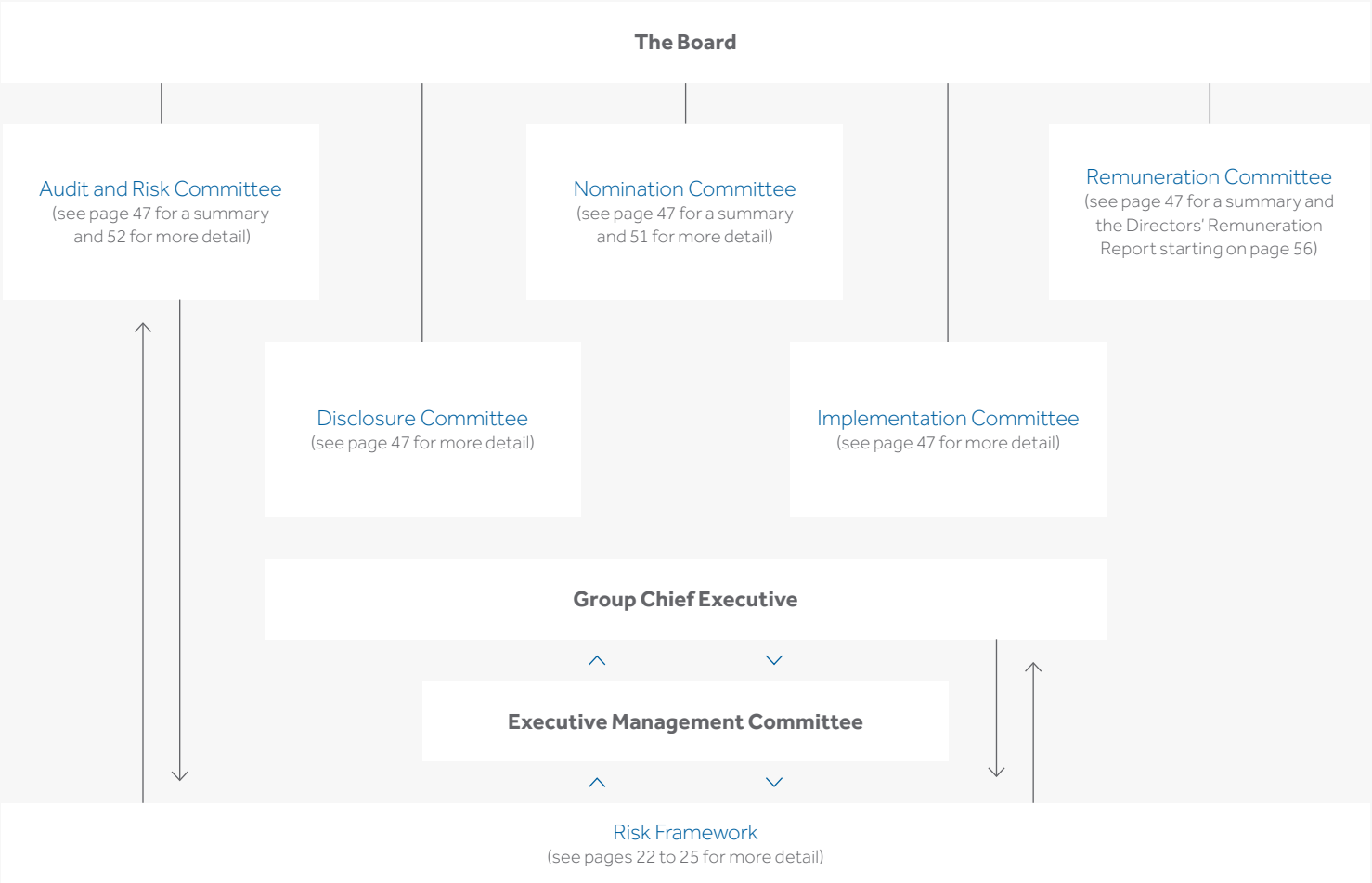
Key to Committee members

A Audit and Risk Committee
N Nomination Committee
R Remuneration Committee

Corporate Governance at a Glance

The Board is committed to ensuring appropriate standards of corporate governance are maintained at BBA Aviation plc.

The Board has a formal schedule of matters reserved to it. The Board monitors the evolution of Corporate Governance best practice, reviews and updates its procedures as required, and adopts, where relevant, recommendations of governance review bodies in relation to Board leadership and effectiveness, accountability, remuneration and relations with shareholders. The governance framework is shown below:



Responsibilities of the Board and its Committees

The Board

There is a schedule of matters reserved to the Board that includes matters such as: strategy and objectives; Group policies; annual budgets; dividends; acquisitions and disposals of businesses (over a certain size); expenditure over a certain limit; financial results; and appointment and removal of directors and Company Secretary.

This schedule of matters is reviewed by the Board each year. Matters outside the scope of this formal schedule are decided by management in accordance with delegated authorities approved by the Board and by the Audit and Risk Committee.

Audit and Risk Committee

The Audit and Risk Committee may consider any matter that might have a financial impact on the Group. However, its primary roles are to:

- monitor and review the effectiveness of the Company's internal control and risk assessment;
- monitor the effectiveness of the Company's Internal Audit function;
- review and assess the Company's external audit function, including the annual audit plan and results of the external audit and the independence of the external auditor;
- monitor the integrity and audit of the Company's financial statements and any formal announcements relating to the Company's financial performance, including a review of the significant financial reporting judgements contained within them;
- review the contents of the Annual Report and Accounts and advise the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy;
- review the Going Concern Statement and the Viability Statement on behalf of the Board; and
- establish and oversee the Company's arrangements for employee disclosure and fraud prevention within the Company.

Remuneration Committee

The Remuneration Committee has two principal functions:

- making recommendations to the Board on the framework and Board policy for the remuneration of the Chairman, executive directors and other designated senior executives; and
- determining, on behalf of the Board, the specific remuneration package for each of the executive directors, including pension rights and any compensation payments.

Nomination Committee

The primary responsibilities of the Nomination Committee are to:

- make appropriate recommendations to the Board for the appointment or replacement of additional Directors;
- devise and consider succession planning arrangements for Directors and senior executives; and
- regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes.

Implementation Committee

The Implementation Committee comprises any two directors (normally the two executive directors) and it is authorised to implement Board decisions.

Disclosure Committee

The Disclosure Committee comprises any two directors or any director and the Company Secretary and has responsibility for determining, on a timely basis, the disclosure treatment of material information.

Compliance Statement

The Company applies the principles of Corporate Governance set out in the UK Corporate Governance Code published in September 2014 (the Code), which is the version of the Code that applies to the 2016 financial year. The directors can confirm compliance throughout 2016 with all relevant provisions set out in the Code.

The section below sets out how the Company has complied with the main principles of the Code and the disclosures are set out in the order they appear in the Code.

Section A: Leadership

A1: Role of the Board

The Board is collectively responsible for the long-term success of the Company. Its role includes providing effective leadership and agreeing the Group's strategic aims. It assesses business opportunities and seeks to ensure that appropriate controls are in place to examine and manage risk.

It is responsible for reviewing management's performance and oversees senior level succession planning within the Group. The Board is also responsible for setting the Company's values and standards, ensuring that the Company's obligations to its shareholders are met.

There were seven scheduled Board meetings in 2016.

The Company has arranged insurance for the directors and officers of the Company.

A2: Division of Responsibilities

The roles of the Chairman and Chief Executive are distinct. The division of responsibilities is reviewed annually by the Board and is available on the Corporate Governance Section of the BBA Aviation plc website. The statement was last reviewed by the Board in December 2016. In summary, Sir Nigel Rudd, the Chairman, is responsible for leading the Board and its effectiveness; Simon Pryce the Chief Executive is responsible for the implementation of the Group strategy and running the businesses.

A3: The Chairman

Sir Nigel sets the Board agenda in consultation with the Chief Executive, the Group Finance Director, other Board members and the Company Secretary. On appointment as Chairman in May 2014 the Board considered Sir Nigel to be independent in accordance with the Code provisions.

A4: Non-executive directors

Susan Kilsby became the Senior Independent Director and Wayne Edmunds became Chairman of the Audit and Risk Committee following the 2016 AGM when Nick Land retired.

During the year, the Chairman met the non-executive directors on a one-to-one basis. Additionally, the Chairman met the non-executive directors without the executive directors on a number of occasions. There were several occasions during the year when discussions between various directors took place on an informal basis.

In addition to formal Board meetings, the Chairman maintains regular contact during the year with the other directors to discuss specific issues.

Following the Board effectiveness review (B6), Susan Kilsby collated the feedback on the Chairman, discussed this with the other non-executive directors and, taking into account the views of the executive directors, provided feedback to the Chairman.

Section B: Effectiveness

B1: The Composition of the Board

At the date of this report, the Board comprises the Chairman, five independent non-executive directors and two executive directors, who contribute a wide range of complementary skills and experience.

The Board has concluded that Wayne Edmunds, Peter Edwards, Susan Kilsby, Peter Ratcliffe and Peter Ventress are independent in character and judgement.

The Company has formal procedures in place to ensure that the Board's powers to authorise conflicts are operated effectively and such procedures have been followed throughout 2016 and to the date of this report.

B2: Appointments to the Board

There is a rigorous and transparent procedure for appointments that is described in the Report of the Nomination Committee on page 51. Peter Edwards and Peter Ventress were appointed to the Board on 1 January 2016 following a comprehensive process.

B3: Commitment

The Chairman and each of the non-executive directors have provided assurances to the Board that they remain fully committed to their respective roles and can dedicate the necessary amount of time to attend to the Company's affairs. The Board is satisfied that each of the directors is able to devote sufficient time to the Company and its affairs to effectively discharge their duties.

Letters of appointment for the non-executive directors are available for inspection by shareholders at each AGM and during normal business hours at the Company's registered office.

Executive directors must obtain the prior consent of the Board before accepting a non-executive directorship in any other company. During 2016, following consent of the Board, both Simon Pryce and Mike Powell accepted non-executive directorships. Simon Pryce was appointed to the Board of Electrocomponents plc on 26 September 2016 and Mike Powell was appointed to the Board of Low & Bonar PLC on 1 December 2016. Executive directors may retain the fees from any such directorships. Additionally, Simon Pryce is a member of the Council of the University of Reading and is on the Board of the General Aviation Manufacturers Association (GAMA).

B4: Development

There is a written framework for the induction of new directors which includes site visits, meetings with senior management and advisers, and the provision of corporate documentation. The focus of any induction programme is tailored to the background of the new director concerned. The induction programmes for Peter Edwards and Peter Ventress are described in more detail on page 50.

The Board and its Committees are kept informed of Corporate Governance and relevant regulatory developments as they arise and receive topical business briefings. The Board also keeps itself informed about the Company's activities through a structured programme of presentations from each of the businesses within the Group and from a number of Group functional leaders.

A training log is maintained by the Company and this register is periodically reviewed by the Chairman with the director concerned, as part of the Chairman's regular review of their training and development needs. If particular training needs are identified, then plans are put in place and the Company provides appropriate resources for developing and updating the directors' knowledge and skills.

The Board believes that the identification of individual training and development needs is primarily the responsibility of each individual director, bearing in mind the range of experiences and skills that are developed by their differing portfolios.

B5: Information and support

The Chairman takes responsibility for ensuring the directors receive accurate, timely and clear information, with Board and Committee papers being circulated sufficiently in advance of meetings.

All directors have access to the advice and services of the Company Secretary, and the Board has established a procedure whereby directors wishing to do so in furtherance of their duties may take independent professional advice at the Company's expense. The Company arranges appropriate insurance cover in respect of legal actions against its directors. The Company has also entered into indemnities with its directors, as described on page 80.

B6: Evaluation

In 2015, the Board appointed Clare Chalmers of Independent Audit to conduct a Board effectiveness review. The process was described in detail in the 2015 Annual Report. In 2016, the Board invited Clare Chalmers to support the effectiveness review. Telephone interviews were conducted with each of the directors and Clare prepared and presented a paper to the Board in November reviewing progress and identifying points for discussion.

Overall, the conclusion from the Board evaluation and appraisal process was positive, with all directors contributing actively to the effective performance of the Board and the Committees of which he or she is a member. The new non-executive directors have settled in well and both felt they'd received a comprehensive and useful induction. The review confirmed the strengths that had been identified in 2015 and identified a number of areas of focus, for further continuous improvement.

The areas for focus and continuous improvement are that:

- The succession planning process should have more visibility at Board / Nomination Committee level - including increasing the Board's exposure to senior management below Executive Management Committee level;
- The good quality of the Board papers could be further enhanced with improved executive summaries and appendices or other tools to aid the reader; and
- The length and detail of the minutes should be kept under review.

The Board is committed to making improvements in these areas highlighted in the Board evaluation.

B7: Re-election

The Board has decided that all Board members, with the exception of Mike Powell (who will be leaving at the end of May 2017), will retire and stand for re-election at the 2017 AGM. The Board believes that each of such directors should be re-elected by shareholders, because each continues to be effective and demonstrates commitment to their role.

Section C: Accountability

C1: Financial and business reporting

The Directors' responsibility statement for preparing the report and account is set out on page 82.

The business model is within the strategic report on pages 12 and 13.

The Going Concern and Viability Statement is set out on page 79.

C2: Risk management and internal control

The Board undertook a comprehensive review of the principal risks facing the Company and how the risks may impact the Company's prospects. The Risk Management process is described in detail on pages 22-25.

Overall responsibility for systems of internal control rests with the Board. The Board reviewed the effectiveness and systems throughout the year and further information is set out on pages 54 and 55.

C3: Audit Committee and Auditors

Compliance with the Code provisions in respect of the Audit Committee requirements and Auditors is contained within the Audit Committee Report on pages 52 – 55.

Section D: Remuneration

Please refer to the Directors' Remuneration Report for further information and in particular:

D1: Level and components of remuneration

Pages 56 – 78.

D2: Procedure

Pages 56 – 78

In addition, the fees of the non-executive directors are determined by the Board as a whole on the recommendation of the Group Chief Executive. No director is involved in deciding his or her own remuneration or fees.

Section E: Relations with Shareholders

E1: Dialogue with shareholders

The Board is kept up to date on the views of BBA Aviation's major shareholders. The executive directors undertake an annual programme of meetings with banks, institutional shareholders, fund managers and analysts to maintain a continuing dialogue with the Company's providers of finance. The Board receives formal written reports from its brokers (as well as reports from the executive directors) regarding the views of shareholders following the roadshows that follow the preliminary and half-year results announcements and at other times as appropriate.

All non-executive directors, including the Senior Independent Director, are available to meet with major shareholders. The Chairman wrote to major shareholders ahead of the 2016 AGM offering them the opportunity to raise any issues or questions. The Chairman and the Chairman of the Remuneration Committee also maintain contact, as required, with major shareholders about directors' remuneration matters. In 2016, there was a comprehensive engagement programme with the top 10-12 shareholders on remuneration and this is described in the Directors' Remuneration Report. The Board considers that its non-executive directors, including the Senior Independent Director, have a good level of understanding of the issues and concerns of major shareholders, as required by the Code.

E2: Constructive use of General Meetings

The Company's AGM is used as an opportunity to communicate with private investors. It is intended that the notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. Sir Nigel Rudd as Chairman of the Board and the Nomination Committee, Wayne Edmunds as Chairman of the Audit and Risk Committee, and Susan Kilsby as Chairman of the Remuneration Committee and Senior Independent Director will each be available to answer questions, as appropriate, at the AGM in 2017. Shareholders can vote separately on each proposal. The Company counts all proxy votes cast in respect of the AGM and makes available the proxy voting figures (for, against and "vote withheld") on each resolution. The voting results of the AGM, together with the details of proxy votes cast prior to the meeting, are made available on request and on the Company's website. The results of the AGM voting is also announced to the market via a Regulatory News Service.

The Board

How the Board spends its time

Board meetings focus on strategy and financial and business performance. Additional meetings are called as required to deal with specific matters. A number of the key matters considered by the Board during 2016 are shown in the table below

Meeting	Main issues considered
February	Annual Results and Report content AGM and dividend Health and Safety Matters
May	Business review: Ontic
June	Business review: Western Europe and Signature Visit to Signature and ASIG operations ASIG disposal
August	Half year results and interim dividend Progress against Board objectives ASIG disposal
October	ASIG disposal
November	Strategy Session Board Evaluation Corporate Responsibility update Visit to NBAA tradeshow
December	2017 budget and goals Board objectives – progress and targets

At each meeting in 2016, the Board considered reports from the Group Chief Executive and the Finance Director; it also received reports and updates on mergers and acquisitions activity, the Signature/Landmark integration, Health and Safety matters and litigation at each meeting.

The Board is responsible for succession planning at Board level and below, although part of the work is delegated to the Nomination Committee.

In December, the Board reviewed the objectives it set itself for 2016, which included succession planning, senior leadership development and enhancing the Board's exposure to regulatory issues. The Board considers it has made good progress against its objectives, although it recognises that succession planning remains an area of focus.

Opportunities also exist throughout the year for informal contact between Board members and with members of the senior management team. Site visits are an important part of the Board's programme, enabling Board members to meet employees in individual operations. In 2016, the Board held two of its scheduled seven meetings in the USA. The June meeting was held in New York which allowed the Board to visit a number of Signature and ASIG operations in the surrounding area. These visits enabled the Board to meet both formally and informally with a number of employees. The November meeting was held in Orlando, and the Board visited the NBAA tradeshow / exhibition. During the time in Orlando, the Board met informally with the wider team responsible for the Landmark acquisition and integration.

Induction

The induction for Peter Edwards and Peter Ventress focused on introducing them to the businesses of BBA Aviation.

Peter Edwards' induction also included a session on the obligations and requirements of being the director of a listed company. Peter Ventress' induction did not include this element as he already had wide experience as a non-executive director of other listed companies.

New non-executive directors are available to meet major shareholders on request.

Board Committees

Written terms of reference for each Committee are reviewed each year and these are available on the Group's website www.bbaaviation.com for the main Committees. The main responsibilities have been described in the At-a-glance section on page 47.

2016 Board and Board Committee meeting attendance

The following table shows the attendance of Board and Board Committee members at scheduled meetings. It does not show attendance by non-Committee members at meetings to which they were invited.

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of scheduled meetings	7	5	5	1
Sir Nigel Rudd	7/7	–	5/5	1/1
Simon Pryce	7/7	–	–	–
Mike Powell	7/7	–	–	–
Wayne Edmunds	7/7	5/5	5/5	1/1
Peter Edwards	7/7	5/5	5/5	1/1
Susan Kilsby	7/7	5/5	5/5	1/1
Nick Land	2/2	2/2	2/2	0/0
Peter Ratcliffe	7/7	5/5	5/5	1/1
Peter Ventress	7/7	5/5	5/5	1/1

Nick Land retired from the Board at the AGM in 2016 and he attended all Board and Board Committee meetings while he was a director of the Company.

If any director is unable to attend a meeting, they discuss, in advance, with the relevant chairman their views on the business of that meeting so that their position can be represented.

Nomination Committee

The composition of the Nomination Committee is set out in the table below. During 2016, the Nomination Committee comprised the Chairman and independent non-executive directors.

	During year				
	01/01/16	Resigned	Appointed	31/12/16	28/02/17
Sir Nigel Rudd (Chairman)	✓	–	–	✓	✓
Wayne Edmunds	✓	–	–	✓	✓
Peter Edwards	✓	–	–	✓	✓
Susan Kilsby	✓	–	–	✓	✓
Nick Land	✓	6/5/16	–	×	×
Peter Ratcliffe	✓	–	–	✓	✓
Peter Ventress	✓	–	–	✓	✓

The Nomination Committee meets as required and other directors attend Nomination Committee meetings by invitation.

The Nomination Committee had one scheduled meeting and one additional meeting in 2016. This was supplemented by informal meetings, individual briefings and meetings between Committee members.

In 2017, the Nomination Committee plans to hold additional meetings to review succession planning.

How the Committee spends its time

During the year, the Committee continued to discuss matters relating to talent and succession planning for leadership development across the Group. Diversity is considered as one aspect of the succession planning discussions, together with developing and strengthening the pipeline of talent within the Group and increasing the interaction between Board members and senior members of executive management and talented future executives.

The topic of diversity covers a variety of different elements, including professional and industry experience and an understanding of different geographical regions, ethnic backgrounds and genders. The Board does not believe that gender quotas (or any other quotas) effectively promote the development of appropriate and broad diversity. The Board does believe that an appreciation of the value that a diverse range of backgrounds brings is an important part of succession planning at all levels of the Group. The Board does continue to have an aspiration to increase female representation on the Board and, when engaging external search consultants to identify future candidates for Board roles, such consultants would be requested to take full account of all aspects of diversity in preparing their candidate lists.

Appointments of non-executive directors are made by the Board for an initial term of three years. This term is subject to the usual regulatory provisions and continued satisfactory performance of duties following the Board's annual performance evaluation. Reappointment for a further term is not automatic but may be made by mutual agreement.

The appointment process

The Nomination Committee evaluates the existing balance of experience, skills, knowledge, independence and diversity of backgrounds on the Board when considering Board succession planning. The Committee recognises that promoting an inclusive environment and diverse participation on the Board requires that the external search consultants appointed to identify future candidates for a Board role be requested to approach their search with these goals in mind. Other factors that also need to be taken into account are the current and future requirements of the Company and, in the case of a non-executive appointment, the time commitment expected.

The appointment process is initiated by identifying suitable external search consultants for the vacancy and preparing details of the role and capabilities required for the appointment. Such consultants will be a signatory to the voluntary code of conduct for executive search firms on gender diversity. The process differs in its detail depending on whether the appointment is for an executive or non-executive position, but the essentials remain the same.

The executive search firm would present the Committee with a list of potential candidates and a shortlist will be created through consultation among Nomination Committee members. The Board as a whole would be updated regularly on the status of the process. The selected candidates would meet with the Committee members as appropriate and the Committee would confirm that each Board member was given the opportunity to meet any short-listed candidates.

The Nomination Committee would then meet to finalise a recommendation to the Board regarding the appointment. The final decision rests with the Board.

In 2015, the Zygos Partnership (Zygos) was appointed to assist with the selection processes that resulted in the appointment of Peter Edwards and Peter Ventress on 1 January 2016. Zygos' only relationship with BBA Aviation plc was in respect of search, selection and recruitment. The appointment process was described in the 2015 Annual Report and followed the process above.

Audit and Risk Committee

The Audit and Risk Committee, as can be seen from the description of its role in the 'At-a-glance' section above, discharges a number of key responsibilities on behalf of the Board and the Company. These include monitoring BBA Aviation's financial reporting processes, overseeing the work of the Internal Audit team and reporting on the independence and objectivity of the external auditor.

While risk strategy and risk appetite are matters for the whole Board, the oversight of the processes that underpin risk assessment and internal control are matters that the Board delegates to this Committee. For the production of the 2016 Report and Accounts, the Audit and Risk Committee was asked by the Board to advise whether the Report and Accounts, taken as a whole, are fair, balanced and understandable and to provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.
The Audit and Risk Committee also reviewed the Viability Statement and the supporting process on behalf of the Board.

The report of the Audit and Risk Committee is set out below.

Wayne Edmunds
Chairman of the Audit and Risk Committee

Composition

The composition of the Audit and Risk Committee during 2016 is set out in the table below.

	During year				
	01/01/16	Resigned	Appointed	31/12/16	28/02/17
Wayne Edmunds (Chairman)	✓	–	–	✓	✓
Peter Edwards	✓	–	–	✓	✓
Susan Kilsby	✓	–	–	✓	✓
Nick Land	✓	06/05/16	–	×	×
Peter Ratcliffe	✓	–	–	✓	✓
Peter Ventress	✓	–	–	✓	✓

Nick Land was Chairman of the Committee until his retirement at the AGM on 6 May 2016.

All members of the Audit and Risk Committee are independent non-executive directors. Wayne Edmunds, the Committee's Chairman, has recent and relevant financial experience by virtue of his senior international finance roles. In addition, the other Committee members all have experience of corporate financial matters and Peter Ratcliffe has a professional accountancy qualification. The Committee has good relevant industry knowledge given Peter Edwards' experience.

During 2016, the Audit and Risk Committee had five scheduled meetings, generally coinciding with key dates in the financial reporting and audit cycle. These meetings are minuted by the Company Secretary or his designate. The Chairman, Group Chief Executive, Group Finance Director, Group Financial Controller, Chief Risk Officer as well as the external auditor and the PwC partner responsible for the co-sourced Internal Audit function, also generally attend the Audit and Risk Committee meetings by invitation. In 2016, the Audit and Risk Committee held three confidential sessions with the Head of Group Internal Audit, the Chief Risk Officer and with the external auditor, but otherwise without management present. In addition, the Committee Chairman met with the external auditor, the Chief Risk Officer and Internal Audit on a number of occasions during the year and through to February 2017. The Committee Chairman may call a meeting at the request of any director or the Company's external auditor.

How the Committee spends its time

The Audit and Risk Committee is routinely briefed on accounting and technical matters by senior management and by the external auditor. In 2016, briefings included considering the progress of the exposure draft on revenue recognition and of proposed revisions to the exposure draft on accounting for leases.

The Audit and Risk Committee reviews twice-yearly reports on the Group's key business risks and the Committee members (all of whom are also members of the Remuneration Committee) are aware of the importance of keeping the appropriateness of incentive structures under review. The Committee also assesses compliance with the Directors' Responsibility Statements.

There is a twice-yearly formal report to the Committee on business ethics and compliance, which includes such matters as the review of the Group's Disclosure of Unethical Conduct Policy, under which staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. In addition, the Committee reviews reports on any items arising under that policy.

The Committee is responsible for making recommendations to the Board on matters within its remit, including the remuneration and appointment of the external auditor. While the appointment of the external auditor is considered each year, it is the policy of the Committee to review the appointment in greater detail at least every five years (with a tender process taking place in 2014). The Committee considers a number of factors, including audit effectiveness at both operating Company and Group-level; quality, continuity and depth of resources; and expertise and competitiveness of fees. The appointment of the Senior Statutory Auditor is rotated every five years.

The Audit and Risk Committee discharges its responsibilities through the review of written reports circulated in advance of meetings and by discussing these reports and any other matters with the relevant auditors and management.

Topics covered by the Committee during 2016 and to date in 2017 included:

- Review of any significant financial reporting issues and judgements in respect of the half-year results and year-end report and accounts (described in more detail below) including disclosures relating to tax;
- Review of any significant matters raised by the internal auditors;
- Consideration of the audit fee and the balance between audit and non-audit fees;
- Annual review of the terms of reference of the Committee, of the schedule of the Committee's agenda items for the forthcoming year, of the non-audit services policy and of BBA Aviation's matrix of authority levels;
- Review of the effectiveness of Internal Audit and discussion of Group Internal Audit's overall strategy;
- Auditor independence and audit effectiveness (described in more detail on page 54); and
- Systems of internal control (described in more detail starting on page 54).

The Committee's terms of reference were updated during the year, primarily to reflect the changes in the latest guidance.

Significant financial reporting issues considered by the Audit and Risk Committee

To aid its review, the Committee considers reports from the Group Finance Director and Group Financial Controller and also reports from the outcome of the half-year review and annual audit. The Committee supports Deloitte LLP in displaying the necessary professional scepticism its role requires. The primary areas of judgement considered by the Committee in relation to the 2016 financial statements and how these were addressed include:

- Recording of exceptional and other items within operating profit;
- Impairment;
- Acquisition accounting and the determination of the fair valuation of assets and liabilities acquired;
- Accounting for the disposal of ASIG; and,
- Provision for slow moving and obsolete inventory;

These issues were discussed with management and the external auditor in the July, September and December meetings when signing off on the auditor's plan for the year-end, and no new areas were identified subsequently.

a. Recording of exceptional and other items within operating profit

The Group's policy is to include certain items within operating profit within a middle column within the Income Statement. These items relate to restructuring activities, transaction costs associated with acquisitions, the amortisation of acquired intangibles and material non-recurring events.

b. Impairment

On an annual basis, management test for impairment of goodwill as is set out in note 8 to the Consolidated Financial Statements.

The Committee, through detailed discussion with both the Group Finance Director and external auditors, was satisfied that the policy had been applied consistently and these items had been properly defined in the financial statements, such that the user of the accounts can understand the impact on our reported performance.

In last year's annual report we reported the Committee's conclusion that a reasonably foreseeable change in the key assumptions underpinning the impairment tests could result in a significant impairment being recorded in the financial statements. Following a deterioration in performance in the first half of 2016 an impairment test was undertaken as at 30 June and an impairment loss recognised in relation to both of the ERO cash generating units (CGUs).

The Committee reviewed analysis provided by management, the budgets and plans on which they were based and the report of Deloitte LLP. The Committee was satisfied that the impairment and the disclosure made in relation to it were appropriate.

c. Purchase Price Accounting

The Group completed a number of acquisitions during 2016, the most significant being the acquisition of Landmark. In each case the purchase price accounting was applied, the results of which are detailed in note 24.

In each case the allocation of fair values to all acquired assets and liabilities is an area of significant judgment. As detailed in the Critical accounting judgments, key to the judgments required is the estimation of the related cash flows for each and every asset and liability acquired. The judgments are often inherently dependent on, and sensitive to, long-term forecasts of the performance of the underlying business.

The Committee relied upon a combination of analysis provided by management and in the case of Landmark the work of external experts in relation to the valuation of the acquired intangible assets and property, plant and equipment both from the acquisition due diligence and the purchase price accounting exercise. The work of both management and the external experts was also reported on by Deloitte LLP. The Committee was satisfied that the purchase price accounting and the disclosure made in relation to it were appropriate.

d. Accounting for the disposal of ASIG

On 31 January 2017, the Group concluded the disposal of the ASIG business. In 2016, the determination of the point at which the business became held for sale, the presentation of the business as a discontinued operation and the determination of the fair value less cost to sell and hence the resulting impairment were all significant financial reporting issues.

The Committee reviewed analysis provided by management and the report of Deloitte LLP. The Committee was satisfied that the judgments made and the disclosures made in relation to them were appropriate.

e. Provision for slow moving and obsolete inventory

The Group holds significant inventory across its operations, with $235.8 million of net inventory at 31 December 2016. This inventory is held at cost net of a provision for slow moving or obsolete inventory.

During 2013, management undertook a review of the consistency in the estimations of the excess and obsolete inventory of engine and aircraft components across Aftermarket Services. An amendment was made to the policy which is designed to achieve a greater level of consistency across the division as well as more precisely defining the basis for provisioning. This policy has been consistently applied by management during 2014, 2015 and 2016 and forms an important part of the audit by Deloitte LLP.

The Committee has confirmed through its enquiries of management and Deloitte that the policy remains appropriate and has been consistently applied.

Audit and accountability

a. Auditor independence and audit effectiveness

Central to the Audit and Risk Committee's work is the review and monitoring of the external auditor's independence and objectivity, and the effectiveness of the audit process.

The Committee carried out a formal effectiveness assessment in respect of work carried out during the year by the external auditor, including:

- the continuity and objectivity of the audit partners and audit team;
- the effectiveness of audit planning and execution;
- the role of management in ensuring an effective audit;
- communication with and support of the Audit and Risk Committee; and
- the formal reporting of the auditor.

The assessment was completed with input in the form of a survey of the key financial management team, including the divisional Chief Financial Officers (CFOs), the Group Financial Controller and the Group Tax Director, together with the Chairman of the Audit and Risk Committee.

Other members of the Audit and Risk Committee also input their views and it was concluded that the external audit for 2016 had provided appropriate focus and challenge on the primary areas of audit risk. Overall, the quality of the audit was assessed as "good". The Audit and Risk Committee also carried out a self-assessment and believes that it has satisfied the requirements of the Code and the Guidance on Audit Committees published by the Financial Reporting Council in September 2012. The Committee has confirmed that during the year it had formal and transparent arrangements for considering corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the external auditor.

One of the safeguards to ensure auditor objectivity and independence is the Group's policy on the provision of non-audit services by its external auditor. The policy is reviewed each year and, since December 2012, the policy prohibits the Group's external auditor from carrying out remuneration consultancy and tax planning work for the Group. The external auditor is also prohibited from carrying out a number of other services for the Group such as book-keeping, Internal Audit, valuations, actuarial services and financial systems design and implementation. Services which the external auditor may be permitted to carry out include assurance services such as reporting accountant work and tax compliance services. The Company's policy is not to use the external auditor for acquisition and due diligence work. However, where the Group considers it appropriate or where conflicts arise, suppliers other than the preferred supplier may be asked to tender. This would only include the external auditor in unusual and exceptional circumstances.

Non-audit fees paid or due to the external auditor are regularly reviewed by the Committee and those paid in 2016 are set out in note 2 to the Consolidated Financial Statements.

During 2016, if fees for non-audit projects within the scope of permitted tax services were expected to exceed £250,000, then the Audit and Risk Committee Chairman is required to pre-approve each project. In any event, specific project approval is required by the Committee Chairman for any such project where estimated fees exceed £100,000. Pre-approval would have been required for non-tax projects where fees are estimated to exceed £25,000.

Deloitte LLP has confirmed that all non-audit services they performed during the year were permitted by APB Ethical Standards and do not impair their independence or objectivity. On the basis of their own review of the services performed, the requirement of pre-approval and the auditor's confirmation, the Committee is satisfied that the non-audit services currently provided by Deloitte LLP do not impair their independence and objectivity.

In December 2016, the Audit and Risk Committee reviewed the non-audit services policy and adopted a more restrictive regime for non-audit services to match the latest FCA guidance. The non-audit services policy is available on the Company's website www.bbaaviation.com.

The FRC's Audit Quality Review team selected to review the audit of the BBA Aviation plc's financial statements as part of their 2016 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Audit Committee received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte. Some matters were identified as requiring improvement and we have agreed an action plan with Deloitte to ensure the matters identified by the AQR have been addressed in the audit of the Company's 31 December 2016 financial statements. The Audit Committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

b. System of internal control.

Overall responsibility for the Group's system of internal control and for reviewing its effectiveness rests with the Board. Management is accountable to the directors for monitoring this system and for providing assurance to the directors that it has done so. The system of internal control is essentially an ongoing process embedded in the Group's businesses for identifying, evaluating and managing the significant risks faced by the Group, including social, environmental and ethical risks. The Group considers that it has adequate information to identify and assess significant risks and opportunities affecting its long and short-term value.

This ongoing process has been in place for the year ended 31 December 2016 and up to 28 February 2017 and the directors can therefore confirm that they have reviewed the effectiveness in accordance with the internal control requirements of the Code throughout that period.

The Group's internal system of control is reviewed annually by the directors and accords with the guidance issued by the Financial Reporting Council in October 2005: Internal Control: Revised Guidance for Directors on the Code (known as the Turnbull guidance). The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide reasonable but not absolute assurance against material misstatement or loss, to the extent that is appropriate, taking account of costs and benefits.

The principal risks and uncertainties which the Group faces are summarised on pages 22 to 25, together with a description of their potential impact and mitigations in place. The main features of the Group's internal control and risk management systems are listed below.

1. Risks are identified through a detailed written self-assessment process carried out by division and by function. The process analyses risk into eight types covering strategic, operational, financial, people, compliance, governance, hazard and an 'other' category, including unpredictable, although with hindsight, often inevitable, events. They are recorded on risk registers together with the mitigations.

   On a bi-annual basis, risk registers are refreshed, and the key risks at division and Group level are plotted on risk maps, which are discussed with senior business management, Divisional management and BBA Aviation's Executive Management Committee in order to validate the risk profile. The validated risk maps are then discussed with the Audit and Risk Committee, together with key mitigation activities, and further mitigation, if any, is agreed.

Group Internal Audit reviews the risk maps and risk registers and builds its annual audit plan from the risk profile. A transparent mapping is produced to link the key risks to the Internal Audit profile, setting out the rationale for the focus of Internal Audit activity. This is agreed annually with the Audit and Risk Committee.

Based on this information, the Board reviews the risks and, if satisfied, confirms it is satisfied that the risks are appropriately mitigated. If this is not the case, the Board requests that management take further action.

2. An organisational structure is in place at both head office and divisional level which clearly defines responsibilities for operational, accounting, taxation, treasury, legal, company secretarial and insurance functions.

3. An Internal Audit function undertakes a programme of risk-based reviews of controls and business processes. The role of Internal Audit is defined in a Group Internal Audit charter and this includes its terms of reference, the standards which it adheres to, the scope and coverage of its work and its reporting processes. The Audit and Risk Committee receives a report from Internal Audit at each meeting which includes opinions on the adequacy and effectiveness of controls by site, together with a summary of key issues, work schedules and details of any action required. In accordance with the UK Corporate Governance Code, the Audit and Risk Committee monitors and reviews the effectiveness of Internal Audit using outside specialists as well as self-assessment techniques.

   A co-sourcing arrangement exists with PwC, headed by a specialist PwC Internal Audit Partner who manages both BBA Aviation and PwC staff in the delivery of the Internal Audit service. This arrangement provides access to a broad range of skills and experience to support its effective delivery.

4. A Group Finance Manual details accounting policies and financial controls applicable to all reporting units. The Group accounting policies are aligned with International Financial Reporting Standards and compliance with these policies is reviewed as part of the Internal Audit process.

5. An annual budgeting exercise is carried out to set targets for each of the Group's reporting units.

6. Detailed management accounts are submitted monthly to management which measure actual performance against budget and forecasts. The monthly forecasts of sales, profits and operating cash are updated on a quarterly basis. A monthly report is provided to the Board, based on these management accounts, highlighting key issues and summarising the detailed financial information provided by the operating units. The integrity of management accounts with the underlying financial records is subject to review as part of the Internal Audit process.

7. Capital expenditure is controlled by means of budgets, authorisation levels requiring the approval of major projects by the Board, and post-investment appraisals. The lessons learned from the post-investment appraisals are also shared with members of senior management.

8. Defined procedures are laid down for investments, currency hedging, granting of guarantees and use of treasury products.

9. A matrix defines the levels of authority for the Group's senior executives and their direct reports in relation to acquisitions, capital expenditure, commercial and employee contracts and treasury matters. This is authorised by the Audit and Risk Committee on behalf of the Board and is reviewed on an annual basis. Compliance is reviewed as part of the Internal Audit process.

10. All significant acquisitions and disposals of companies or businesses are approved by the Board.

11. A Group policies manual sets out policies and procedures concerning: business ethics, bribery and corruption, gifts and entertainment, equal opportunities and anti-harassment, competition law, legal policy, data privacy, Corporate Responsibility, market disclosure and communications and share dealing. A review of compliance with such policies by Group companies is carried out twice a year and senior executives are also required to confirm compliance with certain policies twice a year. Group policies are complemented by divisional and Company-led initiatives and are supplemented by the Group's Disclosure of Unethical Conduct Policy, which includes a 24-hour "hotline" available to all employees. This is supported by a formal investigation protocol and regular reporting to the Audit and Risk Committee as part of the twice-yearly report on Business Ethics and Compliance. The Ethics Implementation Policy seeks to codify the overarching principles and processes that underlie the various elements set out in more detail in the Code of Business Ethics and the policies on bribery and corruption and gifts and entertainment. Compliance with all these policies and with the Group's procedures concerning the appointment and remuneration of foreign agents is subject to review as considered necessary as part of the ongoing BBA Aviation risk-based Internal Audit programme. The effectiveness of these policies is assessed alongside the risk review process described in item 1 above.

12. A Group Safety Management System outlines policies, standards and procedures in conjunction with the business line procedure manuals of the operating companies which are applicable throughout the Group. Annual self-assessment and/or audits are carried out at Company level against the Group standards and business line procedures. Group-level HSE audits are performed to validate Company level compliance. An executive summary Health, Safety and Environmental (HSE) report is tabled at each meeting of the Executive Management Committee. The Board also receives a summary HSE report in addition to updates on HSE activities. These reports cover all Group companies and are prepared by the internal Group HSE function. Key HSE performance metrics are reviewed and verified annually by an independent third party organisation. Senior managers' performance and related financial incentives are tied in part to their success against selected annual HSE improvement objectives. Further details about HSE matters are set out in the Values Report 2016 on the BBA Aviation website. BBA Aviation's Group Internal Audit team includes a number of questions on Corporate Responsibility matters in the annual Control Risk Assessment questionnaire which is completed by each of the operating businesses.

The Corporate Governance Statement was approved by the Board on 28 February 2017 and signed on its behalf by:

Sir Nigel Rudd
Chairman

Susan Kilsby
Chairman of the
Remuneration Committee

Directors' Remuneration Report

I am pleased to introduce our Directors' Remuneration Report for 2016 which has been prepared by the Remuneration Committee on behalf of the Board.

Introduction

This has been a year of change for the Group whilst at the same time the UK executive remuneration landscape is going through an unprecedented level of uncertainty as shareholders, companies and the Government look at the current practice of companies in the listed space.

As a result of the above I have consulted with shareholders a number of times during the year on the key remuneration issues which are set out below.

Key issues considered by the Remuneration Committee in 2016

A) Landmark Aviation

The acquisition and associated fundraising relating to the transformational Landmark Aviation acquisition had a number of consequences that the Remuneration Committee considered.

Due to the rationale behind the transaction, its scale and the equity issue, the Committee decided to undertake a review of its impact on BBA Aviation's "in-flight" share based awards. As I said in my statement last year, we had already determined that no adjustment should be made to the 2013 awards due to the short amount of performance period remaining at the point the acquisition occurred. I discussed our proposals for the awards made in 2014 and 2015 with our larger shareholders. I am very grateful for the time and effort taken by shareholders during the consultation and I am happy that broadly the approach proposed by the Committee set out below has been supported.

Following the consultation with shareholders the Committee concluded that no changes should be made to the targets for the 2014 awards (due to vest in March 2017). However, it was agreed that a minor adjustment should be made to the ROIC targets for the awards granted in 2015 (due to vest in 2018). The Committee also clarified the calculation methodology for both the ROIC and EPS elements to increase transparency. The methodology is set out on page 64.

B) New Directors' Remuneration Policy

The Committee is engaged in a consultation with shareholders on a new Remuneration Policy as this report goes to print. The Committee's intention was initially to seek shareholder approval at the 2017 AGM. However whilst the overall approach has been determined; the Committee, in consultation with shareholders, continues to work through some of the detail of the proposals. This process has been more time consuming than anticipated due to the level of change and uncertainty in the UK surrounding executive remuneration. Therefore, the Remuneration Committee intends to finalise the consultation over the next few months and will put a revised policy to a formal vote at the 2018 AGM.

The overall approach being proposed by the Committee is set out below. Where the changes can be made within the existing Policy and where based on consultation to date shareholders are supportive they will be operated in 2017.

Changes within the current Policy:

(a) ELTIP – this Plan will not be operated going forward and will not form part of the new Policy;

(b) LTIP – the Committee is introducing the following changes for the 2017 LTIP grant:

- The introduction of a comparative total shareholder return performance measure against the FTSE 250;
- A corresponding reweighting of the performance conditions to a 1/3rd on each of EPS Growth, ROIC and TSR;
- The addition of a two year holding period following the vesting of the 2017 LTIP award;

(c) Minimum shareholding requirement – an increase in the minimum shareholding requirement for the Executive Directors from 200% of salary to 300% with a stated time frame for new directors to build up this shareholding.

The proposed changes to the Policy which are still being discussed with shareholders are:

(a) The level of the increase in the maximum opportunity under the Deferred Stock Plan;

(b) The performance conditions to be used with the Deferred Stock Plan;

(c) The vesting schedule for the awards granted under the Plan.

The Deferred Stock Plan is already part of the current Policy and will be operated for 2017. The nature of the Plan is that awards are granted on a look back basis following the end of the relevant financial year. Therefore, to ensure that any changes under the new Policy can be operated immediately following shareholder approval at the 2018 AGM, the Committee is setting performance conditions now for the increased award opportunity under the Deferred Stock Plan which will facilitate a smooth and prompt transition to the new Policy if it is subsequently approved by shareholders.

When the revised Policy is put to shareholders, the Committee will set out the detailed rationale and reasons for the proposed changes.

The Committee believes that the proposed changes summarised above are in the best interests of the Company. The Committee may decide, following further consultation with shareholders, to amend the proposed new Policy from that indicated above.

Performance in 2016 and remuneration outcomes

In 2016, the Group has made excellent progress integrating Landmark's bases into the Signature business and agreeing the disposal of ASIG. The financial highlights are on page 2 and the KPIs for 2016 are on page 15.

Bonus

Simon Pryce will receive 70.6% of his maximum bonus potential and Mike Powell will receive 70.1% of his maximum bonus potential – equivalent to 44.1% and 43.8% respectively of salary based on the financial measures of underlying profit, cash flow and their personal objectives. The Board has concluded that the prior year's targets are no longer commercially sensitive and you can read more about the bonuses for 2016, including the targets, on pages 62 and 63.

Long-Term Awards (granted in 2014)

The LTIP awards granted in 2014 will vest at 23.3% of the maximum. Additional detail on these long-term awards is on page 64.

After careful consideration, the Committee has decided to calculate the level of bonus earned and the level of the 2014 LTIP award vesting based on the audited numbers, making no adjustments. This approach has been adopted to recognise the Committee's objective for transparency with consistency between the Company's reported results and the numbers used to calculate incentive payments to the executive directors. This was the philosophy behind the clarification of the methodology for EPS and ROIC used for the LTIP performance conditions. In addition, the Committee is aware of the negative shareholder sentiment around adjustments to performance conditions for incentive outcomes.

2017 targets

The Committee will continue to consider all relevant factors when setting the performance criteria for BBA Aviation's incentive plans to ensure that they are set at an appropriate level to challenge and incentivise the senior leadership team to drive shareholder value and support the delivery of the Group's long-term strategy. You can read more about the 2017 targets for the variable element of reward on pages 67 and 71.

Remuneration Reporting

We have continued with the format of our reporting on remuneration introduced last year.

- In Part 1, on pages 58 - 60, we present an 'At a glance' section. In this section you will find a summary of the Directors' Remuneration Policy presented in a visual format; a summary of the executive directors' remuneration outcomes for 2016 against policy; the relative importance of pay; the graph showing the Company's TSR performance; and CEO remuneration over the last eight years.
- In Part 2, on pages 61 - 71, we present our Annual Report on Remuneration for 2016. The Annual Report on Remuneration together with this Annual Statement and the 'At a glance' section is subject to an advisory shareholder vote at the AGM in May 2017. The sections of this report that have been subject to audit are set out on page 71.
- In Part 3, on pages 72 - 78 we have included a summary of the existing policy.

Conclusion

I would like to thank again the shareholders who engaged with me during the year on the Company's executive remuneration plans and I'd also like to thank my colleagues on the Remuneration Committee for their commitment and support throughout the year.

We take an active interest in your views as shareholders. If you would like to discuss any further aspect of our remuneration strategy I would welcome your views.

Susan Kilsby
Chairman of the Remuneration Committee
28 February 2017

Part 1: At a glance

Executive Directors' Remuneration

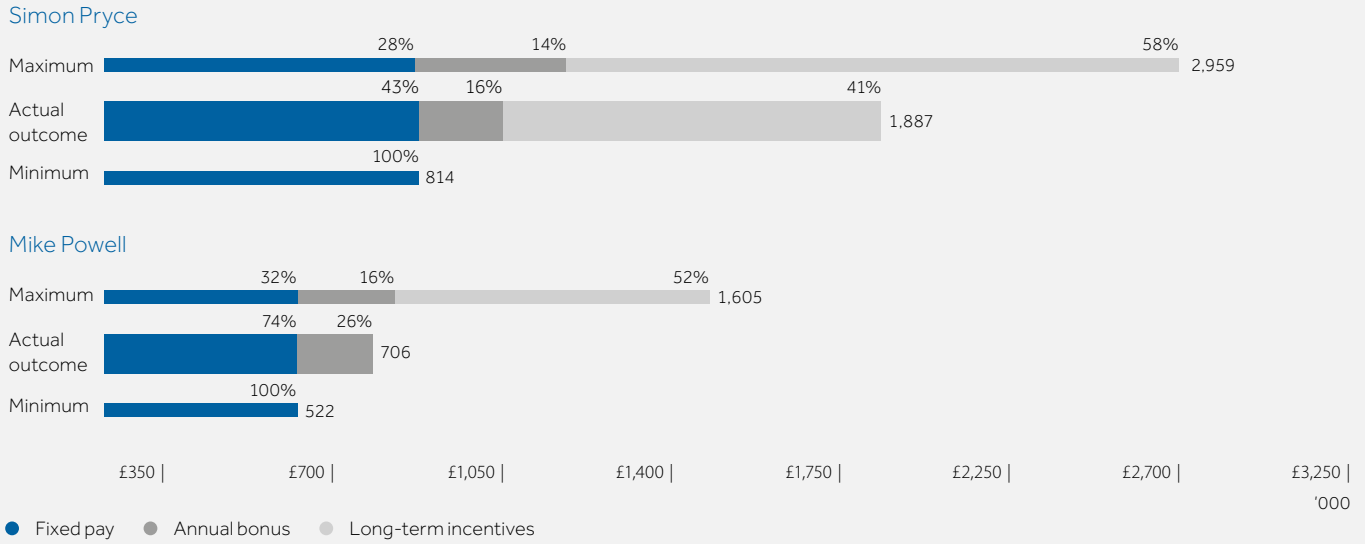
The various elements of the executive directors' remuneration under the policy and how it was implemented in 2016 and the expected implementation in 2017.

Element of pay and time period (years)	1	2	3	4	5	Implementation of policy for 2016	Implementation of policy for 2017
Short Term							
Base Salary						Salary increases on 1 January 2016 were: Simon Pryce: 9.4% to £660,750 Mike Powell: 9.3% £420,000	Salary increases on 1 January 2017 were: Simon Pryce: 3% to £680,572.50 Mike Powell: 3% to £432,600.00
Benefits Including car allowance, private medical insurance etc.						Simon Pryce and Mike Powell received a market competitive level of benefits.	No change
Annual Bonus Maximum of 62.5% of salary						Performance targets for 2016 included Group operating profit, Group free cash flow and personal objectives.	No change
Pension Maximum under the policy is 25% of salary						Executive directors received a contribution of 20% of salary in lieu of a pension contribution.	No change
Other						Simon Pryce received £194,000 for relocation / living expenses / housing allowance	It is expected this will continue in 2017
Long Term							
Long-Term Incentive Plan (LTIP) Maximum of 190% of salary						Simon Pryce received an award of 190% of Salary; Mike Powell received an award of 140% of salary. Awards will vest subject to the achievement of stretching EPS, ROIC targets at the end of a three- year performance period.	No change to basic structure of the award. A total shareholder return (TSR) performance condition will be added. A two-year holding condition post-vesting will be added to the 2017 LTIP awards made to executive directors.
Deferred Stock Plan (DSP) Core Maximum under the policy is 72.5% of Salary						Replaced Deferred Bonus Plan – these awards were granted in March 2016. DSP awards vest ⅓, ⅓, ⅓ annually but are not released until the third anniversary of grant. See page 66 for further details.	No change

2016 remuneration outcome against policy

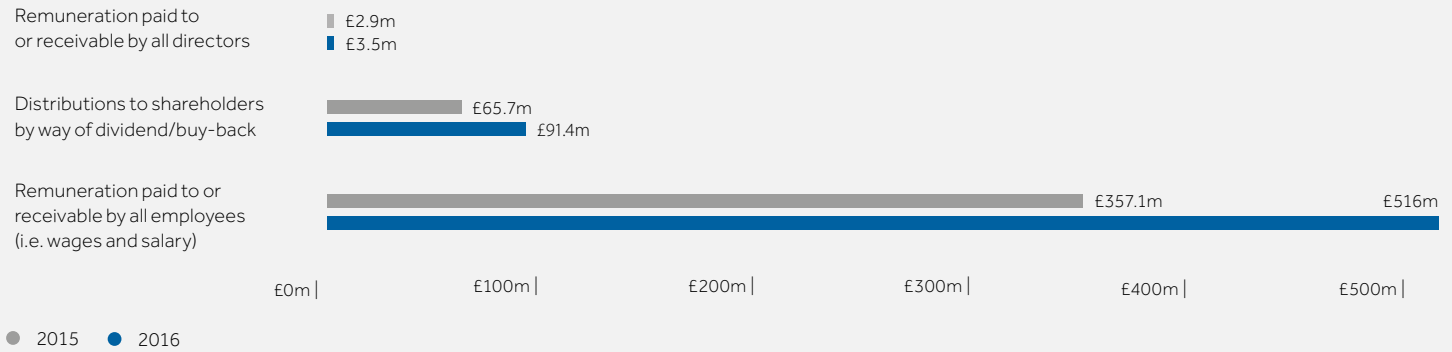
The graph below illustrates the actual outcome against the theoretical maximum and minimum range of payments for 2016. This graph shows that over 50% of the Chief Executive's reward was performance related.

The relocation and living allowance paid to Simon Pryce in 2016 is not included in this graph. The maximum line includes DSP awards to be granted in 2017 but disclosed in respect of 2016.



Relative importance of spend on pay

The Board recognises that the level of spend on pay is driven partly by being within the service sector and the high number of employees relative to our size. The remuneration receivable by employees reflects this. The comparators below have been selected as they illustrate allocation of "profits" between amounts payable to directors and amounts returned to shareholders by way of dividends.

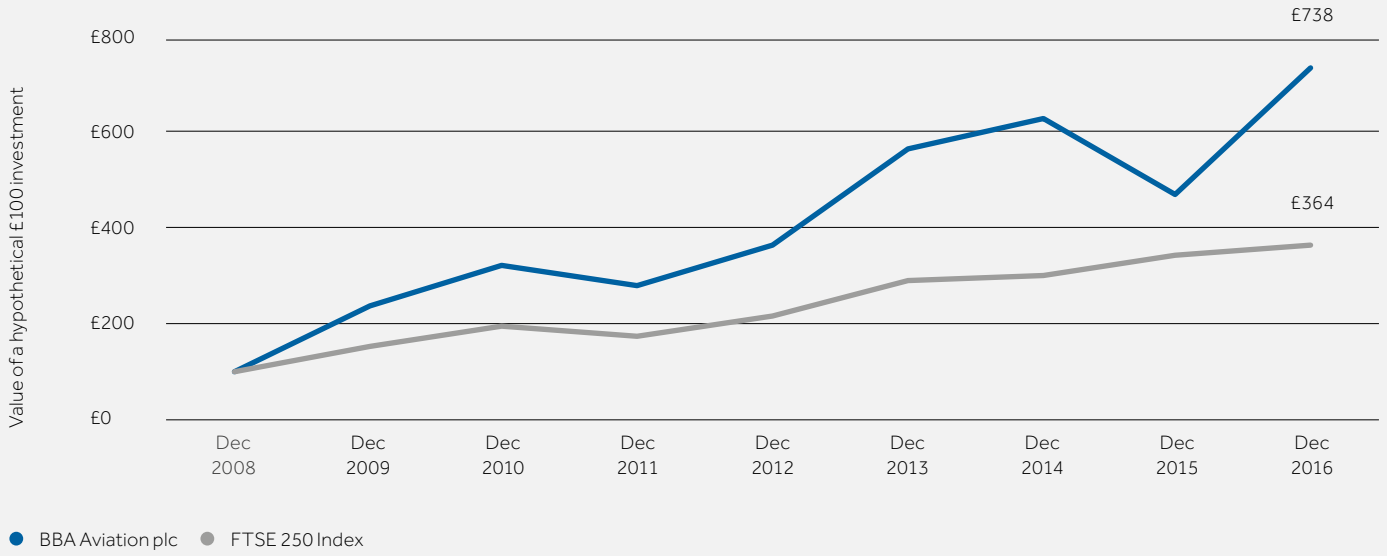


Long-term performance over the past eight years

The Remuneration Committee believes it is important to consider the longer-term performance of the Company when assessing how performance is reflected in reward. The graph below shows the historical cumulative total shareholder return since 2008. The Company believes that the FTSE 250 Index is a suitable broad-based equity index of which the Company is a constituent member.

The table below the graph shows elements of the CEO's remuneration over this period.

The Company's Total Shareholder Return performance since the end of 2008 has significantly outperformed the FTSE 250 as shown below by the value of a hypothetical holding over eight years:



The data used for the above graph is based on 30 trading day average values.

CEO's pay with various figures from the single figure table

Total remuneration and variable pay payout as % of maximum	2009	2010	2011	2012	2013	2014	2015	2016
Total single figure £'000	1,232	1,800	2,689	1,855	1,748	1,748	1,500	2,081
Bonus total and as percentage of maximum	453 88%	460 70.1%	566 83.5%	328 47.0%	458 63.7%	455 61.8%	199 53%	291 70.6%
Long-term total and percentage vesting against maximum	69 12.5%	580 56.8%	1,453 55.5%	824 68.6%	580 42.4%	499 27.1%	479 32%	782 45.1%

The 2016 long-term element includes the DSP shares to be granted in 2017 as a result of multi-year performance conditions. See explanation in the notes to single figure total.

Part 2: Annual Report on Remuneration for 2016

The Remuneration Committee recognises that BBA Aviation has made further progress in 2016 and continues to effectively execute its strategy, particularly through the acquisition of Landmark Aviation and the disposal of ASIG.

Background

The single figure total for the directors is set out in the table below and the separate elements of remuneration are explained in the subsequent paragraphs.

Directors – single figure total (£'000)

Director	Year	Salary and fees	Benefits	Bonus	Value LTIP vesting amount and DSP grant	Pension	Other	Overall single figure total
Simon Pryce	2016	661	21	291	782	132	194	2,081
	2015	604	20	199	479	121	77	1,500
Mike Powell	2016	420	18	184	–	84	–	706
	2015	384	18	127	305	77	–	911
Sir Nigel Rudd	2016	250	–	–	–	–	–	250
	2015	250	–	–	–	–	–	250
Susan Kilsby	2016	70	–	–	–	–	–	70
	2015	66	–	–	–	–	–	66
Peter Ventress	2016	55	–	–	–	–	–	55
	2015	–	–	–	–	–	–	–
Peter Ratcliffe	2016	55	–	–	–	–	–	55
	2015	55	–	–	–	–	–	55
Wayne Edmunds	2016	62	–	–	–	–	–	62
	2015	55	–	–	–	–	–	55
Peter Edwards	2016	55	–	–	–	–	–	55
	2015	-	–	–	–	–	–	–
Nick Land (retired May 2016)	2016	26	–	–	–	–	–	26
	2015	73	–	–	–	–	–	73

Notes
1 Taxable benefits for Simon Pryce and Mike Powell include a cash allowance in lieu of a company car and private medical insurance.
2 The LTIP awards granted in 2014 will vest at 23.3% of the maximum.
3 The performance period for the 2014 LTIP award granted to the CFO was completed at the end of the 2016 financial year. The level of vesting based on this performance would be 23.3 % (which is 52,552 shares). The third anniversary of the date of grant of his award is on 26 August 2017 due to the timing of his recruitment which resulted in a delay to his 2014 LTIP grant. Following the CFO serving notice the Committee will determine whether the level of award capable of vesting as a result of the satisfaction of the performance conditions will vest based on the circumstances and performance of the CFO up to the date of his departure.
4 The Deferred Stock Plan awards that are expected to be granted in March 2017 are disclosed in the table above because the operating profit used to calculate the pool was over the three financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 and the strategic objectives were measured at the end of 2016. The details of these DSP awards are shown on page 64.
5 The Company's pension contribution for Simon Pryce and Mike Powell is 20% of basic salary. During the year Simon Pryce and Mike Powell received a cash payment in lieu of a contribution to a pension scheme.
6 The disclosure in the "Other" column for 2016 represents payments made to Simon Pryce associated with his role as President of Flight Support and the need to spend significantly more time in the USA.

Base salary for executive directors

In December 2015, the Remuneration Committee reviewed the base salaries for the executive directors and their salaries were increased to reflect the increased scope, complexity and responsibilities of managing the enlarged Group; the challenges of effectively integrating the Landmark acquisition; and individual performance. The base salary effective from 1 January 2016 for Simon Pryce was £660,750 and for Mike Powell was £420,000.

Fees for the Chairman and non-executive directors

The fees for the Chairman and the non-executive directors are in the single figure table. No change to the fee rates for the Chairman or non-executive directors were made for 2016.

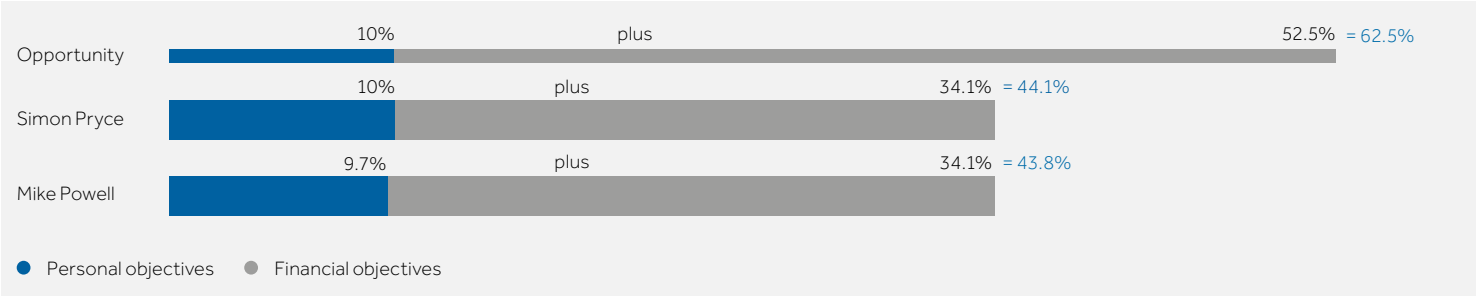
Benefits

Other benefits for the year for each executive director included a company car allowance, private medical insurance, death in service benefit, annual holiday, sick pay, an annual health check and gym membership. The nature of the taxable benefits for the executive directors were unchanged compared to 2015.

Bonus

The maximum bonus opportunity is 62.5% of salary for the executive directors split 52.5% of salary for financial performance (35% for operating profit and 17.5% for free cash flow) and 10% of salary for personal objectives. The whole bonus is paid in cash and there are no deferral obligations. The choice of performance conditions and their respective weightings reflected the Committee's belief that they would drive action to deliver exceptional sustainable value for our shareholders and other stakeholders. In determining the bonus payment for 2016, no discretion was exercised by the Remuneration Committee in determining the bonus outcomes.

Following an assessment against the performance targets, the Committee concluded that Simon Pryce and Mike Powell will receive 70.6% and 70.1% respectively of their maximum bonus opportunity for 2016. This equates to 34.1% of salary for the achievement against the financial objectives for both executives. The 34.1% of salary for financial objectives is split 12.4% for free cash flow and 21.7% for operating profit. Simon Pryce will receive 10% of his salary and Mike Powell will receive 9.7% of his salary for achievement of the personal strategic objectives. This is illustrated below:



The Board has reviewed its practice and has decided to continue with its approach to disclose the Bonus targets for the year under review. Financial measures account for 84% of the maximum opportunity. The operating profit represents 56% of the maximum opportunity and free cash flow represents 28% of the maximum opportunity; of this free cash flow element, half was for the half-year position and the remaining half for the full-year position. Personal objectives represent 16% of the maximum opportunity.

Personal objectives

In February 2017, the Remuneration Committee assessed each executive director's performance against the objectives that were set early in 2016 and concluded that Simon Pryce and Mike Powell had achieved 100% and 97% respectively of their personal objectives for 2016. The objectives and the performance are summarised below:

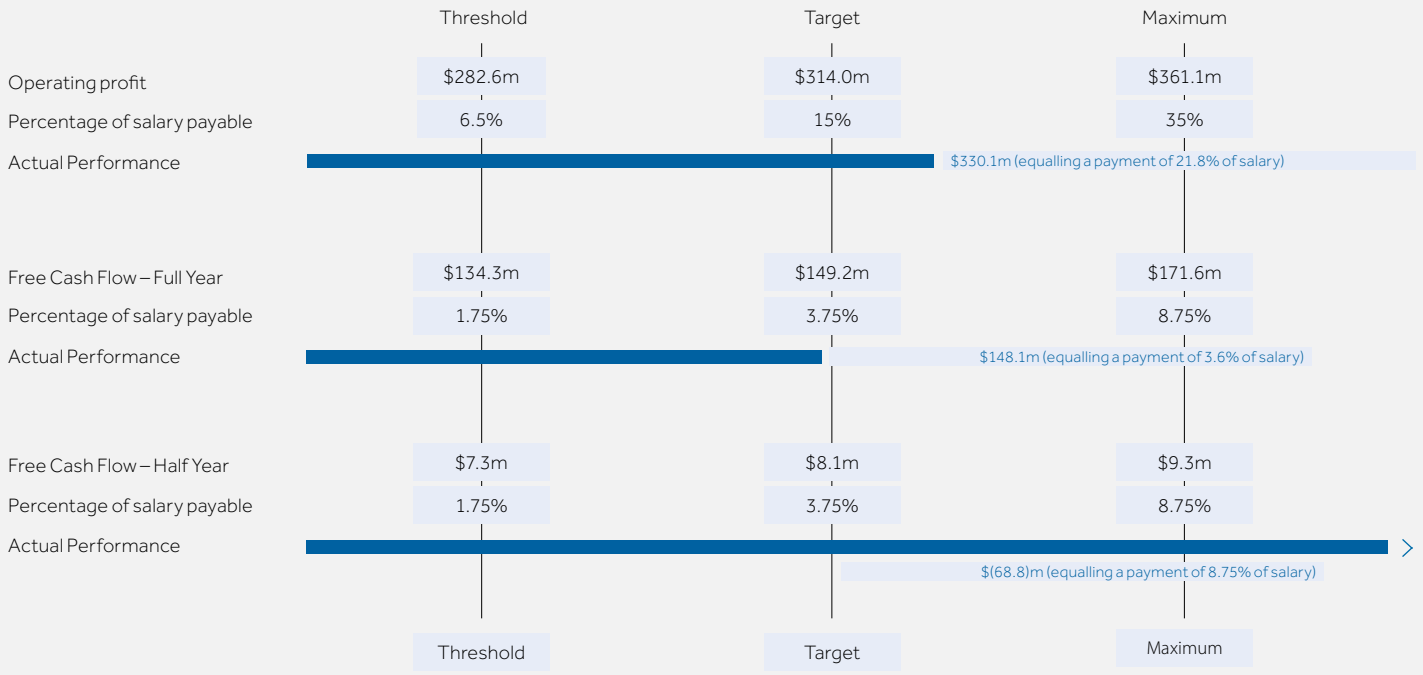
Simon Pryce's personal objectives included financial targets in conjunction with the Landmark integration, strategic planning for all businesses with specific areas of focus for different businesses, setting five-year strategic VMV goals, portfolio optimisation and continuing development of senior leaders as part of the succession planning programme.

Mike Powell's personal objectives included cash and covenant management, financial targets in conjunction with the Landmark integration, financial elements of the strategic planning process, a number of specific structural and organisational design matters and a number of projects linked to the Company's pension arrangements.

Financial objectives

The graph below shows the financial objectives performance:

Performance targets and achievement for 2016



Notes
The purpose of the half-year cash flow target is to focus attention on cash throughout the year rather than at a single point in time. There is a trade creditor cap applied to the actual figures above, which ensures payments to creditors are not inappropriately delayed to deliver bonus targets. The measures are assessed on a straight-line basis between threshold and target and also from target to maximum.

Long-Term Incentive Awards

Long-Term Incentive Plan

The performance conditions for the LTIP awards granted in 2014 are set out in the table below. Performance was measured over three financial years ending 31 December 2016.

Percentage of shares vesting	EPS growth per annum (50% of each award)	Average annual ROIC (50% of each award)
Nil	Less than 6%	Below 10.5%
25%	At 6%	At 10.5%
25% to 100% straight line pro-rata	Between 6% and 12%	Between 10.5% and 12.0%
100%	At or above 12%	At or above 12.0%

For the three years ended 31 December 2016: EPS growth per annum was 1.3% and the average annual ROIC was 10.93%. Accordingly, the awards for the Executive Directors will vest at 23.3% of the maximum. No discretion was exercised by the Remuneration Committee in determining the vesting.

LTIP Calculation Methodology

$$\text{EPS} = \frac{\text{Adjusted Earning}}{\text{Weighted average shares in issue}}$$

$$\text{ROIC} = \frac{\text{Adjusted operating profit}}{\text{Statutory invested capital}}$$

Adjusted earnings In line with the formal IFRS calculation of EPS with two adjustments: (1) takes into account the Company's exceptional policy; and (2) uses current underlying tax rate

Weighted average shares in issue: In line with the formal IFRS calculation

Adjusted operating profit: In line with the formal IFRS calculation of operating profit taking in to account the Company's exceptional policy.

Statutory invested capital: This is the addition of average net assets to average net debt.

Deferred Bonus Plan

Half of the bonus in respect of 2013, paid in early 2014, was deferred for a period of three years. The deferred bonus was converted into shares and will be released shortly after the third anniversary of the award. As permitted by the rules of the scheme, the Remuneration Committee agreed that dividends will be awarded on the deferred element for the period of time after the risk of forfeiture had lifted. The adjustment for dividends reflects the economic alignment of the director's interests with those of shareholders. The Deferred Bonus is not included in the single figure table as it was included in the year it was earnt.

Deferred Stock Plan

In 2015, the DSP was introduced for the executive directors and senior executives of the company. Under the DSP, a pool of shares is determined based on 3.5% of BBA Aviation's average Operating Profit performance over the prior three years and achievement against certain strategic objectives. Participants are granted conditional shares which vest annually over a three year period but are not released until after the third anniversary of the grant.

The Group operating profit for 2014 was US$201.2m; for 2015 was US$202.0 million; and for 2016 was $330.1 million giving an average of US$244.4 million and 3.5% of this is US$8.5 million. The Remuneration Committee concluded that 100% of the strategic objectives had been delivered and agreed the overall pool is therefore $8.5 million. The strategic objectives were:

- Action plans on customer surveys prepared (Q1) and actions undertaken (Q4)
- Safety Management System and safety business plan formulated by business unit and site (H2); delivery achieved (Q4)
- Bands 1-3 and other hi-potential staff to have personal objectives that require innovation tools to be applied to specific problems
- Formal design and launch of Signature / ERO joint marketing programme and GM sales incentive scheme
- Situational Awareness training delivered to all banded employees
- Ethics Training updated and delivered to all 1500+ relevant employees

The face value of the DSP award that will be granted to Simon Pryce is equivalent to 72.5% of salary (£493,415). This award equates to 100% of the maximum for Simon Pryce. The Remuneration Committee anticipates that it will grant this award in March 2017 and any awards made to executive directors will be announced via the Regulatory News Service (RNS) as soon as they are made, as well as in the 2017 Annual Report.

Pension

The Company made a cash payment equal to 20% of base salary in lieu of a contribution to a pension scheme for Simon Pryce and Mike Powell.

Other

When Michael Scheeringa resigned in 2015, the Board asked Simon Pryce to take on the role of President of Flight Support in addition to his role as Group Chief Executive. In order to fulfil these duties Simon Pryce was asked to spend significantly more of his time in the United States. The Remuneration Committee agreed, in accordance with the Group Remuneration Policy, to provide accommodation for Simon Pryce while he is in America and an allowance to support his incidental living expenses.

The Committee agreed that the approach should be that Simon should be neither better off nor worse off as a result of the assignment and this meant certain elements have been grossed up for tax purposes. There was no change in applicable bonus or long-term incentive structures, contract or underlying terms and conditions as a result of this. It should be noted that there was no increase in the allowance in 2016. The figure disclosed in 2015 represented the allowance from the start of the assignment to the end of the year.

In accordance with the approach described above and the policy, Simon Pryce received the following payments:

Element	Amount (£'000)
Relocation and living expenses	120
Housing allowance	74
Total	194

Payments to past directors

No payments have been made in 2016 to past directors in respect of their services as a director of the Company. DBP shares were released to Mark Hoad, the former Group Finance Director, representing half of his bonus that was deferred in early 2013 in respect of 2012. These shares were earned at the end of the deferral period.

Loss of office payments

No directors received any payments for loss of office during the year.

Scheme interests awarded during the financial year

The details of the scheme interests awarded during the financial year to the executive directors are set out below:

		Face value of award			
Director	Description	Shares	£	Percentage if minimum performance targets met	End of performance period
Simon Pryce	LTIP – Conditional Award	635,484	1,225,404	25%	31/12/2018
	LTIP – Linked Award	15,557	29,999	25%	
	ESOP – Approved Option	15,557		25%	
	DSP – Conditional Shares	248,423	497,034	100%	Awards released in 2019
Mike Powell	LTIP – Conditional Award	305,000	588,131	25%	31/12/2018
	DSP – Conditional Shares	157,908	304,494	100%	Awards released in 2019

Notes

1 The LTIP Awards were made on 11 March 2016. The grant price was £1.9283 which was the average middle market closing price on the three trading days prior to the grant. The Conditional award for Simon Pryce was reduced by £29,999 allowing the same value to be awarded as an approved share option under the executive share option plan and as an LTIP Linked award. Under normal circumstances, the linked award will only vest to the extent needed to provide sufficient funds to meet the exercise price of the approved share option. The face value for both the linked award and the approved option are disclosed above – the combined face value of these two awards is £29,999.

2 The DSP conditional award is calculated by reference to a percentage of salary. The pool from which the DSP awards are made is explained above on page 64. The amount of the DSP is in respect of performance in 2016 and is included in the single figure Table. The DSP conditional awards were made on 11 March 2016. The grant price was £1.9283 which was the average middle market closing price on the three trading days prior to the grant.

Long-Term Incentive Plan
In 2016, Simon Pryce was awarded an LTIP of 190% of his salary and Mike Powell received an LTIP award of 140% of his salary.

Extended Long-Term Incentive Plan
No awards were made under this plan in 2016.

SAYE
The Company issued an invitation under the Savings Related Share Option Plan in 2016. Mike Powell accepted the invitation and was granted 18,750 options at a price of £1.60 and in accordance with the Scheme Rules these options will become exercisable from 1 August 2021.

Performance conditions for LTIP awards made in 2016
A ROIC performance condition is applied to half of the LTIP award and the EPS performance condition is applied independently to the other half of those awards. There are no performance conditions attached to the DSP or SAYE scheme.

The performance conditions for the LTIP awards are set out on page 71.

Change in remuneration of Chief Executive Officer and a comparator group
The table below shows the movement in total remuneration for the CEO between the current and previous financial years compared with that of the total remuneration costs of relevant comparator employees as a whole. Relevant employees are employees of BBA Aviation plc and its subsidiaries who are in banded grades 1–4 (about 100 of the Group's senior leaders) as the Board believes this is a suitable comparator group. The CEO's reward is made up of a larger proportion of variable pay than employees within this comparator group.

Percentage change in remuneration of CEO and a relative comparator group of employees (£'000)

	Year ended 31 December 2016	Year ended 31 December 2015	Percentage Change
CEO base salary	661.0	604.0	9.4%
Relevant average comparator employees' base salary	137.2	127.2	7.9%
CEO taxable benefits	21.0	20.0	5.0%
Relevant average comparator employees' taxable benefits	8.7	7.7	13.0%
CEO annual bonus	291.0	199.0	46.2%
Relevant average comparator employees' annual bonus	5.6	37.8	20.8%

Outside appointments
As explained on page 48, both Simon Pryce and Mike Powell accepted, with the consent of the Board, non-executive director appointments in 2016. Simon Pryce receives an annual fee of £50,000 for his role at Electrocomponents plc and Mike Powell receives an annual fee of £40,000 for his role at Low & Bonar plc.

Implementation of policy in 2017
The proposed implementation of the existing policy for each element of remuneration in 2017 is described below.

Base salary for executive directors
The Remuneration Committee reviewed the base salaries of the executive directors in December 2016 and it was agreed that the base salary for Simon Pryce from 1 January 2017 would increase by 3% to £680,572.50. Mike Powell's base salary from 1 January 2017 would increase by 3% to £432,600. The standard pay rise from 1 January 2017 for employees of good standing across the Group ranged from 2.5% to 5% and the average was 3%.

NED Fees
The fees for the non-executive directors were reviewed in December 2016 and it was agreed to increase the standard fee and the Committee Chairmanship fees for the Audit and Risk Committee and the Remuneration Committee by 3%. It was noted the Senior Independent Director fee was out of line with the market rate and it was agreed to increase the Senior Independent Director fee to £10,400. The fees for the Chairman are due to be reviewed in December 2017.

Pension and benefits

The Committee does not expect to change the pension or benefit arrangements for the executive directors in 2017.

Annual cash bonus

For 2017, the Committee has determined that the annual bonus opportunity for executive directors is 62.5% of salary and will again be contingent on meeting both financial targets and personal objectives. The Committee has reviewed targets for the year to ensure they remain appropriately stretching and relevant to the Company's business strategy. In 2017, financial performance objectives will again represent 84% of the bonus opportunity and personal objectives will represent 16% of the bonus opportunity. The financial targets will, as in 2016 be based on operating profit and free cash flow at the half and full year with the same weights as in 2016.

The Board has decided that Bonus targets for 2017 are commercially sensitive as they could provide the market and competitors with confidential information on the Group's strategy and expectations. The Board will disclose the targets once they are no longer commercially sensitive and anticipates they will be disclosed in the 2017 Annual Report as has been done in the last two years. This practice will be kept under review.

Deferred Stock Plan

Simon Pryce is eligible to receive an award under the plan equal to a maximum of 72.5% of salary in 2017 following an assessment of Group operating profit performance at the end of the 2016 financial year and performance against the strategic Group objectives. This is disclosed in the 2016 single figures total as the performance conditions were satisfied by 31 December 2016.

LTIP

The LTIP award, due to be granted in March 2017 for Simon Pryce will be 190% of salary. The award will be announced to the market when it is made with additional detailed disclosure to shareholders in the 2017 Directors' Remuneration Report. There will be three performance criteria – average ROIC; EPS growth and total shareholder return. As in previous years these targets are set using GAAP applying at the time. The performance conditions are shown on page 71. Mike Powell will not receive an LTIP award in respect of 2017.

Service contracts

The executive directors have rolling contracts of employment with no fixed term which entitle them to 12 months' notice from the Company in the event of termination other than for cause. Executive directors' contracts allow for termination with contractual notice from the Company or termination with a payment in lieu of notice, or an enforced period of paid garden leave at the Company's discretion. The Group Chief Executive is required to give the Company 12 months' notice and the Group Finance Director, six months.

The Chairman and the non-executive directors each have a letter of appointment. The Chairman's appointment letter entitles him to six months' notice from the Company and he is required to give the Company six months' notice. The Company may terminate the Chairman's contract immediately and pay him an amount in lieu of his fees for six months less statutory deductions.

Letters of appointment and service contracts are available for inspection by shareholders at each AGM and during normal business hours at the Company's registered office.

There are no contractual commitments over and above those disclosed above.

Unexpired terms on service contracts and letters of appointment

	Date of appointment/reappointment	Unexpired term as at 28 February 2017
Simon Pryce	11 June 2007	n/a
Mike Powell	1 July 2014	n/a
Sir Nigel Rudd	1 December 2016	32 months
Susan Kilsby	10 April 2015	13 months
Wayne Edmunds	7 August 2016	28 months
Peter Ratcliffe	9 January 2015	10 months
Peter Edwards	1 January 2016	22 months
Peter Ventress	1 January 2016	22 months

The Remuneration Committee and its work

The Board is responsible for remuneration policy and has delegated prime responsibility for the implementation of that policy to the Remuneration Committee. The Remuneration Committee is a Board Committee consisting of independent non-executive directors and the Chairman and its meetings are minuted by the Group Secretary or his designate. No individual is directly involved in the determination of, or votes on, any matter relating to their own remuneration.

The members of the Committee throughout the year and at the date of this report were Susan Kilsby (Chairman), Wayne Edmunds, Peter Edwards, Peter Ratcliffe, Sir Nigel Rudd and Peter Ventress. Nick Land was a member of the Committee from the start of the year until his retirement at the AGM on 6 May 2016.

The Committee held five scheduled meetings and two additional meetings in 2016. There was 100% attendance at all meetings during 2016.

The meetings were minuted by the Company Secretary. Executive directors and the Group HR Director attend Remuneration Committee meetings by invitation.

The Committee is responsible for, among other things:

- determining remuneration strategy;
- determining the executive directors' remuneration;
- determining the Chairman's remuneration;
- selecting performance measures and setting targets for the short-term and long-term incentive plans and performance-related share plans;
- reviewing proposals in respect of other senior executives; and
- overseeing any major changes in employee incentive structures throughout the Group.

The main issues considered by the Remuneration Committee during 2016 are set out below:

Meeting	Main issues considered
February	Vesting levels for the long-term awards granted in 2013 Payments of bonuses in respect of 2015 Consideration of the DSP Pool approval Targets for short and long-term awards granted in 2016 Remuneration Report on 2015 Share Scheme Targets (DSP and LTIP) Proposed consultation with shareholders in respect of the Landmark acquisition
May	Shareholder views ahead of the AGM Feedback from shareholders in respect of the consultation in respect of the Landmark acquisition
June	Feedback and review of the proposals following feedback from the consultation in respect of the Landmark acquisition Review of the Directors' Remuneration Policy
July	Feedback from shareholder meetings Progress against targets for annual and long-term awards
September	Update on shareholder and governance / market view of Directors' Remuneration Consideration of the Directors' Remuneration Policy Impact of ASIG disposal on long term incentive targets
November	Remuneration Policy Consideration of shareholder consultation on a new Policy
December	Draft Remuneration Report on 2016 Salary review and proposals Initial consideration of bonuses and long-term awards for year ending 31 December 2016

In the course of these meetings, the Remuneration Committee also consulted the Chairman of the Board, the Group Chief Executive, the Group Finance Director, the Group HR Director and the Company Secretary in connection with the Committee's work within their particular areas of knowledge and expertise. It is expected that the Committee will wish to continue to consult with these people in 2017 and that they will continue to be invited to attend Committee meetings when appropriate.

The Remuneration Committee receives updates on remuneration trends and market practices as part of its regularly scheduled business and in 2016 PricewaterhouseCoopers LLP (PwC) provided input and advice on these areas.

The Committee's advisors throughout 2016 were PwC who have provided advice on market levels of remuneration, transaction related remuneration issues, performance conditions for the LTIP and consulting on the preparation of the remuneration report. The total fees paid by the Company to PwC were £149,000.

PwC are members of the Remuneration Consultants Group and are committed to that group's voluntary code of practice for remuneration consultants in the UK. This includes processes for ensuring integrity and objectivity of advice to the Remuneration Committee and ensuring that any potential conflicts are effectively managed. The Remuneration Committee also confirmed it was satisfied that it had received independent advice from PwC.

AGM voting in 2016

The votes cast in respect of this resolution was:

	Proxy votes for	% for	Proxy votes against	% against	Votes cast	Proxy votes withheld
Approval of the 2015 Directors' Remuneration Report	846,632,705	98.5	12,853,549	1.5	859,486,254	71,534,112

Note
A vote withheld is not a vote in law and accordingly these are not included in the percentages shown above.

Interests in shares, options and conditional awards

The table below shows the outstanding share scheme interests (including those granted during the year) at 31 December 2016 and the changes during the year.

Share scheme interests

Director	Description	Performance measures	1 January 2016	Awarded (vested) during the year	(Lapsed) during the year	31 December 2016
Simon Pryce	2013 Conditional LTIP	Yes	405,866	–	(405,886)	–
	2013 Linked Award LTIP	Yes	14,622	–	(14,662)	–
	2013 Conditional DBP	No	79,877	(79,877)	–	–
	2013 Conditional Match DBP	Yes	79,877	–	(79,877)	–
	2014 Conditional LTIP	Yes	474,151	–	–	474,151
	2014 Conditional DBP	No	96,871	–	–	96,871
	2015 Conditional LTIP	Yes	481,697	–	–	481,697
	2015 Conditional DBP	No	95,639	–	–	95,639
	2015 Conditional ELTIP	Yes	273,420	–	–	273,420
	2016 Conditional LTIP	Yes	–	635,484	–	635,484
	2016 Linked Award LTIP	Yes	–	15,557	–	15,557
	2016 Conditional DSP	No	–	248,423	–	248,423
Mike Powell	2014 Conditional LTIP	Yes	212,661	–	–	212,661
	2014 Linked Award LTIP	Yes	12,885	–	–	12,885
	2015 Conditional LTIP	Yes	225,826	–	–	225,826
	2015 Conditional DBP	No	65,577	–	–	65,577
	2015 Conditional ELTIP	Yes	173,967	–	–	173,967
	2016 Conditional LTIP	Yes	–	305,000	–	305,000
	2016 Conditional DSP	No	–	157,908	–	157,908

Share options

Description		Performance measures	1 January 2016	Awarded/ Vested/ (Lapsed) during the year	31 December 2016	Exercise price in pence per share	Exerciseable from	Expiry date
Simon Pryce	2006 Executive Share Option Plan	Yes	14,622	(14,622)	–	205.1	2016	2016
	2015 Executive Share Option Plan	Yes	–	15,557	15,557	192.83	2019	2019
	2014 SAYE	No	16,903	n/a	16,903	~177.5	1/8/2019	31/1/2020
Mike Powell	2006 Executive Share Option Plan	Yes	12,885	n/a	12,885	232.8	2017	2017
	2014 SAYE	No	–	18,750	18,750	160.0	1/8/2021	31/1/2022

Directors' shareholdings and interests

In accordance with the Company's internal shareholding guidelines, the executive directors are expected to hold the equivalent of 200% of their annual salary in shares although there are no formal shareholding requirements in the articles of association of the Company. Simon Pryce exceeded the expectation throughout the financial year and as at 31 December 2016 owned shares to the value of just under 900% of his salary. The calculation includes shares held by Simon Pryce and his connected persons and, in accordance with the internal guidelines, conditional shares in the DBP and DSP. New directors are expected to build up their holding to meet this expectation over time and as at 31 December 2016 although Mike Powell did not hold any shares in BBA Aviation plc, his interest in shares under the DBP and DSP was just over 150% of his salary.

Directors' shareholding and share interests (includes connected persons)

Director	Ordinary shares held at 31 December 2016 (or date of leaving if earlier)	Ordinary shares held at 1 January 2016 (or date of joining if later)
Simon Pryce	**1,650,308**	1,606,432
Mike Powell	**–**	–
Wayne Edmunds	**–**	–
Peter Edwards	**–**	–
Susan Kilsby	**20,000**	–
Nick Land (left on 6 May 2016)	**121,000**	121,000
Peter Ratcliffe	**33,000**	33,000
Sir Nigel Rudd	**230,760**	208,200
Peter Ventress	**25,763**	–

2015 LTIP – Adjusted following consultation (during 2016) with shareholders

Percentage of shares vesting	EPS growth per annum (50% of each award)	Average annual ROIC (50% of each award)
Nil	Less than 6%	Below 9.0%
25%	At 6%	At 9.0%
25% to 100% straight line pro-rata	Between 6% and 12%	Between 9.0% and 10.5%
100%	At or above 12%	At or above 10.5%

2015 ELTIP

Percentage of shares vesting	EPS growth per annum	ROIC
Nil	Less than 12%	
25% to 100% straight line pro-rata	Between 12% and 15%	9% Hurdle
100%	At or above 15%	

2016 LTIP

Percentage of shares vesting	EPS growth per annum (50% of each award)	Average annual ROIC (50% of each award)
Nil	Less than 6%	Below 9.0%
25%	At 6%	At 9.0%
25% to 100% straight line pro-rata	Between 6% and 12%	Between 9.0% and 11%
100%	At or above 12%	At or above 11%

2017 LTIP

Percentage of shares vesting	EPS growth per annum (⅓ of each award)	Average annual ROIC (⅓ of each award)	TSR to FTSE 250 (⅓ of each award)
Nil	Less than 6%	Less than 9.5%	Less than 50th percentile
25%	At 6%	At 9.5%	50th percentile
25% to 100% straight line pro-rata	Between 6% and 12%	Between 9.5% and 11.5%	Between 50th – 75th percentile
100%	At or above 12%	At or above 11.5%	At or above 75th percentile

Deloitte LLP has audited the following items in the Directors' Remuneration Report as stipulated in the regulations;

- the directors' single total figure table and associated footnotes on page 61;
- the table of scheme interests awarded in 2016 on page 65;
- the tables of share scheme interests on pages 69 and 70; and
- the table of directors' shareholdings and share interests on page 70.

The Directors' Remuneration Report was approved by the Board on 28 February 2017 and signed on its behalf by:

Susan Kilsby
Chairman of the Remuneration Committee

Part 3: Summary of Directors' Remuneration Policy

In line with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the full Directors' Remuneration Policy has not been presented in this report given that the Policy was approved at the 2015 AGM and it is not intended to move a similar resolution again at the 2017 AGM. However, to provide shareholders with an overview of our policy we have presented the following sections:

- Introduction
- Policy Table for executive directors
- Malus and Clawback
- Levels of remuneration under the policy assuming different performance outcomes for 2017
- Recruitment and appointment policy
- Policy on payment for loss of office
- Change of control

For the purpose of the Directors' Remuneration Policy, scenario charts on page 76 have been updated using levels of remuneration under the Policy for 2017.

The full Directors' Remuneration Policy, including the policy table for the Chairman and the non-executive directors together with the legacy plans, is available to view in full in the 2014 Annual Report on the Company's website at www.bbaaviation.com.

Unexpired service contract information is shown above on page 67.

Introduction

This section of the report describes BBA Aviation's remuneration policy for directors.

The following key principles govern the design of the Group's remuneration and reward structures:

- relevance to BBA Aviation, the cyclicality of our businesses and the international markets in which we compete and operate;
- pay for performance, notably the effective execution of the Group strategy and delivery of exceptional, long-term sustainable value for all our shareholders and stakeholders;
- top quartile for exceptional performance and mid-market for mid-level performance;
- reward actions that support our Vision, Mission and Values;
- remuneration should be commensurate with role and responsibilities and sufficient to attract, retain and motivate high-calibre individuals with relevant experience;
- reward should be appropriate and easily understood, both internally and externally;
- for executive directors a significant element of remuneration should be aligned to long-term business performance; and
- the reward structure is compatible with our risk policies and systems and must not create environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

The remuneration policy took effect following shareholder approval at the 2015 AGM. All contractual commitments or awards made which are consistent with the remuneration policy in force at the time that the commitment or award was made will be honoured even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled or awards vest. Any contractual commitments entered into or awards made before the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 came into force or before a person became a director will also be honoured. The tables below set out a clear and comprehensive summary of BBA Aviation's remuneration policy for directors and how it operates.

Policy table for Executive Directors

Base salary	
Strategic purpose	Designed to attract individuals with the skills and capabilities to oversee the execution of the Group's strategy. Set to reflect the role, the international nature of operations and the contribution, skills and experience of the individual.
Operation	Reviewed annually taking into account market conditions, business performance, personal contribution and the level of pay awards and conditions elsewhere in the Group. Market comparisons are carried out every three years and are made against organisations of comparable size, complexity, geographical spread, business focus and opportunity.
Maximum opportunity	The annual percentage salary increase will not normally exceed increases for employees across the Group as a whole with comparable levels of performance, except in certain exceptional circumstances such as: • increase in scope, complexity or responsibilities of the role; • salary progression for a newly appointed director; and • market adjustment.
Link to performance	Salary increases are linked to individual contribution and business performance which is assessed annually by the Remuneration Committee.
Provisions for recovery of sums paid or withholding of sums	No
Pension	
Strategic purpose	Provides the opportunity for longer-term savings to prepare for retirement, tax efficiently where possible, to ensure arrangements are locally competitive.
Operation	Participation in a defined contribution pension plan or a cash allowance in lieu of this or a combination of the two.
Maximum opportunity	Up to 25% of base salary per annum as a cash payment or employer contribution into the pension scheme.
Link to performance	n/a
Provisions for recovery of sums paid or withholding of sums	No
Other benefits	
Strategic purpose	Provided to ensure arrangements are locally competitive, are consistent with arrangements provided to other senior employees and enhance efficiency and personal welfare.
Operation	Benefits include but are not limited to a company car or allowance, private medical insurance, health and welfare benefits, life insurance, death in service benefit, annual holiday, sick pay and an annual health check. Relocation benefits may be provided in certain circumstances.
Maximum opportunity	Benefits are set by the Remuneration Committee to be locally competitive, and consistent with arrangements provided to other senior employees.
Link to performance	n/a
Provisions for recovery of sums paid or withholding of sums	No

Annual Cash Bonus	
Strategic purpose	Focuses on targets set over a 12-month period that are aligned to the delivery of the Group's strategic objectives and include: incentive for the achievement of Group financial objectives; and incentive for achievement of individual personal objectives.
Operation	Bonus is normally paid in March following the finalisation of the Company's year-end accounts and is based on personal and Company performance in the previous financial year. Bonus is delivered in cash.
Maximum opportunity	The maximum annual cash bonus is 62.5% of salary.
Link to performance	The level of bonus paid each year is determined by the Remuneration Committee after the year end based on performance against target. Financial targets will normally account for not less than 70% of the potential maximum award, with personal objectives accounting for the remainder. The Committee reviews the measures, the targets and the relevant weightings on an annual basis to ensure they remain appropriately aligned with the business strategy. Examples of financial performance measures include operating profit and Group free cash flow. Examples of personal objectives include achievement of specific strategic goals or KPIs. Details of performance targets will be disclosed in the Annual Report covering the year that follows the end of the performance period subject to the Board being satisfied that they are no longer commercially sensitive.
Provisions for recovery of sums paid or withholding of sums	Yes – subject to the Group's malus and clawback policy.
Deferred Stock Plan	
Strategic purpose	To strengthen the focus on delivering the Group's medium to long-term strategic goals and enhance the alignment between the interests of executives and shareholders. The plan provides the individuals with an economic effect equivalent to annual bonus deferral.
Operation	An award is made up of conditional shares that will be delivered based on the Company's operating profit, performance against strategic objectives and subject to continuing employment. Under the rules of the plan the Remuneration Committee may make an award in respect of dividends that would have been received on the shares once the risk of forfeiture has lifted. The Committee will operate the plan in accordance with the rules and in accordance with the principles of this remuneration policy. Awards will be made annually and will vest over a three-year period. The first awards are likely to be made in 2016.
Maximum opportunity	The maximum opportunity under this plan is 72.5% of salary.
Link to performance	Deferred stock will be allocated from a pool. The pool will be calculated at the beginning of each year and the size of the pool will be the equivalent in value to 3.5% of the average Group operating profit over the prior three years. The value of the pool will be converted into a number of shares based on the prevailing share price. The proportion of the deferred stock pool available for allocation each year will be determined by the achievement of strategic Group objectives during the year. These objectives will be set annually by the Remuneration Committee and aligned to medium and long-term goals that support the Group's objectives and focus on shareholder value creation. The allocation of deferred stock to each individual will be based on potential and performance.
Provisions for recovery of sums paid or withholding of sums	Yes – subject to the Group's malus and clawback policy.

Long-term incentive plan	
Strategic purpose	Focuses executives on achievement of longer-term strategic objectives and ensures long-term alignment with shareholders' interests.
Operation	Awards of shares are made on an annual basis and vest over a three-year period. Awards will vest at 25% for the achievement of threshold performance rising on a straight line basis to 100% of the award vesting at maximum performance. There is no vesting below threshold. The Remuneration Committee will review the minimum vesting level and the weightings of performance metrics and the performance metrics themselves annually and retains the right to amend these weightings, metrics and measures as it thinks appropriate to effectively incentivise directors. In the UK, the Executive Share Option Plan (ESOP) is used to grant options that are linked to the LTIP to allow directors to take advantage of HMRC-approved share options at no marginal cost to the Company.
Maximum opportunity	Maximum annual award is 190% of salary.
Link to performance	Financial performance is measured over three years and the performance measures are selected in accordance with the Group's key long-term strategic performance indicators. Performance standards (threshold and maximum) will be reviewed by the Remuneration Committee in advance of each performance cycle. Details of performance measures and targets are disclosed in the Annual Report.
Provisions for recovery of sums paid or withholding of sums	Yes – subject to the Group's malus and clawback policy.
Long-term incentive plan – extended awards	
Strategic purpose	Seeks to more closely align senior executives with the interests of shareholders and focus participants on creating shareholder value in line with the Group's growth aspirations by providing superior reward opportunity for delivering exceptional and stretch earnings growth above the base LTIP performance targets.
Operation	The plan is long-term in nature with performance measured over a three-year period and awards vesting in years four and five normally being released at the end of the fifth year. There is no vesting below threshold performance. Threshold will be set at an appropriately challenging level of performance with at least two performance criteria.
Maximum opportunity	Maximum award is 110% of base salary in any three-year period.
Link to performance	Financial performance is measured over three years and the performance measures are selected in accordance with the Group's key long-term strategic performance indicators. Performance standards (threshold and maximum) are reviewed in advance of each performance cycle.
Provisions for recovery of sums paid or withholding of sums	Yes – subject to the Group's malus and clawback policy.
All employee equity participation plans	
Strategic purpose	To encourage employees to buy shares in the Company, tax efficiently where possible.
Operation	Executive directors may participate in locally approved plans on the same basis as all eligible employees.
Maximum opportunity	Subject to the relevant local tax limits.
Link to performance	n/a

Notes
1 The performance measures selected for the purposes of the annual bonus plan and the long-term incentive plans are either KPIs for the Group or are selected in order to encourage and reward directly or indirectly sustainable and long-term shareholder value creation. Performance targets are set taking into account prior year performance, annual budgets, strategic imperatives and external factors. "Threshold" performance is set taking into account the highly cyclical nature of our business and the variability of results from year to year and our dependence on flying hours. The "maximum" standard of performance is intended to be exacting and to represent a level of performance that places the Group among the best performers.
2 The elements of remuneration for executive directors are similar to those that apply to the management-banded population in the Group. Any differences that exist arise either because of market practice and/or the Remuneration Committee's assessment of business need and commercial necessity.
3 The Company also reimburses business expenses in accordance with the corporate business expenses policy which the Remuneration Committee has discretion to revise from time to time.
4 In addition to other benefits, the Remuneration Committee, where necessary, will provide support in accordance with BBA Aviation's standard approach to relocation where a director is required to relocate to fulfil their responsibilities. The primary purpose of the policy is to facilitate recruitment and relocation of key employees by protecting the individual and their family from costs arising directly from a move of residence required for business reasons. The elements of the policy include, but are not limited to, travel reimbursement of the cost of movement of household goods, housing, schooling and other reasonable costs.

Policy tables for Chairman and non-executive directors

See 2014 Annual Report and Accounts on the Company website www.bbaaviation.com

Malus and clawback policy

The table below sets out the scope and circumstances under whic h withholding (malus) and recovery of pay (clawback) will be applied to variable pay of the executive directors. The same provisions also apply to the senior staff in Bands 1–4 (circa 100 employees).

Clawback triggers	Malus triggers
• fraud where proven personally culpable; or • gross misconduct. • Time limit: Two years from vesting.	• as clawback; or • material misstatement in, or adverse impact on, published accounts or financial accounts of the relevant entity; or • error in information or assessment of performance target or measures. • Time limit: Until the award vests.

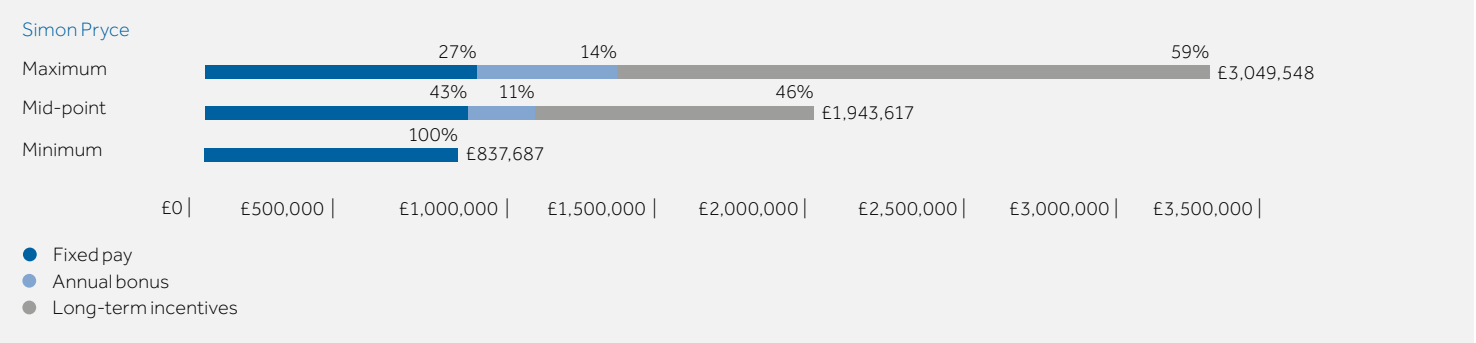
If a trigger event does occur, the Remuneration Committee will apply the malus and/or clawback policy fairly, taking account of all relevant circumstances, including the degree of personal culpability.

Levels of remuneration under the policy assuming different performance outcomes for 2017

This information has been updated to show 2017 figures rather than the 2015 figures that were used when the policy was approved by shareholders.

For maximum performance the chart shows that, for the Chief Executive, 73% of reward is performance related and 59% is linked to longer-term performance.

For "mid-point" performance the chart shows that, for the Chief Executive, 57% of reward is performance related and 46% is linked to longer-term performance.



For the purposes of this analysis the following assumptions have been made:

- Fixed elements comprise base salary and other benefits.
- Base Salary and benefits and pension reflect the increases approved in December 2016 to apply in 2017.
- For mid-point performance, an assumption of 50% of annual bonus and DSP is applied and 50% vesting for the LTIP has also been used.
- No share price increase.
- Housing and relocation are excluded.

Recruitment and appointment policy

This recruitment and appointment policy will apply if any of the following are appointed to the Board:

- an external candidate;
- an internal candidate;
- a non-executive director being appointed as Chairman or to an executive role; or
- an executive director being promoted.

All of the components in the existing policy would be considered in developing an appropriate remuneration package in accordance with the principles set out on page 72 and taking into account the following additional considerations:

- a full range of factors including, but not limited to, the calibre of candidate, the level of existing remuneration, the jurisdiction the candidate is recruited from and into, and the individual's skills and experience;
- internal relativities and appropriate market comparisons;
- any awards or payments made in consideration for remuneration that may be foregone by an external candidate will generally be share-based and subject to forfeiture if the executive leaves within a set period after the appointment; and
- the value assigned to any remuneration that may be foregone will take into account factors such as the vesting period and the probability of shares vesting and will be based on objective valuation methodologies.

As far as possible, the remuneration of new directors will be set in accordance with the existing directors' remuneration policy; however, the Committee retains discretion to:

- use the current Listing Rule 9.4.2R, or any other existing share scheme operating at the relevant time if required, in order to facilitate, in unusual circumstances, the recruitment of a director but any arrangements of this kind will not in aggregate exceed 400% of salary (or any lower limit in the relevant schemes); and
- agree contract terms to reflect local market norms but will generally seek to apply the current policy in respect of contracts of employment and Corporate Governance guidelines.

Policy on payment for loss of office

In the event of termination of an executive director's contract, the Company will comply with any applicable legislative or regulatory framework and will honour contractual commitments that have been made. The Company will seek to avoid making any payment for failure.

The Company takes into account the circumstances of termination and seeks to strike an appropriate balance, considering all relevant matters, that it believes are in the best interests of shareholders.

In certain circumstances the executive directors may receive compensation on early termination of a contract which could amount to up to one year's base salary, benefits in kind and pension rights.

The contracts allow for phased payments to be made on termination and include an obligation on the former director to mitigate loss. This mechanism of phased payments allows for the amount of any phased payments to be reduced in circumstances where the former director secures a position during the period of phased payments.

A director who leaves as a result of poor personal performance will normally be treated differently than a director who leaves by reason of redundancy, retirement or ill health. The Company will not make any payments for loss of office in the event of gross misconduct.

The Remuneration Committee will operate the share schemes in accordance with their respective rules and in accordance with the principles of the Directors' Remuneration Policy.

The Remuneration Committee reserves the right to reach agreement with departing directors and approve additional payments in connection with the termination of a director's office or employment where such payment is in the interests of shareholders (including the settlement or compromise of any claim or threatened claim).

There is no contractual obligation to pay a bonus which has not been superseded by the bonus rules and there is no entitlement to any bonus payments if an employee is under notice given or received at the end of the applicable financial year, although it is within the discretion of the Committee to award a bonus, subject to the limits set out in the policy.

On termination, a non-executive director would normally receive their fee for the month of termination. The Chairman is entitled to six months' notice and benefits for that period if served notice by the Company.

The Company may purchase a small token leaving gift for departing directors.

The table below sets out how each component of the payment may be calculated.

Element o f payment	Basis of calculation
Annual base salary	Calculated on a contractual basis.
Pension and other benefits	Calculated on a contractual basis and where the pay in lieu of notice clause is invoked, an amount up to one year's accrued benefits. The Committee also makes modest payments relating to outplacements.
Annual incentive	No bonus is paid in the case of dismissal for gross misconduct. Ordinarily, individuals are entitled to a bonus only when reasons for leaving include, but not limited to, retirement, death, ill health, redundancy, or sale of an employing entity. However the Remuneration Committee may exercise its discretion to pay a bonus depending on the exact circumstances of the termination. The bonus is not included in the calculation of any payment in lieu of notice. The bonus is calculated in accordance with the rules of the plan.
Long-term incentives	On a contractual basis and in accordance with the scheme rules. Unvested shares lapse under the LTIP and the ELTIP on termination unless it is for a permitted reason (ill health, redundancy, etc.) or the Remuneration Committee makes use of the discretion under the rules of the plan to allow the shares to vest. Any vesting is subject to the substitution of performance targets and, unless the Remuneration Committee determines otherwise, through pro-rating to reflect the date of termination, relative to the performance periods of the outstanding shares. Deferred shares under the annual bonus plan and awards under the Deferred Stock Plan may or may not be forfeitable depending on the timing of the termination in the deferral periods. Unvested shares may be awarded on termination for a permitted reason (e.g. ill health, redundancy, etc.) or at the discretion of the Remuneration Committee and will usually be subject to appropriate pro-rating. Any matching award under the deferred bonus plan will vest subject to performance conditions and, unless the Committee determines otherwise, be pro-rated for the period served as a director during the performance period at the discretion of the Remuneration Committee. The contracts of the Group Chief Executive and the Group Finance Director preclude any right to other compensation for any loss of any share-based pay beyond the rules of the schemes.
Compensation for forfeited remuneration	Upon termination, any "buy-out" awards would normally lapse. However, the Remuneration Committee does retain the discretion to decide otherwise, provided the termination is not as a result of poor performance.
Other benefits, e.g. relocation allowances, international mobility benefits and expenses	Will depend on what has been agreed on appointment, but the Remuneration Committee would not expect any or all of these elements of pay to form part of any termination arrangement but has discretion to make payments in respect of them.
All employee equity participation plans	Directors will be treated in the same manner as any other member of staff in respect of those plans.

Change of control

In the event of a change of control, the Remuneration Committee will determine the extent to which any unvested shares under all plans will vest, taking into account all relevant factors including the performance criteria and the time elapsed since the date of grant. Directors will be entitled to receive their conditional shares from the deferred bonus or Deferred Stock Plan where the risk of forfeiture has lifted.

Going Concern and Viability Statement

Going Concern

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 01-82. The financial position of the Group, its cash flows and liquidity position are described on pages 34-36. In addition, note 17 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group's committed bank facilities comprise a $650 million multicurrency revolving credit facility dated 10 April 2014 due to expire in April 2019 and an Acquisition Financing Agreement (AFA) put in place during 2015 to fund the acquisition of Landmark Aviation in conjunction with the rights issue. The AFA comprised three term debt facilities, (i) Facility A for $150 million which was repaid in full on 30 June 2016 following the disposal of the six FBOs in accordance with the requirements of the U.S. Department of Justice, (ii) Facility B for $400 million due to expire in February 2019 of which $37 million was prepaid from the disposal proceeds for the six FBOs received on 30 June 2016 and (iii) Facility C for $450 million due to expire in September 2020. The AFA facilities were fully drawn on 5 February 2016 upon the completion of the Landmark Aviation acquisition with Facility B and Facility C outstanding as at 31 December 2016.

In addition, BBA Aviation plc has US private placement ("USPP") obligations of $500 million senior notes with various maturity dates between 2018 and 2026. In total the Group has debt obligations and facilities of $1,963 million and as at 31 December 2016 the Group has available $420 million of undrawn committed borrowing facilities. These debt obligations and facilities are subject to cross default. Further details relating to these debt arrangements are provided in note 16 to the Consolidated Financial Statements. The bank facilities and the USPP notes are subject to two main financial covenants: maximum net debt to underlying EBITDA of 3.5 times and minimum net interest cover of 3.0 times underlying EBITDA. Following an acquisition, the Group can invoke an acquisition spike across its debt facilities whereby the net debt to EBITDA covenant will increase to 4.0 times for the next two testing periods before reverting back to the 3.5 times level. The directors invoked the acquisition spike following the completion of the Landmark Aviation acquisition. This resulted in the net debt to EBITDA covenant increasing to 4.0 times for the 30 June 2016 and 31 December 2016 testing periods. This will now revert to 3.5 times net debt to EBITDA for the 30 June 2017 testing period. This acquisition spike can only be utilised once during the life of the bank facilities and twice during the life of the USPP notes. The directors expect the Group to comply with these covenants for the foreseeable future.

The Group's forecasts and projections taking account of reasonably possible changes in trading performance show that the Group should be able to operate within the level of its current facilities in the foreseeable future. The principal risks and uncertainties affecting the forecasts and projections, to which the Group is exposed, relate to the number of hours of flying activity, principally in Business & General Aviation, but also to a lesser extent in commercial and military aviation. Flying hours largely dictate the drivers of revenue, namely fuel volumes in Signature, engine overhaul cycles in ERO and demand for components in Ontic. Further details of these risks and uncertainties are provided on pages 22-25.

The directors have carried out a critical review of the Group's 2017 budget and medium-term plans with due regard for the risks and uncertainties to which the Group is exposed and the impact that these could have on trading performance. The key assumptions used in constructing the budget were as follows:

- In Flight Support we anticipate continued strong momentum in Signature Flight Support, supported by a more sustained recovery in B&GA flying hours.
- In Aftermarket Services, Ontic's outlook remains solid with a strong order backlog. Engine Repair & Overhaul has now addressed the operational inefficiencies related to the footprint rationalisation programme but with a competitive market and pricing environment further opportunities to simplify the business will be taken to improve efficiency.
- In addition, our overall performance will be supported by further incremental contributions from the substantial investments made across the Group in recent years. Over the longer term, the underlying strengths of our market-leading businesses, the continuing improvement in their operational performance and the structural growth and consolidation in our major markets support the Board's confidence in our ability to generate superior through-cycle returns.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Viability Statement

In accordance with provision c.2.2 of the UK Corporate Governance Code, the directors have assessed the financial and operational position and prospects of the BBA Aviation Group. The directors' assessment considered the three-year period to December 2019. This assessment was based on the three year-financial forecast for the BBA Aviation Group. The BBA Aviation Group three-year financial forecast was prepared on a business by business basis alongside the BBA Aviation Group annual budget process.

The Directors consider the three-year period to December 2019 to be the appropriate viability assessment period as it encompasses the period over which the BBA Aviation Group will achieve for run rate synergies following the transformational acquisition of Landmark Aviation and the completion of the disposal of ASIG and the associated Transitional Services Agreement (TSA) period. During the viability assessment period BBA Aviation expects to deliver significant synergies take out (post TSA) the infrastructure and associated costs that currently serve ASIG and deleverage towards pre-Landmark Aviation acquisition levels.

In making their assessments the directors have considered the potential financial and operational impacts of severe yet plausible scenarios that could impact the three year financial forecasts for BBA Aviation. The plausible scenarios considered are broadly aligned to the principal risks and uncertainties set out on pages 22-25. In their assessment of the impact of plausible scenarios on BBA Aviation, the directors have also considered the likely effectiveness of available mitigating actions.

Based on this assessment, the directors have a reasonable expectation that the Company and the BBA Aviation Group will be able to continue in operation and meet their liabilities as they fall due for the three-year period to December 2019.

Additional Disclosures

Group results and dividends

The results for the year ended 31 December 2016 are shown in the Consolidated Statement of Comprehensive Income on page 90.

The directors recommend the payment of a final ordinary share dividend for 2016 of 9.12¢ net per share on 19 May 2017 to shareholders on the register at the close of business on 7 April 2017, which together with the interim dividend paid on 4 November 2016 makes a total of 12.75¢ net per ordinary share for the year (2015: 13.53¢). Shareholders will receive their dividends in sterling unless they have previously elected to receive their dividends in US dollars. Shareholders who wish to receive dividends in US dollars must make the appropriate election to the Company's registrars no later than 5.30 pm on 26 April 2017. A new election is not required if shareholders have previously made a valid election to receive dividends in US dollars. Further information concerning the dividend currency election can be found on the Company's website at www.bbaaviation.com.

Acquisitions and disposals

Acquisitions and disposals in the year are described in notes 24 and 25 to the Consolidated Financial Statements.

Events after the balance sheet date

The disposal of the ASIG business was completed on 31 January 2017 and is described in more detail in note 25 to the Consolidated Financial Statements. There are no other disclosable events after the balance sheet date.

Board of Directors

The current directors of the Company at the date of this report appear on pages 44 and 45. Nick Land stepped down from the Board after the AGM on 6 May 2016. All other directors held office throughout the financial year under review.

Directors' interests in shares

Directors' interests in shares and share options are contained in the Directors' Remuneration Report.

Directors' indemnities

The Company has entered into deeds of indemnity in favour of each of its directors, under which the Company agrees to indemnify each director against liabilities incurred by that director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office. In addition, the Company has entered into indemnity deed polls in substantially similar terms in favour of members of the Executive Management Committee and other members of senior management. Where such deeds are for the benefit of directors, they are qualifying third party indemnity provisions as defined by section 309B of the Companies Act 1985 or section 234 of the Companies Act 2006, as applicable. At the date of this report, these indemnities are therefore in force for the benefit of all the current directors of the Company and other members of senior management.

On 1 November 2007, a subsidiary of the Company, BBA Aviation Finance, entered into qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006 in favour of its directors, under which each director is indemnified against liabilities incurred by that director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office and such provisions remain in force as at the date of this report.

Employee information

The Company provides employees with various opportunities to obtain information on matters of concern to them and to improve their awareness of the financial and economic factors that affect the performance of the Company. These include "All Hands Briefings", staff forums, and meetings with trade unions that take place throughout the year.

All companies within the Group strive to operate fairly at all times and this includes not permitting discrimination against any employee or applicant for employment on the basis of race, religion or belief, colour, gender, disability, national origin, age, military service, veteran status, sexual orientation or marital status. This includes giving full and fair consideration to suitable applications for employment from disabled persons and making appropriate accommodations so that if existing employees become disabled they can continue to be employed, wherever practicable, in the same job or, if this is not practicable, making every effort to find suitable alternative employment and to provide relevant training.

Agreements

Under section 992 of the Companies Act 2006, the Company discloses that in the event of a change of control in the Company: (i) The Company's commitments under the $1,650 million Acquisition Financing Agreement dated 23 September 2015 and as amended and restated on 16 November 2015, its $650 million revolving credit facility dated 10 April 2014, its $300 million private note placement dated 18 May 2011 (as amended) and its $200 million private note placement dated 17 December 2014 could become repayable; (ii) the Engine Lease Agreement dated 29 June 2009 (as amended) under which $83 million of aircraft engines have been leased to the Engine Repair & Overhaul (ERO) business could be terminated; (iii) the consent of Netjets would be required for the transfer of the benefits under its contract with Signature Flight Support; and (iv) the operating licence with London Luton Airport Operations may be terminable.

Future developments

The Strategic Report discusses future developments of the Group's businesses.

Suppliers' payment policy

The Company and Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and abide by the terms of the payment.

Share capital

Details of the Company's share capital and changes to the share capital are shown in note 21 to the Consolidated Financial Statements. That note also contains a summary of the rights attaching to each class of shares and details of the number of ordinary shares held in employee benefit trusts. Awards granted under the Company's share plans are satisfied either by shares held in the employee benefit trusts or by the issue of new shares when awards vest. The Remuneration Committee monitors the number of awards made under the various share plans and their potential impact on the relevant dilution limits recommended by the Investment Association. There is a 5% limit in respect of discretionary plans and a 10% limit in respect of all plans. Based on the Company's issued share capital as at 31 December 2016, the Company has used 2% towards the 5% limit and 2.6% towards the 10% limit.

The Company was given authority to purchase up to 14.99% of its existing ordinary share capital at the 2016 AGM. That authority will expire at the conclusion of the AGM in 2017 unless renewed. Accordingly, a special resolution to renew the authority will be proposed at the forthcoming AGM.

The existing authority for directors to allot ordinary shares will expire at the conclusion of the 2017 AGM. Accordingly, an ordinary resolution to renew this authority will be proposed at the forthcoming AGM. In addition, it will be proposed to give the directors further authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders. This is in line with guidance issued by the Investment Association. If the directors were to use such further authority in the year following the 2017 AGM, all directors wishing to remain in office would stand for re-election at the 2018 AGM.

Details of these resolutions are included within the Notice of AGM.

Resolutions at the Annual General Meeting

The Company's AGM will be held on 5 May 2017. Accompanying this report is the Notice of AGM which sets out the resolutions to be considered and approved at the meeting together with some explanatory notes. The resolutions cover such routine matters as the renewal of authority to allot shares (referred to earlier), to disapply pre-emption rights and to purchase own shares.

Substantial shareholdings

The Company has been notified of the following material interests in the voting rights of the Company under the provisions of the Disclosure and Transparency Rules:

	As at 31/12/16	As at 28/2/17
William H. Gates III	14.19%	14.19%
Aviva plc and its subsidiaries	6.46%	6.42%
APG Asset Management NV	5.17%	5.17%
12 West Capital Management LP	5.01%	Below 3%

Charitable and political donations

Group donations to charities worldwide were $1,057,712 (2015: $675,000). No donations were made to any political party in either year.

Auditor

As required by section 418 of the Companies Act 2006, each of the directors, at the date of the approval of this report, confirms that:

a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
b) the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with section 418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as auditor of the Company will be proposed at the AGM.

Greenhouse gas emissions

The greenhouse gas emissions are disclosed on page 29.

Financial Risk Management

Financial Risk Management is discussed on pages 22 to 25.

The Directors' Report was approved by the Board on 28 February 2017 and signed on its behalf by:

David Blizzard
Company Secretary

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 28 February 2017 and is signed on its behalf by:

Simon Pryce
Group Chief Executive
28 February 2017

Mike Powell
Group Finance Director
28 February 2017

Independent Auditor's Report

To the members of BBA Aviation plc

Opinion on financial statements of BBA Aviation plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated Cash Flow Statement;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Group and Parent Company Accounting Policies;
- the related Group notes 1 to 27; and
- the related Parent company notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Summary of our audit approach	
Key risks	The key risks that we identified in the current year were: • Acquisition accounting: new risk identified this year • Carrying value of inventory • Revenue recognition • Presentation of earnings • Goodwill impairment Given the evolution of the related judgements during the year, we have removed taxation as a key risk in the current year.
Materiality	The materiality that we used in the current year was $10.0 million (2015: $8.5 million) which was determined on the basis of approximately 4% (2015: 5%) of underlying profit before tax.
Scoping	Our audit scope for 2016 was increased to 13 operating locations (2015: 11 locations) as a result of the acquisition of Landmark Aviation. Senior members of the Group audit team continued to visit key locations where our Group audit scope was focused.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group	
As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting and the directors' statement on the longer-term viability of the group contained within the Directors' Report on page 79. We are required to state whether we have anything material to add or draw attention to in relation to: • the directors' confirmation on page 79 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures on pages 24-25 that describe those risks and explain how they are being managed or mitigated; • the directors' statement on page 79 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; • the director's explanation on page 79 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	**We confirm that we have nothing material to add or draw attention to in respect of these matters.** **We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.**
Independence	
We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards.	**We confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.**

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 53. In the current year we have removed the risk in relation to taxation given the evolution of the related judgements during the year. Additionally, we have included a risk around the accounting for the acquisition of Landmark Aviation given the significance of the transaction to the current year position and performance.

Acquisition Accounting	
Risk description	As set out in note 24, on 5 February 2016, the Group completed the acquisition of Landmark Aviation for consideration of $2,079.4 million, net of cash acquired. The acquisition requires the use of significant management judgement regarding the fair valuation of the assets and liabilities acquired in accordance with IFRS 3 "Business Combinations". Specifically, the identification and valuation of "right to operate" intangible asset of $1,160.4 million involves a number of assumptions including discount rate, average lease life and probability of lease renewal. Further details of the assets and liabilities acquired are shown in note 24 of the Group's financial statements.
How the scope of our audit responded to the risk	We have challenged the key assumptions used by the Group to determine the fair value of the assets and liabilities acquired. Specifically in relation to the valuation of the "right to operate" intangible asset, we have challenged the key inputs and data used in the valuation model by reference to historical data and our expectations based on available market data. In performing our work in this area we used internal valuation specialists to assist in our assessment of the fair value of the non-current assets acquired, focussing on the valuation methodologies and key assumptions applied. For the remaining assets and liabilities acquired, we have obtained appropriate evidence to support management's estimates. We have evaluated the appropriateness of the related disclosures in note 24 of the Annual Report.
Key Observation	Based on our procedures, we noted that the methodologies and assumptions applied were reasonable and the fair value ascribed to the assets and liabilities consistent with evidence obtained.

Carrying value of inventory	
Risk description	As detailed within the significant financial reporting issues considered by the audit and risk committee on page 53, management judgement is required to establish that the carrying value of inventory across the Aftermarket Services businesses of $215.8 million (2015: $210.4 million) is appropriate, in particular in relation to determining the appropriate level of inventory provisioning against surplus and obsolete items. The judgement reflects the nature of the Group's Aftermarket Services operations which means that inventory must be held to support aircraft engine overhaul cycles, resulting in inventory which can be held for extended periods of time before utilisation.
How the scope of our audit responded to the risk	Our audit procedures included testing of the inventory provisions held in the Aftermarket Services businesses by understanding and challenging the key assumptions used to determine the appropriate carrying value of inventories. Specifically, we assessed whether: • management's controls relating to the estimation of the inventory provisions are appropriately designed and implemented; • the estimates of remaining lives and usage profiles of the engine and aircraft platforms are consistent with industry projections and supported by industry experts; and • where the expected future usage of inventory is based on past experience, this has been reasonably estimated. Furthermore, we carried out a recalculation of the expected provision based on the above key assumptions to assess the mathematical accuracy of the calculation.
Key Observation	Evidence obtained during the audit shows that the level of inventory provisions is appropriate and consistent with our understanding of the business.
Revenue Recognition	
Risk description	Revenue recognised in the Global Engine Services businesses of $541.4 million (2015: $619.2 million), as stated within the accounting policies to the Group's financial statements on page 95, requires management judgement to estimate the stage of completion and profitability of contracts to determine the amount of revenue and profit to be recorded for engine overhauls in progress at the year-end.
How the scope of our audit responded to the risk	We considered whether management's controls relating to the key percentage of completion estimates are properly designed and implemented. We assessed the estimates applied within the percentage of completion calculation by verifying the engine overhaul costs incurred for work undertaken at the year end and challenging the estimated costs to completion. In assessing the estimated costs to completion, we considered the historical accuracy of management's forecasts in previous years for the cost of engine overhauls and made enquiries of technical staff responsible for the engine overhaul process.
Key Observation	Based on the results of each of the procedures as set out above, we considered the related financial statement amounts to be appropriate and in line with the group's accounting policies as set out on page 95.
Presentation of earnings	
Risk description	Management presents earnings in a columnar format, separating out those items considered as exceptional from underlying earnings. Total "exceptional and other items" contributed to a charge of $316.0 million (2015: charge of $61.2 million). In addition, following the decision to dispose of the ASIG operations, management has presented the results of the business as a discontinued operation. As detailed within note 2 to the Group's financial statements, management has defined "exceptional and other items" as items which are material or non-recurring in nature and also include costs relating to acquisitions and disposals and amortisation of acquired intangibles. Management judgement is required in relation to the identification, measurement and disclosure of "exceptional and other items" to ensure clarity in the presentation of the Group's financial performance. This is particularly significant in the current year given the increased number of one-off items arising through the Group's acquisition of Landmark Aviation and the decision to dispose of the ASIG operations. Specifically in relation to ASIG, management judgement is required in determining the point at which the business became held for sale and the presentation of the business as a discontinued operation.

How the scope of our audit responded to the risk	We have challenged the assumptions made to identify and measure those items classified as "exceptional and other items". To determine consistency with the Group's policy on exceptional items and for clarity in the presentation of the Group's financial performance, our audit work has included: • obtaining supporting documentation, such as invoices, legal correspondence and severance contracts, for the measurement of such costs included within "exceptional and other items"; • understanding and challenging management's rationale for the inclusion of such costs as "exceptional and other" items. This has included assessing whether management's approach to identifying exceptional items is consistent with the prior year; • assessing the adequacy of disclosure in relation to the "exceptional and other items"; • understanding and challenging management's rationale for those items included in underlying profit which may be considered non-recurring in nature; and • understanding and challenging management's rationale for disclosing ASIG as a discontinued operation. We have also considered the use of alternative performance measures disclosed in the annual report given the recent guidance provided by the Financial Reporting Council (FRC) and European Securities and Markets Authority (ESMA).
Key Observation	Evidence obtained during the audit shows that the presentation of earnings is appropriate and consistent with the Group's policy in this area.
Goodwill Impairment	
Risk Description	Goodwill of $1,113.9 million (2015: $889.6 million) is reviewed annually for impairment using a value in use basis. During 2016, a goodwill impairment charge of $138.8 million has been recognised relating to the Global Engine Services division following continued challenging trading conditions within the Engine Repair and Overhaul business. Additionally, a goodwill impairment charge of $114.0 million has been recognised against the ASIG cash generating unit following the reclassification of the CGU as held for sale in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".
How the scope of our audit responded to the risk	Our audit procedures included challenging the key assumptions used in management's impairment model, including the forecasted future cash flows, growth rates applied in the medium and long term and the risk adjusted discount rates. In performing our audit procedures we used internal valuation specialists to assess the discount rate applied by benchmarking against independent data. We reviewed historical financial performance of the business units compared with the original forecasts to evaluate the accuracy of management's budgeting process. Furthermore, we benchmarked projected growth rates to external macro-economic and market outlook. Specifically in relation to the ASIG cash generating unit, the impairment charge was audited with reference to the expected purchase price less costs to sell in accordance with the accounting standard. In addition to the above, we have also reviewed the related presentation and disclosures surrounding the impairment of the relevant cash generating unit and its classification.
Key Observation	Based on our work, we determined that the impairment charges recognised are consistent with the Group's assessment of the recoverable amounts of the relevant cash generating units with no deficiencies noted in the related disclosures in note 8 of the financial statements.

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.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Group materiality	$10.0 million (2015: $8.5 million)
Basis for determining materiality	Materiality was determined on the basis of approximately 4% (2015: 5%) of underlying profit before tax.
Rationale for the benchmark applied	Underlying profit before tax, which excludes exceptional and other items as defined in note 2 of the Group accounts, is utilised for the materiality determination because we consider underlying profit before tax to be a key driver of the business and eliminates potential volatility which may be caused by such exceptional items. In determining the percentage level applied, we have also taken into consideration the increase in acquired intangible amortisation arising from the current year acquisition and which will remain a recurring feature of the consolidated income statement. As such, a lower percentage to underlying profit before tax has been applied than in the previous year. Finally, materiality equates to less than 0.2% (2015: 0.3%) of total assets.

We have agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of $500,000 (2015: $170,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. This threshold represents an increase from the previous year in order to align our reporting threshold with market practice. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment:

We focused our Group audit scope on 13 operating locations (2015: 11 locations), an increase of 2 operating locations audited in the current year. The increase arises from the acquisition of Landmark Aviation during the year.

- Five of these locations (2015: six) were subsidiaries subject to a full scope audit for the year ended 31 December 2016 in accordance with statutory reporting requirements in the UK and Europe.
- Three (2015: two) were subject to specific audit procedures, focused on the significant audit risk areas.
- The remaining five (2015: three) operating locations were the Group's significant US businesses for which full scope audits were completed. This included Landmark Aviation US, the most significant component of the newly acquired Landmark Aviation business.
- These 13 (2015: 11) locations represent the principal operating locations of the Group and account for 96% (2015: 96%) of the Group's revenue and 93% (2015: 84%) of the Group's total assets.

Audits of these locations are performed at materiality levels determined by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned. Materiality for each location was set no higher than 60% of group materiality (2015: 65%).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the group audit team visits each of the locations where the group audit scope was focused. Visits were made to 10 of the 13 operating locations during the year (2015: 8 out of 11). For all non-significant components we will include the component audit partner in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

For each of the businesses included within the programme of planned visits, the Group audit team discusses audit findings with the relevant component audit team throughout the audit engagement and reviews relevant audit working papers.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	
Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
Directors' remuneration	
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.	We have nothing to report arising from these matters.
Corporate Governance Statement	
Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.	We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed.	We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Edward Hanson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
28 February 2017

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Consolidated Income Statement

		2016					Restated 2015
For the year ended 31 December	Notes	Underlying[1] $m	Exceptional and other items $m	Total $m	Underlying[1] $m	Exceptional and other items $m	Total $m
Continuing operations							
Revenue	1	2,149.1	–	2,149.1	1,714.0	–	1,714.0
Cost of sales		(1,654.7)	–	(1,654.7)	(1,352.3)	–	(1,352.3)
Gross profit		494.4	–	494.4	361.7	–	361.7
Distribution costs		(37.6)	–	(37.6)	(33.7)	–	(33.7)
Administrative expenses		(172.3)	(98.6)	(270.9)	(159.6)	(9.3)	(168.9)
Other operating income		5.7	–	5.7	3.7	–	3.7
Share of profit of associates and joint ventures	10	13.4	–	13.4	9.4	–	9.4
Other operating expenses		(1.0)	(28.0)	(29.0)	–	(44.4)	(44.4)
Restructuring costs		–	(9.9)	(9.9)	–	(15.1)	(15.1)
Operating profit/(loss)	1, 2	302.6	(136.5)	166.1	181.5	(68.8)	112.7
Impairment of assets	8, 9	–	(184.4)	(184.4)	–	–	–
Investment income	3	3.7	–	3.7	2.9	0.4	3.3
Finance costs	3	(67.6)	–	(67.6)	(34.7)	(3.9)	(38.6)
Profit/(loss) before tax		238.7	(320.9)	(82.2)	149.7	(72.3)	77.4
Tax (charge) / credit	4	(39.5)	102.4	62.9	(20.8)	13.1	(7.7)
Profit/(loss) from continuing operations		199.2	(218.5)	(19.3)	128.9	(59.2)	69.7
Discontinued operation							
Profit / (loss) from discontinued operation, net of tax	25	17.9	(97.5)	(79.6)	15.4	(2.0)	13.4
Profit / (loss) for the period		217.1	(316.0)	(98.9)	144.3	(61.2)	83.1
Attributable to:							
Equity holders of BBA Aviation plc		217.1	(316.0)	(98.9)	144.4	(61.2)	83.2
Non-controlling interest		–	–	–	(0.1)	–	(0.1)
		217.1	(316.0)	(98.9)	144.3	(61.2)	83.1

Earnings / (loss) per share		Adjusted	Unadjusted	Adjusted Restated	Unadjusted Restated
Total group					
Basic	6	21.1¢	(9.6)¢	20.1¢	11.6¢
Diluted	6	20.9¢	(9.6)¢	20.0¢	11.5¢
Continuing operations					
Basic	6	19.4¢	(1.9)¢	18.0¢	9.8¢
Diluted	6	19.2¢	(1.9)¢	17.9¢	9.7¢
Discontinued operations					
Basic	25	1.7¢	(7.7)¢	2.1¢	1.8¢
Diluted	25	1.7¢	(7.7)¢	2.1¢	1.8¢

1 Underlying profit is before exceptional and other items. Exceptional and other items are defined in note 2.
All alternative performance measures are reconciled to IFRS measures and explained on pages 169-173.
The prior period has been restated as required by IFRS as the Group has presented a discontinued operation in 2016, see note 25.

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Consolidated Statement of Comprehensive Income

For the year ended 31 December	Notes	2016 $m	2015 $m
(Loss) / profit for the period		(98.9)	83.1
Other comprehensive (loss) / income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses) / gains on defined benefit pension schemes	19	(52.3)	7.6
Tax credit / (charge) relating to components of other comprehensive (loss) / income that will not be reclassified subsequently to profit or loss	4	9.8	(1.7)
		(42.5)	5.9
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations	21	309.0	20.8
Losses on net investment hedges	21	(308.0)	(35.4)
Transfer of the revaluation reserve to retained earnings on the disposal of property	21	–	(5.9)
Fair value movements in available for sale investments	21	(2.0)	
Fair value movements in foreign exchange cash flow hedges	17, 21	1.3	0.5
Transfer (from)/to profit or loss from other comprehensive income on foreign exchange cash flow hedges	17, 21	(4.5)	(1.1)
Fair value movement in interest rate cash flow hedges	17, 21	(5.4)	(2.6)
Transfer to profit or loss from other comprehensive income on interest rate cash flow hedges	17, 21	7.3	3.7
Tax relating to components of other comprehensive income that may be subsequently reclassified to profit or loss	4	2.8	0.1
		0.5	(19.9)
Other comprehensive loss for the year		(42.0)	(14.0)
Total comprehensive income for the year		(140.9)	69.1
Attributable to:			
Equity holders of BBA Aviation plc		(141.1)	68.7
Non-controlling interests		0.2	0.4
		(140.9)	69.1

Consolidated Balance Sheet

As at 31 December	Notes	2016 $m	2015 $m
Non-current assets			
Goodwill	8	1,113.9	889.6
Other intangible assets	8	1,378.3	266.2
Property, plant and equipment	9	875.6	645.0
Interests in associates and joint ventures	10	40.1	12.0
Trade and other receivables	12	19.2	22.1
Deferred tax asset	20	0.4	8.2
		3,427.5	1,843.1
Current assets			
Inventories	11	235.8	221.3
Trade and other receivables	12	296.8	341.7
Cash and cash equivalents	12	182.5	966.4
Tax recoverable		1.4	2.0
Assets held for sale	25	267.7	–
		984.2	1,531.4
Total assets	1	4,411.7	3,374.5
Current liabilities			
Trade and other payables	13	(543.2)	(439.4)
Tax liabilities		(36.8)	(39.5)
Obligations under finance leases	14	(0.2)	–
Borrowings	16	(1.0)	(12.3)
Provisions	18	(27.6)	(27.0)
Liabilities held for sale	25	(89.3)	–
		(698.1)	(518.2)
Net current assets		286.1	1,013.2
Non-current liabilities			
Borrowings	16	(1,546.7)	(511.1)
Trade and other payables due after one year	13	(4.0)	(23.1)
Pensions and other post-retirement benefits	19	(82.8)	(40.1)
Deferred tax liabilities	20	(120.5)	(83.1)
Obligations under finance leases	14	(1.5)	–
Provisions	18	(39.5)	(30.5)
		(1,795.0)	(687.9)
Total liabilities	1	(2,493.1)	(1,206.1)
Net assets		1,918.6	2,168.4
Equity			
Share capital	21	508.7	508.5
Share premium account	21	1,594.5	1,594.4
Other reserve	21	(1.0)	1.0
Treasury reserve	21	(91.0)	(90.0)
Capital reserve	21	45.1	38.1
Hedging and translation reserves	21	(87.1)	(87.0)
Retained earnings	21	(52.2)	208.2
Equity attributable to equity holders of BBA Aviation plc		1,917.0	2,173.2
Non-controlling interest		1.6	(4.8)
Total equity		1,918.6	2,168.4

These financial statements were approved by the Board of Directors on 28 February 2017 and signed on its behalf by:

Simon Pryce
Group Chief Executive

Mike Powell
Group Finance Director

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Consolidated Cash Flow Statement

For the year ended 31 December	Notes	2016 $m	2015 $m
Operating activities			
Net cash flow from operating activities	23	374.9	188.4
Investing activities			
Interest received		2.7	11.7
Dividends received from associates		2.4	3.4
Purchase of property, plant and equipment		(101.6)	(81.8)
Purchase of intangible assets†		(11.4)	(22.4)
Proceeds from disposal of property, plant and equipment		11.1	16.7
Acquisition of subsidiaries net of cash/(debt) acquired	24	(2,098.2)	(19.4)
Proceeds from disposal of subsidiaries and associates		186.6	–
Net cash outflow from investing activities		(2,008.4)	(91.8)
Financing activities			
Interest paid		(64.5)	(41.1)
Interest element of finance leases paid		(0.1)	–
Dividends paid	5	(124.3)	(76.6)
Gains from realised foreign exchange contracts		42.7	2.4
Proceeds from issue of ordinary shares net of issue costs		0.3	1,117.5
Purchase of own shares††		(1.3)	(22.0)
Increase/(decrease) in loans		1,035.3	(267.4)
Increase in finance leases		1.7	–
(Decrease)/increase in overdrafts		(11.0)	(8.0)
Net cash inflow/(outflow) from financing activities		878.8	704.8
(Decrease)/increase in cash and cash equivalents		(754.7)	801.4
Cash and cash equivalents at beginning of year		966.4	166.3
Exchange adjustments		(6.4)	(1.3)
Cash and cash equivalents at end of year	12	205.3	966.4
Comprised of:			
Cash and cash equivalents at end of the period	17	182.5	966.4
Cash included in Assets held for sale at end of the period	25	22.8	–
Net debt at beginning of year		456.5	(619.2)
(Decrease)/increase in cash and cash equivalents		(754.7)	801.4
(Increase)/decrease in loans		(1,035.3)	267.4
Increase in finance leases		(1.7)	–
Decrease in overdrafts		11.0	8.0
Exchange adjustments		(11.1)	(1.1)
Net debt at end of year†††		(1,335.3)	456.5

† Purchase of intangible assets includes $10.6 million (2015: $13.5 million) paid in relation to Ontic licences.
†† Purchase of shares includes the share purchases for the share buy-back scheme, shares purchased for the Employee Benefit Trust and shares purchased for employees to settle their tax liabilities as part of the share schemes.
††† Within the Group's definition of net debt, the US private placement is included at its face value of $500 million (2015: $500 million), reflecting the fact that the liabilities will be in place until maturity. This is $8.8 million (2015: $13.5 million) lower than its carrying value.

Consolidated Statement of Changes in Equity

	Notes	Share capital $m	Share premium $m	Retained earnings $m	Other reserves $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2015		252.3	733.1	194.4	(95.8)	1,084.0	(5.0)	1,079.0
Profit for the year		–	–	83.2	–	83.2	(0.1)	83.1
Other comprehensive loss for the year		–	–	6.0	(20.5)	(14.5)	0.5	(14.0)
Total comprehensive income for the year		–	–	89.2	(20.5)	68.7	0.4	69.1
Dividends	5	–	–	(76.6)	–	(76.6)	–	(76.6)
Issue of share capital	21	256.2	861.3	–	–	1,117.5	–	1,117.5
Movement on treasury reserve	21	–	–	–	(21.9)	(21.9)	–	(21.9)
Credit to equity for equity-settled share-based payments	21	–	–	–	2.8	2.8	–	2.8
Changes in minority shareholdings		–	–	–	–	–	(0.2)	(0.2)
Tax on share-based payment transactions	4	–	–	(1.3)	–	(1.3)	–	(1.3)
Transfer to retained earnings	21	–	–	2.5	(2.5)	–	–	–
Balance at 31 December 2015		508.5	1,594.4	208.2	(137.9)	2,173.2	(4.8)	2,168.4
Loss for the year		–	–	(98.9)	–	(98.9)	–	(98.9)
Other comprehensive loss for the year		–	–	(39.7)	(2.1)	(41.8)	(0.2)	(42.0)
Total comprehensive loss for the year		–	–	(138.6)	(2.1)	(140.7)	(0.2)	(140.9)
Dividends	5	–	–	(124.3)	–	(124.3)	–	(124.3)
Issue of share capital	21	0.2	0.1		–	0.3	–	0.3
Movement on treasury reserve	21	–	–	–	(1.3)	(1.3)	–	(1.3)
Credit to equity for equity-settled share-based payments	21	–	–	–	9.1	9.1	–	9.1
Changes in minority shareholdings		–	–	–	–	–	6.6	6.6
Tax on share-based payment transactions	4	–	–	0.7	–	0.7	–	0.7
Transfer to retained earnings	21	–	–	1.8	(1.8)	–	–	–
Balance at 31 December 2016		508.7	1,594.5	(52.2)	(134.0)	1,917.0	1.6	1,918.6

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Accounting Policies of the Group

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU International Accounting Standards (IAS) Regulation and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared using the historical cost convention adjusted for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below. These policies have been consistently applied with the prior year except where noted.

New financial reporting requirements

A number of EU-endorsed amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2016 and have been applied in preparing the Consolidated Financial Statements of the Group. There is no impact on the Group Consolidated Financial Statements from applying these standards.

Financial reporting standards applicable for future financial periods

A number of EU-endorsed standards and amendments to existing standards and interpretations, which are described below, are effective for annual periods beginning on or after 1 January 2017 and have not been applied in preparing the Consolidated Financial Statements of the Group.

The most significant changes to the IFRS framework in these forthcoming standards and amendments to standards are IFRS 9: Financial Instruments (IFRS 9), IFRS 15: Revenue from contracts with customers (IFRS 15) and IFRS 16: Leases.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 15 addresses recognition of revenue from customer contracts and impacts on the amounts and timing of the recognition of such revenue. In 2016 both standards were endorsed by the EU and will become effective on 1 January 2018. Whilst the Group is yet to complete its assessment of the impact of IFRS 9 and IFRS 15 on the Consolidated Financial Statements, management's expectations remain that the impact will not be material.

The IASB released IFRS 16: Leases on 13 January 2016. The expected date for adoption into EU-IFRS has not yet been set. Management have not yet completed their assessment of the impact of the final standard on the Group's financial statements. However, we note that the Group has substantial operating lease commitments as disclosed in note 15. The standard is expected to have a material impact on the Group.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company, BBA Aviation plc, and its subsidiary undertakings under the acquisition method of accounting.

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

In 2015 the Group reclassified its 10% investment in Hong Kong Business Aviation Centre from a financial instrument to an associate to more accurately reflect its level of influence. This resulted in the recognition of $5.2 million of operating profit in 2015 which related to prior periods.

Goodwill on acquisitions represents the excess of the fair value of the consideration paid, the non-controlling interest, and the fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets, liabilities and contingent liabilities acquired. Where goodwill can only be determined on a provisional basis for a financial year, adjustments may be made to this balance for up to 12 months from the date of acquisition. Goodwill is capitalised and presented as part of intangible assets in the Consolidated Balance Sheet. Goodwill is stated at cost less accumulated impairment losses and is tested for impairment on an annual basis.

Associated undertakings are those investments other than subsidiary undertakings where the Group is in a position to exercise a significant influence, typically through participation in the financial and operating policy decisions of the investee. Joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Consolidated Financial Statements include the Group's share of the post-acquisition reserves of all such companies less provision for impairment.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the directors' statement of going concern on page 79 of the Directors' Report.

Accounting Policies of the Group – continued

Business combinations
On the acquisition of a business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired. Where the fair value of the total consideration, both paid and deferred, is different to the fair value of the identifiable separable assets, liabilities and contingent liabilities acquired, the difference is treated as purchased goodwill and capitalised or a bargain purchase gain and recognised in the income statement. Acquisition-related costs are recognised in the income statement as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is re-measured to the acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement , or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Foreign currencies
Transactions in foreign currencies are translated into the entity's functional currency at the rate of exchange at the date of the transaction.

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each group company are expressed in US dollars, the presentation currency for the Consolidated Financial Statements. The functional currency of the parent company is Sterling.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is recognised in the Income Statement.

The income statements of operations of which the functional currency is other than the US dollar are translated into US dollars at the average exchange rate for the year. The balance sheets of these operations, including associated goodwill, are translated into US dollars at the exchange rates ruling at the balance sheet date. All exchange differences arising on consolidation are recognised initially in other comprehensive income and only in the Income Statement in the period in which the entity is eventually disposed of.

All other translation differences are taken to the Income Statement, with the exception of differences on foreign currency borrowing and derivative instruments to the extent that they are used to provide a hedge against the Group's equity investments in overseas operations. These translation differences are recognised in other comprehensive income, together with the exchange difference on the net investment in those operations.

Goodwill and intangible assets arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate of exchange.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services provided by the Group excluding inter-company transactions, sales by associated undertakings and sales taxes.

Within the Engine Repair & Overhaul business, revenue and associated profit on engine overhauls are recognised on a percentage of completion basis once the terms of the contract have been agreed with the customer and the ultimate profitability of the contract can be determined with reasonable certainty. The percentage of completion is based on hours incurred compared with management's best estimate of the total hours of production. Within the Engine Repair & Overhaul business, revenue and associated profit are recognised on engine sales. Where the engine sold is subsequently leased back, the revenue and profit are only recognised where the lease can be categorised as an operating lease.

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Accounting Policies of the Group – continued

Operating profit
Operating profit is stated after charging exceptional and other items and after the share of results of associates and joint ventures but before investment income and finance costs.

Exceptional and other items are items which are material and non-recurring in nature, and also include costs relating to acquisitions, disposals, and amortisation of acquired intangibles. Underlying operating profit is the Group's key non-GAAP measure and directors consider that this gives a useful indication of underlying performance. It is calculated as operating profit before exceptional and other items (see note 2). Further detail and reconciliations to the equivalent GAAP measure are set out in the adjusted performance measures on pages 169-173.

Intangible assets
Licences and contracts, other than manufacturing licences within the Ontic business, that are acquired separately are stated at cost less accumulated amortisation and impairment. Amortisation is provided for on a straight-line basis over the useful life of the asset. The Ontic business acquires licences from Original Equipment Manufacturers (OEMs) to become the alternate OEM for that product. The useful life is based on the underlying contract where that is a determinable period. Where the useful life is indeterminable and finite, a lifespan of 20 years is typically used. An annual review is performed to assess the licence's remaining useful life against the vitality of the underlying platform.

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is provided on the cost of software and is calculated on a straight line basis over the useful life of the software.

Intangible assets, other than goodwill, arising on acquisitions are capitalised at fair value. An intangible asset will be recognised as long as the asset is separable or arises from contractual or other legal rights, and its fair value can be measured reliably. Amortisation is provided on the fair value of the asset and is calculated on a straight-line basis over its useful life, which typically is the term of the licence or contract.

Property, plant and equipment
Property, plant and equipment is stated in the Balance Sheet at cost less accumulated depreciation and provision for impairments. Depreciation is provided on the cost of property, plant and equipment less estimated residual value and is calculated on a straight-line basis over the following estimated useful lives of the assets:

Land	Not depreciated
Freehold buildings	40 years maximum
Leasehold buildings	Shorter of useful life or lease term
Fixtures and equipment (including essential commissioning costs)	3-20 years

Tooling, vehicles, computer and office equipment are categorised within fixtures and equipment.

Finance costs which are directly attributable to the construction of major items of property, plant and equipment are capitalised as part of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Impairment of goodwill, intangible assets and property, plant and equipment
At each balance sheet date, the Group reviews the carrying value of its goodwill, intangible and tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. The risks specific to the asset are reflected as an adjustment to the future estimated cash flows.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately. Impairment losses recognised in respect of goodwill are not reversed in subsequent periods.

Inventories
Inventory is stated at the lower of cost and net realisable value. Cost comprises the cost of raw materials and an appropriate proportion of labour and overheads in the case of work in progress and finished goods. Cost is calculated using the first-in first-out method in the Flight Support segment, and weighted average method in the Aftermarket Services segment. Provision is made for slow-moving or obsolete inventory as appropriate.

Accounting Policies of the Group – continued

Associates
Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated balance sheet at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Derivative financial instruments and hedge accounting
Derivative financial instruments utilised by the Group comprise interest rate swaps and foreign exchange contracts. All such instruments are used for hedging purposes to manage the risk profile of an underlying exposure of the Group in line with the Group's risk management policies. Recognition of gains or losses on derivative instruments depends on whether the instrument is designated as a hedge and the type of exposure it is designed to hedge.

The effective portion of gains or losses on cash flow hedges is recognised in other comprehensive income until the impact from the hedged item is recognised in the Income Statement. The ineffective portion of such gains and losses is recognised immediately within other gains and losses in the Income Statement.

Hedges of net investments in non-US dollar territories are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately, and is included within operating profit. Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss on disposal of the foreign operation.

Changes in the fair value of the foreign exchange contracts which do not qualify for hedge accounting are recognised within operating profit in the Income Statement as they arise.

Interest-bearing loans and overdrafts are initially recorded at fair value, which equates to proceeds less direct issue costs at inception. Subsequent to initial recognition, borrowings are measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds, net of transaction costs, and the amount due on settlement is recognised in the Income Statement over the term of the borrowings.

Fair value hedges are undertaken as part of the Group's policy for managing interest rate risk. Changes in value of fair value hedges are immediately recognised within interest in the Income Statement and are off-set by changes in fair value of the underlying borrowing. Any ineffectiveness on fair value hedges are recognised immediately in the Income Statement.

Other financial instruments
Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are accounted for at the trade date.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and deemed deposits, and other short-term highly liquid investments with original maturities of three months or less which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade and other receivables excluding derivative assets are initially recognised at fair value and do not carry any interest and are stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are initially recognised at fair value and classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Borrowings
Interest-bearing loans and overdrafts are initially recorded at fair value, which equates to proceeds less direct issue costs at inception. Subsequent to initial recognition, borrowings are measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds, net of transaction costs, and the amount due on settlement is recognised in the Income Statement over the term of the borrowings.

Trade and other payables
Trade payables, excluding derivative liabilities, are not interest bearing and are stated at amortised cost.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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Accounting Policies of the Group – continued

Available for sale financial assets

Available for sale (AFS) financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group holds investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets obtained under finance leases are capitalised within property, plant and equipment and the capitalisation values written off on a straight-line basis over the shorter of the period of the lease or the useful economic life of the asset. Obligations to the lessors relating to finance leases, net of finance charges in respect of future periods are recorded as liabilities. The interest element of the obligation is allocated over the lease term to produce a constant rate of interest on the outstanding capital payments.

Operating leases are not recognised in the Group's Balance Sheet. The rental payments are charged to the Income Statement on a straight-line basis over the life of the lease.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle that obligation and the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received on settlement of a related provision and the amount of the receivable can be measured reliably.

Insurance

Provisions are recognised for self-insured risks as the cover is provided. The provisions cover both known claims and claims incurred but not reported. Provisions are made for the associated costs based on an assessment of the specific risk or expected claims development for risks that are incurred but not reported. The estimates of current and ultimate risk exposure are made with the aid of an actuary or other suitably qualified third party.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditure arising from the restructuring, and comprises those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Warranties provisions are recognised when the associated products or services are sold. Provisions are made for the associated costs based on an assessment of future claims made with reference to past experience.

Environmental

Environmental provisions relate to environmental liabilities within continuing operations of the Group. These liabilities relate predominantly to the Group's current and historic property portfolios. The liabilities have an expected life of up to ten years.

Post-retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement benefit schemes, the cost is determined using the projected unit credit method, with valuations under IAS 19 (revised) being carried out annually as at 31 December. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of profit or loss and presented in the Statement of Comprehensive Income.

The service cost of providing retirement benefits to employees during the year is charged to operating profit in the year. Any past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The interest cost on the net defined benefit deficit is included within finance costs.

Accounting Policies of the Group – continued

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and reduced by the fair value of scheme assets. Any asset resulting from this calculation is only recognised to the extent that it is recoverable.

Defined benefit scheme contributions are determined by valuations undertaken by independent qualified actuaries.

Share-based payments
The Group operates a number of cash and equity-settled share-based compensation plans. The fair value of the compensation is recognised in the Income Statement as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted and calculated using the valuation technique most appropriate to each type of award. These include Black–Scholes calculations and Monte Carlo simulations. For cash-settled options, the fair value of the option is revisited at each balance sheet date. For both cash and equity-settled options, the Group revises its estimates of the number of options that are expected to become exercisable at each balance sheet date.

Taxation
The charge for taxation is based on the profit for the year and comprises current and deferred taxation. Current tax is calculated at tax rates which have been enacted or substantively enacted as at the balance sheet date.

Deferred taxation takes into account taxation deferred due to temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is accounted for using the balance sheet liability method and is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases in the computation of taxable profit.

An uncertain tax provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The uncertain tax provisions are reported within current liabilities and measured using the most likely amount approach. Examples of activities for which the group experiences tax uncertainties include but are not limited to transfer pricing under the application of OECD transfer pricing principles and the deductibility of interest payable resulting from the Group's financing arrangements.

The provision for uncertainties is established based on the management judgment of senior tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice. The methodology for establishing provisions for tax uncertainties has been consistently applied with the prior year.

No provision is made for temporary differences on unremitted earnings of foreign subsidiaries, joint ventures or associates where the Group has control and the reversal of the temporary difference is not foreseeable.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates which have been enacted or substantively enacted at the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited to the Statement of Comprehensive Income, in which case the deferred tax is also dealt with in the Statement of Comprehensive Income.

Assets and associated liabilities classified as held for sale
Assets classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell. Assets are classified as held for sale if their net carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Critical accounting judgements and key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The judgements used by management in the application of the Group's accounting policies in respect of these key areas of estimation are considered to be the most significant.

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Accounting Policies of the Group – continued

Purchase price accounting

The Group is required to measure all acquired assets and liabilities at fair value in accordance with IFRS 3. The determination of those fair values requires judgement.

The valuation of acquired current assets and liabilities is not a key source of estimation uncertainty. However, the valuation of non-current assets and liabilities is often dependant on, and sensitive to, long-term forecasts of the related cash flows and the discount rates applied. These are in turn dependent on long-term forecasts of the performance of the business. As such the valuation of these assets and liabilities is considered to be a key source of judgement.

Details surrounding the fair values of acquired assets and liabilities determined through purchase price accounting are provided in note 24. The Group valued $1.390.1 million of acquired non-current assets and liabilities in 2016.

Notes to the Consolidated Financial Statements

1. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive to allocate resources to the segments and to assess their performance.

The Group provides information to the Chief Executive on the basis of components that are substantially similar within the segments in the following aspects:

- the nature of the long-term financial performance;
- the nature of the products and services;
- the nature of the production processes;
- the type of class of customer for the products and services; and
- the nature of the regulatory environment.

Based on the above, the operating segments of the Group identified in accordance with IFRS 8 are Flight Support, which comprises Signature Flight Support and ASIG, and Aftermarket Services, which comprises Engine Repair & Overhaul (ERO) and Ontic.

The businesses within the Flight Support segment provide refuelling, ground handling and other services to the Business & General Aviation (B&GA) and commercial aviation markets. The businesses within the Aftermarket Services segment maintain and support engines and aerospace components, sub-systems and systems.

Sales between segments are immaterial.

All alternative performance measures are reconciled to IFRS measures and explained on pages 169-173.

Business segments	Flight Support[1] $m	Aftermarket Services[2] $m	Total $m	Unallocated corporate[3] $m	Total $m
2016					
External revenue					
External revenue from continuing and discontinued operations	1,860.0	705.9	2,565.9	–	2,565.9
Less external revenue from discontinued operations, note 25	(416.8)	–	(416.8)	–	(416.8)
External revenue from continuing operations	1,443.2	705.9	2,149.1	–	2,149.1
Underlying operating profit					
Underlying operating profit from continuing and discontinued operations	303.9	42.0	345.9	(15.8)	330.1
Less underlying operating profit from discontinued operations	(9.9)	–	(9.9)	1.0	(8.9)
Adjusted for intergroup charges for discontinued operations [4]	–	–	–	(18.6)	(18.6)
Underlying operating profit / (loss) from continuing operations	294.0	42.0	336.0	(33.4)	302.6
Underlying operating margin from continuing operations	20.4%	5.9%	15.6%		14.1%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(117.4)	(19.8)	(137.2)	–	(137.2)
Less exceptional and other items from discontinued operations	0.7	–	0.7	–	0.7
Exceptional and other items from continuing operations	(116.7)	(19.8)	(136.5)	–	(136.5)
Operating profit/ (loss) from continuing operations	177.3	22.2	199.5	(33.4)	166.1
Impairment of tangible and intangible fixed assets					(184.4)
Net finance costs					(63.9)
Loss before tax from continuing operations					(82.2)

1 Operating profit/ (loss) from continuing operations includes $13.4 million profit (2015: $9.4 million profit) of associates and joint ventures. Flight Support's segment result in 2015 included $4.3 million in respect of a bargain purchase gain in relation to the acquisition of ASIG Panama. As described in the accounting policies in 2015 the Group reclassified its investment in Hong Kong Business Aviation Centre from a financial instrument to an associate. The reclassification of the investment resulted in the recognition of $5.2 million of operating profit during 2015 which related to prior periods.
2 In 2015 ERO entered into a series of sale and lease-back transactions with respect to parts of its rental engine fleet. The transactions led to the recognition of $39.7 million of revenue.
3 Unallocated corporate balances includes debt, tax, provisions, insurance captives and trading balances from central activities.
4 Costs previously allocated to ASIG.

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1. Segmental information – continued

Other information	Flight Support[1] $m	Aftermarket Services[2] $m	Total $m	Unallocated corporate[3] $m	Total $m
Capital additions**	74.2	38.7	112.9	0.1	113.0
Depreciation and amortisation	158.7	24.8	183.5	0.4	183.9

** Capital additions represent cash expenditures in the year.

Balance sheet					
Total assets	3,515.7	747.5	4,263.2	148.5	4,411.7
Total liabilities	(397.6)	(233.2)	(630.8)	(1,862.3)	(2,493.1)
Net assets / (liabilities)	3,118.1	514.3	3,632.4	(1,713.8)	1,918.6

Business segments	Flight Support $m	Aftermarket Services $m	Total $m	Unallocated corporate $m	Total $m
2015 restated					
External revenue					
External revenue from continuing and discontinued operations	1,347.4	782.4	2,129.8	–	2,129.8
Less external revenue from discontinued operations	(415.8)	–	(415.8)	–	(415.8)
External revenue from continuing operations	931.6	782.4	1,714.0	–	1,714.0
Underlying operating profit					
Underlying operating profit from continuing and discontinued operations	158.5	59.6	218.1	(16.1)	202.0
Less underlying operating profit from discontinued operations	(4.1)	–	(4.1)	–	(4.1)
Adjusted for intergroup charges for discontinued operations	–	–	–	(16.4)	(16.4)
Underlying operating profit / (loss) from continuing operations	154.4	59.6	214.0	(32.5)	181.5
Underlying operating margin from continuing operations	16.6%	7.6%	12.5%	–	10.6%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(16.7)	(12.0)	(28.7)	(42.5)	(71.2)
Less exceptional and other items from discontinued operations	2.4	–	2.4	–	2.4
Exceptional and other items from continuing operations	(14.3)	(12.0)	(26.3)	(42.5)	(68.8)
Operating profit / (loss) from continuing operations*	140.1	47.6	187.7	(75.0)	112.7
Net finance costs					(35.3)
Profit before tax from continuing operations					77.4

* Operating profit / (loss) from continuing operations includes $9.4 million profit of associates and joint ventures within Flight Support.

Other information					
Capital additions**	55.4	45.9	101.3	2.9	104.2
Depreciation and amortisation	60.7	20.5	81.2	1.6	82.8

** Capital additions represent cash expenditures in the year.

Balance sheet					
Total assets	1,545.2	853.0	2,398.2	976.3	3,374.5
Total liabilities	(258.2)	(160.9)	(419.1)	(787.0)	(1,206.1)
Net assets	1,287.0	692.1	1,979.1	189.3	2,168.4

Geographical Segments	Revenue by destination $m	Revenue by origin $m	Capital additions[1] $m	Restated non-current assets[2] $m
2016				
United Kingdom	128.0	320.8	14.7	226.7
Mainland Europe	200.9	54.5	0.2	46.1
North America	2,098.5	2,148.0	92.1	3,117.2
Rest of World	138.5	42.6	6.0	23.5
Total from continuing and discontinued operations	2,565.9	2,565.9	113.0	3,413.5
Less discontinued operations	(416.8)	(416.8)	(10.3)	–
Total from continued operations	2,149.1	2,149.1	102.7	3,413.5
2015				
United Kingdom	212.4	356.0	19.7	216.8
Mainland Europe	116.8	32.0	0.5	34.7
North America	1,665.8	1,705.7	74.9	1,533.0
Rest of World	134.8	36.1	9.1	33.3
Total from continuing and discontinued operations	2,129.8	2,129.8	104.2	1,817.8
Less discontinued operations	(415.8)	(415.8)		
Total from continued operations	1,714.0	1,714.0		

1 Capital additions represent cash expenditures in the year.
2 The disclosure of non-current assets by geographical segment has been amended to exclude deferred tax of $0.4 million (2015: $8.2 million) and financial instrument balances of $13.6 million (2015: $17.1 million) in all periods, as required under IFRS 8.

An analysis of the Group's revenue for the year is as follows:

	Revenue from sale of goods		Revenue from services	
	2016 $m	2015 $m	2016 $m	2015 $m
Flight Support	1,027.2	714.8	832.8	632.6
Aftermarket Services	189.2	187.2	516.7	595.2
	1,216.4	902.0	1,349.5	1,227.8

A portion of the Group's revenue from the sale of goods denominated in foreign currencies is cash flow hedged. Revenue from the sale of goods and services of $1,216.4 million (2015: $902.0 million) includes a gain of $1.2 million (2015: gain of $1.1 million) in respect of the recycling of the effective amount of foreign currency derivatives used to hedge foreign currency revenue.

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2. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

Exceptional and other items

Underlying profit is shown before exceptional and other items on the face of the income statement. Exceptional and other items are items which are material or non-recurring in nature and also include costs relating to acquisitions and disposals and amortisation of acquired intangibles. The directors consider that this gives a useful indication of underlying performance and better visibility of Key Performance Indicators.

All alternative performance measures are reconciled to IFRS measures and explained on pages 169-173.

	Note	Administrative expenses 2016 $m	Other operating expenses 2016 $m	Restructuring costs 2016 $m	Total 2016 $m	Administrative expenses 2015 $m	Other operating expenses 2015 $m	Restructuring costs 2015 $m	Total 2015 $m
Restructuring expenses									
ERO footprint rationalisation		–	–	9.9	9.9	–	–	8.3	8.3
Closure of ASIG Singapore		–	–	–	–	–	–	6.8	6.8
Acquisition related									
Amortisation of intangible assets arising on acquisition and valued in accordance with IFRS 3		98.6	–	–	98.6	9.3	–	–	9.3
Landmark integration costs		–	24.9	–	24.9	–	–	–	–
Transaction costs[1]		–	1.5	–	1.5	–	38.4	–	38.4
Other		–	1.6	–	1.6	–	6.0	–	6.0
Operating loss on continuing operations		98.6	28.0	9.9	136.5	9.3	44.4	15.1	68.8
Impairment loss	8				184.4				–
Net finance costs					–				3.5
Loss before tax on continuing operations					320.9				72.3
Tax impact of exceptional and other items					(102.4)				(13.1)
Loss for the year on continuing operations					218.5				59.2
Loss from discontinued operation, net of tax	25				97.5				2.0
Total exceptional and other items					316.0				61.2

1 All transaction costs presented as exceptional and other items in 2016 related to the acquisition by Ontic of GE's Aviation portfolio, see note 24. All transactions costs in 2015 related to the acquisition of Landmark Aviation.

Net cash flow from exceptional items was an out flow of $63.5 million (2015: out flow of $28.6 million).

Other	2016 $m	2015 $m
Net foreign exchange (gains)	(3.2)	(3.2)
Depreciation of property, plant and equipment	69.7	58.5
Amortisation of intangible assets (included in cost of sales)	4.6	2.9
Amortisation of intangible assets (included in administrative expenses)	109.6	21.4
Total depreciation and amortisation expense	183.9	82.8
Total employee costs (note 7)	702.2	596.0
Cost of inventories recognised as an expense within cost of sales	931.6	931.1

The analysis of auditor's remuneration is as follows:	2016 $m	2015 $m
Fees payable to the Company's auditor for the audit of the Group's annual accounts	2.5	1.9
The audit of the Company's subsidiaries pursuant to legislation	0.4	0.2
Total audit fees	2.9	2.1
Transaction related services	–	1.8
Tax compliance services	0.1	–
	0.1	1.8
Total fees payable to the Company's auditor	3.0	3.9

In 2015 Deloitte LLP received fees totalling $1.8 million in relation to the reporting accountant's role provided on the Landmark Aviation transaction.

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3. Investment income and finance costs

	2016 $m	2015 $m
Interest on bank deposits	4.0	3.1
Underlying investment income	4.0	3.1
Exceptional interest income	–	0.4
Total investment income	4.0	3.5
Total investment income from discontinued operations	0.3	0.2
Total investment income from continuing operations	3.7	3.3
Interest on bank loans and overdrafts	(42.4)	(13.4)
Interest on loan notes	(24.7)	(25.0)
Interest on obligations under finance leases	(0.1)	(0.1)
Net finance expense from pension schemes	(1.4)	(1.9)
Other finance costs	(1.5)	(3.2)
Total borrowing costs	(70.1)	(43.6)
Less amounts included in the cost of qualifying assets	1.7	2.8
Fair value losses on interest rate swaps designated as cash flow hedges transferred from equity	(7.3)	(3.7)
Fair value gains on interest rate swaps designated as fair value hedges	7.7	9.4
Underlying finance costs	(68.0)	(35.1)
Exceptional interest costs	–	(3.9)
Total finance costs	(68.0)	(39.0)
Finance costs from discontinued operations	(0.4)	(0.4)
Finance costs from continuing operations	(67.6)	(38.6)
Net finance costs	(64.0)	(35.5)
Net finance costs from discontinued operations	(0.1)	(0.2)
Net finance costs from continuing operations	(63.9)	(35.3)

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.85% (2015: 3.85%) to expenditure on such assets, which represents the weighted average interest rate for the currency in which the expenditure has been made.

Exceptional interest income during 2015 related to the interest received on deposits from the proceeds of the rights issue which had not been deployed but related to the acquisition of Landmark Aviation. Exceptional finance costs related to certain facility and commitment fees incurred in the financing structure set up to enable the Landmark Aviation transaction.

4. Income tax

Recognised in the Income Statement	2016 $m	2015 Restated $m
Current tax expense	16.0	14.8
Adjustments in respect of prior years – current tax	(1.6)	0.3
Current tax	14.4	15.1
Deferred tax (note 20)	(78.7)	(6.6)
Adjustments in respect of prior years – deferred tax (note 20)	1.4	(0.8)
Deferred tax	(77.3)	(7.4)
Income tax (credit)/expense for the year from continuing operations	(62.9)	7.7

UK income tax is calculated at 20.0% (2015: 20.3%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	2016 $m	2015 Restated $m
(Loss)/profit before tax on continuing operations	(82.2)	77.4
Tax at the rates prevailing in the relevant tax jurisdictions 25.3% (2015: 22.6%)	(20.8)	17.5
Tax effect of offshore financing net of UK CFC charge	(34.1)	(16.9)
Tax effect of expenses that are not deductible in determining taxable profit	16.6	8.1
Items on which deferred tax has not been recognised	1.3	0.9
Tax rate changes	0.2	(0.2)
Difference in tax rates on overseas earnings	(25.9)	(1.1)
Capital gains	–	(0.1)
Adjustments in respect of prior years	(0.2)	(0.5)
Tax (credit)/expense for the year	(62.9)	7.7

The applicable tax rate of 25.3% (2015: 22.6%) represents a blend of the tax rates of the jurisdictions in which taxable profits have arisen. The change from the prior year is due to a change in the proportion of profits that have arisen in each jurisdiction and the benefits associated with certain financing structures implemented.

Tax credited/(expensed) to other comprehensive income and equity is as follows:

Recognised in other comprehensive income	2016 $m	2015 $m
Tax on items that will not be reclassified subsequently to profit or loss		
Current tax credit on pension deficit payments	0.5	2.0
Deferred tax (credit)/charge on actuarial gains/(losses)	9.3	(3.7)
	9.8	(1.7)
Tax on items that may be reclassified subsequently to profit or loss		
Current tax credit on foreign exchange movements	0.7	1.2
Deferred tax charge on derivative instruments	2.1	(1.1)
	2.8	0.1
Total tax credit/(charge) within other comprehensive income	12.6	(1.6)
Recognised in equity		
Current tax credit on share-based payments movements	0.1	0.5
Deferred tax credit/(charge) on share-based payments movements	0.6	(1.8)
Total tax credit/(charge) within equity	0.7	(1.3)
Total tax credit/(charge) within other comprehensive income and equity	13.3	(2.9)

5. Dividends

On 20 May 2016, the 2015 final dividend of 8.68¢ per share (total dividend $87.2 million) was paid to shareholders (2015: the 2014 final dividend of 11.58¢ per share (total dividend $53.8 million) was paid on 22 May 2015).

On 4 November 2016, the 2016 interim dividend of 3.63¢ per share (total dividend $37.1 million) was paid to shareholders (2015: the 2015 interim dividend of 4.85¢ per share (total dividend $22.8 million) was paid on 30 October 2015).

In respect of the current year, the directors propose that a final dividend of 9.12¢ per share will be paid to shareholders on 19 May 2017. The proposed dividend is payable to all shareholders on the register of members on 7 April 2017. The total estimated dividend to be paid is $94.0 million. This dividend is subject to approval by shareholders at the AGM and, in accordance with IAS 10: Events after the Reporting Period, has not been included as a liability in these financial statements.

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6. Earnings per share

All alternative performance measures are reconciled to IFRS measures and explained on pages 169-173.

The calculation of the basic and diluted earnings per share is based on the following data:

	Continuing		Total	
	2016 $m	2015 Restated $m	2016 $m	2015 Restated $m
Basic and diluted				
Earnings:				
Profit/(loss) for the year	(19.3)	69.7	(98.9)	83.1
Non-controlling interests	(0.4)	0.5	–	0.1
Basic earnings attributable to ordinary shareholders	(19.7)	70.2	(98.9)	83.2
Exceptional items (net of tax)	218.5	59.2	316.0	61.2
Adjusted earnings for adjusted earnings per share	198.8	129.4	217.1	144.4
Underlying deferred tax	27.7	4.3	35.6	9.8
Adjusted earnings for tax adjusted earnings per share	226.5	133.7	252.7	154.2
Number of shares				
Weighted average number of $29^{16}/_{21}$p ordinary shares:				
For basic earnings per share	1,026.6	718.6	1,026.6	718.6
Dilutive potential ordinary shares from share options	9.9	2.9	9.9	2.9
For diluted earnings per share	1,026.6	721.5	1,026.6	721.5
For diluted losses per share	1,036.5	721.5	1,036.5	721.5
Earnings per share				
Basic:				
Adjusted	19.4¢	18.0¢	21.1¢	20.1¢
Cash	22.1¢	18.6¢	24.6¢	21.5¢
Unadjusted	(1.9)¢	9.8¢	(9.6)¢	11.6¢
Diluted:				
Adjusted	19.2¢	17.9¢	20.9¢	20.0¢
Cash	21.9¢	18.5¢	24.4¢	21.4¢
Unadjusted	(1.9)¢	9.7¢	(9.6)¢	11.5¢

Adjusted earnings per share is presented calculated on earnings before exceptional and other items (note 2) and using current tax charge, not the total tax charge for the period thereby excluding the deferred tax charge. Both adjustments have been made because the directors consider that this gives a useful indication of underlying performance.

7. Employees

Average monthly number (including executive directors)	2016 number	2015 number
By segment		
Flight Support	11,472	9,343
Aftermarket Services	1,530	1,581
Total employment numbers by segment from continuing and discontinued operations	13,002	10,924
By region		
United Kingdom	2,804	2,846
Mainland Europe	226	116
North America	9,765	7,712
Rest of World	207	250
Total employees by region from continuing and discontinued operations	13,002	10,924
Total employees from continuing operations	6,848	4,349
Total employees from discontinued operations	6,154	6,575

	2016 $m	2015 $m
Employment costs		
Wages and salaries	642.5	542.6
Social security costs	46.6	40.9
Pension costs (note 19)	13.1	12.5
Total employment costs from continuing and discontinued operations	702.2	596.0
Total employment costs from continuing operations	439.7	332.7
Total employment costs from discontinued operations	262.5	263.3

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8. Intangible assets

	Goodwill 2016 $m	Licences and contracts 2016 $m	Computer software 2016 $m	Total 2016 $m	Goodwill 2015 $m	Licences and contracts 2015 $m	Computer software 2015 $m	Total 2015 $m
Cost								
Beginning of year	889.6	360.9	47.7	1,298.2	897.9	331.6	40.1	1,269.6
Exchange adjustments	(10.0)	(16.3)	(0.6)	(26.9)	(9.5)	(5.0)	(0.2)	(14.7)
Acquisitions	557.7	1,251.7	–	1,809.4	–	27.9	–	27.9
Acquisitions in prior years	–	0.7	–	0.7	1.2	–	–	1.2
Additions	–	0.2	0.6	0.8	–	7.1	1.8	8.9
Impairments on classification as held for sale/write offs	(114.0)	(0.2)	–	(114.2)	–	–	(1.1)	(1.1)
Transfer to assets held for sale	(70.6)	(16.3)	(1.5)	(88.4)	–	–	–	–
Disposals	–	–	(0.3)	(0.3)	–	(0.2)	–	(0.2)
Transfers (to)/from other asset categories	–	5.4	(3.1)	2.3	–	(0.5)	7.1	6.6
End of year	1,252.7	1,586.1	42.8	2,881.6	889.6	360.9	47.7	1,298.2
Amortisation								
Beginning of year	–	(115.0)	(27.4)	(142.4)	–	(92.6)	(25.4)	(118.0)
Exchange adjustments	–	5.2	0.6	5.8	–	2.0	0.1	2.1
Amortisation charge for the year	–	(112.0)	(2.2)	(114.2)	–	(20.6)	(3.7)	(24.3)
Impairment charges	(138.8)	(12.8)	–	(151.6)	–	–	1.0	1.0
Transfer to assets held for sale	–	10.6	1.1	11.7	–	–	–	–
Disposals	–	–	0.3	0.3	–	0.2	–	0.2
Transfers to other asset categories	–	0.9	0.1	1.0	–	(4.0)	0.6	(3.4)
End of year	(138.8)	(223.1)	(27.5)	(389.4)	–	(115.0)	(27.4)	(142.4)
Carrying amount								
End of year	1,113.9	1,363.0	15.3	2,492.2	889.6	245.9	20.3	1,155.8
Beginning of year	889.6	245.9	20.3	1,155.8	897.9	239.0	14.7	1,151.6

Included within the amortisation charge for intangible assets of $114.2 million (2015: $24.3 million) is amortisation of $99.4 million (2015: $11.7 million) in relation to the amortisation of intangible assets acquired and valued in accordance with IFRS 3 and disclosed as an exceptional and other items.

Included within the acquisitions of $1,809.4 million (2015: $27.9 million) is $2.5 million (2015: $10.6 million) of Ontic licence acquisitions which are not accounted for as a business combination under IFRS and hence not presented under note 24.

Licences and contracts are amortised over the period to which they relate, which is on average 16 years (2015: 16 years) but with a wider range, with some up to 60 years in duration. Computer software is amortised over its estimated useful life, which is on average five years (2015: five years).

Transfers to assets held for sale relates to the ASIG business as disclosed in note 25.

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated as follows:

	2016 $m	2015 $m
Flight Support:		
Signature Flight Support	1,048.7	496.0
ASIG (discontinued operations)	70.6	185.9
Aftermarket Services:		
Engine Repair & Overhaul	–	140.1
Ontic	65.2	67.6
Total goodwill from continuing and discontinued operations	1,184.5	889.6
Total goodwill from continuing operations	1,113.9	703.7
Total goodwill from discontinu ed operations	70.6	185.9

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The Group has determined the recoverable amount of each CGU from value-in-use calculations. The value-in-use calculations are based on cash flow forecasts derived from the most recent budgets and detailed financial projections for the next 5 years, as approved by management, with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate for the relevant CGU.

Key assumptions

The key assumptions for the value-in-use calculations are as follows.

Sales volumes, selling prices and cost increases over the five years covered by management's detailed plans

Sales volumes are based on industry forecasts and management estimates for the businesses in which each CGU operates, including forecasts for Business & General Aviation (B&GA) flying hours, aircraft engine cycles and US military spending. Selling prices and cost increases are based on past experience and management expectations of future changes in the market. The extent to which these assumptions affect each principal CGU with a significant level of goodwill are described below.

Signature Flight Support and Engine Repair & Overhaul (ERO) both operate in the B&GA market. Signature Flight Support is the world's largest and market-leading Fixed base operation (FBO) network for business aviation providing full services support for B&GA travel, focused on passenger handling and customer amenities such as refuelling, hangar and office rentals, and other technical services. ERO is a leading independent engine repair service provider to the B&GA market with strong relationships with all major engine OEMs.

Ontic operates in the Military and Commercial sectors and is the leading provider of high-quality, cost-effective solutions in the continuing support of maturing aerospace platforms to the major aerospace OEMs and airframe operators.

In B&GA, growth is measured principally in relation to B&GA flying hours. Over the longer term, the key drivers for B&GA remain the same as historically – continued growth in GDP and total wealth, the increasing value of people's time, corporate confidence and corporate activity levels. The unusual nature of the 2007-2009 crisis and the halting return to growth have meant that, although corporate profits have recovered and confidence is now improving, investment in aircraft and flight activity continue to lag. Modest growth in the economies of the majority of the top 20 business aviation markets worldwide is a key factor affecting new aircraft orders and sales of pre-owned aircraft. B&GA flight activity in the US continued to grow during 2016, with movements up 1% year on year. US B&GA monthly flight activity cycles were positive for the majority of the period with growth every month from August, albeit against slightly weak comparator months in 2015. In Europe, B&GA aircraft movements were up 2% for the year, a significant improvement, but against a weak comparator of -3% in 2015.

Trends in military aviation are likely to improve as the global defence market begins to recover after years of pressure due to budget retrenchment. Life extension programmes continue to be important as the US military aircraft ages. The current US Air Force fleet is more than 25 years old on average, with some platforms significantly older. Average age is expected to continue to rise despite budget increases.

Growth rates used for the periods beyond those covered by management's detailed plans

Growth rates are derived from management's estimates, which take into account the long-term nature of the industry in which each CGU operates, external industry forecasts of long-term growth in the aerospace and defence sectors, the maturity of the platforms supplied by the CGU and the technological content of the CGU's products. For the purpose of impairment testing, a conservative approach has been used and where the derived rate is higher than the long-term GDP growth rates for the countries in which the CGU operates, the latter has been used. As a result, an estimated growth rate of 2.0% (2015: 2.2%) has been used for the flight support and Ontic CGUs, which reflects forecast long-term US GDP growth. ERO has an estimated long term growth rate of 1% as set out in more detail in the following section on ERO impairment.

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8. Intangible assets – continued

Discount rates applied to future cash flows

The Group's pre-tax weighted average cost of capital (WACC) has been used as the foundation for determining the discount rates to be applied. The WACC has then been adjusted to reflect risks specific to the CGU not already reflected in the future cash flows for that CGU. The discount rate used was 7.3% (2015: 8.4%) for the CGUs within Flight Support and 9.4% to 9.6% (2015: 9.2% to 9.6%) for the CGUs within Aftermarket Services.

Sensitivity analysis

Both the ERO CGUs, Dallas Airmotive (DAI) and H&S Aviation (H+S) have recognised impairment in 2016, see below.

In relation to ASIG CGUs the operations were held for sale at 31 December 2016 and subsequently have been sold. The business' assets were impaired in 2016 based on the fair market value established in that disposal process, see notes 25 and 27.

In relation to Signature Flight Support and Ontic management has concluded that for these CGUs no reasonably foreseeable change in the key assumptions used in the impairment model would result in a significant impairment charge being recorded in the financial statements.

ERO impairment

Management previously reported that a reasonably possible change in the key assumptions used in the impairment model could result in an impairment charge for Dallas Airmotive DAI.

The ERO trading conditions remained challenging during the year, with no recovery in legacy mid-cabin fixed wing and rotorcraft flying visible for the engine platforms on which ERO operates. This coupled with continued pressure on pricing and workscopes, has led to another disappointing ERO result. Engine trading is much reduced and this, together with further margin pressure arising from OEM actions, and reduced demand for lease engines, was only partially offset by the limited cost savings so far delivered through the footprint restructuring programme and additional cost reduction actions. As a result of this performance and with no visible recovery in legacy mid-cabin fixed wing and rotorcraft flying, an impairment review was carried out at 30 June 2016 for both the DAI and H+S CGUs within the ERO business.

Key assumptions used in the ERO impairment test

The key assumptions for the value-in-use calculations are consistent with the year end goodwill impairment test as set out above, with the exception of discount rates that are set out below.

Despite the level of B&GA growth in flying hours the authorised engine platforms at DAI and H+S are no longer projected to experience this level of growth as DAI and H+S do not have engine authorisations for a number of the engine platforms that are now projected to have above average growth. Cuts to the US military budget continue to negatively impact the flight activity of some platforms and thus maintenance spend.

As a result, the significant improvement in performance included in the ERO forecast period for the purposes of the 31 December 2015 impairment review is no longer expected to be achieved. For the impairment model used at 31 December 2015, the average annual growth rate in EBITDA across 2016-2020 was 11%. For the impairment model used at 30 June 2016, the average annual growth rate for the equivalent period is now assumed to be 1.3%.

Beyond the 5 year forecast period, a conservative approach has been used of 1% long-term growth which reflects the declining nature of the existing platforms on which DAI and H+S are currently operating and we have assumed that new engine authorisation acquisitions, which would require significant further investment are not secured. This compares to a long-term growth rate of 2.2% used previously which broadly reflected the GDP growth rate over the long term. The weaker outlook for the DAI and H+S engine platforms relative to the markets as a whole has resulted in the reduction of the long-term growth rate to 1%.

The Group's pre-tax weighted average cost of capital (WACC) was used as the foundation for determining the discount rates to be applied. The WACC was then adjusted to reflect risks specific to the CGU not already reflected in the future cash flows for that CGU. The discount rate used for the impairment was 10.9% (31 December 2015: 9.5%) for the DAI CGU and 10.4% (31 December 2015: 9.2%) for the H+S CGU.

Impairment recognised

Following testing it was concluded that the carrying value of the DAI and H+S CGUs exceeded their recoverable values. Accordingly in the Group's interim report as at 30 June 2016 management recognised an impairment loss for the DAI and H+S CGU assets to bring them to their value-in use. A further impairment review as at 31 December 2016 was undertaken for both the DAI and H+S CGU assets as set out above. The review concluded that there was no material change in the outlook or the discount rate for the CGUs. The table below summarises the allocation of the impairment loss for each asset class within both CGUs.

	Goodwill $m	Intangible Assets $m	Property Plant & Equipment $m	Total $m
DAI carrying value before impairment	124.2	28.9	92.3	245.4
H+S carrying value before impairment	14.6	12.8	25.7	53.1
Total ERO carrying value before impairment	138.8	41.7	118.0	298.5
DAI impairment to recoverable amount	124.2	8.3	24.4	156.9
H+S impairment to recoverable amount	14.6	4.5	7.2	26.3
Total ERO impairment to recoverable amount	138.8	12.8	31.6	183.2
DAI carrying value after impairment	–	20.6	67.9	88.5
H+S carrying value after impairment	–	8.3	18.5	26.8
Total ERO carrying value after impairment	–	28.9	86.4	115.3

	Goodwill $m	Intangible Assets $m	Property Plant & Equipment $m	Total $m
Impairment on the balance sheet	138.8	12.8	31.6	183.2
Disposal of impaired assets	–	–	1.2	1.2
Impairment in profit or loss	138.8	12.8	32.8	184.4

The Group has determined the recoverable amount of each CGU from value-in-use calculations and our best estimate of proceeds relating to certain asset disposals associated with our ERO footprint rationalisation.

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9. Property, plant and equipment

	Land and buildings 2016 $m	Fixtures and equipment 2016 $m	Total 2016 $m	Land and buildings 2015 $m	Fixtures and equipment 2015 $m	Total 2015 $m
Cost or valuation						
Beginning of year	757.2	458.0	1,215.2	761.4	465.7	1,227.1
Exchange adjustments	(12.2)	(11.5)	(23.7)	(4.2)	(8.0)	(12.2)
Transfers from/(to) other asset categories	27.4	(40.1)	(12.7)	(4.9)	(5.4)	(10.3)
Acquisition of businesses	292.9	27.6	320.5	8.7	5.0	13.7
Additions	66.6	40.5	107.1	52.5	30.2	82.7
Disposals	(1.1)	(12.4)	(13.5)	(10.7)	(14.7)	(25.4)
Asset write downs	(5.7)	(4.1)	(9.8)	(45.6)	(14.8)	(60.4)
Transfer to assets held for sale	(32.9)	(145.9)	(178.8)	–	–	–
End of year	1,092.2	312.1	1,404.3	757.2	458.0	1,215.2
Accumulated depreciation and impairment						
Beginning of year	(302.2)	(268.0)	(570.2)	(318.5)	(272.7)	(591.2)
Exchange adjustments	3.5	5.3	8.8	1.7	3.8	5.5
Transfers to/(from) other asset categories	(13.8)	18.4	4.6	3.3	(1.4)	1.9
Depreciation charge for the year	(50.7)	(19.0)	(69.7)	(36.3)	(22.2)	(58.5)
Disposals	0.7	6.0	6.7	2.3	10.3	12.6
Impairment	–	(31.6)	(31.6)	–	–	–
Asset write downs	5.0	2.4	7.4	45.3	14.2	59.5
Transfer to assets held for sale	18.2	97.1	115.3	–	–	–
End of year	(339.3)	(189.4)	(528.7)	(302.2)	(268.0)	(570.2)
Carrying amount						
End of year	752.9	122.7	875.6	455.0	190.0	645.0
Beginning of year	455.0	190.0	645.0	442.9	193.0	635.9

	2016 $m	2015 $m
Capital commitments		
Capital expenditure contracted for but not provided for continuing and discontinued operations	49.9	80.4
Capital expenditure contracted for but not provided for continuing operations	44.8	68.2
Capital expenditure contracted for but not provided for discontinued operations	5.1	12.2

Where assets have been written down or impaired, the recoverable amount has been determined by reference to its value in use, estimated using the forecast cash flows over the remaining life of the asset and discounted using a rate of 10.9% (31 December 2015: 9.5%) for the DAI CGU and 10.4% (31 December 2015: 9.2%) for the H&S CGU.

The amounts disclosed above for asset write downs are attributable to $1.8 million (2015: $0.9 million) in Flight Support, $0.6 million (2015: $nil million) in Aftermarket Services and $nil (2015: $nil) in unallocated corporate.

10. Interests in associates and joint ventures

Interests in associates	2016 $m	2015 $m
Cost of investment in associates	26.3	–
Share of post-acquisition profit, net of dividends received	7.5	5.9
Group share of net assets of associates	33.8	5.9

The investment in associates relates to the Landmark Aviation FBO disposal bases, the Landmark Aviation aircraft charter and management business, Page Avjet Fuel Co LLC and Hong Kong Business Aviation Centre Limited. All of which are investments within the Flight Support segment.

On 5 February 2016 the Group acquired Landmark Aviation. Under the terms of the regulatory approval in connection with the acquisition of Landmark Aviation, the Company was required to sell six legacy Landmark Aviation FBOs, see note 25. Though the operations are wholly owned by the Group, as a result of the restrictions placed upon our influence by the requirements of the U.S. Department of Justice the results of the operations have been accounted for as an associate undertaking.

As part of the acquisition of Landmark Aviation the Group also acquired Landmark's aircraft management and charter business. The 100% equity holding in this business was classified as an associate on acquisition as a result of operating restrictions imposed on the Group's investment by foreign ownership regulations.

On 30 December 2016 the Group agreed to the merger of its aircraft management and charter business with Gama Aviation's US aircraft management business. The Group now owns a 24.5% equity holding of the merged venture, Gama Aviation Signature Aircraft Management and has classified its investment as an associate.

In 2015 the Group's investment in Hong Kong Business Aviation Centre Limited was reclassified from a financial instrument to an associate to more appropriately reflect our level of influence. As described in note 2 the reclassification resulted in the recognition of $5.2 million of operating profit during 2015 which related to prior periods.

Aggregated amounts relating to associates	2016 $m	2015 $m
Total assets	144.9	113.6
Total liabilities	(93.5)	(57.1)
Net assets	51.4	56.5

	2016 $m	2015 $m
Revenue	436.3	343.9
Profit for the year	33.2	3.1
Group's share of profit for the year relating to the current year	11.7	2.4
Group's share of profit for the year relating to prior periods	–	5.2
Group's share of profit and total comprehensive income for the year	11.7	7.6

A list of investments in associates, including name, country of incorporation and proportion of ownership interest is given in the note on Subsidiaries and Related Undertakings on pages 161-167.

Interests in joint ventures	2016 $m	2015 $m
Cost of investment in joint ventures	4.2	4.2
Share of post-acquisition profit, net of dividends received	2.1	1.9
Group share of net assets of joint ventures	6.3	6.1

Summary of aggregate financial results and position of joint ventures:

	2016 $m	2015 $m
Current assets	5.9	12.2
Non-current assets	8.7	7.6
Total assets	14.6	19.8

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10. Interests in associates and joint ventures – continued

Current liabilities	(2.9)	(6.8)
Total liabilities	(5.4)	(8.3)
Net assets	9.2	11.5

	2016 $m	2015 $m
Total revenues	36.8	56.4
Total profit for the year	8.7	10.1
Group's share of profit and total comprehensive income for the year	1.7	2.0

The Group has two joint venture investments being Signature Canada FBO Services Inc and Jacksonville Jetport LLC. The Group holds a 75% ownership interest and a 50% share of voting power in Signature Canada FBO Services Inc, a company incorporated in Canada.

The Group acquired 80% of ASIG Panama SA in 2015, taking its ownership to 100% and therefore took control of the entity from 1 July 2015. From the date of change in control the entity was fully consolidated as a wholly owned subsidiary.

11. Inventories

	2016 $m	2015 $m
Raw materials	133.8	131.1
Work in progress	25.3	24.1
Finished goods	76.7	66.1
	235.8	221.3

As at 31 December 2016, included within assets classified as held for sale is a further $4.0 million (2015: $nil million) of inventories (see note 25).

12. Other financial assets

Trade and other receivables	Note	2016 $m	2015 $m
Amounts due within one year			
Trade receivables		223.9	231.9
Other receivables, prepayments and accrued income		69.8	103.9
Derivative financial instruments	17	3.0	5.9
Trade and other receivables due within one year		296.8	341.7
Amounts due after one year			
Trade and other receivables		5.6	5.0
Available for sale investments		4.5	5.5
Derivative financial instruments	17	9.1	11.6
Trade and other receivables due after one year		19.2	22.1
		316.0	363.8

As at 31 December 2016, included within assets classified as held for sale is a further $100.8 million (2015: $nil) of trade and other receivables (see note 25).

Trade receivables

An allowance has been made for estimated irrecoverable amounts from the sale of goods and services of $7.5 million (2015: $3.5 million). This allowance has been determined by reference to past default experience and current expectations.

Included in the Group's trade receivables balances are debtors with a carrying amount of $58.7 million (2015: $44.5 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these overdue receivables is 73 days (2015: 62 days).

	2016 $m	2015 $m
Ageing of past due but not impaired receivables		
30–60 days	30.6	33.1
60–90 days	11.3	4.6
90–120 days	6.6	3.2
Over 120 days	10.2	3.6
	58.7	44.5

	2016 $m	2015 $m
Movement in the allowance for doubtful debts		
Beginning of year	(3.5)	(1.8)
Exchange adjustments	0.1	–
Amounts written off as uncollectable	1.4	1.9
Charged in the year	(8.6)	(3.6)
Allowance for doubtful debts transferred to assets held for sale	3.1	–
End of year	(7.5)	(3.5)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2016 $m	2015 $m
Ageing of impaired trade receivables		
30 – 60 days	1.7	–
60–90 days	3.0	0.3
90–120 days	1.4	1.1
Over 120 days	1.4	2.1
	7.5	3.5

Cash and cash equivalents	2016 $m	2015 $m
Cash at bank and in hand	111.2	123.7
Short-term bank deposits	71.3	842.7
Cash and cash equivalents for continuing operations	182.5	966.4
Cash and cash equivalents held for sale	22.8	–
Cash and cash equivalents in the statement of cash flows	205.3	966.4

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

In 2015 the Group's net cash position related to the proceeds of the rights issue which had not been deployed but relate to the acquisition of Landmark Aviation.

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12. Other financial assets – continued

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, investments and derivative financial instruments.

The Group's policy on credit risk relating to cash and derivative financial instruments is disclosed in note 17.

The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

13. Trade and other payables

	Note	2016 $m	2015 $m
Amounts due within one year			
Trade payables		297.0	252.1
Other taxation and social security		10.9	12.4
Other payables		87.3	55.2
Accruals and deferred income		141.4	117.2
Derivative financial instruments	17	6.3	2.5
		542.9	439.4
Amounts due after one year			
Trade and other payables		–	18.4
Derivative financial instruments	17	4.0	4.7
		4.0	23.1
Total trade and other payables		546.9	462.5

As at 31 December 2016, included within assets classified as held for sale is a further $88.5 million (2015: $nil) of trade and other payables (see note 25).

In 2015 there was a re-classification between current other payables and accruals and deferred income and current and non-current provisions. Further information is provided in the accounting policies note.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

The average age of trade creditors was 52 days (2015: 52 days).

14. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2016 $m	2015 $m	2016 $m	2015 $m
Amounts payable under finance leases				
Within one year	(0.3)	–	(0.2)	–
In the second to fifth years inclusive	(1.8)	–	(1.5)	–
	(2.1)	–	(1.7)	–
Less: future finance charges	0.4	–	–	–
Present value of lease obligations	(1.7)	–	(1.7)	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	0.3	–	0.2	–
Amount due for settlement after 12 months	(1.4)	–	(1.5)	–

The Group acquired leased assets in the year, see note 24. The average lease term was 5 years for equipment and 22 years for FBO leasehold improvements. In 2016, the average effective borrowing rate for the Group was 6.2%. Interest rates were fixed at the contract date or varied based on prevailing interest rates. For the year ended 31 December 2015 there were no finance leases outstanding.

All of the Group's finance lease obligations are denominated in US dollars.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

15. Operating lease arrangements

The Group as lessee

	2016 $m	2015 $m
Minimum lease payments under operating leases recognised as an expense in the year for continuing and discontinued operations	114.1	98.5
Minimum lease payments under operating leases recognised as an expense in the year for continuing operations	90.0	74.1
Minimum lease payments under operating leases recognised as an expense in the year for discontinued operations	24.1	24.4

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2016 $m	2015 $m
Within one year	187.5	91.6
In the second to fifth years inclusive	623.5	375.6
After five years	1,812.5	1,008.3
Total outstanding commitments under non-cancellable operating leases on continuing and discontinued operations	2,623.5	1,475.5
Total outstanding commitments under non-cancellable operating leases on continuing operations	2,582.9	1,428.6
Total outstanding commitments under non-cancellable operating leases on discontinued operations	40.6	46.9

Operating lease payments represent amounts payable by the Group for certain of its office properties, plant, FBOs and equipment. Leases are negotiated for an average term of five years for office properties, nine years for plant and warehouses, 25 years for FBOs and four years for equipment. Rentals are generally fixed or adjusted based on inflation.

The total future minimum sub-lease payments expected to be received under non-cancellable sub-leases at 31 December 2016 were $303.3 million (2015: $252.5 million).

16. Borrowings

	2016 $m	2015 $m
Bank overdrafts	1.0	12.0
Bank loans	1,036.2	–
Loan notes	507.3	507.8
Other loans	3.2	3.6
	1,547.7	523.4
The borrowings are repayable as follows:		
On demand or within one year	1.0	12.3
In the second year	121.8	–
In the third to fifth years inclusive	1,214.4	122.8
After five years	210.5	388.3
	1,547.7	523.4
Less: Amount due for settlement within 12 months (shown within current liabilities)	(1.0)	(12.3)
Amount due for settlement after 12 months	1,546.7	511.1

Current year bank loans and loan notes are stated after their respective transaction costs and related amortisation.

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16. Borrowings – continued

2016

Type	Facility amount $m	Principal $m	Amortisation costs $m	Fair value adjustment $m	Drawn $m	Headroom $m	Facility date	Maturity date
Multicurrency revolving bank credit facility	650.0	230.0	(1.8)	–	228.2	420.0	Apr 2014	Apr 2019
Acquisition facility bank term loan – Facility B[1]	363.4	363.4	(1.8)	–	361.6		Sep 2015	Feb 2019
Acquisition facility Bank term loan – Facility C[1]	450.0	450.0	(3.6)	–	446.4		Sep 2015	Sep 2020
Total bank loans					**1,036.2**			
$300m US private placement senior notes – Series A	120.0	120.0	(0.3)	2.1	121.8		May 2011	May 2018
$300m US private placement senior notes – Series B	120.0	120.0	(0.3)	4.1	123.8		May 2011	May 2021
$300m US private placement senior notes – Series C	60.0	60.0	(0.2)	0.2	60.0		May 2011	May 2023
$200m US private placement senior notes – Series A	50.0	50.0	(0.2)	1.7	51.5		Dec 2014	Dec 2021
$200m US private placement senior notes – Series B	100.0	100.0	(0.3)	0.4	100.1		Dec 2014	Dec 2024
$200m US private placement senior notes – Series C	50.0	50.0	(0.2)	0.3	50.1		Dec 2014	Dec 2026
Total loan notes					**507.3**			
Bank overdraft – UK cash pool					1.0			
Other loans					3.2			
	1,963.4				**1,547.7**	**420.0**		

1 Initial drawings under the Landmark Aviation acquisition debt facilities were for $1,000 million drawn under three facilities - Facility A, Facility B and Facility C. Facility A was a short-term bridge to disposal facility which was fully repaid on 30 June 2016 from the proceeds of $187 million from the disposal of the FBO bases as part of the requirements of the U.S. Department of Justice under the terms of the regulatory approval following the acquisition of Landmark Aviation. The balance of the proceeds $37 million was used to prepay part of Facility B under the requirements of the loan documentation.

2015

Type	Facility amount $m	Principal $m	Amortisation costs $m	Fair value adjustment $m	Drawn $m	Headroom $m	Facility date	Maturity date
Multicurrency revolving bank credit facility	650.0	–	–	–	–	650.0	Apr 2014	Apr 2019
Acquisition facility bank term loan – Facility A	150.0	–	–	–	–		Sep 2015	Aug 2016
Acquisition facility bank term loan – Facility B	400.0	–	–	–	–		Sep 2015	Feb 2019
Acquisition facility Bank term loan – Facility C	450.0	–	–	–	–		Sep 2015	Sep 2020
Total bank loans					–			
$300m US private placement senior notes – Series A	120.0	120.0	(4.1)	3.9	119.8		May 2011	May 2018
$300m US private placement senior notes – Series B	120.0	120.0	(0.5)	5.5	125.0		May 2011	May 2021
$300m US private placement senior notes – Series C	60.0	60.0	(0.3)	0.7	60.4		May 2011	May 2023
$200m US private placement senior notes – Series A	50.0	50.0	(0.2)	2.3	52.1		Dec 2014	Dec 2021
$200m US private placement senior notes – Series B	100.0	100.0	(0.4)	0.8	100.4		Dec 2014	Dec 2024
$200m US private placement senior notes – Series C	50.0	50.0	(0.2)	0.3	50.1		Dec 2014	Dec 2026
Total loan notes					**507.8**			
Bank overdraft – UK cash pool					12.0			
Other loans					3.6			
	2,150.0				**523.4**	**650.0**		

As at 31 December 2016, the Group had $500 million of U.S. private placement senior loan notes outstanding with $400 million accounted for at fair value through profit and loss as the fair value interest rate risk has been hedged from fixed to floating rates. The remainder is accounted for at amortised cost.

Under IFRS hedge accounting rules the fair value movement on the loan notes is booked to interest and is offset by the fair value movement on the underlying interest rate swaps.

The Group includes the fair value gain on the interest rate swaps in relation to the loan notes within net debt so that the net effect is to show the $500 million US private placement at face value and to reflect the fact that the liabilities will be in place until maturity. More information is included in note 17.

All other borrowings are held at amortised cost.

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16. Borrowings – continued

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Sterling $m	US dollar $m	Euro $m	Other $m	Total $m
31 December 2016					
Bank overdrafts	0.2	–	0.8	–	1.0
Bank loans	–	1,036.2	–	–	1,036.2
Loan notes	–	507.3	–	–	507.3
Other loans	0.2	3.0	–	–	3.2
	0.4	1,546.5	0.8	–	1,547.7
31 December 2015					
Bank overdrafts	8.6	2.3	0.1	1.0	12.0
Loan notes	-	507.8	-	-	507.8
Other loans	0.3	3.0	-	0.3	3.6
	8.9	513.1	0.1	1.3	523.4

The average floating interest rates on borrowings are as follows:

	2016	2015
Sterling	1.4%	1.5%
US dollar	2.5%	0.5%
Euros	0.0%	0.2%

The Group's borrowings are funded through a combination of fixed and floating rate debt. The floating rate debt exposes the Group to cash flow interest rate risk whilst the fixed rate US dollar private placement loan notes exposes the Group to changes in the fair value of fixed rate debt due to changes in interest rates. Interest rate risk is managed by the combination of fixed rate debt and interest rate swaps in accordance with pre-agreed policies and authority limits. As at 31 December 2016, 65% (2015: 77%) of the Group's borrowings are fixed at a weighted average interest rate of 3.3% (2015: 3.2%) for a weighted average period of three years (2015: four years).

Bank overdrafts are repayable on demand. All bank loans and loan notes are unsecured.

17. Financial instruments

Categories of financial instruments

The carrying values of the financial instruments of the Group are analysed below:

	2016 Carrying value $m	2015 Carrying value $m
Financial assets		
Fair value through profit or loss – foreign exchange contracts[a]	2.7	5.9
Derivative instruments held in fair value hedges[b]	5.5	9.3
Derivative instruments in cash flow hedges	3.9	2.3
Available for sale investments	4.5	5.5
Loans and receivables (including cash and cash equivalents)[c, d]	406.5	1,198.5
	423.1	1,221.5
Financial liabilities		
Fair value through profit or loss – foreign exchange contracts[a]	(0.9)	(0.7)
Derivative instruments held in cash flow hedges	(9.4)	(6.5)
Financial liabilities at amortised cost[d]	(1,507.4)	(381.7)
Financial liabilities at fair value	(406.4)	(406.5)
	(1,924.1)	(795.4)

[a] Foreign exchange contracts disclosed as fair value through profit and loss are substantially contracts not designated in a formal hedging relationship and are used to hedge foreign currency flows through the BBA Aviation plc company bank accounts to ensure that the Group is not exposed to foreign exchange risk through the management of its international cash management structure.

[b] Derivative instruments held in fair value hedges are designated in formal hedging relationships and are used to hedge the change in fair value of fixed rate US dollar borrowings.

[c] Recoveries from third parties in respect of environmental and other liabilities totalling $5.7 million (2015: $4.8 million) are included within trade and other receivables.

[d] The carrying value of trade and other receivables, and other payables approximates their fair value.

Derivative financial instruments

The fair values and notional amounts of derivative financial instruments are shown below. The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. All valuation techniques take into account assumptions based upon available market data at the balance sheet date. The notional amounts are based on the contractual gross amounts at the balance sheet date.

Derivative financial assets	2016		2015	
	Notional amount $m	Fair value $m	Notional amount $m	Fair value $m
Cash flow hedges				
Interest rate swaps	(590.0)	3.4	(630.3)	2.2
Foreign exchange forward contracts	1.9	0.5	4.0	0.1
Fair value hedges				
Interest rate swaps	(400.0)	5.5	(400.0)	9.3
Derivatives not in a formal hedge relationship				
Foreign exchange forward contracts	159.9	2.7	233.6	5.9
	(828.2)	12.1	(792.7)	17.5

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17. Financial instruments – continued

Derivative financial liabilities measured at fair value	2016		2015	
	Notional amount $m	Fair value $m	Notional amount $m	Fair value $m
Cash flow hedges				
Interest rate swaps	(455.0)	(3.5)	(505.0)	(4.2)
Foreign exchange forward contracts	(55.5)	(5.9)	(75.9)	(2.3)
Fair value hedges				
Interest rate swaps	–	–	–	–
Derivatives not in a formal hedge relationship				
Foreign exchange forward contracts	48.4	(0.9)	(25.7)	(0.7)
	(462.1)	(10.3)	(606.6)	(7.2)

Adjustments relating to the credit risk of BBA Aviation plc and its counterparties, as defined within IFRS 13, are immaterial in the current and prior periods.

The maturity of derivative financial instruments is as follows:

	2016		2015	
	Asset fair value $m	Liability fair value $m	Asset fair value $m	Liability fair value $m
Current				
Less than one year	3.0	(6.3)	5.9	(2.5)
Total current	3.0	(6.3)	5.9	(2.5)
Non-current				
One to two years	2.5	(3.7)	0.1	(1.6)
Two to three years	–	(0.3)	3.8	(2.6)
Three to four years	3.4	–	–	(0.5)
Four to five years	2.1	–	2.2	–
More than five years	1.1	–	5.5	–
Total non-current	9.1	(4.0)	11.6	(4.7)
	12.1	(10.3)	17.5	(7.2)

Collateral

As part of the Group's management of its insurable risks, a proportion of this risk is managed through self-insurance programmes operated by the Group's captive insurance companies, BBA Aviation Insurances Limited, based in the Isle of Man, and BBA Aviation Insurances (Vermont) Inc. These companies are wholly owned subsidiaries of the Group and premiums paid are held to meet future claims. The cash balances held by these companies are reported on the balance sheet within cash and cash equivalents. As is usual practice for captive insurance companies some of this cash is used as collateral against contingent liabilities (standby letters of credit) that have been provided to certain external insurance companies.

The table below details the contractual amount of the cash balances that have been pledged as collateral for these contingent liabilities, all of which are current:

	2016			2015		
	US dollar $m	Sterling $m	Total $m	US dollar $m	Sterling $m	Total $m
BBA Aviation Insurances Limited	11.3	0.7	12.0	11.4	0.8	12.2
BBA Aviation Insurances (Vermont) Inc	15.2	–	15.2	15.1	–	15.1
Total	26.5	0.7	27.2	26.5	0.8	27.3

The standby letters of credit have been issued via bank facilities and the amount of these facilities corresponds to the amounts pledged as detailed in the table above. The amounts pledged are usually for less than one year, and are secured by a legal charge to the bank providing the letters of credit, over the cash balances of these companies corresponding to the amount of the standby letters of credit.

Financial risk factors

Our activities expose the Group to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Overall the risk management policies and procedures focus on the uncertainty of financial markets and seek to manage and minimise potential financial risks through the use of derivative financial instruments. The Group does not undertake speculative transactions for which there is no underlying financial exposure.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors of BBA Aviation plc. This department identifies, evaluates and hedges financial risks in close co-operation with Group subsidiary companies. The treasury policies cover specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and the investment of excess liquidity. These policies are outlined on page 36.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent comprising capital, reserves and retained earnings.

The Group's policy is to borrow centrally to meet anticipated funding requirements. These borrowings, together with cash generated from the operations, are on-lent or contributed as equity to subsidiaries at market-based interest rates and on commercial terms and conditions.

The Group is subject to two financial covenant requirements within its borrowing facilities: maximum net debt to underlying EBITDA of 3.5 times and minimum net interest cover of 3.0 times (based on EBITDA). The borrowing facilities permit the use of an 'acquisition spike' which allows for the maximum net debt to underlying EBITDA covenant to be 4.0 times for two test periods following the activation of the 'acquisition spike'. The 'acquisition spike' was activated in February 2016 so the higher test applied for the testing periods ending June 2016 and December 2016. The maximum net debt to underlying EBITDA will revert back to 3.5 times from the testing period ending June 2017. The Group complied with these covenants during the year.

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in foreign currency exchange rates and interest rates. The Group has well-defined policies for the management of these risks which includes the use of derivative financial instruments.

(i) Foreign exchange risk

The Group has significant overseas businesses whose revenues, cash flows, assets and liabilities are mainly denominated in the currency in which the operations are located. The Group's policy in relation to foreign exchange translation risk is not to hedge the income statement since such hedges only have a temporary effect. In relation to the balance sheet, the Group seeks to denominate the currency of its borrowings in US dollars in order to match the currency of its cash flows, earnings and assets which are principally denominated in US dollars.

As at 31 December 2016, the majority of the Group's net borrowings were denominated in US dollars as set out below:

					2016
	US dollar $m	Euros $m	Sterling $m	Other $m	Total $m
Cash and cash equivalents	136.8	15.5	22.2	8.0	182.5
Borrowings and finance leases	(1,548.2)	(0.8)	(0.4)	–	(1,549.4)
Net borrowings per the Balance Sheet	(1,411.4)	14.7	21.8	8.0	(1,366.9)

					2015
	US dollar $m	Euros $m	Sterling $m	Other $m	Total $m
Cash and cash equivalents	893.9	12.0	50.4	10.1	966.4
Borrowings	(513.1)	(0.1)	(8.9)	(1.3)	(523.4)
Net borrowings per the Balance Sheet	380.8	11.9	41.5	8.8	443.0

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17. Financial instruments – continued

Within the Group's definition of net debt the US Private Placement (USPP) is included at its face value of $500 million (2015: $500 million) reflecting the fact that the liabilities will be in place until maturity. This is $7.3 million (2015: $7.8 million) lower than the carrying value, adjusted for the deduction of debt issuance costs. The net carrying value as at 2016 was $507.3 million (2015: $507.8 million).

The Group manages its transactional foreign currency risk by hedging significant currency exposures in accordance with foreign exchange policies that our subsidiaries have in place which have been pre-agreed between Group Treasury and the subsidiary. Each foreign exchange policy is individually tailored to the foreign exchange exposures within the relevant subsidiary. Transaction currency risk is managed through the use of spot and forward foreign exchange contracts. All committed exposures are fully hedged 100% and where significant foreign currency exposures exist then generally a percentage of the projected foreign currency flows are covered, depending on the certainty of these cash flows.

The transaction foreign exchange risk is measured by each subsidiary submitting regular reports to Group Treasury which detail the foreign currency exposure reported on the balance sheet as committed exposures and, for those subsidiaries with significant foreign exchange transaction exposures, an additional report detailing the future projected foreign currency cash flows over the life of the policy. The pre-determined policy margin is shown against the projected exposures to determine whether there is a net exposure which needs to be hedged. If this is the case, then foreign exchange spot or forward contract(s) will be undertaken by Group Treasury on behalf of the relevant subsidiary with the Group's relationship banks.

			2016
	US dollar $m	Euros $m	Total $m
Net foreign exchange transaction cash flow exposure	71.3	1.5	72.8
Derivative effect – foreign exchange contracts spot/forwards	(53.7)	(0.5)	(54.2)
Net asset position excluding inter-company debt post hedging effect	17.6	1.0	18.6

			2015
	US dollar $m	Euros $m	Total $m
Net foreign exchange transaction cash flow exposure	90.5	3.2	93.7
Derivative effect – foreign exchange contracts spot/forwards	(70.7)	(2.0)	(72.7)
Net asset position excluding inter-company debt post hedging effect	19.8	1.2	21.0

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to $1.3 million (2015: $0.5 million) has been recognised in other comprehensive income. A gain of $4.5 million (2015: gain of $1.1 million) has been transferred to the income statement.

Foreign exchange contracts that are not designated as cash flow hedges are used to hedge foreign currency flows through the BBA Aviation plc company bank accounts and to ensure that the Group is not exposed to foreign exchange risk through the management of its international cash pooling structure.

Changes in the fair value of foreign exchange contracts which have not been designated as cash flow hedges amounting to $34.6 million (2015: $5.7 million) have been transferred to administrative expenses in the income statement in the year. The net impact on the Group's result for the period is immaterial, since the balances which these contracts relate to have had a similar but opposite effect on administrative expenses.

(ii) Interest rate risk

The Group's borrowings are funded through a combination of bank debt and capital markets borrowings. The Group's bank debt is funded through floating rate debt which exposes the Group to cash flow interest rate risk. The Group's capital markets borrowings are financed through US private placement fixed rate debt which exposes the Group to changes in the fair value of the fixed rate debt due to changes in interest rates. The Group's policy in relation to interest rate risk specifies the portion of its debt obligations, which should be fixed through the use of fixed rate debt and/or interest rate swaps, based on the debt maturity profile and an assessment of interest rate trends.

The fixed/floating interest rate mix within net debt and other financial instruments is as follows:

			2016
	Cash and cash equivalents $m	Book value of borrowings $m	Fair value of borrowings $m
Fixed interest rate (adjusted for interest rate hedging)			
Less than one year	–	(180.0)	(180.4)
Between two and five years	–	(732.8)	(734.4)
After five years	–	(74.8)	(84.6)
Total fixed interest rate (adjusted for interest rate hedging)	–	(987.6)	(999.4)
Floating interest rate	182.5	(561.8)	(561.8)
Total interest-bearing assets/(liabilities) within net debt	182.5	(1,549.4)	(1,561.2)

			2015
	Cash and cash equivalents $m	Book value of borrowings $m	Fair value of borrowings $m
Fixed interest rate (adjusted for interest rate hedging)			
Less than one year	–	–	–
Between two and five years	–	(301.6)	(303.6)
After five years	–	(99.3)	(115.0)
Total fixed interest rate (adjusted for interest rate hedging)	–	(400.9)	(418.6)
Floating interest rate	966.4	(427.5)	(427.5)
Total interest-bearing assets/(liabilities) within net debt	966.4	(828.4)	(846.1)

In 2015, as part of the Group's cash management strategy of the rights issue proceeds some of this cash was used to temporarily repay borrowings under the $650m facility prior to completion of the Landmark Aviation acquisition. Therefore, as at 31 December 2015 bank loans were $nil but the table above includes $305 million of cash flow interest rate swaps which have been put in place to hedge the bank debt.

The fair values of the financial instruments above are categorised within Level 2 of the fair value hierarchy on the basis that their fair value has been calculated using inputs that are observable in active markets which are related to the individual asset or liability.

The Group has designated $1,045 million interest rate swaps as cash flow hedges of which $150 million are forward starting interest rate swaps and the fair value gain of $5.4 million (2015: gain of $2.6 million) has been recognised in other comprehensive income. A charge of $7.3 million (2015: charge of $3.7 million) has been booked against hedged interest payments made in the period.

As detailed in note 16, $400million of the $500million US dollar private placement loan notes included within borrowings above have been adjusted by fair value changes due to interest rate risk, as this has been hedged using interest rate swaps converting fixed interest to floating interest rates. The fair value loss of $3.8 million on the swaps has been recognised in the income statement (2015: gain of $1.1 million) which has been offset by the fair value gain on the related fixed rate debt of $3.8 million (2015: loss of $1.1 million). This has also been booked to the income statement and the net impact is immaterial.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. As part of the Group's operations, cash management and risk management activities, the Group is exposed to counterparty risk arising on the financial assets held by the Group and the credit risk on outstanding derivative financial instruments.

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17. Financial instruments – continued

Treasury-related credit risk

The Group aims to reduce counterparty risk by dealing with counterparties with investment grade ratings, as measured by financial credit rating agencies. All treasury related activity is concentrated with relationship banks that provide unsecured committed facilities to the Group. Across the subsidiaries, wherever possible and where services can be provided efficiently and cost-effectively, bank accounts, surplus cash and any hedging activity are concentrated and undertaken with relationship banks.

Each counterparty that the Group uses for derivatives, bank account activity and the investment of surplus cash is assigned a maximum credit limit dependent upon the counterparty's credit rating. This limit gives a maximum permitted amount of cash and derivatives that can be held or undertaken with each counterparty. Deposits are generally for short-term maturity of less than three months.

As at 31 December 2016 and 31 December 2015, the Group had a number of exposures to individual counterparties. These exposures are continually monitored and reported and no individual exposure is considered significant in the ordinary course of treasury management activity. No significant losses are expected to arise from non-performance by these counterparties.

Commercial-related credit risk

The Group's exposure to commercial-related credit risk is primarily attributable to its trade and finance lease receivables and the amounts presented in the balance sheet are net of allowances for doubtful receivables. Sales to customers are settled by a number of different ways including cash, credit cards, cheques and electronic payment methods. A customer or potential customer is assessed on a case-by-case basis to determine whether credit terms will be provided. The Group does not expect any significant losses of receivables that have not been provided for, as shown in note 12.

Liquidity risk

The Group manages its liquidity requirements through the use of short-term and long-term cash flow forecasts. In addition to strong cash generation in the businesses the Group maintains unsecured committed borrowing facilities from a range of banks to mitigate this risk further. Headroom on our facilities is regularly evaluated and consistently monitored to ensure that the Group has adequate headroom and liquidity.

The table in note 16 provides a breakdown of the Group's committed borrowing facilities.

The following table provides an analysis of the contractual undiscounted cash flows payable under the financial liabilities as at the balance sheet date:

2016

	US$ private placement $m	Bank loans and overdrafts $m	Finance leases $m	Other loans $m	Trade payables $m	Non-derivative financial liabilities $m	Derivative financial liabilities $m	Total $m
Due within one year	24.3	33.2	0.3	0.2	364.4	422.4	8.3	430.7
Due between one and two years	140.3	32.0	0.4	0.2	–	172.9	2.0	174.9
Due between two and three years	17.9	610.6	0.4	3.4	–	632.3	(0.1)	632.2
Due between three and four years	17.9	460.4	0.4	–	–	478.7	–	478.7
Due between four and five years	183.5	–	0.4	–	–	183.9	–	183.9
Due in more than five years	234.9	–	–	–	–	234.9	–	234.9
Total	618.8	1,136.2	1.9	3.8	364.4	2,125.1	10.2	2,135.3

	US$ private placement $m	Bank loans and overdrafts $m	Finance leases $m	Other loans $m	Trade payables $m	Non-derivative financial liabilities $m	Derivative financial liabilities $m	Restated 2015 Total $m
Due within one year	24.3	12.0	–	0.6	264.8	301.7	4.8	306.5
Due between one and two years	24.3	–	–	0.2	–	24.5	2.1	26.6
Due between two and three years	140.3	–	–	0.2	–	140.5	1.0	141.5
Due between three and four years	17.9	–	–	3.4	–	21.3	(0.1)	21.2
Due between four and five years	17.9	–	–	–	–	17.9	–	17.9
Due in more than five years	418.4	–	–	–	–	418.4	–	418.4
Total	643.1	12.0	-	4.4	264.8	924.3	7.8	932.1

The maturity profile of the Group's financial derivatives using undiscounted cash flows is as follows:

	2016		2015	
	Payable $m	Receivable $m	Payable $m	Receivable $m
Due within one year	(339.4)	336.6	(386.8)	391.4
Due between one and two years	(44.7)	46.2	(52.6)	54.2
Due between two and three years	(23.5)	26.5	(27.3)	29.6
Due between three and four years	(18.7)	20.7	(20.5)	23.6
Due between four and five years	(11.5)	11.0	(18.5)	20.6
Due in more than five years	(17.7)	16.7	(29.3)	27.7
Total	(455.5)	457.7	(535.0)	547.1

Sensitivity analysis as at 31 December 2016

Financial instruments affected by market risk are derivative financial instruments. The following analysis is intended to illustrate the sensitivity to changes in foreign exchange rates and interest rates.

The sensitivity analysis has been prepared on the basis that the derivative portfolio and the proportion of derivatives hedging foreign exchange risk and interest rate risk are all constant and on the basis of hedge designations in place at 31 December 2016 and 2015 respectively. As a consequence, this sensitivity analysis relates to the position at these dates and is not representative of the year then ended.

The following assumptions were made in calculating the sensitivity analysis:

- fair value interest rate swaps are assumed to be fully effective and therefore there is no impact on the income statement or balance sheet from changes in interest rates;
- changes in the carrying value of derivative financial instruments designated as cash flow hedges or net investment hedges are assumed to be recorded fully within other comprehensive income;
- the sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, cash and derivative instruments;
- changes in the carrying value of derivative financial instruments not in hedging relationships only affect the income statement;
- all other changes in the carrying value of derivative financial instruments designated as hedges are fully effective with no impact on the Income Statement;
- the floating rate leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in the interest rate affects a full 12-month period for the accrued interest portion of the sensitivity calculations;
- the sensitivity of foreign exchange rates only looks at the outstanding foreign exchange forward book and the currency bank account balances of the Company only as at the balance sheet date and assumes this is the position for a full 12-month period;
- the sensitivity of a 10% movement in foreign exchange rates has been used due to the fact that historically rates can move by approximately 10% per annum; and
- the sensitivity of a 1% movement in interest rates has been used due to the fact that historically floating US dollar interest rates have moved by on average 1% per annum.

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17. Financial instruments – continued

Using the above assumptions the following table shows the illustrative effect on the Income Statement and within other comprehensive income that would result from reasonably possible movements in foreign currency exchange rates and interest rates, before the effects of tax.

	2016		2015	
	Income Statement $m	Other comprehensive income $m	Income Statement $m	Other comprehensive income $m
£/$ FX rates – £ strengthens 10%	–	4.9	–	6.4
£/$ FX rates – £ weakens 10%	–	(6.0)	–	(7.9)
£/euro FX rates – £ strengthens 10%	–	0.1	–	0.2
£/euro FX rates – £ weakens 10%	–	(0.1)	–	(0.2)
Interest rates +1.00%	(5.5)	36.0	(4.1)	55.1
Interest rates –1.00%	3.8	(38.6)	1.3	(59.7)

The foreign exchange analysis in the sensitivity table above illustrates the impact of movements in foreign exchange rates on foreign currency transactional exposures and does not include the impact on the translation of the Group's overseas Income Statement and Balance Sheet. The translation impact on profit before tax in the Group's Income Statement from the movement in exchange rates is approximately $0.1 million (2015: $nil million) for each 1% movement in the £/$ exchange rate.

18. Provisions

	Beginning of year $m	Exchange rate adjustments $m	Reallocation to/from other assets/ liabilities $m	From acquisitions $m	Charged in year $m	Utilised in year $m	Transfer to Assets held for sale $m	Released in year $m	End of year $m
31 December 2016									
Insurance provisions	28.1	(2.9)	–	–	19.8	(13.0)	–	(3.4)	28.6
Restructuring provisions	4.5	0.1	–	–	–	(4.6)	–	–	–
Discontinued operations	17.3	–	–	–	1.2	(7.1)	–	(0.1)	11.3
Environmental provisions	2.1	(0.3)	–	8.1	0.3	(0.7)	–	–	9.5
Warranty provisions	5.1	(0.4)	–	4.3	2.8	(0.9)	–	(0.1)	10.8
Other provisions	0.4	(0.3)	–	9.4	–	–	(0.6)	(2.0)	6.9
	57.5	(3.8)	–	21.8	24.1	(26.3)	(0.6)	(5.6)	67.1
Restated 31 December 2015									
Insurance provisions	25.9	(0.7)	–	–	16.8	(13.9)	–	–	28.1
Restructuring provisions	2.4	–	–	–	6.8	(4.7)	–	–	4.5
Discontinued operations	14.2	(0.2)	1.9	–	4.2	(2.8)	–	–	17.3
Environmental provisions	3.1	–	(0.5)	–	0.7	(1.2)	–	–	2.1
Warranty provisions	–	–	3.6	2.1	1.0	(1.4)	–	(0.2)	5.1
Other provisions	–	–	–	–	0.4	–	–	–	0.4
	45.6	(0.9)	5.0	2.1	29.9	(24.0)	–	(0.2)	57.5

In 2016 warranty provisions have been disclosed separately from other provisions; the 2015 note has been represented for comparability.

Insurance provisions relate to the Group's captive insurance Companies. The Group's captive insurance companies retain a portion of the exposure they insure on behalf of the remainder of the Group. Currently the Group retains all or a portion of the risk in relation to its Aviation, Workers Compensation, Automobile and Property damage insurances. Significant delays occur in the notification and/or settlement of claims and judgements involved in assessing outstanding liabilities, the ultimate cost and timing of which cannot be known with certainty at the balance sheet date. The insurance provisions are based on information currently available, however, it is inherent in the nature of the business that ultimate liabilities may vary. Provisions for outstanding claims are estimated to cover the outstanding expected liability as well as claims incurred but not yet reported. The liabilities have an expected life of up to ten years (2015: ten years).

Restructuring provisions represent costs provided in relation to commitments made at the balance sheet date for reorganisations which are expected to occur within one year of the balance sheet date. In 2015 the charges and the closing balance relate to the closure of ASIG Singapore.

Provisions in respect of discontinued operations represent a provision for environmental and other liabilities relating to businesses that have been disposed of by the Group in prior years. The provision of $11.3 million (2015: $17.3 million) is partially offset by expected recoveries from third parties of $5.7 million (2015: $4.8 million), which are included within trade and other receivables due after one year $5.0 million, (2015: $4.1 million) and trade and other receivables due within one year $0.7 million, (2015: $0.7 million) in note 12. The liabilities have an expected life of up to 50 years.

Environmental provisions relate to environmental liabilities within continuing operations of the Group. The liabilities have an expected life of up to ten years (2015: ten years).

Other provisions relate to other trading matters, primarily relating to warranties in the Aftermarket Services division. Due to acquisitions the balance of other liabilities of this nature now warrants separate disclosure. As such the liabilities have been transferred from other liabilities and accruals to provisions in the year to better reflect their nature. The liabilities have an expected life of up to ten years (2015: ten years).

Analysed as:	2016 $m	2015 $m
Current liabilities	27.6	27.0
Non-current liabilities	39.5	30.5
	67.1	57.5

19. Pensions and other post-retirement benefits

The Group operates a number of plans worldwide, of both the funded defined benefit type and the defined contribution type. The normal pension cost for the Group, including early retirement costs, was $13.1 million (2015: $12.5 million) of which $8.9 million (2015: $8.1 million) was in respect of schemes outside of the United Kingdom. This includes $10.9 million (2015 $9.7 million) relating to defined contribution schemes. The pension costs and defined benefit obligation are assessed in accordance with the advice of independent qualified actuaries.

The Group's main UK pension commitments are contained within a final salary defined benefit scheme, the BBA Income and Protection Plan (IPP), with assets held in a separate trustee-administered fund. Contributions to the IPP are made and the pension cost is assessed using the projected unit method. As required by UK pension law, there is a board of Trustees that, together with the Group, is responsible for governance of the IPP.

During 2008, the Trustees of the UK defined benefit plan purchased from Legal & General Group plc an annuity to match the liabilities associated with pensioner members. Since the initial 'buy-in', further tranches of annuities have been purchased periodically in respect of new pensioner liabilities, although there have been no new tranches purchased during 2015 or 2016. The annuity is an investment of the UK plan, and all pension liabilities and responsibility for future pension payments remain with the plan. The income from the annuity matches the payments to be made to the pensioner members it covers and removes mortality risk in relation to those members which are the subject of the annuity purchase.

The Company closed the IPP to future accrual with effect from 31 May 2016 after consultation with members. On this date, all active members became deferred and their pension increases in future will be linked to deferred revaluations.

The actuarial valuation of the UK Income and Protection Plan (the "IPP") as at 31 March 2015 indicated a funding deficit of £44.5 million ($66 million at rate as at 31 March 2015). As agreed with the Trustees of the IPP, BBA will make deficit contribution payments to the IPP of £0.3 million per annum in addition to the Asset-Backed Funding payments (set out below) to meet the costs of running the IPP. The next actuarial valuation is due as at 31 March 2018.

The US Minimum Funding actuarial valuation for the BBA retirement plan as at 1 January 2016 indicated a funding deficit of $2.3 million. As required by US law, BBA will make contribution payments that are in excess of the minimum required contribution amounts. The next actuarial valuation is due as at 1 January 2017.

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19. Pensions and other post-retirement benefits – continued

During the first half of 2014, the Group agreed a new long-term funding package with the Trustee of the IPP, following the sale of APPH Limited. As part of this funding package, an Asset-Backed Funding (ABF) structure was put in place, which entitles the Trustee to receive payments of £2.7 million each year until 2034. In addition, the Group made an additional payment of £4.2 million in January 2015.

The ABF structure consists of a Scottish Limited Partnership (SLP), formed between two newly incorporated subsidiaries of the Group and the Trustee of the IPP. The SLP has a long-term inter-company loan receivable due from Ontic Engineering & Manufacturing UK Limited (Ontic UK), on which annual interest payments of £2.7 million are due over the term of the loan. The SLP will make quarterly profit distributions of the interest payments received from Ontic UK to the IPP, totalling £2.7 million per annum. The Trustee of the IPP acquired its interest in the SLP via an in-specie contribution from BBA.

The ABF structure has been established so that the three newly created entities are consolidated into the Group's financial statements. In addition, the interest in the SLP held by the IPP is not treated as an asset under IAS19, and therefore is not included as part of the Group's pensions disclosures under IAS19. Instead, the payments due to the IPP are treated as a series of payments which the Group has committed to make

The split of the defined benefit obligation at 31 December 2016 is approximately 45% in respect of deferred members and 55% in respect of pensioner members. The weighted average duration of the IPP's liabilities is approximately 15 years.

In February 2016, the Company acquired the Northern Executive Aviation Limited Pension and Assurance Scheme as part of the Landmark Acquisition. This Plan has been included in the consolidated accounts within this report with effect from 5 February 2016. The Group's foreign pension schemes (all in North America) mainly relate to a funded defined benefit pension arrangement.

There is also a post-retirement medical plan and a deferred compensation plan. Pension costs have been calculated by independent qualified actuaries, using the projected unit method and assumptions appropriate to the arrangements in place.

In accordance with IAS 19, and subject to materiality, the latest actuarial valuations of the Group's defined benefit pension schemes and healthcare plan have been reviewed and updated as at 31 December 2016. The following weighted average financial assumptions have been adopted:

	United Kingdom		North America	
	2016	2015	2016	2015
Per annum (%)				
Discount rate	2.5	3.7	4.1	4.3
Rate of increase to pensionable salaries	–	3.5	–	–
Price inflation	3.2	3.0	2.3	2.3
Rate of increase to pensions in payment	3.1	2.9	2.3	2.3

IAS 19 requires that the discount rate used to discount the liability be determined by reference to market yields at the reporting date on high quality corporate bond investments. The currency and terms of these should be consistent with the currency and estimated term of the post-employment obligations. The discount rate for the UK Plans have been derived using a yield curve approach. The yield curve is based on the yield available on Sterling AA rated corporate bonds of a term similar to the liabilities.

The RPI assumption for the UK Plans allow for the shape of the inflation spot curve and the duration of the Plan's liabilities. A deduction of 30 basis points has been made to the breakeven inflation assumption to allow for an inflation risk premium. For the UK Plans, the mortality assumptions are based on the recent actual mortality experience of members within the plan, and a best estimate view of future mortality improvements. The life expectancy assumptions applying to the IPP as at 31 December 2016 are as follows:

	2016		2015	
	Male	Female	Male	Female
Life expectancy for a current 65-year-old (years)	22.1	24.3	22.0	24.2
Life expectancy for a 65-year-old in 15 years (years)	23.5	26.2	23.4	26.1

For the US post-retirement medical plan, the immediate trend rate for medical benefits was 7.50% which is assumed to reduce by 0.5% per annum to 5.0% in 2022 onwards.

The fair value of the assets and liabilities of the schemes at each balance sheet date were:

	United Kingdom		North America		Total	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Assets						
Equities	138.9	180.0	16.9	17.0	155.8	197.0
Government bonds	32.5	28.2	–	–	32.5	28.2
Corporate bonds	83.9	73.1	20.4	19.9	104.3	93.0
Property	29.8	38.6	2.5	2.5	32.3	41.1
Insurance policies	361.7	401.3	–	–	361.7	401.3
Cash	32.7	4.3	0.9	0.7	33.6	5.0
Total fair value of scheme assets	679.5	725.5	40.7	40.1	720.2	765.6

For the UK plans, at 31 December 2016, a total of $460.8m of assets were not quoted on an active investment market (comprising $12.1m government bonds, $31.3m of corporate bonds, $29.5m property, $361.7m of insurance policies and $26.2m of cash). All of the assets in respect of the US plans were quoted on an active investment market except the $0.9m held in cash.

Present value of defined benefit obligations	(737.3)	(739.6)	(65.7)	(66.1)	(803.0)	(805.7)
Liability recognised on the Balance Sheet	(57.8)	(14.1)	(25.0)	(26.0)	(82.8)	(40.1)

In accordance with IAS 19 and IFRIC 14 a minimum funding liability arises where the statutory funding requirements are such that future contributions in respect of past service will result in an unrecognisable surplus in future. As a result of the change to the Rules of the IPP, a minimum funding liability does not need to be recognised at 31 December 2016.

The funding policy for the IPP and majority of the North American schemes is reviewed on a systematic basis in consultation with the independent scheme actuary in order to ensure that the funding contributions from sponsoring employers are appropriate to meet the liabilities of the schemes over the long term.

Included within other receivables in the balance sheet are $2.9 million (2015: $3.1 million) of listed investments which are held in trust for the benefit of members of the deferred compensation plan in North America. These amounts are not included within the assets shown in the table above as they are not controlled by the plan in question.

	United Kingdom		North America		Total	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Analysis of Income Statement charge						
Current service cost	0.8	2.8	–	–	0.8	2.8
Net interest on the net defined benefit asset/liability	0.4	0.8	1.0	1.1	1.4	1.9
Administration expenses	1.6	1.8	0.7	0.6	2.3	2.4
Recognition of past service cost	1.4	–	–	–	1.4	–
Expense recognised in Income Statement	4.2	5.4	1.7	1.7	5.9	7.1

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	United Kingdom		North America		Total	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Changes to the present value of the defined benefit obligation during the year						
Defined benefit obligation at beginning of year	739.6	781.0	66.1	74.3	805.7	855.3
Current service cost	0.8	2.8	–	–	0.8	2.8
Interest cost	24.5	25.2	2.7	2.9	27.2	28.1
Contributions by plan participants	0.2	0.4	–	–	0.2	0.4
Past service cost	1.4	–	–	–	1.4	–
Actuarial (gains)/losses due to change in financial assumptions	158.2	(31.4)	2.0	(2.6)	160.2	(34.0)
Net increase in liabilities from acquisitions	3.8	–	–	–	3.8	–
Actuarial (gains)/losses due to change in demographic assumptions	–	(2.2)	(1.2)	(1.4)	(1.2)	(3.6)
Experience (gains)/losses on scheme liabilities	(10.3)	53.1	0.1	(0.1)	(10.2)	53.0
Net benefits paid out	(42.9)	(49.3)	(4.0)	(7.0)	(46.9)	(56.3)
Foreign currency exchange rate changes	(138.0)	(40.0)	–	–	(138.0)	(40.0)
Defined benefit obligation at end of year	737.3	739.6	65.7	66.1	803.0	805.7

	United Kingdom		North America		Total	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Changes to the fair value of scheme assets during the year						
Fair value of scheme assets at beginning of year	725.5	749.6	40.1	43.5	765.6	793.1
Interest income on scheme assets	24.1	24.4	1.7	1.8	25.8	26.2
Actual employer contributions	6.5	14.5	2.0	6.0	8.5	20.5
Contributions by plan participants	0.2	0.4	–	–	0.2	0.4
Net benefits paid out	(42.9)	(49.3)	(4.0)	(7.0)	(46.9)	(56.3)
Actuarial gains/(losses) on assets	94.9	26.6	1.6	(3.6)	96.5	23.0
Net increase in assets from acquisitions	3.6	–	–	–	3.6	–
Administration expenses	(1.6)	(1.8)	(0.7)	(0.6)	(2.3)	(2.4)
Foreign currency exchange rate changes	(130.8)	(38.9)	–	–	(130.8)	(38.9)
Fair value of plan assets at end of year	679.5	725.5	40.7	40.1	720.2	765.6

At 31 December 2016, the largest single category of investment held by the UK Plans are annuities purchased from Legal and General which matches the liabilities associated with pensioner members, with a value of $361.7 million (53.2% of the asset holding at 31 December 2016). The value of these annuities has been calculated as being equivalent to the value of the pensioner liabilities which they match, using the same actuarial assumptions used to calculate the corresponding element of the DBO. The purpose of the annuity is to help reduce asset/liability mismatch risk.

The remainder of the assets of the UK Plan are invested in a range of funds with different risk and return profiles, with equities being the next largest asset class held after the insurance contract. The objective of the remainder of the portfolio is to generate excess returns, in order to partially fund the UK Plan through asset performance. To the extent that actual investment returns achieved are lower than those assumed, then this may result in a worsening of the funding position and higher future cash contribution requirements for the Group. This is particularly the case in respect of the proportion of the assets held within equity instruments.

The assets of the US Plans are invested in a range of funds with different risk and return profiles. The risks inherent in the investment strategy for these Plans is similar to the risks posed by the investment strategy for the UK Plans, albeit they are smaller in magnitude given the size of the US Plans relative to the UK Plans.

	United Kingdom		North America		Total	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Actual return on scheme assets	119.0	51.0	3.3	(1.8)	122.3	49.2

	United Kingdom		North America		Total	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Analysis of amounts recognised in the statement of comprehensive income						
Liability (losses)/gains due to changes in financial assumptions	(158.2)	31.4	(2.0)	2.6	(160.2)	34.0
Liability gains/(losses) due to changes in demographic assumptions	–	2.2	1.2	1.4	1.2	3.6
Asset gains/(losses) arising during the period	94.9	26.6	1.6	(3.6)	96.5	23.0
Experience gains/(losses) on scheme liabilities	10.3	(53.1)	(0.1)	0.1	10.2	(53.0)
Total gains/(losses) before exchange (losses)/gains	(53.0)	7.1	0.7	0.5	(52.3)	7.6
Exchange gains	7.1	1.2	–	–	7.1	1.2
Total gains/(losses) recognised in the statement of comprehensive income	(45.9)	8.3	0.7	0.5	(45.2)	8.8

The UK Plans are exposed to inflation risk as a result of the decision to grant inflation-linked increases to pensions in payment and deferment. There is also a longevity risk to the UK Plans if member mortality improves beyond expectations. The sensitivity of the liabilities to such changes are given below.

	Impact on defined benefit obligation	
	United Kingdom $m	North America $m
Sensitivity analysis of the principal assumptions used to measure plan defined benefit obligations		
Increase of 0.25% in discount rate	(28.2)	(1.8)
Decrease of 0.25% in discount rate	30.1	1.9
Increase of 0.25% in inflation	24.1	0.2
Decrease of 0.25% in inflation	(26.2)	(0.2)
Increase of 0.25% in pension increase rate	19.7	0.2
Decrease of 0.25% in pension increase rate	(18.9)	(0.2)
Increase of one year in life expectancy	34.3	2.3
Decrease of one year in life expectancy	(34.3)	(2.3)

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19. Pensions and other post-retirement benefits – continued

The sensitivity analysis is based on a change in one assumption while holding all other assumptions constant, therefore interdependencies between assumptions are excluded, with the exception of the inflation rate sensitivity which also impacts salary and pension increase assumptions. The analysis also makes no allowance for the impact of changes in gilt and corporate bond yields on asset values. The methodology applied is consistent to that used to determine the defined benefit obligation.

	United Kingdom $m	North America $m	Total $m
Employer contributions for 2017 are estimated to be as follows:	5.2	2.6	7.8

20. Deferred tax

	Property, plant and equipment $m	Other assets $m	Goodwill and intangibles $m	Tax losses and tax credits $m	Retirement benefits $m	Share-based payments $m	Total $m
Balance as at 1 January 2015	(9.7)	23.2	(118.9)	13.6	18.5	3.2	(70.1)
Expense/(credit) for the year from continuing operations	1.9	5.2	(11.8)	14.2	(1.3)	(0.8)	7.4
Expense/(credit) for the year from discontinued operations	0.9	0.3	(1.0)	(5.4)	–	–	(5.2)
Expense to other comprehensive income and equity	–	(1.1)	–	–	(3.7)	(1.8)	(6.6)
Acquisitions/disposals	0.3	0.8	(1.1)	–	–	–	–
Exchange adjustments	0.3	–	0.1	(0.5)	(0.2)	(0.1)	(0.4)
Balance as at 31 December 2015	(6.3)	28.4	(132.7)	21.9	13.3	0.5	(74.9)
Expense/(credit) for the year from continuing operations	10.6	17.8	46.0	2.3	(0.5)	1.1	77.3
Expense/(credit) for the year from discontinued operations	(1.8)	7.6	(1.3)	(0.2)	–	–	4.3
(Credit)/expense to other comprehensive income and equity	–	2.1	–	–	9.3	0.6	12.0
Acquisitions/disposals	(3.6)	(3.0)	(154.1)	1.9	–	–	(158.8)
Transfers to assets held for sale	4.8	(11.3)	27.0	(1.0)	–	–	19.5
Exchange adjustments	0.8	–	1.9	(0.5)	(1.3)	(0.4)	0.5
Balance as at 31 December 2016	4.5	41.6	(213.2)	24.4	20.8	1.8	(120.1)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 $m	2015 $m
Deferred tax liabilities	(120.5)	(83.1)
Deferred tax assets	0.4	8.2
	(120.1)	(74.9)

At the balance sheet date, the Group has gross temporary differences and tax losses of $1.2 billion (2015: $1.4 billion) available for offset against future profits for which deferred tax has not been recognised. These assets have not been recognised as the precise incidence of future profits in the relevant countries and legal entities cannot be accurately predicted at this time. Included in the unrecognised gross temporary difference is $9.5 million (2015: $8.7 million relating to losses due to expire in 2020) which relates to losses that will expire by 2020. Other losses may be carried forward indefinitely under current tax legislation.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities could arise but have not been recognised is $13.0 million (2015: $1.5 million). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

21. Share capital and reserves

Share capital	Allotted, called up and fully paid 2016 millions	2015 millions
Number of shares		
Ordinary $29^{16}/_{21}$p shares		
At the start of the year	1,044.5	481.4
Issued during the year	0.4	563.1
At the end of the year	1,044.9	1,044.5
5% cumulative preference £1 shares at the start and end of the year	0.2	0.2

Nominal value of shares	2016 $m	2015 $m
Equity shares		
Ordinary $29^{16}/_{21}$p shares	508.7	508.5
Non-equity shares		
5% cumulative preference £1 shares	0.2	0.3
	508.9	508.8

Issue of share capital

On 27 October 2015, the Company raised $1,117.1 million (net of expenses of $26.0 million) through a rights issue of 562,281,811 ordinary shares at 133p each on the basis of six new ordinary shares for every five existing ordinary shares. The issue price represented a discount of 47.8% to the closing share price on 23 September 2015, the announcement date of the rights issue. The discount element inherent in the rights issue is treated as a bonus issue of 224.9 million shares.

During the year, the Group issued 0.4 million (2015: 0.9 million) ordinary $29^{16}/_{21}$p shares to satisfy the vesting of share awards under the BBA Aviation plc share option schemes. The consideration for shares issued in respect of share options was $0.3 million (2015: $0.4 million).

	2016 $m	2015 $m
Reserves attributable to equity interests		
Share premium account		
Beginning of year	1,594.4	733.1
Issue of share capital	0.1	861.3
End of year	1,594.5	1,594.4
Other reserve		
Beginning of year	1.0	6.9
Transfer of the revaluation reserve to retained earnings on the disposal of property	–	(5.9)
Fair value movements on available for sale financial instruments	(2.0)	–
End of year	(1.0)	1.0
Treasury reserve		
Beginning of year	(90.0)	(71.9)
Purchase of own shares	(2.4)	(23.9)
Sale/transfer of own shares	1.1	2.0
Transfer from retained earnings	0.3	3.8
End of year	(91.0)	(90.0)

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21. Share capital and reserves – continued

	2016 $m	2015 $m
Capital reserve		
Beginning of year	38.1	41.6
Credit to equity for equity-settled share-based payments	9.1	2.8
Transfer to retained earnings on exercise of equity-settled share-based payments	(2.1)	(6.3)
End of year	45.1	38.1
Hedging reserve		
Beginning of year	(12.6)	(13.1)
Decrease in fair value of cash flow hedging derivatives	(4.1)	(2.1)
Transfer to Income Statement	2.8	2.6
End of year	(13.9)	(12.6)
Translation reserve		
Beginning of year	(74.4)	(59.3)
Transfers from/(to) non-controlling interest	0.2	(0.5)
Exchange differences on translation of foreign operations	0.7	(14.6)
End of year	(73.5)	(74.4)
Retained earnings		
Beginning of year	208.2	194.4
Transfer from capital reserve on exercise of equity-settled share-based payments	2.1	6.3
Transfer to treasury reserve	(0.3)	(3.8)
Deferred tax on items taken directly to reserves	13.3	(2.9)
Actuarial (losses)/gains	(52.3)	7.6
Dividends paid	(124.3)	(76.6)
(Loss)/profit for the year	(98.9)	83.2
End of year	(52.2)	208.2

At 31 December 2016, 4,428,002 ordinary $29^{16}/_{21}$p shares (2015: 4,860,076 shares) with a nominal value of £1.3 million (2015: £1.4 million) and a market value of $15.4 million (2015: $13.6 million) were held in the BBA Employee Benefit Trust, a trust set up in 2006. EES Trustees International Limited, the Trustees of the BBA Employee Benefit Trust, has agreed to waive its dividend entitlement in certain circumstances.

Rights of non-equity interests

5% cumulative preference £1 shares:

i. entitle holders, in priority to holders of all other classes of shares, to a fixed cumulative preferential dividend at a rate of 5.0% per annum per share payable half yearly in equal amounts on 1 February and 1 August;
ii. on a return of capital on a winding up, or otherwise, will carry the right to repayment of capital together with a premium of 12.5p per share and a sum equal to any arrears or deficiency of dividend; this right is in priority to the rights of the ordinary shareholders; and
iii. carry the right to attend and vote at a general meeting of the Company only if, at the date of the notice convening the meeting, payment of the dividend to which they are entitled is six months or more in arrears, or if a resolution is to be considered at the meeting for winding up the Company or reducing its share capital or sanctioning the sale of the undertakings of the Company or varying or abrogating any of the special rights attached to these.

Rights of equity interests in $29^{16}/_{21}$p ordinary shares

The rights of equity interests in $29^{16}/_{21}$p ordinary shares:

i. each share has equal rights to dividends;
ii. carry no right to fixed income;
iii. on a return of capital on a winding up, or otherwise, will carry the right to repayment of capital; this right is subordinate to the rights of the preference shareholders; and
iv. carry the right to attend and vote at a meeting of the Company.

22. Share-based payments

Equity-settled share-based payments

The number of options and the associated share prices in the tables below have been adjusted to reflect the bonus element of the shares issued under the terms of the rights issue.

(i) Share options

The Group plan provides for a grant price equal to the average of the middle market price of a BBA Aviation plc ordinary share up to five dealing days prior to the date of grant. The vesting period is generally three years. Share options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	4,164,391	151p	4,192,888	201p
Granted during the year	3,685,380	162p	72,390	26p
Impact of the rights issue	–	–	1,614,503	143p
Exercised during the year	(689,034)	76p	(1,160,629)	112p
Lapsed during the year	(999,832)	178p	(554,761)	156p
Outstanding at the end of the year	6,160,905	113p	4,164,391	151p

The weighted average share price at the date of exercise for share options exercised during the period was 220.93p (2015: 112p). The options outstanding at 31 December 2016 had weighted average remaining contractual life of 26 months (2015: 20 months), and an exercise price range of 156p to 248p (2015: 112p to 177p). Options of 221,896 (2015: 72,390) shares were granted under the BBA UK Share Option Plan in the year. 3,463,484 options (2015: nil) shares were granted under the BBA Savings Related Share Option Plan.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted and calculated using the valuation technique most appropriate to each type of award. These include Black–Scholes calculations and Monte Carlo simulations. The inputs into the models were as follows:

	Issued in March 2016	Issued in March 2015
Weighted average share price (pence)	202	239
Weighted average exercise price (pence)	160	26
Expected volatility (%)	23.9%	25.1%
Expected life (months)	36	36
Risk-free rate (%)	0.56%	0.80%
Expected dividend yield (%)	4.61%	3.21%

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22. Share-based payments – continued

Expected volatility was determined by calculating the historical volatility of the Group's share price over the period of time equivalent to the remaining contractual life of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(ii) Share awards

Details of the conditional share awards outstanding during the year are as follows:

	Number of shares 2016	Number of shares 2015
Outstanding at the beginning of the year	11,135,460	10,095,305
Granted during the year	6,471,140	3,554,918
Impact of the rights issue	–	3,486,300
Exercised during the year	(825,123)	(1,946,297)
Lapsed during the year	(3,304,340)	(4,054,766)
Outstanding at the end of the year	13,477,137	11,135,460

The awards outstanding at 31 December 2016 had a weighted average remaining contractual life of 18 months (2015: 19 months). The weighted average fair value of conditional shares granted in the year was 167p (2015: 210p).

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted and calculated using the valuation technique most appropriate to each type of award. These include Black–Scholes calculations and Monte Carlo simulations. The inputs into the model were as follows:

	Issued in March 2016	Issued in March 2015
Weighted average share price (pence)	194	237
Expected volatility (%)	23.9%	25.1%
Expected life (months)	36	36
Risk-free rate (%)	0.56%	0.80%
Expected dividend yield (%)	4.75%	3.12%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the period of time equivalent to the remaining contractual life of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(iii) Expense charged to Income Statement

The Group recognised a total expense of $9.1 million (2015: $2.8 million) related to equity-settled share-based payment transactions and $0.7m (2015: Nil) related to cash-settled share-based payment transactions during the year. $3.7 million of that expense was classified as exceptional and other costs with $3.2m in relation to the integration of Landmark Aviation and $0.5m in relation to ERO footprint rationalisation.

(iv) Other share-based payment plan

The Company's Savings Related Share Option Plan is open to all eligible UK employees. Options are granted at a price equal to the average three-day middle market price of a BBA Aviation plc ordinary share prior to the date of grant, less 20%. Options are granted under three or five-year SAYE contracts. The maximum overall employee contribution is £500 per month. Pursuant to this plan, the Group issued 416,456 ordinary shares in 2016 (2015: 19,494 ordinary shares).

23. Cash flow from operating activities

All alternative performance measures are reconciled to IFRS measures and explained on pages 169-173.

	2016 $m	2015 $m
Operating profit	166.1	112.7
Operating profit from discontinued operations	26.8	18.1
Share of profit from associates and joint ventures	(13.4)	(9.6)
Profit from operations	179.5	121.2
Depreciation of property, plant and equipment	69.7	58.5
Amortisation of intangible assets	114.2	24.3
(Profit)/loss on sale of property, plant and equipment	(4.3)	(3.7)
Share-based payment expense	6.1	2.8
(Decrease)/increase in provisions	(7.8)	5.7
Pension scheme payments	(6.6)	(15.3)
Other non-cash items	2.5	21.0
Unrealised foreign exchange movements	1.3	0.6
Operating cash inflows before movements in working capital	354.6	215.1
Decrease/(increase) in working capital	36.1	(21.7)
Cash generated by operations	390.7	193.4
Net income taxes paid	(15.8)	(5.0)
Net cash inflow from operating activities	374.9	188.4
Dividends received from associates	2.4	3.4
Purchase of property, plant and equipment	(101.6)	(81.8)
Purchase of intangible assets*	(0.8)	(8.9)
Proceeds from disposal of property, plant and equipment	11.1	16.7
Interest received	2.7	11.7
Interest paid	(64.5)	(41.1)
Interest element of finance leases paid	(0.1)	–
Free cash flow	224.1	88.4

* Purchase of intangible assets excludes $10.6 million (2015: $13.5 million) paid in relation to Ontic licences, since the directors believe these payments are more akin to expenditure in relation to acquisitions, and are therefore outside of the Group's definition of free cash flow. These amounts are included within purchase of intangible assets on the face of the Cash Flow Statement.

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24. Acquisition of businesses

During the period the Group made the following acquisitions:

On 5 February 2016, the Group completed the acquisition, acquiring control and 100% of the shareholding of Landmark Aviation for a total consideration of $2,079.4 million following the receipt of clearance under the U.S. Hart-Scott-Rodino Act as announced on 3 February 2016.

On 1 April 2016, SFS UK Limited, a subsidiary company, acquired control and 60% of the shareholding in Prime Aviation Services for a total consideration of $1.5 million, being cash consideration of $1.3 million and deferred consideration of $0.2 million, which was settled during 2016. Prime Aviation Services operates FBOs at four locations in Italy.

On 30 June 2016, the Group's Ontic business acquired the manufacturing rights and processes from Pratt & Whitney Canada for selected JT15D engine component parts for a total consideration of $17.0 million, $4.0 million of which is deferred as at 31 December 2016. The rights and processes acquired in this acquisition constitute a business under the definition of IFRS 3.

On 30 December 2016, the Group's Ontic business reached agreement to acquire a portfolio of legacy avionics products from GE Aviation, for a cash consideration of $61.5 million on a cash and debt free basis, all of which is deferred. The total consideration of $57.9 million presented below represents the $61.5 million less customer advances acquired of $3.6 million, presented as payables. The Business comprises a portfolio of legacy avionics parts servicing the military and commercial aviation markets, including electro mechanical, barometric, gyroscopes and electronics products.

On 30 December 2016, the Group's Ontic business acquired the manufacturing rights and processes from Ultra Electronics to support the Bombardier Q400 Propeller Engine Control product for a total consideration of $6.8 million.

In the year, an increase in intangible assets totalling $0.7 million has been recognised in respect of prior year acquisitions in Aftermarket Services as a result of completing final fair value exercises.

The fair value of the net assets acquired and goodwill arising on these acquisitions are set out below:

	Prime Aviation Services $m	Landmark $m	Flight Support $m	Ontic JT15D parts series 2016 $m	Ontic JT15D parts series 2015 $m	Ontic GE Aviation portfolio $m	Ontic Q400 parts series $m	Aftermarket services $m	Total 2016 $m
Intangible assets	1.2	1,160.4	1,161.6	18.4	0.7	60.1	9.1	88.3	1,249.9
Property, plant and equipment	0.4	320.1	320.5	–	–	–	–	–	320.5
Assets classified as held for sale	–	186.2	186.2	–	–	–	–	–	186.2
Investments in associates and joint ventures	–	26.3	26.3	–	–	–	–	–	26.3
Inventories	0.1	10.6	10.7	0.3	(0.3)	11.0	–	11.0	21.7
Receivables	0.6	41.6	42.2	–	–	1.3	–	1.3	43.5
Payables	(1.3)	(60.6)	(61.9)	–	–	(3.6)	–	(3.6)	(65.5)
Provisions	–	(17.5)	(17.5)	(1.7)	(0.4)	(1.5)	(0.7)	(4.3)	(21.8)
Taxation	0.3	(145.7)	(145.4)	–	–	(11.5)	(1.6)	(13.1)	(158.5)
Cash	0.5	5.0	5.5	–	–	–	–	–	5.5
Finance leases	–	(2.2)	(2.2)	–	–	–	–	–	(2.2)
Net assets	1.8	1,524.2	1,526.0	17.0	–	55.8	6.8	79.6	1,605.6
Non-controlling interests	(0.7)	–	(0.7)	–	–	–	–	–	(0.7)
Goodwill	0.4	555.2	555.6	–	–	2.1	–	2.1	557.7
Total consideration (including deferred consideration)	1.5	2,079.4	2,080.9	17.0	–	57.9	6.8	81.7	2,162.6
Satisfied by:									
Cash	1.5	2,079.4	2,080.9	13.0	0.8	–	6.8	20.6	2,101.5
Deferred consideration	–	–	–	4.0	–	57.9	–	61.9	61.9
Net cash consideration	1.5	2,079.4	2,080.9	17.0	0.8	57.9	6.8	82.5	2,163.4
Net cash flow arising on acquisition									
Cash consideration	1.5	2,079.4	2,080.9	13.0	0.8	–	6.8	20.6	2,101.5
Cash and cash equivalents acquired	(0.5)	(5.0)	(5.5)	–	–	–	–	–	(5.5)
Debt acquired	–	2.2	2.2	–	–	–	–	–	2.2
	1.0	2,076.6	2,077.6	13.0	0.8	–	6.8	20.6	2,098.2

With the exception of the accuisition of Landmark and Ontic's JT15D 2015 parts series, all fair values are provisional.

All acquisition costs incurred in the year are in relation to the acquisition of Ontic's GE Aviation portfolio. In 2015, all acquisition costs related to the Landmark Aviation acquisition. In both periods these costs were recognised as part of transaction costs under exceptional and other items. Refer to note 2 for further details.

As a material transaction the Landmark Aviation transaction is presented separately below. The following disclosure relates to all transactions in this year.

In 2016, $0.8 million of deferred consideration was paid in relation to prior year acquisitions in Ontic. In the prior year, $1.1 million of deferred consideration was paid in relation to prior year acquisitions in Flight Support.

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24. Acquisition of businesses – continued

The goodwill arising on these acquisitions is attributable to anticipated future operating synergies. $92.7 million of the goodwill is expected to be deductible for income tax purposes.

In the period since acquisition, the operations acquired have contributed $549.2 million and $133.7 million to revenue and operating profit respectively. If the acquisitions had occurred on the first day of the financial year, it is estimated that the total revenue and operating profit from these acquisitions would have been $658.0 million and $156.5 million respectively.

The fair value of the financial assets includes receivables with a fair value and book value of $43.5 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected is $nil.

Landmark Aviation

	Net book value on the opening balance sheet $m	Debt and interest repaid on acquisition $m	Fair value adjustments $m	Landmark Aviation Total $m
Intangible assets	767.7	–	392.7	1,160.4
Property, plant and equipment	325.3	–	(5.2)	320.1
Assets classified as held for sale	75.6	–	110.6	186.2
Investment in associates	13.3	–	13.0	26.3
Inventories	13.7	–	(3.1)	10.6
Receivables	68.2	–	(26.6)	41.6
Cash	5.0	–	–	5.0
Finance leases	(2.2)	–	–	(2.2)
Payables	(67.7)	–	7.1	(60.6)
Provisions	(1.7)	–	(15.8)	(17.5)
Taxation	(69.2)	–	(76.5)	(145.7)
Borrowings	(907.5)	907.5	–	–
Net assets	220.5	907.5	396.2	1,524.2
Goodwill				555.2
Total consideration satisfied by cash				2,079.4

Investments in associates relate to the Group's interest in Landmark's Aircraft Management and Charter business. Though wholly owned by the Group throughout 2016, due to restrictions on our ability to control the business as a non-US citizen, has been accounted for as an associate undertaking. See note 10 for further details.

The goodwill arising on the acquisition is attributable to the anticipated profitability arising from the growth of the Signature network and anticipated future operating synergies. $92.7 million of the goodwill is expected to be deductible for income tax purposes.

In the period since acquisition, amortisation totalling $85.0 million has been recognised in relation to intangible assets identified and accounted for relating to the Landmark Acquisition. The Intangible assets relate to the right to operate at the Landmark FBO locations and are being amortised based on their individual useful lives which range up to 58 years with an average life of 18 years.

In the period since acquisition, the operations of Landmark Aviation have contributed $540.3 million and $132.7 million to revenue and underlying operating profit respectively. $21.9 million of underlying operating profit recognised in the period resulted from realised synergies. If the acquisition had occurred on the first day of the financial year, the total revenue and underlying operating profit from these acquisitions is estimated to be $607.0 million and $143.9 million respectively.

The fair value of the financial assets includes receivables with a fair value and book value of $41.6 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected is $nil.

25. Disposals and assets and associated liabilities classified as held for sale

FBO disposals

Under the terms of the regulatory approval in connection with the acquisition of Landmark Aviation, the Company was required to sell six legacy Landmark Aviation FBOs at: Westchester County Airport, New York; Washington Dulles International Airport, Virginia; Scottsdale Airport, Arizona; Ted Stevens Anchorage International Airport, Alaska; Jacqueline Cochran Regional Airport, California; and part of the Landmark facilities at Fresno Yosemite International Airport. As a result the six FBOs referred to above were classified as a disposal group and held for sale from the date of acquisition. Though the operations are wholly owned by the Group, as a result of the restrictions placed upon our influence by the requirements of the U.S. Department of Justice, the results of the operations have been accounted for as an associate undertaking.

In March 2016, the Group announced the sale of six FBOs, as agreed with the U.S. Department of Justice under the terms of the regulatory approval for the acquisition of Landmark Aviation, for an aggregate consideration of $190 million to affiliates of KSL Capital Partners LLC (the transaction). The transaction closed on 30 June.

Net cash proceeds totalled $184.7 million after adjusting for the impact of working capital. There was no gain or loss recognised on the transaction. In the period of the Group's ownership the disposal group contributed $nil million of revenues and $7.9 million of underlying operating profit which is included in the share of profits of associates and joint ventures in the Consolidated Income Statement.

ASIG divestiture

It was announced in March 2016 that, following significant inbound interest, management was assessing value maximising options for the Group's investment in the ASIG business, part of the Flight Support segment. At the beginning of April 2016, management committed to a plan to sell substantially all of the ASIG business and as such at that point the relevant assets and liabilities were classified as held for sale. At that time, as a major line of the Group's business, the ASIG operations were also classified as a discontinued operation.

ASIG was not previously classified as held for sale or as a discontinued operation. The comparative consolidated profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations. Following its classification as held for sale, the asset group is held at fair value less cost to sell.

On 16 September 2016, the Group announced that it had reached agreement with John Menzies plc on the terms of the sale of the ASIG business. The transaction completed on 31 January 2017. Further detail is provided in note 27.

The fair values of the assets held for sale are categorised within Level 2 of the fair value hierarchy on the basis that their fair value has been calculated using inputs that are observable in active markets which are related to the individual asset or liability.

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25. Disposals and assets and associated liabilities classified as held for sale – continued

Results of discontinued operations

		2016					Restated 2015
	Notes	Underlying[1] $m	Exceptional and other items $m	Total $m	Underlying[1] $m	Exceptional and other items $m	Total $m
Revenue	2	416.8	–	416.8	415.8	–	415.8
Cost of sales		(373.9)	–	(373.9)	(381.2)	–	(381.2)
Gross profit		42.9	–	42.9	34.6	–	34.6
Distribution costs		(2.0)	–	(2.0)	(1.3)	–	(1.3)
Administrative expenses		(31.9)	(0.7)	(32.6)	(35.1)	(2.4)	(37.5)
Other operating income		1.1	–	1.1	5.7	–	5.7
Share of profits of associates and joint ventures	10	–	–	–	0.2	–	0.2
Other operating expenses		(1.2)	–	(1.2)	–	–	–
Operating profit/(loss) incl. group charges		8.9	(0.7)	8.2	4.1	(2.4)	1.7
Elimination of internal group charges		18.6	–	18.6	16.4	–	16.4
Operating profit/(loss)	1, 2	27.5	(0.7)	26.8	20.5	(2.4)	18.1
Impairment and other charges on classification as held for sale[2]	8	–	(109.1)	(109.1)	–	–	–
Investment income	3	0.3	–	0.3	0.2	–	0.2
Finance costs	3	(0.4)	–	(0.4)	(0.4)	–	(0.4)
Profit/(loss) before tax		27.4	(109.8)	(82.4)	20.3	(2.4)	17.9
Tax (charge)/credit	4	(9.5)	12.3	2.8	(4.9)	0.4	(4.5)
Profit/(loss) for the period		17.9	(97.5)	(79.6)	15.4	(2.0)	13.4
Attributable to:							
Equity holders of BBA Aviation plc		18.3	(97.5)	(79.2)	15.0	(2.0)	13.0
Non-controlling interests		(0.4)	–	(0.4)	0.4	–	0.4
Profit/(loss) for the period		17.9	(97.5)	(79.6)	15.4	(2.0)	13.4

Earnings per share	Note	Adjusted[1]	Unadjusted	Adjusted[1]	Unadjusted
Basic	6	1.7¢	(7.7)¢	2.1¢	1.8¢
Diluted	6	1.7¢	(7.7)¢	2.1¢	1.8¢

1 Underlying profit and adjusted earnings per share is stated before exceptional and other items.
2 The impairment of $109.1 million reported in exceptional and other items includes $114.0 million impairment of net assets held for sale to fair value less costs to sell, $1.0 million impairment of ASIG Singapore assets, $6.3 million impairment of non-controlling interest reserve, $7.3 million of deal costs incurred in 2016, and a $19.5 million gain on the right off of deferred tax assets and liabilities relating to the disposal group.

All alternative performance measures are reconciled to IFRS measures and explained on pages 169-173.

All exceptional items relate to the amortisation of intangible assets arising on acquisition and valued in accordance to IFRS 3.

Cash flows from/(used in) discontinued operation

	2016 $m	2015 $m
Net cash inflow from operating activities	18.8	18.9
Net cash outflow from investing activities	(10.0)	(1.3)
Net cash inflow/(outflow) from financing activities	(1.7)	(0.8)
Net cash flows for the year	7.1	16.8

Effect of the disposal group on financial position of the group

	Notes	2016 $m	2015 $m
Assets held for sale			
Non-current assets			
Goodwill	8	70.6	185.9
Other intangible assets	8	6.1	6.6
Property, plant and equipment	9	63.4	59.1
		140.1	251.6
Current assets			
Inventories	11	4.0	3.6
Trade receivables	12	72.9	54.3
Other receivables	12	27.9	39.0
Cash and cash equivalents	12	22.8	15.7
		127.6	112.6
Total assets held for sale		267.7	364.2
Liabilities held for sale			
Current liabilities			
Trade payables	13	(38.0)	(36.8)
Tax liabilities		(0.2)	–
Other payables	13	(33.6)	(32.4)
Borrowings	16	–	(0.9)
Provisions	18	(0.6)	–
		(72.4)	(70.1)
Non-current liabilities			
Borrowings	16	–	(0.4)
Other payables	13	(16.9)	(17.8)
Provisions	18	–	(0.1)
		(16.9)	(18.3)
Total liabilities held for sale before tax		(89.3)	(88.4)
Net assets held for sale		178.4	275.8

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26. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are detailed below.

Compensation of key management personnel

Key management are the directors and members of the Executive Committee. The remuneration of directors and other members of key management during the year was as follows:

	2016 $m	Restated[1] 2015 $m
Short-term benefits	7.7	7.1
Post-employment benefits	0.5	0.6
Share-based payments	2.7	2.4
	10.9	10.1

[1] There has been a reclassification of $1.5 million between short-term benefits and share-based payments in the prior period to improve consistency of treatment in respect of the deferred bonus plan.

Post-employment benefits include contributions of $0.5 million (2015: $0.6 million) in relation to defined contribution schemes. The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends. The directors' remuneration is disclosed in the Directors' Remuneration Report on pages 56-78.

Other related party transactions

During the year, Group companies entered into the following transactions with related parties which are not members of the Group:

	Sales of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Associates	5.7	8.5	292.5	355.5	1.5	0.3	46.8	52.1

Purchases of goods principally relates to the purchase of aviation fuel. Purchases were made at market price discounted to reflect the quantity of goods purchased. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

At the balance sheet date, Group companies had loan receivables from an associated undertaking of $2.2 million (2015: $2.6 million). The loans are unsecured and will be settled in cash, and were made on terms which reflect the relationships between the parties.

The Group operates various pension and other post-retirement benefit schemes for its employees. Details are set out in note 19.

27. Post balance sheet events

It was announced on 16 September 2016 that the Group had reached agreement with John Menzies plc ("Menzies") on the terms of the sale of ASIG, a leading commercial aviation services company, for $202 million in cash. On 31 January 2017 the Group completed the sale and all the terms of the transaction remain as outlined in the announcement made on 16 September 2016.

Following the completion of the sale, adjusting for foreign exchange reserves write-offs and based on expectations of the working capital agreement there is no material gain or loss expected to be recognised on the disposal in 2017.

Further detail of the operations covering its treatment as a discontinued operation, the assets and liabilities held for sale and subsequently disposed of, and the impairment of the assets based on the expected sale can be found in note 25.

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Company Balance Sheet

	Notes	2016 £m	2015 £m
Non-current assets			
Tangible fixed assets	3	1.0	1.2
Fixed asset investments	4	3,632.8	2,971.9
Derivative financial instruments	5	8.2	8.5
Other non-current assets	6	29.3	30.4
Deferred tax asset		10.6	1.6
		3,681.9	3,013.6
Current assets			
Derivative financial instruments	5	7.4	5.8
Other debtors	6	2,742.4	1,706.1
Cash at bank and in hand	8	38.2	561.5
		2,788.0	2,273.4
Current liabilities			
Creditors: amounts falling due within one year			
Borrowings	7, 8	(0.8)	(6.1)
Derivative financial instruments	5	(6.1)	(2.0)
Others	7	(3,110.4)	(2,879.8)
Corporate tax payable		(3.6)	(5.4)
Provisions	9	(0.2)	(0.2)
Net current liabilities		(333.1)	(620.1)
Total assets less current liabilities		3,348.8	2,393.5
Creditors: amounts falling due after more than one year			
Borrowings	8	(1,255.1)	(343.3)
Derivative financial instruments	5	(3.5)	(3.2)
Retirement benefit obligations	12	(46.7)	(9.5)
Provisions	9	(0.6)	(0.8)
Total net assets		2,042.9	2,036.7
Capital and reserves			
Called up share capital	10	310.9	310.8
Share premium account	10	978.7	978.6
Other reserves	10	200.2	198.8
Profit and loss account	10	553.1	548.5
Equity shareholders' funds		2,042.9	2,036.7

The financial statements of BBA Aviation plc (registered number 00053688) were approved by the Board of Directors on 28 February 2017 and signed on its behalf by:

Simon Pryce
Group Chief Executive

Mike Powell
Group Finance Director

In accordance with the exemptions permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company has not been presented. The profit for the financial year in the accounts of the Company amounted to £119.2 million (2015: £49.7 million loss).

The auditor's remuneration for audit and other services is disclosed in note 2 to the Consolidated Financial Statements.

The accompanying notes are an integral part of this balance sheet.

Company Statement of Changes in Equity

	Notes	Share capital £m	Share premium £m	Profit and loss account £m	Other reserves £m	Total equity £m
Balance at 1 January 2015		143.3	415.1	640.8	216.4	1,415.6
Loss for the year		–	–	(49.7)	–	(49.7)
Other comprehensive income for the year		–	–	3.9	0.1	4.0
Total comprehensive income for the year		–	–	(45.8)	0.1	(45.7)
Dividends		–	–	(50.1)	–	(50.1)
Issue of share capital		167.5	563.5	–	–	731.0
Movement on treasury reserve	10	–	–	–	(14.4)	(14.4)
Credit to equity for equity-settled share-based payments	10	–	–	–	1.8	1.8
Tax on share-based payment transactions		–	–	(1.5)	–	(1.5)
Transfer to profit and loss account		–	–	5.1	(5.1)	–
Balance at 31 December 2015		310.8	978.6	548.5	198.8	2,036.7
Profit or Loss for the year		–	–	119.2	–	119.2
Other comprehensive income for the year		–	–	(29.0)	1.2	(27.8)
Total comprehensive income for the year		–	–	90.2	1.2	91.4
Transfer between reserves		–	–	4.2	(4.2)	–
Dividends		–	–	(91.4)	–	(91.4)
Issue of share capital		0.1	0.1	–	–	0.2
Movement on treasury reserve	10	–	–	–	(1.0)	(1.0)
Credit to equity for equity-settled share-based payments	10	–	–	–	6.7	6.7
Tax on share-based payment transactions		–	–	0.3	–	0.3
Transfer to profit and loss account		–	–	1.3	(1.3)	–
Balance at 31 December 2016		310.9	978.7	553.1	200.2	2,042.9

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Accounting Policies of the Company

Basis of Accounting

BBA Aviation plc is a company incorporated and domiciled in the UK.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared using the historical cost convention adjusted for the revaluation of certain financial instruments and in accordance with applicable UK accounting standards and law. In the prior year, UK GAAP changed and the Company adopted and transitioned to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The financial statements have been prepared on a going concern basis in accordance with the rationale set out in the Going Concern and Viability Statement on page 79 of the Directors' Report.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and,
- Presentation of comparative information in respect of certain items

As the Consolidated Financial Statements of BBA Aviation plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2: Share-Based Payments in respect of Group settled share-based payments;
- Certain disclosures required by IAS 36: Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3: Business Combinations, in respect of business combinations undertaken by the Company; and,
- Certain disclosures required by IFRS 13: Fair Value Measurement and the disclosures required by IFRS 7: Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Prior year representation of statement of changes in equity

In the comparative period £2.4 million of tax on items recognised in equity has been transferred to other comprehensive income.

In the comparative period fair value movements and the transfer to profit and loss from equity on cash flow hedges have been transferred to other comprehensive income within other reserves. These changes have been made to more accurately present other comprehensive income in the prior year.

Investments

In the Company's Financial Statements, investments in subsidiary and associated undertakings are stated at cost less provision for impairment.

Treasury

Transactions in foreign currencies are translated into sterling at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recorded at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is recognised in the profit and loss account.

Derivative financial instruments utilised by the Group comprise interest rate swaps and foreign exchange contracts. All such instruments are used for hedging purposes to manage the risk profile of an underlying exposure of the Group in line with the Group's risk management policies. All derivative instruments are recorded on the balance sheet at fair value. Recognition of gains or losses on derivative instruments depends on whether the instrument is designated as a hedge and the type of exposure it is designed to hedge.

The effective portion of gains or losses on cash flow hedges are deferred in equity until the impact from the hedged item is recognised in the profit and loss account. The ineffective portion of such gains and losses is recognised in the profit and loss account immediately.

Gains or losses on the qualifying part of net investment hedges are recognised in equity together with the gains and losses on the underlying net investment. The ineffective portion of such gains and losses is recognised in the profit and loss account.

Changes in the fair value of the derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Post-retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement benefit schemes, the cost is determined using the projected unit credit method, with valuations under IAS 19 (revised) being carried out annually as at 31 December. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of profit or loss and presented in the Statement of Comprehensive Income.

The service cost of providing retirement benefits to employees during the year is charged to operating profit in the year. Any past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The interest cost on the net defined benefit deficit is included within finance costs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and reduced by the fair value of scheme assets. Any asset resulting from this calculation is only recognised to the extent that it is recoverable.

Defined benefit scheme contributions are determined by valuations undertaken by independent qualified actuaries.

Share-based payments

The Company operates a number of cash and equity-settled share-based compensation plans. The fair value of the compensation is recognised in the profit and loss account as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted and calculated using the valuation technique most appropriate to each type of award. These include Black–Scholes calculations and Monte Carlo simulations. For cash-settled options, the fair value of the option is revisited at each balance sheet date. For both cash and equity-settled options, the Company revises its estimates of the number of options that are expected to become exercisable at each balance sheet date.

Tangible fixed assets

Plant and machinery and land and buildings are stated in the balance sheet at cost or valuation. Depreciation is provided on the cost of tangible fixed assets less estimated residual value and is calculated on a straight-line basis over the following estimated useful lives of the assets:

Land	Not depreciated
Buildings	40 years maximum
Plant and machinery (including essential commissioning costs)	3–5 years

Computer and office equipment are categorised within plant and machinery in note 3 to these accounts.

Leases

Where assets are financed by lease agreements that give rights similar to ownership (finance leases), the assets are treated as if they had been purchased and the leasing commitments are shown as obligations to the lessors. The capitalisation values of the assets are written off on a straight-line basis over the shorter of the periods of the leases or the useful lives of the assets concerned. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

For all other leases (operating leases) the rental payments are charged to the Income Statement on a straight-line basis over the lives of the leases.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet

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liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

1. Dividends

Details of the Company's dividends paid are provided in note 5 to the Consolidated Financial Statements.

2. Directors and employees

Emoluments and interests

Details of directors' emoluments and interests are provided within the Directors' Remuneration Report on pages 56-78.

Employees

	2016	2015
Average monthly number	54	43

	2016 £m	2015 £m
Salaries	7.1	5.7
Social security	1.0	0.8
Contributions to defined contribution plans	0.4	0.4
Expenses related to defined benefit plans	3.1	3.6
	11.6	10.5

3. Tangible fixed assets

	Leasehold improvements 2016 £m	Plant and machinery 2016 £m	Total 2016 £m	Leasehold improvements 2015 £m	Plant and machinery 2015 £m	Total 2015 £m
Cost or valuation						
Beginning of year	0.8	1.4	2.2	0.8	1.3	2.1
Additions	–	–	–	–	0.7	0.7
Disposals	–	(0.2)	(0.2)	–	(0.6)	(0.6)
End of year	0.8	1.2	2.0	0.8	1.4	2.2
Accumulated depreciation						
Beginning of year	0.4	0.6	1.0	0.3	1.1	1.4
Depreciation charge for the year	0.1	0.1	0.2	0.1	0.1	0.2
Disposals	–	(0.2)	(0.2)	–	(0.6)	(0.6)
End of year	0.5	0.5	1.0	0.4	0.6	1.0
Net book value end of year						
Owned assets	–	0.7	0.7	–	0.8	0.8
Leasehold improvements	0.3	–	0.3	0.4	–	0.4
	0.3	0.7	1.0	0.4	0.8	1.2

	2016 £m	2015 £m
Land and buildings		
Short leasehold	0.3	0.4

4. Fixed asset investments

	2016 £m	2015 £m
Subsidiary undertakings		
Cost of shares		
Beginning of year	3,000.3	2,257.5
Additions	660.9	745.7
Disposals	–	(2.9)
End of year	3,661.2	3,000.3
Provisions for impairments		
At beginning of year	(28.4)	(28.4)
Provided in year	–	–
End of year	(28.4)	(28.4)
Net book value end of year	3,632.8	2,971.9

The additions of £660.9 million in 2016 relate to an increase in the entity's investment in Balderton Aviation Holdings Limited.

The subsidiaries and related undertakings of BBA Aviation plc are listed on pages 161-167.

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5. Derivative financial instruments

	2016 Current £m	2016 Non-current £m	2016 Total £m	2015 Current £m	2015 Non-current £m	2015 Total £m
Derivative financial assets						
Foreign exchange forward contracts	7.4	1.0	8.4	5.8	0.8	6.6
Interest rate swaps	–	7.2	7.2	–	7.7	7.7
	7.4	8.2	15.6	5.8	8.5	14.3
Derivative financial liabilities						
Foreign exchange forward contracts	(5.8)	(1.0)	(6.8)	(1.9)	(0.4)	(2.3)
Interest rate swaps	(0.3)	(2.5)	(2.8)	(0.1)	(2.8)	(2.9)
	(6.1)	(3.5)	(9.6)	(2.0)	(3.2)	(5.2)

Details of the foreign exchange forward contracts and interest rate swaps are provided in note 17 to the Consolidated Financial Statements.

6. Debtors

	2016 £m	2015 £m
Prepayments relating to the Company's pension scheme, note 12	29.3	30.4
Debtors due after one year	29.3	30.4
Amounts owed by subsidiary undertakings	2,738.3	1,693.3
Other debtors, prepayments and accrued income	4.1	12.8
Debtors due within one year	2,742.4	1,706.1

Within other debtors is a balance of £1.8m classified as assets held for sale. This is incorporated within note 25 of the Consolidated Financial Statements.

7. Creditors: amounts falling due within one year

	2016 £m	2015 £m
Borrowings (note 8)		
Bank loans and overdrafts	0.8	6.1
	0.8	6.1
Other		
Amounts owed to subsidiary undertakings	3,100.2	2,870.7
Other taxation and social security	0.2	0.1
Other creditors	3.0	5.6
Accruals and deferred income	7.0	3.4
	3,110.4	2,879.8

8. Cash and borrowings

Borrowings summary	2016 £m	2015 £m
Medium-term loans		
Repayable between one and two years	99.0	–
Repayable between two and five years	985.0	80.9
Repayable in more than five years	171.1	262.4
Borrowings: due after more than one year	1,255.1	343.3
Short-term		
Overdrafts and borrowings repayable within one year (note 7)	0.8	6.1
Total borrowings	1,255.9	349.4
Cash at bank and in hand	(38.2)	(561.5)
Net borrowings/(cash)	1,217.7	(212.1)

Borrowings analysis	2016 £m	2015 £m
Unsecured		
Bank loans and overdrafts		
Sterling	0.4	5.8
US dollar	1,254.9	343.5
Other currencies	0.6	0.1
Total borrowings	1,255.9	349.4
Cash at bank and in hand	(38.2)	(561.5)
Net borrowings/(cash)	1,217.7	(212.1)

The interest rates on unsecured loans range from 1.0% to 5.9% per annum (2015: 0.5% to 5.9%) and repayments are due at varying dates up to 2026.

Operating lease commitments

Land and buildings	2016 £m	2015 £m
Within one year	0.4	0.4
One to five years	1.6	1.6
More than five years	0.1	0.5
	2.1	2.5

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9. Provisions

	Beginning of year £m	Charged in year £m	Utilised in year £m	Released in year £m	End of year £m
31 December 2016					
Discontinued operations	1.0	–	(0.2)	–	0.8
Environmental provisions	–	–	–	–	–
	1.0	–	(0.2)	–	0.8
31 December 2015					
Discontinued operations	1.3	–	(0.3)	–	1.0
Environmental provisions	1.0	–	(1.0)	–	–
	2.3	–	(1.3)	–	1.0

Analysed as:	2016 £m	2015 £m
Current liabilities	0.2	0.2
Non-current liabilities	0.6	0.8
	0.8	1.0

Provisions in respect of discontinued operations represent environmental liabilities and onerous lease obligations relating to businesses that have been disposed of by the Company in prior years.

Environmental provisions in 2015 related to environmental remediation works on one of the Company's sites.

10. Capital and reserves

Details of Company share capital, including the issuance of new shares in the year, are provided within note 21 to the Consolidated Financial Statements.

	2016 £m	2015 £m
Reserves attributable to equity interests		
Share premium account		
Beginning of year	978.6	415.1
Premium on shares issued	0.1	563.5
End of year	978.7	978.6
Revaluation reserve		
Beginning of year	–	3.5
Transfer of the revaluation reserve to profit and loss account on the disposal of property	–	(3.5)
End of year	–	–
Merger reserve		
Beginning and end of year	99.3	99.3
Capital reserve		
Beginning of year	154.0	156.3
Credit to equity for equity-settled share-based payments	6.7	1.8
Transfer to retained earnings on exercise of equity-settled share-based payments	(1.5)	(4.1)
End of year	159.2	154.0

	2016 £m	2015 £m
Treasury reserve		
Beginning of year	(57.4)	(45.5)
Purchase of own shares	(1.0)	(14.4)
Transfer to profit and loss account	0.2	2.5
End of year	(58.2)	(57.4)
Hedging reserve		
Beginning of year	2.9	2.8
Transfer to P&L reserves	(4.2)	–
Fair value movements in interest rate cash flow hedges	(4.2)	(1.2)
Transfer to profit or loss from other comprehensive income on interest rate cash flow hedges	5.4	1.3
End of year	(0.1)	2.9
Profit and loss account		
Beginning of year	548.5	640.8
Transfer from hedging reserve	4.2	–
Transfer from revaluation reserve	–	3.5
Transfer from capital reserve on exercise of equity-settled share-based payments	1.5	4.1
Transferred from treasury reserve	(0.2)	(2.5)
Tax on items taken directly to reserves	8.5	(3.9)
Actuarial (losses) /gains	(38.9)	4.6
Other items taken directly to/(from) reserves	1.7	1.7
Profit/(loss) for the year	119.2	(49.7)
Equity dividends	(91.4)	(50.1)
End of year	553.1	548.5

A transfer between the hedging reserve and profit and loss reserve of £4.2 million took place during the year to correct the presentation of the hedging reserve.

At 31 December 2016, 4,428,002 ordinary $29^{16}/_{21}$p shares (2015: 4,860,076 shares) with a nominal value of £1.3 million (2015: £1.4 million) and a market value of £12.5 million (2015: £9.2 million) were held in the BBA Employee Benefit Trust, a trust set up in 2006. EES Trustees International Limited, the Trustees of the BBA Employee Benefit Trust, has agreed to waive its dividend entitlement in certain circumstances.

The profit and loss account includes £30.4 million (2015: £31.5 million) which is not distributable.

11. Share-based payments
Details of share-based payments are provided within note 22 to the Consolidated Financial Statements.

12. Pension and other post-retirement benefits
The Company operates a defined benefit pension scheme in the United Kingdom. Assets are held in a separate trustee-administered fund. Contributions to the scheme are made and pension cost is assessed using the projected unit method.

During the first half of 2014, the Group agreed a new long-term funding package with the Trustee of the IPP, following the sale of APPH Limited. This new funding package replaced the deficit contributions agreed with the Trustee as part of the 2012 triennial valuation of the IPP. As part of this funding package, an Asset-Backed Funding (ABF) structure was put in place. In accordance with the implementation steps of the structure the Company made a capital contribution to a newly formed partnership of £33 million. This has been re-classified as a prepayment following the adoption of FRS 101. This asset will unwind over the life of the ABF structure as contributions to the plan reduce the Plan deficit. The final cash contribution will be made by the ABF structure to the Plan in March 2034, at which point the prepayment will be fully unwound.

Details of the UK scheme are provided within note 19 to the Consolidated Financial Statements.

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13. Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Contingent liabilities:	2016 £m	2015 £m
Guarantees of subsidiary undertakings, overdrafts or loans and other guarantees	4.2	9.9

Subsidiaries and Related Undertakings

Subsidiaries	Principal Activity	% Holding
Antigua		
Roberts & Co Law, 60 Nevis Street, St. Johns, Antigua		
SFS Operations Antigua Ltd	Aviation	100%
Bahamas		
50 Shirley Street, Nassau, Bahamas		
ASIG Nassau Fueling Services Ltd	Aviation	100%
Barbados		
The Phoenix Centre, George Street, Belleville, St. Michael, Barbados		
ASIG Holdings (Barbados) Limited	Holding	100%
BBA Aviation (Barbados) Limited	Holding	100%
Brazil		
Av. Jamaris, 100, 12° andar, conj. 1202, Indianópolis, CEP 04078-000, São Paulo		
BBA South América Ltda.	Holding	100%
Avenida Professor Magalhães Penido, 120, Loja 1, São Luiz, CEP 31270-700, Belo Horizonte, Minas Gerais		
Dallas Airmotive Manutenção de Motores Aeronáuticos Ltda.	Aviation	100%
Canada		
181 Bay Street, Suite 1800, Toronto, Ontario, Canada M5J 2T9		
ASIG Canada Limited	Aviation	100%
ASIG Ground Handling Canada Ltd	Aviation	100%
Landmark Aviation FBO Canada Inc.	Aviation	100%
SFS Operations Canada Ltd	Aviation	100%
Signature Flight Support Canada Ltd	Aviation	100%
Signature Select Operations Canada Ltd	Aviation	100%
Cayman Islands		
Maples & Calder, PO Box 309, Ugland House, Georgetown, Grand Cayman, Cayman Islands, British West Indies		
BBA Financial Services (Cayman Island) Ltd	Holding	100%
England		
3rd Floor, 105 Wigmore Street, London, W1U 1QY		
Balderton Aviation Holdings Limited Δ	Holding	100%
BBA Aviation Business Support Centre – EMEA Limited	Support Services	100%
BBA Aviation Finance	Holding	100%
BBA Aviation Life Benefits Trustee Limited Δ	Dormant	100%
BBA China Holdings No 1 Ltd	Dormant	100%
BBA Finance Δ	Finance	100%
BBA Finance No 1	Holding	100%
BBA Finance No 3	Finance	100%
BBA Finance No 4 Limited	Holding	100%
BBA Finance No 5	Finance	100%
BBA Financial Services	Finance	100%
BBA Financial Services (UK) Limited Δ	Holding	100%
BBA Five Ltd Δ	Dormant	100%
BBA Four Ltd Δ	Dormant	100%
BBA Group Limited	Dormant	100%
BBA Group Leasing Ltd Δ	Dormant	100%
BBA Holdings Limited	Holding	100%
BBA Hydraulic Brake Company Ltd	Dormant	100%
BBA Nominees Ltd	Dormant	100%
BBA One Ltd Δ	Dormant	100%
BBA Overseas Holdings Limited	Holding	100%
BBA Pension Trustees Limited Δ	Holding	100%

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Subsidiaries and Related Undertakings – continued

Subsidiaries	Principal Activity	% Holding
BBA Properties Limited	Holding	100%
BBA Six Limited Δ	Dormant	100%
BBA Three Ltd Δ	Dormant	100%
BBA Two Ltd Δ	Dormant	100%
Bonetights Ltd	Dormant	100%
British Belting & Asbestos Ltd	Dormant	100%
CBS (Automotive & Industrial) Ltd Δ	Dormant	100%
Cresswells Asbestos Company Ltd Δ	Dormant	100%
CSE Aviation Limited	Dormant	100%
Dallas Airmotive (UK) Ltd Δ	Dormant	100%
Falcon Air Training School Limited	Dormant	100%
Falcon Aviation Training (UK) Limited	Dormant	100%
Falcon Aviation Training Limited	Dormant	100%
Frothgun (SA) Limited	Dormant	100%
Guthrie & Company (UK) Ltd	Dormant	100%
Guthrie International Ltd Δ	Dormant	100%
Guthrie Overseas Holdings Ltd	Dormant	100%
Guthrie Overseas Investments Limited	Holding	100%
Guthrie Scottish Nominees (No 1) Ltd	Dormant	100%
Guthrie Scottish Nominees (No 3) Ltd	Dormant	100%
Guthrie Trading (UK) Ltd	Dormant	100%
Guthrie Trustees Ltd	Dormant	100%
Guthrint Ltd	Dormant	100%
Hamsigh Ltd Δ	Dormant	100%
Hants and Sussex Aviation Ltd Δ	Dormant	100%
Husbang Ltd	Dormant	100%
Lintafoam (Manchester) Ltd	Dormant	100%
Mulcott Belting Co. Ltd Δ	Dormant	100%
Nonehay Limited Δ	Dormant	100%
Notiontoken Ltd Δ	Dormant	100%
Oilark Ltd Δ	Dormant	100%
Okefab Ltd Δ	Dormant	100%
Ontic Engineering & Manufacturing UK Limited	Aviation	100%
Oxford Aviation Holdings Limited Δ	Dormant	100%
Oxford Aviation Properties Limited	Dormant	100%
PCCN 1997 Ltd	Dormant	100%
Salprep Ltd Δ	Dormant	100%
Synterials Limited Δ	Dormant	100%
Texidwarf Ltd Δ	Dormant	100%
Texstar Limited	Dormant	100%
The Guthrie Corporation Limited	Holding	100%
Valcove Ltd	Dormant	100%
Versil Ltd Δ	Dormant	100%
Airport Service Road, Portsmouth, Hampshire, P03 5PJ		
H+S Aviation Limited Δ	Aviation	100%
Aviation House, Southern Perimeter Road, London Heathrow Airport, Hounslow, Middlesex, TW6 3AE		
ASIG (UK) Ltd	Dormant	100%
ASIG Ground Handling Limited	Aviation	100%
ASIG Holdings Limited	Holding	100%
ASIG Ltd	Aviation	100%
ASIG Manchester Limited	Aviation	100%
Aviation Consultancy Services Ltd	Dormant	100%

Subsidiaries	Principal Activity	% Holding
BBA Aviation ASIG Europe Ltd (name changed to BBA Aviation Europe Limited at date of Report)	Holding	100%
Boker Aeroclean Ltd	Dormant	100%
Coronet Aviation Services Ltd	Dormant	100%
Hangar 100, Aviation Park West, Bournemouth Airport, Christchurch, Dorset, BH23 6NW		
CSE Bournemouth Limited	Aviation	100%
Voyager House, 142 Prospect Way, Luton, Bedfordshire, LU2 9QH		
Air Hanson Ltd	Dormant	100%
BBA Aviation Lynton Group Ltd	Holding	100%
Dollar Air Services Ltd	Dormant	100%
European Helicopters Ltd	Dormant	100%
Execair (East Midlands) Ltd	Dormant	100%
Execair (Scotland) Ltd	Dormant	100%
Landmark Aviation (UK) Limited	Aviation	100%
Lynton Aviation Aircraft Sales Ltd	Dormant	100%
Lynton Aviation Ltd	Dormant	100%
Lynton Corporate Jet Ltd	Dormant	100%
RSS Aircraft Engineering Limited	Dormant	100%
RSS Jet Centre (Prestwick) Limited	Dormant	100%
RSS Jet Centre Limited (45,833 £1 preference shares in addition to ordinary shares)	Aviation	100%
SFS (Gatwick) Limited	Dormant	100%
Signature Flight Support (Gatwick) Limited	Dormant	100%
Signature Flight Support Heathrow Limited	Dormant	100%
Signature Flight Support Limited	Finance	100%
Signature Flight Support London Luton Limited	Aviation	100%
Signature Flight Support Southampton Limited Δ	Dormant	100%
France		
Lieudit Le Fond De Rosiere, 95500 Bonneuil-en-France		
BBA Holdings France SAS	Holding	100%
Encore FBO SAS	Aviation	100%
Signature Flight Support Paris SAS	Aviation	100%
Germany		
Ostallee, GAT / Room 132, D-85356 Munich Airport		
BBA Holding Deutschland GmbH	Holding	100%
SFS Munich GmbH & Co. KG	Aviation	95%
SFS Verwaltungs GmbH	Aviation	95%
Signature Flight Support Germany GmbH	Aviation	100%
Greece		
59 Attikis & Ydras Str., Koropi 19400		
Signature Flight Support Athens SA	Aviation	100%
Ireland		
70/71 O'Connell Street, Limerick		
BBA Aviation LM Finance Ltd	Finance	100%
BBA Finance Ireland No 1 Ltd	Holding	100%
BBA Investment Aviation Limited	Holding	100%
BBA Luxembourg Finance No2 Limited	Finance	100%
Signature Flight Support Irish Holdings Ltd	Holding	100%
Signature Flight Support Shannon Ltd	Aviation	85%
North Terminal, Dublin Airport		
FBO Dublin	Dormant	100%
Signature Flight Support Dublin Ltd	Aviation	100%

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Subsidiaries	Principal Activity	% Holding
Isle of Man		
3rd Floor, St George's Court, Upper Church Street, Douglas		
BBA Aviation Insurances Limited Δ	Finance	100%
Italy		
Viale dell' Aviazione 65, 20138 Milano		
Prime Aviation Services Spa (name changed to Signature Flight Support Italy Srl at date of Report)	Aviation	60%
Via Visconte di Mordone, 11, 20122 Milano		
Signature Flight Support Italy (name changed to SFS Italy at date of Report)	Aviation	100%
Jersey		
47 Esplanade, St Helier, Jersey, JE1 0BD		
BBA Financial Services (Jersey) Limited	Finance	100%
Guthrie Estates Holdings Limited	Dormant	100%
Luxembourg		
6, avenue Pasteur, L-2310 Luxembourg		
BBA Aviation Finance Luxembourg No.10 Sarl	Finance	100%
BBA Aviation LM Finance Sarl	Finance	100%
BBA Aviation Sarl	Finance	100%
BBA International Investments Sarl	Holding	100%
BBA Luxembourg Finance Sarl	Holding	100%
BBA Luxembourg Investments Sarl	Holding	100%
BBA ROW Investments Sarl	Holding	100%
BBA US Investments Sarl	Holding	100%
Landmark Aviation FBO Luxembourg Sarl	Finance	100%
Netherlands		
Naritaweg 165, 1043 BW Amsterdam, The Netherlands		
R.R. FBO Cooperatie U.A.	Holding	100%
Netherlands Antilles		
Schottegatweg Oost 44, PO Box 812, Willemstad, Curacao		
Guthrie Investments NV	Dormant	100%
Panama		
PH ARIFA, 10th Floor, West Boulevard, Santa Maria Business District, PO BOX 0816-01098, Republic of Panama		
ASIG Panama S.A.	Aviation	100%
Signature Flight Support Panama	Aviation	100%
Puerto Rico		
CT Corporation System, 361 San Francisco Street, 4th Floor, San Juan, Puerto Rico		
Signature Flight Support Puerto Rico, Inc	Aviation	100%
Scotland		
C/O Maclay Murray & Spens Llp, Quartermile One, 15 Lauriston Place, Edinburgh, EH3 9EP		
BBA Aviation Pensions (GP) Limited	Finance	100%
BBA Aviation Pensions (Initial LP) Limited	Finance	100%
4th Floor, 115 George Street, Edinburgh, EH2 4JN		
Edinburgh Refuellers Ltd	Dormant	100%
Execair Aviation Services Ltd	Dormant	100%
Signature Flight Support UK Regions Limited	Aviation	100%
Signature Refuelers Limited	Aviation	100%

The Group has an interest in a partnership, the BBA Aviation Scottish Limited Partnership, which is fully consolidated into these Group financial statements. The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of the qualifying partnership to these financial statements. Separate accounts for the partnership are not required to be, and have not been, filed at Companies House.

Subsidiaries	Principal Activity	% Holding
Singapore		
1075 West Camp Road, Seletar Airport, Singapore 797800		
Aircraft Service International Group Asia-Pacific Pte Limited (name changed to BBA Aviation Asia-Pacific Pte Limited at date of Report)	Aviation	100%
BBA Aviation Singapore Holdings Pte Limited	Holding	100%
Dallas Airmotive Asia-Pacific Pte Limited	Aviation	100%
Ontic Engineering and Manufacturing Asia-Pacific PTE. LTD	Aviation	100%
Signature Flight Support Asia - Pacific Pte. Limited	Aviation	100%
South Africa		
C/O Interjet, Hanger 6, Lanseria International Airport, Lanseria 1748		
Dallas Airmotive South Africa	Dormant	100%
Beechraft Road, General Aviation Area, Cape Town International Airport 7525		
Signature Flight Support Cape Town (Pty) Ltd	Aviation	100%
Signature Flight Support South Africa (Pty) Limited	Holding	100%
Spain		
Ocean Sky Jet Centre SLU	Dormant	100%
St Kitts & Nevis		
Liburd & Dash, Foundation House, Government Road, Charlestown, St. Kitts and Nevis		
SFS Island Operations Ltd	Aviation	100%
St Maarten		
Princess Juliana International Airport, Simpson Bay, St. Maarten		
Arrindell Aviation by Signature N.V.	Aviation	95%
Thailand		
Chandler and Thong-Ek Law Offices Limited, 20 Bubhajit Building, 7th-9th Fl. North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand		
ASIG (Thailand) Company Limited	Aviation	51%
Trinidad and Tobago		
M. Hamel-Smith & Co. Eleven Albion, Cor Dere and Abion Sts, Port of Spain, Trinidad, Trinidad and Tobago		
Signature Trinidad Limited	Aviation	100%
United Arab Emirates		
Abu Dhabi International Airport, Abu Dhabi Airport Business City, Logistics Park, Warehouse No. A15		
H+S Aviation Middle East LLC	Aviation	100%
United States		
201 S. Orange Avenue, Orlando, Florida, 32801		
Aircraft Service International Group Inc.	Holding	100%
Aircraft Service International Inc.	Aviation	100%
ASIG Holdings Corporation	Holding	100%
ASIG Lounge, Inc.	Aviation	100%
Atlantic Aero Holdings. Inc.	Holding	100%
Atlantic Aero Inc.	Aviation	100%
Aviation Fuel Distributors LLC	Aviation	100%
BBA Aviation USA. Inc.	Aviation	100%
BBA Diagnostics LLC	Dormant	90.6%
BBA U.S. Holdings. Inc.	Holding	100%
Bradley Pacific Aviation. Inc.	Aviation	100%
Bradley Ross LLC	Aviation	100%
Burke Lakefront Services Co.	Aviation	100%
Business Aircraft Center. Inc.	Aviation	100%
Daedalus. Inc.	Aviation	100%
Elington Partner LP	Aviation	100%
Encore ACQ LLC	Aviation	100%
Encore Addison FBO LLC	Aviation	100%
Encore Addison Holdings LLC	Aviation	100%

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Subsidiaries	Principal Activity	% Holding
Encore Ashville Holdings LLC	Aviation	100%
Encore Ashville FBO LLC	Aviation	100%
Encore Employment LLC	Aviation	100%
Encore FBO Acquisition LLC	Aviation	100%
Encore FBO LLC	Aviation	100%
Endzone Inc.	Aviation	100%
Era FBO LLC	Aviation	100%
Executive Beechcraft Inc.	Aviation	100%
Executive Fueling Services LLC	Aviation	100%
First Aviation Holdings Corp	Holding	100%
First Aviation Intermediate Holdings Corp	Holding	100%
First Aviation Services Inc.	Aviation	100%
Fresno FBO LLC	Aviation	100%
Galvin Aviation LLC	Aviation	100%
Galvin Flying Services Inc.	Aviation	100%
Galvin Flying Inc.	Aviation	100%
Galvin Holdings LLC	Holding	100%
Global FBO Holdings Inc.	Aviation	100%
Landmark Aviation Aircraft Sales Holdings LLC	Aviation	100%
Landmark Aviation Aircraft Sales LLC	Aviation	100%
Landmark Aviation FBO Holdings LLC	Holding	100%
Landmark Aviation GSO-SAN LLC	Aviation	100%
Landmark Aviation Miami LLC	Aviation	100%
Landmark Aviation Scottsdale Inc.	Aviation	100%
Landmark FBO LLC	Aviation	100%
Laredo Aero Center Inc.	Aviation	100%
LM RA Holdings LLC	Holding	100%
LM RA Intermediate Holdings LLC	Holding	100%
LM US Member LLC	Holding	100%
MEA Ross LLC	Aviation	100%
Miami Executive Aviation LLC	Aviation	100%
Midlantic Jet Aviation Inc.	Aviation	100%
Midlantic Jet Charters Inc.	Aviation	100%
MMU Hangar 10 LLC	Aviation	100%
Page Avjet Corporation	Aviation	100%
Panorama Flight Services Inc.	Aviation	100%
Piedmont Hawthorne Aviation LLC	Aviation	100%
Ross Advanced Holdings LLC	Aviation	100%
Ross Aviation LLC	Aviation	100%
Ross Baton Rouge LLC	Aviation	100%
Ross Chester County LLC	Aviation	100%
Ross Denver Air LLC	Aviation	100%
Ross Fresno LLC	Aviation	100%
Ross Laredo LLC	Aviation	100%
Ross Midland LLC	Aviation	100%
Ross Pilot Drive LLC	Aviation	100%
Ross Scotsdale, LLC	Aviation	100%
Ross Spokane LLC	Aviation	100%
Ross Tradition LLC	Aviation	100%
Ross Trenton LLC	Aviation	100%
Ross Williston LLC	Aviation	100%
Salprep II Inc	Dormant	100%

Subsidiaries	Principal Activity	% Holding
Santa Fe Air Center LLC	Aviation	100%
Signature 7156 LLC	Aviation	100%
Signature 8361 LLC	Aviation	100%
Signature 8390 LLC	Aviation	100%
Signature 8433 LLC	Aviation	100%
Signature Combs, Inc.	Aviation	100%
Signature Flight Support Acquisition Co LLC	Aviation	100%
Signature Flight Support Corporation	Aviation	100%
Signature Flight Support Holdings Co, LLC	Aviation	100%
Signature Flight Support of Nevada Inc.	Aviation	100%
Signature Select FBO Corporation	Aviation	100%
Signature VNY LLC	Aviation	100%
Southwest Airport Services, Inc.	Aviation	100%
Topeka Aircraft, Inc.	Holding	100%
Trenton Aviation LLC	Aviation	100%
Williston Air Center JV LLC	Aviation	100%
1626 Tobacco Road, Augusta, Georgia, 30906		
Barrett Turbine Engine Company	Aviation	100%
400 Cornerstone Drive, Suite 240, Williston, Vermont, 05495		
BBA Aviation Insurances (Vermont), Inc.	Finance	100%
900 Nolen Drive, Grapevine, Texas, 76051		
Dallas Airmotive Inc.	Aviation	100%
International Airmotive Holding Co.	Holding	100%
7290 West 118th Place, Broomfield, Colorado, 80020		
International Governor Services LLC	Aviation	100%
20400 Plummer Street, Chatsworth, California, 91311		
Ontic Engineering & Manufacturing Inc.	Aviation	100%
General Aviation Terminal, Washington Nat'l Airport, Washington, District of Columbia, 20001		
Signature Flight Support Washington National, Inc.	Holding	100%
Signature Tradewinds - Washington National LC	Aviation	80%
CT Corporation System, 206 S. Coronado Ave., Espanola, New Mexico 87532		
Advanced Aviation, LLC	Aviation	100%

Joint Ventures	Principal Activity	% Holding
181 Bay Street, Suite 1800, Toronto, Ontario, Canada M5J 2T9		
Signature Canada FBO Services Inc.	Aviation	75%
465 North Mill Street, #3 Aspen, Colorado, 81 611, United States		
FBOASE, LLC	Aviation	53%
Two Corporate Drive, Suite 1050, Shelton CT 064 84, United States		
GB Aviation Holdings LLC	Aviation	50%
13365 Simpson Way, Jacksonville, FL 32221, United States		
Jacksonville Jetport LLC	Aviation	50%
9800 NW 41st Street, #400, Miami, FL 33178, United States		
Page Avjet Fuel LLC (500 shares divided into 450 Class A voting shares and 50 Class B non-voting shares)	Aviation	50%

Associated Undertakings	Principal Activity	% Holding
Chandler and Thong-Ek Law Offices Limited, 20 Bubhajit Building, 7th-9th Fl. North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand		
Aircraft Service International Group Holdings (Thailand) Ltd	Holding	49.6%
ASIG Tanking (Thailand) Limited	Aviation	40%
12 South Perimeter Road, Hong Kong International Airport, Lantau, Hong Kong		
Hong Kong Business Aviation Centre Limited	Aviation	10%
Avenida Santa Rosa 123, Sao Luiz, Belo Horizonte, MG 31270–750 Brazil		
Lider Taxi Aereo S.A Air Brasil	Aviation	1.45%

Notes: Subsidiaries and Related Undertakings as at 31 December 2016.
Entries marked with a Δ are directly held by BBA Aviation plc. All entities have ordinary shares unless otherwise stated.

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Five Year Summary

	Continuing Group 2016 $m	Continuing Group Restated 2015 $m	Restated 2014 $m	2013 $m	2012 $m
Income statement					
Revenue	2,149.1	1,714.0	2,289.8	2,218.6	2,178.9
Underlying operating profit	302.6	181.5	201.2	200.1	192.7
Exceptional items	(136.5)	(68.8)	(20.0)	(25.3)	(32.7)
Impairment of assets	(184.4)	–	–	–	–
Underlying interest (net)	(63.9)	(35.3)	(28.8)	(29.6)	(34.9)
Profit before tax	(82.2)	74.4	152.4	145.2	125.1
Tax	62.9	(7.7)	10.1	(7.1)	(14.8)
Loss/profit for the period on continuing operations	(19.3)	69.7	162.5	138.1	110.3
Loss on discontinued operations, net of tax	(79.6)	13.4	–	–	–
Loss/profit for the period	(98.9)	83.1	162.5	138.1	110.3
Non-controlling interests	–	0.1	0.3	0.4	0.3
Profit attributable to ordinary shareholders	(98.9)	83.2	162.8	138.5	110.6
Earnings per share					
Basic: Adjusted	19.4¢	18.0¢	21.9¢	30.5¢	27.9¢
Basic: Unadjusted	(1.9)¢	9.8¢	24.6¢	28.9¢	23.1¢
Diluted: Adjusted	19.2¢	17.9¢	21.8¢	30.1¢	27.5¢
Diluted: Unadjusted	(1.9)¢	9.7¢	24.4¢	28.5¢	22.7¢
Dividends					
Dividends per ordinary share	12.75¢	13.53¢	16.20¢	15.40¢	14.65¢
Balance sheet					
Employment of capital					
Non-current assets	3,427.2	1,843.1	1,833.5	1,652.6	1,585.0
Net current assets	286.4	1,013.2	223.4	254.3	217.4
Total assets less current liabilities	3,713.6	2,856.3	2,056.9	1,906.9	1,802.4
Non-current liabilities	(1,635.0)	(574.3)	(862.0)	(711.0)	(671.8)
Provisions for liabilities and charges	(160.0)	(113.6)	(115.9)	(101.9)	(109.2)
Net assets	1,918.6	2,168.4	1,079.0	1,094.0	1,021.4
Capital employed					
Called up share capital	508.7	508.5	252.3	251.8	251.5
Reserves	1,408.3	1,664.7	831.7	846.9	774.4
Shareholders' funds	1,917.0	2,173.2	1,084.0	1,098.7	1,025.9
Non-controlling interests	1.6	(4.8)	(5.0)	(4.7)	(4.5)
	1,918.6	2,168.4	1,079.0	1,094.0	1,021.4
Capital expenditure	113.0	104.2	139.0	89.8	56.5
Number of employees, end of year	6,848	4,349	12,173	11,212	11,430

Consistent with the 2015 annual report the summary has been restated in 2014 for the impact of the rights issue and the impact of a reclassification of provisions.

2015 and 2016 are presented as the continuing Group as reported. The significant changes in the Group in those years as a result of the rights issue, the acquisition of Landmark and the disposal of ASIG mean that the 2016 and 2015 financials presented above are not compaable with our years.

The dividend per share for the year ended 31 December 2015 totalled 13.53¢ being an interim dividend of 4.85¢ per share plus the final dividend per share of 8.68¢. Removing the impact of the rights issue the total dividend per share for 2015 would have been 12.15¢.

Alternative Performance Measures

Introduction

We assess the performance of the Group using a variety of alternative performance measures. We principally discuss the Group's results on an 'adjusted' and/or 'underlying' basis. The rationale for using adjusted measures is explained below. Results on an adjusted basis are presented before exceptional and other items.

We also explain financial performance using measures that are not defined under IFRS and are therefore termed 'non-GAAP' measures. The non-GAAP measures we use are: organic revenue growth, underlying operating profit and margin, underlying and reported EBITDA, underlying profit before tax, underlying deferred tax, adjusted weighted average number of shares, adjusted basic and diluted earnings per ordinary share, return on invested capital, operating cash flow, free cash flow, cash conversion, and net debt. A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

Exceptional items

The Group's income statement and segmental analysis separately identify trading results before exceptional and other items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the Group's financial performance, as exceptional and other items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a meaningful analysis of the trading results of the group. In determining whether an event or transaction is treated as an exceptional and other item, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of charges or credits meeting the above definition and which have been presented as exceptional and other items in the current and/or prior years include acquisitions/disposals of significant businesses and investments, regulatory settlements, business restructuring programmes, and asset impairment charges. In the event that other items meet the criteria, which are applied consistently from year to year, they are also treated as exceptional and other items.

Exceptional and other items are disclosed in note 2 to the Consolidated Financial Statements.

Organic revenue growth

Organic revenue growth is a measure which seeks to reflect the performance of the group that will contribute to long-term sustainable growth. As such organic revenue growth excludes the impact of acquisitions or disposals, fuel price movements and foreign exchange movements. We focus on the trends in organic revenue growth.

A reconciliation from the growth in reported revenue, the most directly comparable IFRS measures, to the organic revenue growth, is set out below.

Organic revenue growth	2016 $m	2015 $m
Reported revenue prior year	2,129.8	2,289.8
Rebase for foreign exchange	(41.3)	(43.0)
Rebase for fuel	(59.2)	(205.0)
Rebase for disposals	–	–
Like for like revenue prior year	2,029.3	2,041.8
Reported revenue	2,565.9	2,129.8
Less acquisitions	(567.6)	(48.0)
Organic revenue	1,998.3	2,081.8
Organic revenue growth	(1.5%)	2.0%

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Alternative Performance Measures – continued

Underlying operating profit and margin

Underlying operating profit and margin are measures which seek to reflect the underlying performance of the group that will contribute to long-term sustainable profitable growth. As such, they exclude the impact of exceptional and other items. We focus on the trends in underlying operating profit and margins.

A reconciliation from operating profit, the most directly comparable IFRS measure, to the underlying operating profit and margin, is set out below.

	2016 Total $m	2016 Continuing $m	2016 Discontinued $m	2015 Total $m	2015 Continuing $m	2015 Discontinued $m
Reported revenue	2,565.9	2,149.1	416.8	2,129.8	1,714.0	415.8
Operating profit	192.9	166.1	26.8	130.8	112.7	18.1
Exceptional and other items	137.2	136.5	0.7	71.2	68.8	2.4
Underlying operating profit	330.1	302.6	27.5	202.0	181.5	20.5

	2016 Total $m	2016 Continuing $m	2016 Discontinued $m	2015 Total $m	2015 Continuing $m	2015 Discontinued $m
Operating margin	7.5%	7.7%	6.4%	6.1%	6.6%	4.4%
Exceptional and other items	5.4%	6.4%	0.2%	3.3%	4.0%	0.6%
Underlying operating margin	12.9%	14.1%	6.6%	9.4%	10.6%	5.0%

Underlying EBITDA and EBITDA

In addition to measuring the financial performance of the Group and lines of business based on operating profit, we also measure performance based on EBITDA and underlying EBITDA. EBITDA is defined as the Group profit or loss before depreciation, amortisation, net finance expense and taxation. Underlying EBITDA is defined as EBITDA before exceptional and other items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies.

We consider EBITDA and underlying EBITDA to be useful measures of our operating performance because they approximate the underlying operating cash flow by eliminating depreciation and amortisation. EBITDA and underlying EBITDA are not direct measures of our liquidity, which is shown by our cash flow statement, and need to be considered in the context of our financial commitments.

A reconciliation from Group operating profit, the most directly comparable IFRS measure, to reported and underlying Group EBITDA, is set out below.

	2016 Total $m	2016 Continuing $m	2016 Discontinued $m	2015 Total $m	2015 Continuing $m	2015 Discontinued $m
Reported depreciation and amortisation	183.9	180.5	3.4	82.8	69.0	13.8
Exceptional amortization	(99.3)	(98.6)	(0.7)	(11.7)	(9.3)	(2.4)
Underlying depreciation and amortisation	84.6	81.9	2.7	71.1	59.7	11.4
Operating profit	192.9	166.1	26.8	130.8	112.7	18.1
Reported depreciation and amortisation	183.9	180.5	3.4	82.8	69.0	13.8
Reported EBITDA	376.8	346.6	30.2	213.6	181.7	31.9
Exceptional and other items	37.9	37.9	–	59.5	59.5	–
Underlying EBITDA	414.7	384.5	30.2	273.1	241.2	31.9

Underlying profit before tax

Underlying profit before tax is a measure which seeks to reflect the underlying performance of the group that will contribute to long-term sustainable profitable growth. As such underlying profit before tax excludes the impact of exceptional and other items. We focus on the trends in underlying profit before tax.

A reconciliation from profit before tax, the most directly comparable IFRS measure, to the underlying profit before tax, is set out below.

	2016 Total $m	2016 Continuing $m	2016 Discontinued $m	2015 Total $m	2015 Continuing $m	2015 Discontinued $m
(Loss)/profit before tax	(164.6)	(82.2)	(82.4)	95.3	77.4	17.9
Exceptional and other items	430.7	320.9	109.8	74.7	72.3	2.4
Underlying profit before tax	266.1	238.7	27.4	170.0	149.7	20.3

Underlying deferred tax

Cash adjusted basic and diluted earnings per ordinary share set out in note 6 to the Consolidated Financial Statements are calculated by removing exceptional and other items and underlying deferred tax to better reflect the underlying basic and diluted earnings per share.

A reconciliation from deferred tax, the most directly comparable IFRS measure, to the underlying deferred tax, is set out below:

	2016 Total $m	2016 Continuing $m	2016 Discontinued $m	2015 Total $m	2015 Continuing $m	2015 Discontinued $m
Deferred tax	81.6	77.3	4.3	2.2	7.3	(5.1)
Exceptional deferred tax	(117.2)	(105.0)	(12.2)	(12.0)	(11.6)	(0.4)
Underlying deferred tax	(35.6)	(27.7)	(7.9)	(9.8)	(4.3)	(5.5)

Cash basic and diluted earnings per ordinary share

As set out in note 6 to the Consolidated Financial Statements, the adjusted basic and diluted earnings per ordinary share is calculated using the adjusted basic and diluted earnings.

A reconciliation from the basic and diluted earnings per ordinary share, the most directly comparable IFRS measure, to the cash basic and diluted earnings per ordinary share, is set out below.

	2016 Total ¢	2016 Continuing ¢	2016 Discontinued ¢	2015 Total ¢	2015 Continuing ¢	2015 Discontinued ¢
Basic earnings per share	(9.6)	(1.9)	(7.7)	11.6	9.8	1.8
Adjustments for adjusted measure	34.2	24.0	10.2	9.9	8.8	1.1
Cash basic earnings per share	24.6	22.1	2.5	21.5	18.6	2.9
Diluted earnings per share	(9.6)	(1.9)	(7.7)	11.5	9.7	1.8
Adjustments for adjusted measure	34.0	23.8	10.2	9.9	8.8	1.1
Cash diluted earnings per share	24.4	21.9	2.5	21.4	18.5	2.9

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Alternative Performance Measures – continued

Return on invested capital (ROIC)

Measuring ROIC ensures BBA Aviation is focused on efficient use of assets, with the target of operating returns generated across the cycle exceeding the cost of holding the assets.

ROIC is calculated by dividing underlying operating profit for ROIC by net assets for ROIC, both of which are at the same exchange rate which is the average of the last 13 months spot rate. The net assets for ROIC are calculated by averaging the net assets over the last thirteen months.

A reconciliation from underlying operating profit to underlying operating profit for ROIC is set out below. In addition, a reconciliation from net assets, the most directly comparable IFRS measure, to invested capital for ROIC, is set out below.

	2016 Total $m	2016 Continuing $m	2016 Discontinued $m	Restated 2015 Total $m	2015 Continuing $m	2015 Discontinued $m
Underlying operating profit	330.1	302.6	27.5	202.0	181.5	20.5
Adjustments for FX	(0.1)	(0.1)	–	0.1	0.1	–
Underlying operating profit for ROIC	330.0	302.5	27.5	202.1	181.6	20.5
Net Assets	1,918.6	1,740.2	178.4	2,168.4	1,892.6	275.8
Impact of rights issue cash on average net debt	–	–	–	(1,117.1)	(1,117.1	–
Add back impairment made to disposal group	–	(109.1)	109.1	–	–	–
Adjustments for FX and averaging	42.9	42.9	–	187.2	187.2	–
Net Assets for ROIC	1,961.5	1,674.0	287.5	1,238.5	962.7	275.8
Reported Borrowings	(1,549.4)	(1,549.4)	–	(523.4)	(522.1)	(1.3)
Reported Cash and cash equivalents	205.3	182.5	22.8	966.4	950.7	15.7
Impact of rights issue cash on average net debt	–	–	–	(1,117.1)	(1,117.1)	–
Adjustments for FX and averaging	22.3	22.3	–	78.9	78.9	–
Less: Net Debt for ROIC	(1,321.8)	(1,344.6)	22.8	(595.2)	(609.6)	14.4
Invested Capital for ROIC	3,283.3	3,018.6	264.7	1,833.7	1,572.3	261.4
ROIC	10.1%	10.0%	10.4%	11.0%	11.6%	7.8%

Operating cash flow

Operating cash flow is one of the Group's Key Performance indicators by which our financial performance is measured. Operating cash flow is defined as the aggregate of Cash generated by operations, purchase of property, plant and equipment, purchase of intangible assets less Ontic licences, and proceeds from disposal of property, plant and equipment.

Operating cash flow is primarily an overall operational performance measure. However, we also believe it is an important indicator of our liquidity.

Operating cash flow reflects the cash we generate from operations after net capital expenditure which is a significant ongoing cash outflow associated with investing in our infrastructure. In addition, operating cash flow excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends, share buy-backs, acquisitions and disposals, financing costs, tax payments, dividends from associates and the repayment and raising of debt. Operating cash flow is not a measure of the funds that are available for distribution to shareholders.

	2016 Total $m	2015 Total $m
Reported Cash generated by operations	390.7	193.4
Add: Reported Purchase of property, plant and equipment	(101.6)	(81.8)
Add: Reported Purchase of intangible assets	(11.4)	(22.4)
Less: Ontic licences	(10.6)	(13.5)
Add: Reported Proceeds from disposal of property, plant and equipment	11.1	16.7
Operating cash flow	299.4	119.4

Cash conversion

Cash conversion is a key part of the Group strategy for disciplined capital management with absolute cash generation and strong cash conversion. Cash conversion is defined as operating cash flow as a percentage of continuing and discontinued operating profit. Operating cash flow has been reconciled above to the most directly comparable IFRS measure, being cash generated from operations.

	2016 Total %	2015 Total %
Cash conversion	155%	92%

Free cash flow

Free cash flow is set out in note 23 to the Consolidated Financial Statements and reconciled to net cash inflow from operating activities, the most directly comparable IFRS measure.

Net debt

Net debt consists of borrowings (both current and non-current), less cash and cash equivalents and the fair value adjustment on the US Private placement loan.

Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of borrowings (current and non-current), and cash and cash equivalents. A reconciliation from these to net debt is given below.

	2016 Total $m	2016 Continuing $m	2016 Discontinued $m	2015 Total $m	2015 Continuing $m	2015 Discontinued $m
Reported Borrowings	(1,547.7)	(1,547.7)	–	(523.4)	(522.1)	(1.3)
Reported finance leases	(1.7)	(1.7)	–	–	–	–
Reported Cash and cash equivalents	205.3	182.5	22.8	966.4	950.7	15.7
Fair value adjustment on USPP	8.8	8.8	–	13.5	13.5	–
Net Debt	(1,335.3)	(1,358.1)	22.8	456.5	442.1	14.4

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Shareholdings

As at 31 December 2016, there were about 3,700 shareholders on the register of members.

Dividends

Shareholders will receive their dividend payment in sterling unless they have elected to receive it in US dollars. If you wish to receive your dividends in US dollars, your appropriate election must be received by Capita no later than 5.30 pm on 26 April 2017. Please note that if you have previously made a valid election, that election will cover all future dividend payments and a new election is not required. The dividend will be converted at a prevailing exchange rate on 27 April 2017 and this exchange rate will be announced on 28 April 2017.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan is available, giving ordinary shareholders the option to buy shares in lieu of a cash dividend. Dividend Reinvestment Plan terms and conditions are available upon request from the Company's registrars via the registrars' helpline on 0871 664 0300 (calls cost 12p per minute plus network extras; lines are open 9.00 am to 5.30 pm, Monday to Friday; (overseas +44 371 664 0300), by e-mail: shares@capitaregistrars.com or visit www.capitashareportal.com.

Share dealing service

A share dealing service is available for UK shareholders from Capita Asset Services to either sell or buy BBA Aviation plc shares. For further information on this service, please contact www.capitadeal.com (on-line dealing) or 0371 664 0445 (telephone dealing). Call costs vary by provider. Lines are open 8.00 am to 4.30 pm, Monday to Friday.

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity (charity no. 1052686). Further information is available by visiting www.sharegift.org or by telephoning ShareGift on 020 7930 3737.

Key dates	Date payable
Financial calendar	
Dividend and interest payments	
Ordinary shares:	
final 2016	May 2017
interim 2017	November 2017
5% cumulative preference shares	February 2017 and August 2017

	Date announced
Announcement of Group results	
Half-year result	August
Annual results	March
Report and accounts	Posted March

Share price information

The price of the Company's shares is available at www.bbaaviation.com.

For the purpose of Capital Gains Tax (CGT) calculations, the base cost of the old BBA Group plc shares held immediately before the demerger on 17 November 2006 has to be apportioned between BBA Aviation plc shares and Fiberweb plc shares. The ratio is BBA Aviation plc shares 84.73%, Fiberweb plc shares 15.27%. This is based on the respective market values on 17 November 2006, determined according to CGT rules at that time, of 281.155p for BBA Aviation plc shares and 170.5p for Fiberweb plc shares.

This information is provided as indicative guidance. Any person wishing to calculate their CGT should take their own financial advice from their accountant or other authorised financial adviser and if they are in any doubt about their taxation position they should obtain professional advice.

Company registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
BR3 4TU
Telephone: 0871 664 0300
(calls cost 12p per minute plus network charges)
Lines are open 9.00 am to 5.30 pm, Monday to Friday
From outside the UK: +44 371 664 0300
E-mail: shareholder.services@capitaregistrars.com
www.capitaassetservices.com

Please contact the registrar directly if you wish to advise a change of name, address or dividend mandate or wish to participate in the Dividend Reinvestment Plan or wish to elect to take your dividend in US dollars rather than receive it in the default currency of sterling.

You can access general shareholder information and personal shareholding details from our registrar's website. Our registrar provides a share portal through which you can view up-to-date information and manage your shareholding. You can register for this service via www.capitashareportal.com. You will require your Investor Code (IVC), which can be found on your share certificate or dividend tax voucher, to register for the share portal service or to access other information from the registrar's website.

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, not to the Company's registrar, Capita Asset Services, or to the Company.

Warning to shareholders – boiler room share scams

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or offered an inflated price for shares that investors already own. These calls come from fraudsters operating in "boiler rooms" that are mostly based abroad. BBA Aviation plc is aware that, in common with other companies, a small number of our shareholders have received unsolicited telephone calls concerning their investment in the Company, which may have been from fraudsters.

Callers can be very persistent and extremely persuasive. Shareholders are advised not to give details of their e-mail addresses or other personal details to any third party that they do not know. Further information can be found on the Company's website at www.bbaaviation.com under investors and shareholder information.

Table of information in compliance with Listing Rule 9.8.4C

Clauses	Reference
A statement of the amount of interest capitalised by the Group during the period under review with an indication of the amount and treatment of any related tax relief.	Note 3 to the Consolidated Financial Statements
Details of any contract of significance subsisting during the period under review: (a) to which the listed Company, or one of its subsidiary undertakings, is a party and in which a director of the listed Company is or was materially interested; and (b) between the listed Company, or one of its subsidiary undertakings, and a controlling shareholder.	Note 26 to the Consolidated Financial Statements
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends, where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	Note 21 to the Consolidated Financial Statements

Any matters not listed above are not applicable.

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E-mail: info@bbaaviation.com
Registered in England
Company number: 53688

This Annual Report is addressed solely to members of BBA Aviation plc as a body. Neither the Company nor its directors, employees, agents and advisors accept or assume responsibility to any person for this Annual Report beyond the responsibilities arising from the production of this Annual Report under the requirements of applicable English company law. Sections of this Annual Report, including but not limited to the Strategic Report, Directors' Report and Directors' Remuneration Report may contain 'forward-looking statements' about certain of BBA Aviation plc's current plans, goals and expectations relating to future financial condition, performance, results, strategy and objectives including, without limitation, statements relating to: future demand and markets of the Group's products and services; research and development relating to new products and services; liquidity and capital; and implementation of restructuring plans and efficiencies. Statements containing the words "believes", "intends", "targets", "estimates", "expects", "plans", "seeks" and "anticipates" and any other words of similar meaning are forward-looking. These 'forward-looking statements' involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future which may be beyond BBA Aviation plc's control.

Accordingly, actual results may differ materially from those set out in the forward-looking statements as a result of a variety of factors including, without limitation: changes in interest and exchange rates, commodity prices and other economic conditions; negotiations with customers relating to renewals of contracts and future volumes and prices; events affecting international security, including global health issues and terrorism; changes in regulatory environment; and the outcome of litigation. The Company undertakes no obligation to update or revise any forward-looking statement in this document or any other forward-looking statements it may make, whether as a result of new information, future events or otherwise. Consequently, such forward-looking statements should be treated with caution due to the inherent uncertainties (including, without limitation, both economic and business risk factors) underlying such forward-looking statements or information.

Pages 1 to 82 inclusive consist of a Strategic Report and Directors' Report including the Directors' Remuneration Report that have been drawn up and presented in accordance with and in reliance upon applicable English company law. The liability of the directors in connection with such reports shall be subject to the limitations and restrictions provided by, and shall be no greater than is required by, applicable English company law.

Nothing in this Annual Report should be construed as a profit forecast.

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