BBA Aviation

Annual Report 2017

Contents

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 198 locations covering key destinations in North America, Europe, South America, the Caribbean, Africa and Asia. Signature TECHNICAir™ offers certified technical support at 18 locations in the USA and UK. Aircraft management and charter services are provided through the Gama Aviation Signature Aircraft Management partnership.

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 and Asia.

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

Capturing the value of the network

During the year we have:

Made significant progress on the commercial transition of the enlarged Signature network

We have brought together the commercial arrangements of Signature and Landmark and started to utilise the wealth of data we capture as to how our customers traffic the enlarged network. We have also explored the priorities of our different customer segments, whether it be ramp access, hangarage or line maintenance, to provide a full, cost-effective service offering across the network.

Invested to position the network for future growth

We have committed capital expenditure to enhance the Signature network through lease extensions, adding hangar space to satisfy customer requirements, and growing our non-fuel service offering. We have partnered with other strategic aviation players to combine expertise on technology enabled means of global flight planning. We have invested in our people and systems to support further service led growth.

Continued to actively grow Ontic

We have added licences to our extensive range of maturing and legacy products and systems and grown our reputation as a trusted partner for OEMs wishing to transition products.

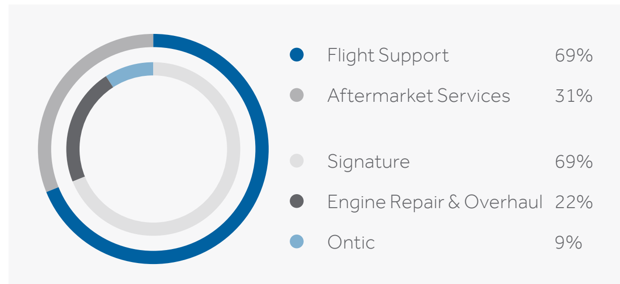
Achieved steady state at ERO

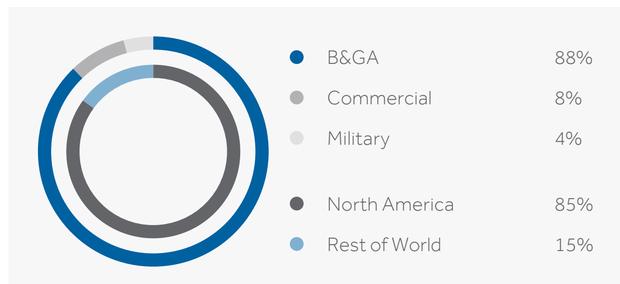
We have delivered a much improved performance at ERO despite continuing challenging markets. The benefits have started to flow as we approach completion of our operational transformation and from our investment in our new, cost-efficient, multi-engine overhaul and test facility in Dallas.

Determined the most appropriate capital structure for the Group going forward

An extensive review has been undertaken and, based on the strong and robust cash flow fundamentals of the Group, an increase in our target leverage range was deemed appropriate. This revised range gives flexibility and headroom for the investment requirements of BBA Aviation and the cyclicality of the B&GA market.

2017 Revenue Splits





$2370.6m	Revenue, up 10% 2016: $2,149.1m
$360.6m	Underlying operating profit[1], up 19% 2016: $302.6m
$175.5m	Profit before tax 2016: $(82.2)m
11%	Total Group ROIC[1], up 90bps 2016: 10.1%
218	Locations
>6,700	Employees

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

1 Defined and reconciled to reported financials under Alternative Performance Measures (APMs). See pages 174 to 178.

2017 Financial Highlights

$m	2017[2]	2017 continuing	2016[2]	2016 continuing	Change	Change continuing
Revenue	2,409.0	2,370.6	2,565.9	2,149.1	(6.1%)	10.3%
Organic revenue growth[1]	2%	2%	(2%)	(2%)	–	–
Underlying EBITDA[1]	447.9	447.9	414.7	384.5	8.0%	16.5%
Operating profit	237.4	237.6	192.9	166.1	23.1%	43.0%
Underlying operating profit[1]	360.4	360.6	330.1	302.6	9.2%	19.2%
Underlying operating margin[1]	15.0%	15.2%	12.9%	14.1%	–	–
Underlying profit before tax[1]	298.3	298.5	266.1	238.7	12.1%	25.1%
Profit/(Loss) before tax	168.7	175.5	(164.6)	(82.2)	–	–
Profit/(Loss) for the period	119.3	141.8	(98.9)	(19.3)	–	–
Exceptional and other items including tax	(127.0)	(104.5)	(316.0)	(218.5)	–	–
Earnings per ordinary share – basic						
Adjusted[1]	24.0¢	24.0¢	21.1¢	19.4¢	13.7%	23.7%
Unadjusted	11.6¢	13.8¢	(9.6¢)	(1.9¢)	–	–
Earnings per ordinary share – diluted						
Adjusted[1]	23.7¢	23.7¢	20.9¢	19.2¢	13.4%	23.4%
Unadjusted	11.5¢	13.7¢	(9.6¢)	(1.9¢)	–	–
Dividends per ordinary share	13.4¢	–	12.75¢	–	5.1%	–
Return on invested capital (ROIC)[1]	11.0%	–	10.1%	–	90 bps	–
Operating cash flow[1]	317.3	–	299.4	–	6.0%	–
Cash conversion[1]	134%	–	155%	–	–	–
Free cash flow[1]	220.6	–	224.1	–	(1.6%)	–
Net debt[1]	(1,167.1)	–	(1,335.3)	–	–	–
Net debt to underlying EBITDA[1]	2.6x	–	3.2x	–	–	–

1 Defined and reconciled to reported financials under alternative performance measures (APMs). See pages 174 to 178.
2 From continuing and discontinued operations.

Chairman's Statement

2017 was another successful year for the Group.

The US B&GA market grew strongly during the year and we have continued to lay the foundations for further growth and value creation across the Signature network through investing in our infrastructure and customer offer and successfully negotiating revised commercial terms with many of our customers.

We made further investments in Ontic's IP-protected licence portfolio in 2017 and the business performed very strongly, with good contributions from new licences and growth from military parts programmes. There was a much improved operating performance at ERO despite challenging markets.

During the year we undertook a comprehensive review of BBA Aviation's capital structure and, as a result, have increased our targeted leverage range. This enables us to maintain a capital efficient balance sheet, based on the strong and robust cash flow fundamentals of the Group, and provides us with the flexibility required to meet investment opportunities to fund organic and inorganic growth and enhance shareholder value.

Results

Continuing Group revenue increased by 10% to $2,370.6 million. Flight Support revenue was up 13.8% and Aftermarket Services revenue grew 3.1%, driven by Ontic which offset the decline at ERO. Continuing Group underlying operating profit was $360.6 million (2016: $302.6 million) and continuing Group underlying operating profit margin increased to 15.2% (2016: 14.1%) reflecting underlying margin growth at both Flight Support and Aftermarket Services.

Underlying continuing profit before tax increased to $298.5 million (2016: $238.7 million) and adjusted continuing underlying EPS was up 24% to 24.0¢. We delivered free cash flow of $220.6 million (2016: $224.1 million) and, as a result, the Group de-levered to 2.6x net debt to underlying EBITDA on a covenant basis. Return on invested capital (ROIC) was up 90 basis points to 11.0% (2016: 10.1%).

Dividend

The Board is proposing a final dividend of 9.59¢ per share, taking the full year dividend to 13.40¢, an increase of 5%. This reflects the Board's progressive dividend policy and its continued confidence in BBA Aviation's future prospects.

The Board

On 2 January 2018 we were delighted to announce that Mark Johnstone will join the Board as Group Chief Executive on 1 April 2018. Mark has a deep understanding of the Group and the right strategic and operational experience, having held a number of senior roles at BBA Aviation over the last ten years. Mark takes over from Wayne Edmunds, who stepped into the role on an interim basis on the departure of Simon Pryce in June 2017. I would like to thank Wayne and Simon for their respective contributions. Simon led BBA Aviation for a significant period and played a key role in managing the Group through the downturn and in the transformation that has taken place in recent years. Wayne will continue to be a member of the Board but will not be regarded as an independent director and will not be a member of Board Committees. David Crook joined the Board as Group Finance Director on 1 June 2017, replacing Mike Powell.

On 1 January 2018 we welcomed two new non-executive directors, Amee Chande and Emma Gilthorpe, to the Board. Amee and Emma bring highly relevant experience for the next stage of the Group's development and I look forward to working with them. We also announced that Peter Ratcliffe will step down from the Board at the 2018 AGM. I would like to thank Peter for his valuable contribution to the Board over the past nine years and thank each of our non-executive directors for their counsel during the year.

Outlook

The Board is pleased with the performance of the Group and progress made in 2017. We have started to capture the value of Signature's unique network and Ontic is performing very well. ERO has stabilised and we have recently commenced a strategic review of this business. We have also ensured that we have an appropriate capital structure going forward. Recent investments at Signature are all focused on delivering continued market outperformance in terms of our earnings growth. We will continue to look to expand our FBO network and our offering of non-fuel services to ensure that we remain the market leader with unmatched customer relevance. Our growing portfolio at Ontic offers significant opportunities and the business has a strong pipeline. The Board remains confident of good growth in 2018.

Sir Nigel Rudd,
Chairman

Q&A with Interim Group Chief Executive

"I have greatly enjoyed this period as Interim Group Chief Executive. I am extremely proud of our people – their energy, their commitment, their integrity and their focus has established the momentum that we take into 2018."

Wayne Edmunds,
Interim Group Chief Executive

Q. How would you describe current US B&GA market conditions?

A. The B&GA market is looking positive. It showed good growth in 2017 – in the USA growth was 3.1% in the first half and 4.1% in the second – and, as we look into 2018, we are encouraged by a positive outlook for the US economy, with expected continued growth in GDP underpinned by tax reforms. Within the different customer segments, charter traffic demonstrated particularly strong year on year growth.

In the first half of the year, Signature grew in line with the market despite the short-term impact of combining the two commercial books of Landmark and Signature and transitioning key customers onto new commercial agreements. In the second half, we outperformed a more buoyant B&GA market as the new commercial agreements bedded down and new traffic patterns established.

Q. What is the enlarged Signature network capable of?

A. Signature now has 198 locations across the world. Of the top 200 B&GA airports in the US, Signature is present at locations where 68% of fuel is burned, and we are located at key B&GA centres outside the US, in Europe, Asia, South America and Africa. These are in the places that our customers want to fly to and where they know they will receive the same industry-leading service from our highly trained Signature team. We have built relationships with these customers and we continue to invest in the quality of experience and in the quality and range of our infrastructure, our service offering and our technology, so that they continue to choose Signature. Our goal is to continue to grow operating profit ahead of the market.

Q. How does Aftermarket Services fit with the Group going forward?

A. Ontic offers us scalable investment opportunities that have an attractive return on invested capital and enable us to grow our portfolio of IP-protected products. The team has demonstrated real diligence and expertise on the evaluation of prospective licences and we are now regarded as a trusted counterparty for maturing and legacy aircraft parts that are either replaced through wear and tear or as part of regular service cycles. Furthermore, as our scale has increased, our key OEM partners have shown an increased willingness to grow their relationships with us, as demonstrated by the steady stream of new licence deals we have agreed, particularly in the latter part of 2017. As we announced on 1 March 2018, we are currently conducting a strategic review of the ERO business, although there is no certainty that this will result in a transaction being agreed.

Q. What would you say are the priorities of the new Group Chief Executive?

A. BBA Aviation completed its annual strategic review and goal setting process at the end of 2017 and our goals have been cascaded throughout the Group. As a member of the Executive Management Committee, Mark has been deeply involved in the process and, as Group Chief Executive, he will take responsibility for delivering them. Having spent ten years with BBA Aviation in a range of senior roles he has a detailed knowledge of how the business works and will be able to hit the ground running.

I have no doubt that his key priority will be to maintain the momentum that we have achieved in recent years – not just in business performance but in all the underlying things that contribute to it: our focus on service and growing our offer to the customer; our focus on understanding the customer through better use of data; and the deployment of new technology to improve our processes and make us more efficient operators. In this regard, Mark has been a key facilitator of our recent investment in Victor, a leading on-demand private jet charter company, where we will explore, in partnership, cutting edge ways to better serve the passengers, operators and aircraft owners using our network. And, finally, that we continue to deploy capital wisely.

Mark shares my determination to ensure that BBA Aviation is a safe place to work and a great place to work and that we remain committed to being a responsible company. This is valued by our employees and by potential employees and we want to make sure that we continue to attract and retain the best talent.

Q. What can you say about the review of BBA Aviation's capital structure?

A. BBA Aviation is now predominantly focused on the B&GA market. It was therefore appropriate that we reviewed our capital requirements and leverage appetite ready for the next stage of our development. Our cash generation characteristics are very strong and we believe an increase in our leverage range is appropriate, hence the increase in the range to 2.5x–3.0x. We ended the 2017 financial year towards the bottom end of this range.

We will continue to deploy capital where we see the opportunity to generate good risk-adjusted returns and our investment priorities are focused on delivering organic underlying operating profit growth above B&GA market growth and investing in bolt-on acquisitions and IP licensing arrangements at Ontic. The Group remains disciplined in its approach to the allocation of capital, with the overriding objective being to enhance shareholder value.

The Board has a progressive dividend policy with the aim of increasing dividends in line with long-term underlying growth in earnings. Any surplus cash after satisfying the investment opportunities of the business and funding dividends will be returned to shareholders.

Q. Of what are you most proud?

A. I have greatly enjoyed this period as Interim Group Chief Executive. Of course, I knew the business well having been a member of the Board since 2013, but this role has given me a completely different perspective. I am extremely proud of our people – they have truly risen to the challenge and delivered in what has been a very busy year. Their energy, their commitment, their integrity and their focus on the goal has got us to where we are today and has established the momentum that we take into 2018.

I am also very proud that we have proven we can deploy a large tranche of capital very effectively. Landmark was a large and truly transformational addition to the Group and has been integrated very successfully, putting us in a great position to move forward.

Passenger lounge area with ramp view at Signature San Diego.

Our Operations

BBA Aviation now operates at 218 locations on five continents worldwide. We have over 6,700 employees.

North America, Central America, the Caribbean

65%	of world's business jets and turboprops
152	Locations
139	Signature
1	Ontic
12	ERO

Europe

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

South America

11%	of world's business jets and turboprops
22	Locations
21*	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
1	Ontic
2	ERO

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 and military markets, with a low single digit exposure to the B&GA market. While principally focused on B&GA, Engine Repair & Overhaul (ERO) also provides services to regional commercial operators flying with engines in the sub-20,000 lb thrust category.

Business & General Aviation
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 together with line maintenance services, through the TECHNICAir™ brand, to business and private aircraft in this segment. Flight support includes services such as fuelling, ramp access and overnight parking and hangarage. ERO and Ontic provide aftermarket technical services and licensed products for a broad range of jet, turboprop and helicopter platforms.

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

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. Looking forward, lower US personal and corporate taxes are expected to provide additional upside to business confidence.

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.

Annual B&GA hours flown in the US market have recently surpassed pre-financial crisis levels driven by an increase in average leg length compared to pre-crisis.

Commercial and Military Aviation
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 military platforms, such as the age of the fleet, and defence spend impacting development of new aircraft are key drivers. In commercial, continued airline growth with record backlog and life extensions (retirements as a percentage of new deliveries) are at the lowest level since 2004, and a large number of aircraft are coming off warranty in the next few years, all of which are key market drivers for Ontic.

"Annual B&GA hours flown in the US market have recently surpassed pre-financial crisis levels driven by an increase in average leg length compared to pre-crisis."

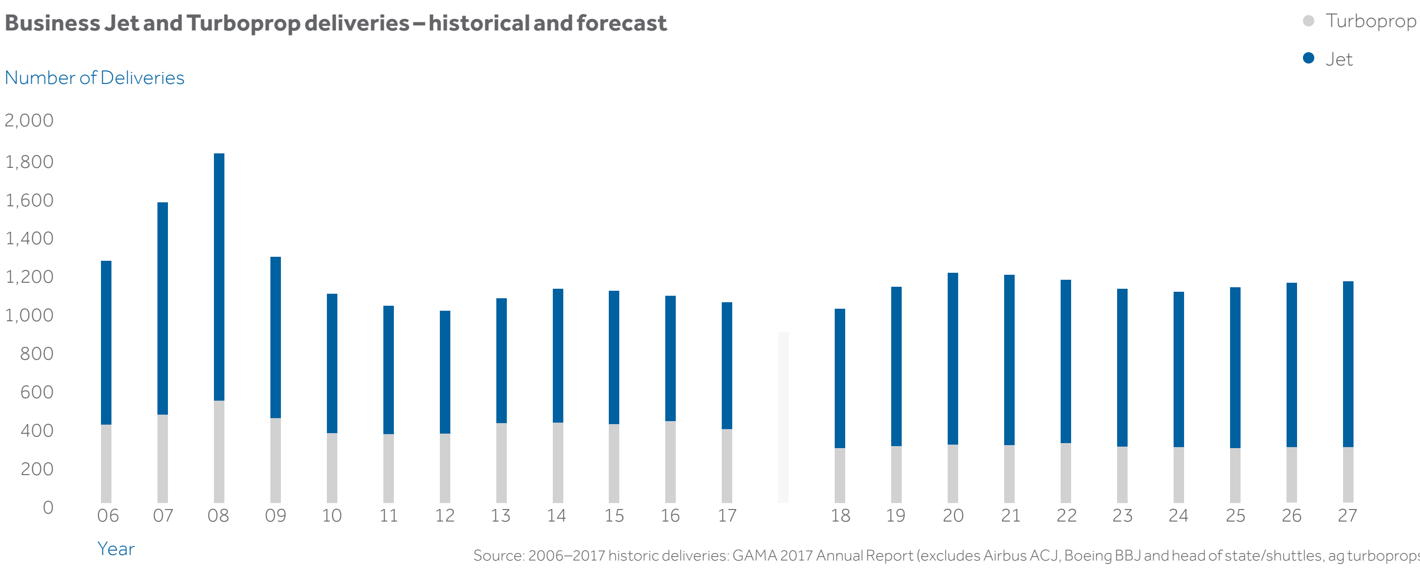
Revenue split 2017 by market

88%	Business & General Aviation
12%	Commercial (8%) and Military (4%) Aviation

Revenue split 2017 by market

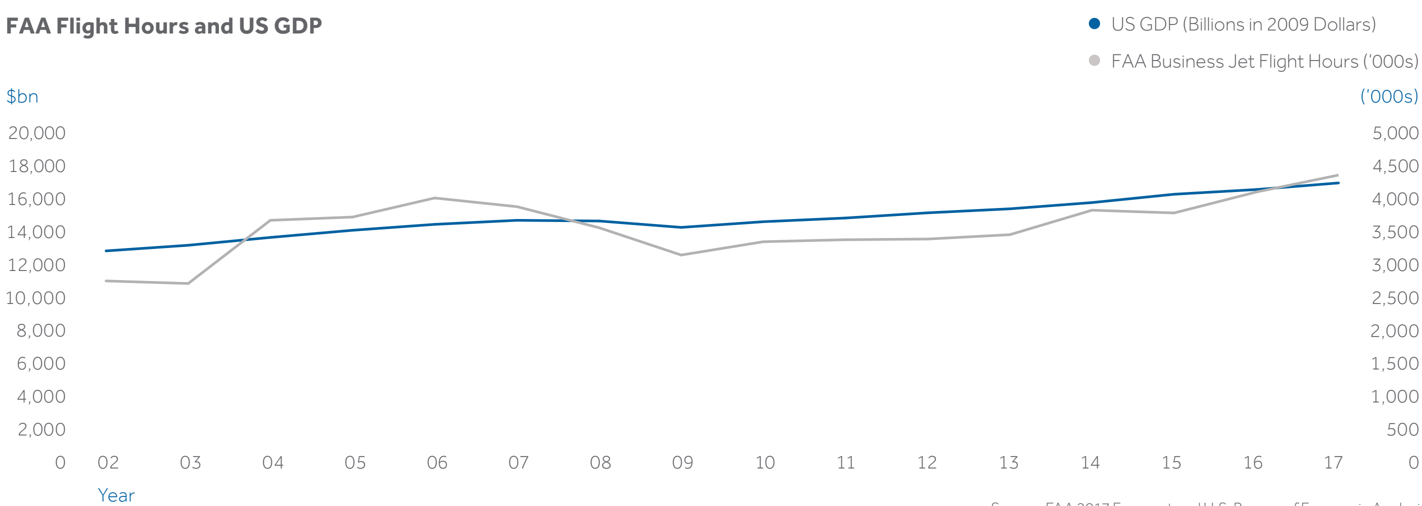
85%	North America
15%	Rest of World

Business Jet and Turboprop deliveries – historical and forecast



Source: 2006–2017 historic deliveries: GAMA 2017 Annual Report (excludes Airbus ACJ, Boeing BBJ and head of state/shuttles, ag turboprops)
Source: 2018–2027 forecast deliveries: Teal Group Business Aircraft Forecast (excludes Airbus ACJ, Boeing BBJ and head of state/shuttles)

FAA Flight Hours and US GDP



Source: FAA 2017 Forecast and U.S. Bureau of Economic Analysis

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 FBO network for B&GA users including 18 Signature TECHNICAir™ locations. Aircraft management and charter services provided through the Gama Aviation Signature Aircraft Management partnership.

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 B&GA flying hours
- Fragmented and large addressable markets
- Diversified customer base
- OEM desire to transition maturing and legacy products
- Low asset intensity

What sets us apart

Market leadership	• World's largest FBO network • Ontic's unique portfolio of IP-protected components and systems • Market-leading positions in broad range of small thrust capacity engine overhaul programmes
Track record of market outperformance	
Barriers to entry	• Scale • Locations and capabilities • Licence, adoption process and authorisation IP • Highly recognised brands
Customer-relevant network	• 37 Signature locations at top 50 US airports • Of the top 200 B&GA airports in the US, Signature is present at locations where 68% of fuel is burned • Covers key European and ROW B&GA destinations • Services 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:

- Our unique network of high-quality locations
- Leveraging customer knowledge to optimise their cost of flying and grow share
- Expanding our FBO range of services

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 specific and measurable goals aligned with our five-year strategic goals 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 24–29 in Corporate Responsibility.

Growth
Organic Revenue Growth[1]
Organic revenue growth is a measure of the underlying growth of the business. It excludes the impact of foreign currency, fuel price fluctuations and any contribution from acquisitions and disposals.

Signature continued to perform well, delivering good organic growth. This growth was in part offset by weak markets at ERO, driving a small increase in Group organic underlying continuing revenue.

2% 2017

2016	(2)%
2015	2%
2014	3%
2013	2%

Performance Optimisation
Total Group Adjusted Earnings per Share[1]
Adjusted earnings per share measures the profit attributable to shareholders after interest and tax. It excludes the impact of exceptional and other items.

Underlying PBT increased by 12% resulting in adjusted EPS increasing by 14%. Underlying continuing PBT increased by 25% resulting in continuing adjusted EPS increasing by 24%.

24.0¢ 2017

2016	21.1¢
2015[2]	20.1¢
2014[2]	21.9¢
2013[2]	21.8¢

Cash Generation
Total Group Cash Conversion[1]
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 134% cash conversion, reflecting its attractive underlying financial characteristics.

134% 2017

2016	155%
2015	92%
2014	65%
2013	101%

Value Creative Investment
Total Group Return on Invested Capital[1]
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 calculated by dividing underlying operating profit for ROIC by net assets for ROIC.

ROIC increased 90 bps to 11.0% in 2017.

11.0% 2017

2016	10.1%
2015	11.0%
2014	9.4%
2013	10.0%

1 Defined and reconciled to reported financials under Alternative Performance Measures (see pages 174–178). Refer to Note 6 for adjusted earnings per share calculation.
2 Historic adjusted earnings per share figures restated for the impact of the October 2015 rights issue.

Signature Flight Support

The world's largest fixed base operation (FBO) network for Business & General Aviation (B&GA) users with 198 locations covering key destinations in North America, Europe, South America, the Caribbean, Africa and Asia. There are 139 locations in North America, Central America and the Caribbean.

Signature Flight Support provides premium, full service flight support to the owners and operators of private and business aircraft worldwide, both tenant and transient. Signature TECHNICAir™ offers certified technical support, line and heavy maintenance, inspection and Aircraft on Ground services at 18 strategic FBO locations in the USA and UK. Aircraft management and charter services are provided through the Gama Aviation Signature Aircraft Management partnership.

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.

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

Customer aircraft on the ramp at Signature's recently upgraded San Diego FBO.

Key facts

69%	2017 Group revenue
68%	Of the top 200 B&GA airports in the US, Signature is present at locations where 68% of fuel is burned
>1.6m	Aircraft movements handled in 2017
10.9m sq ft	10.9 million square feet of hangar, terminal and office space under management in the USA

A Signature Customer Service Representative greeting arriving passengers and crew at Signature San Jose.

Key services

- High-quality, full service flight support for B&GA travel including fuelling, ground handling, passenger and pilot services and amenities
- Hangarage for overnight parking and home based aircraft storage
- Technical support, line and heavy maintenance, inspection and Aircraft on Ground (AOG) services through Signature TECHNICAir™ at 18 locations
- Signature ELITE class™ offering Signature service and accommodation to commercial travellers at four locations
- Aircraft management and charter services through Gama Aviation Signature Aircraft Management

What sets us apart

- Largest international network of FBOs with 57 sole source locations
- Average remaining lease life of 18 years across US FBO portfolio
- Customer relevant network
  - 37 locations at top 50 US airports
  - Presence at 13 of the 20 top home bases for business aircraft in the USA
  - Presence at both ends of 32 of the 50 most trafficked city pairs in the USA
- Signature Select® FBO licensing model
- Industry-leading Service with a Leading Edge® and Safety with a Leading Edge® programmes
- 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

Ontic

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

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. The company 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 Chatsworth, California; Cheltenham, 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.

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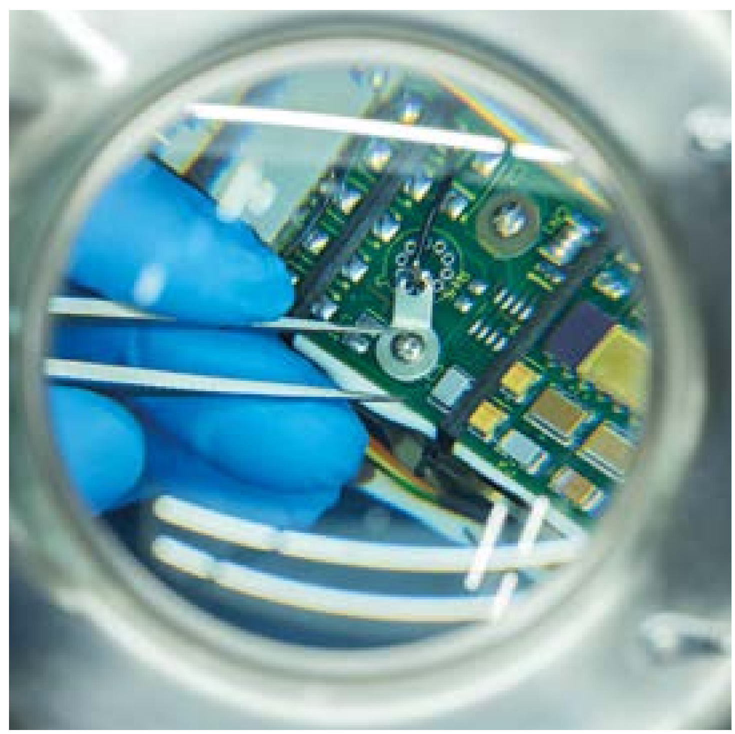
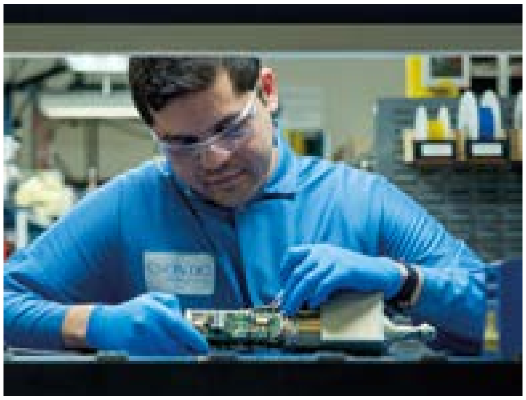


An AS9100D Certified Quality Inspection on flight critical production avionics assembly

Key facts

9%	2017 Group revenue
>6,500	Over 160 licences for more than 6,500 parts
~80,000	Large addressable market of around 80,000 aircraft more than 15 years' old
>1,000	More than 1,000 customers worldwide



An electro-mechanical technician performing final assembly and test on the linear actuator for the Canadair Regional Jet

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

What sets us apart

- Intellectual property rights for a wide portfolio of bought and licensed products
- Trusted 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.

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

ERO's main repair facilities are strategically located in the USA and the UK 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.

ERO customers are private and commercial operators of aircraft in the global B&GA, regional airline and civil and military rotorcraft fleets, flying with engines in the sub-20,000 lb thrust category.

A Rolls Royce Tay engine is set for testing at DAI's new engine test centre facility at Dallas Fort Worth

Key facts

22%	2017 Group revenue
17	17 locations
>60	More than 60 remote field service personnel
>2,100	More than 2,100 turbine engines processed annually

A Dallas Airmotive technician inspects wiring configuration for a Rolls Royce Tay engine preparing for test

Key services

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

What sets us apart

- Intellectual property in the form of authorisations for nearly 80% of the B&GA fleet and over 65% of the rotorcraft fleet
- Highly responsive service and support in customer-relevant locations
- In-field capability in the USA and across the world
- Integrated service offer to support customer needs
- Trusted partnerships with a global network of more than 8,000 customers
- Highly skilled workforce, technical capability and efficient processes in new state-of-the-art facilities
- In-house business intelligence tools

Managing Our Risks

We are committed to effective risk management to support 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

Accountability for monitoring

The Board
Responsible for our system of Corporate Governance and overseeing execution of our strategy; risk management and policy; and financial performance.

Executive Management Committee
Responsible for setting strategic direction, executing strategic decisions and implementing an effective corporate risk management system.

Business Units
Responsible for identifying, assessing and managing risks within their business subject to Group risk appetite.

Company Risk Map (Risk Register) & Divisional Risk Maps
Management teams in business units review risks through self-assessment methodology and develop risk registers which, together with risk maps that are developed from the risk registers, are submitted to the Executive Management Committee and the Audit and Risk Committee on a bi-annual basis.

Responsibility for implementing

Audit and Risk Committee
Responsible for reviewing and approving the adequacy and effectiveness of our risk management and internal controls.

Audit function
Reviews and reports on the system of internal control.

Chief Risk Officer
Reports on key risks and risk mitigation.

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.

The risk assessment process drives the Internal Audit scope, which is agreed in February each year by the Audit and Risk Committee. The Chief Risk Officer and Head of Internal Audit attend Audit and Risk Committee meetings to provide regular updates and discuss any proposed changes to the plan.

How we manage risk across BBA Aviation

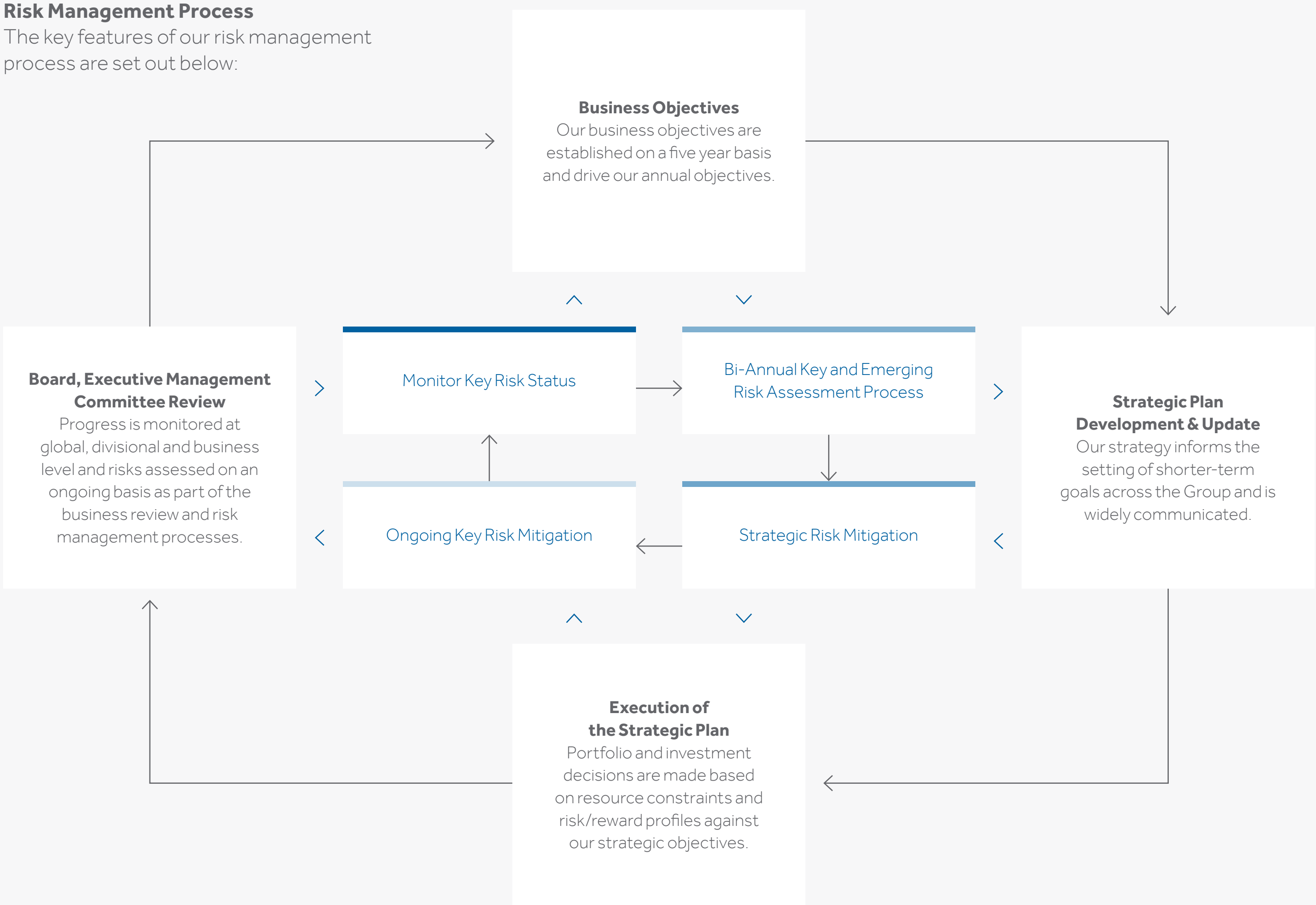
The Board has established a framework for assessing risk in the context of likelihood and impact in financial and reputational terms. Each risk within the Group is assessed against this framework and the Board reassesses its risk appetite on a bi-annual basis when risk maps are presented to the Audit 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 85.

Progress in 2017
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.

A key area of improvement in 2017 was in the area of Business Continuity Management (BCM).

A new sub-Committee of the Executive Management Committee was established to provide guidance and leadership to ensure that BBA Aviation's businesses are suitably protected from a BCM perspective. This includes ensuring compliance with the Group's BCM Policy and providing support and expertise, both within Committee members' respective operations and across the Group. The Committee consists of BCM co-ordinators from each business unit and the key global functions.

The Committee meets for bi-annual reviews and strategy planning, monthly conference calls, and is the internal business driver for the BCM testing programme. Knowledge, learning and experiences are shared within the Group to deliver continuous improvement in BCM practice

Principal Risks
We have identified 12 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 on page 23. They are not set out in priority order.

Case Study – response to Hurricanes Harvey, Irma and Maria
For a 30-day period in August and September 2017, 17 Signature Flight Support locations in the United States and the Caribbean were directly impacted by three Category 4 and 5 hurricanes: Harvey, Irma and Maria. Systematic planning and implementation was the key to employee safety, successful recovery and the fast re-opening of locations, confirming that, while not every risk can be controlled or prevented, identifying and understanding risk enables the turning of a high-risk situation into a manageable event.

A robust and effective hurricane plan had been in train before the start of the 2017 hurricane season when Signature locations undertook their annual pre-hurricane review. Then, as the hurricanes developed, they were tracked to ensure that all locations potentially in their paths were alert and prepared. Signature executive leadership had plans in place to monitor and manage the crisis while ensuring the ongoing business of the rest of the network was not disrupted.

Three to four days ahead of anticipated landfall, Signature's Hurricane Response Plan & Checklist was initiated, and daily status calls commenced. The Response Plan & Checklist is a detailed step by step guide to ready the entire FBO complex for the coming storm. Fuel supplies are checked and verified; customers are notified to re-locate their aircraft; Ground Support Equipment is prepared and staged; any aircraft remaining on the ground are secured as much as possible; buildings and grounds are battened down; all administration and supplies are confirmed; and emergency equipment such as generators and satellite phones are deployed.

At the corporate offices in Orlando a review was undertaken to ensure that all required financial matters, including payroll, were dealt with in advance. Communication was maintained throughout the storm period and continued until all employees, facilities and equipment were confirmed safe. Insurance adjusters were quickly dispatched to the affected locations and teams were mobilised to provide assistance to employees and to those facilities needing additional expertise and/or personnel.

While 17 locations were directly impacted, only three were seriously affected and Signature was able to move very quickly to re-open its FBOs, using social media to keep customers informed of progress. Post-event reviews were undertaken to identify learnings, and these have been fed into BBA Aviation's Business Continuity and Crisis Management Plans to further improve resilience in the future.

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 weakness 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.	
	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.	
	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 competitor activity to replicate market position of Signature network.	– Active monitoring of competitor activity. – Strong financial controls to monitor financial performance.	
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.	
	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.	
	Ability to effectively manage key resources and dependencies across major projects.	– Strategic Governance Committee established to monitor delivery of Project Portfolio Roadmap and escalate issues to the Executive Management Committee. – Project Management Framework operates to ensure effective governance.	
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 them 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. CR and sustainability means taking a responsible approach to the operation of our companies and the conduct of our personnel and we do this by 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.

Taking a sustainable approach is crucial if we are to achieve our long-term goals and is also important to our employees, our customers, our suppliers and to everyone that has a relationship with us.

Responsibility for CR
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 regularly each year and the Committee Chairman reports progress to the Executive Management Committee and to the Board.

CR motivates our teams and we aim to involve employees personally in our CR efforts and pursue things that matter to them through the CR Committee's Special Issues agenda, covering:

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

The Committee invites specialists from around the Group and external parties to present on their areas of expertise. It also monitors developments in the CR field.

You can read more about our approach to CR on the BBA Aviation website where you may also download many of the policies referred to in this section.

External Benchmarks
Since 2006, as BBA Aviation plc, we have been a member of the FTSE4Good index and participate in the Carbon Disclosure Project. It is BBA Aviation's objective, over time, to maintain and improve its ranking within the FTSE4Good index and seek further external CR benchmarking to guide our efforts and drive continuous improvement in CR performance over the next five years.

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 direct and monitor safety at BBA Aviation and 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 eighth year.

Reporting on Corporate Responsibility

Performance
We focus on the 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.

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.

Our Values align and link all of our businesses together as one team. 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/CR goals such as safety, reliability, customer service and environmental progress.

We report on a range of sustainability and CR KPIs in the key areas of safety and environmental performance and we cascade internal SMART goals to each of our business units and functions that motivate all of our teams to do their very best and contribute to the success of the whole Group.

CR Dashboards
During 2017, we have been developing dashboards to be used by our sites to proactively monitor local CR metrics using data from our SHEBBA reporting and tracking system. To date, aside from health and safety metrics, SHEBBA data has typically been aggregated and monitored at a higher level to ensure goals are met. Providing easily accessible data at a site level will enable local goal setting and drive greater engagement with our overall targets and better reporting on metrics such as recycling, waste and volunteer hours.

The dashboards will be available during 2018 and are intended to include metrics on the following:

- Environment – water, electricity, gas and fuel usage, recycling (plastics, paper and aluminium) and waste (including hazardous waste)
- Community – volunteer hours
- Local health and safety metrics are already available.

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, supported by their local Health and Safety team, takes responsibility for their own safety, that of co-workers, and of anyone visiting or using our sites. We are focused on reporting hazards and acknowledging and learning from near misses and the root causes of incidents. We include hazard and security incident reporting as a requirement at every site so that we maintain high awareness of and deeply engage everyone at BBA Aviation in safety issues.

Our Health and Safety Approach is available to download from the CR section of the BBA Aviation website.

Align & Move, Dallas Airmotive
Dallas Airmotive Align & Move is a common sense approach to injury prevention. It consists of a ten-minute series of exercises and stretches undertaken at the start of every shift led by volunteer Align & Move coaches. The entire DAI overhaul workforce was trained in the programme and, whilst daily sessions are voluntary, they are very popular as people immediately start to feel the benefits of being physically prepared for the day ahead. The programme has significantly reduced sprain and strain injuries.

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. The increase in 2017 was primarily due to a higher than usual number of slip, trip and fall injuries in wintery weather conditions in the first quarter.

Year	RIR
2017	2.36
2016	1.81[1]
2015	2.16
2014	2.41
2013	1.70

Safety Performance
Number of locations achieving zero RIR
131 out of 209 BBA Aviation reporting locations achieved zero RIR during 2017, reflecting 63% of our reporting locations.

Year	Locations
2017	131
2016	138[1]
2015	93
2014	86
2013	91

[1] Changed vs 2016 disclosure due to reclassification of sites.

During 2017 we continued the implementation of our Safety Management System (SMS), including completing all training on hazard reporting, and we have created new-joiner online training. Our Global Safety Day in April 2017 focused on 'situational awareness' and personal responsibility, with our teams working on a range of scenarios from 'active shooter' to slip, trip and fall hazards. We are also planning on introducing safety leading indicators such as completed observations; audit/corrective action completed; percentage of turnover and overtime hours; and employee training completed to support continued improvement in our safety performance.

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. Our Passport to Leadership training programme was undertaken by nearly 200 leaders during the year. This highly interactive programme was developed internally and promotes the concept of leaders developing leaders by involving the executive management team in training sessions. These are set up as mixed groups with participants from across the business and with a range of leadership levels. Over two modules, participants develop a range of new leadership skills, including leading and managing change; encouraging diversity, inclusion and collaboration; developing and engaging others; leading daily continuous improvement and coaching for peak performance.

We encourage all employees to have their say in both formal and informal ways and run specific engagement programmes across the Group to bring our teams closer together and ensure they feel part of the whole. Recognition is also important – exceptional performance is valued and rewarded through programmes such as Service with a Leading EDGE® and Tow It Like You Own It at Signature and long service is celebrated. Individual business and function recognition activities are supported by the BBA Aviation Above & Beyond card programme which recognises individual achievement at all levels of the Group; and BBA Aviation's annual Vision, Mission and Values Awards.

Diversity and inclusion

We believe in an inclusive culture where there is no differentiation in behaviour or actions relating to an individual's race, ethnicity or creed, gender, age or orientation that could be considered offensive or exclusionary, and we strive to accommodate personal needs. We value diversity of background and experience, believing them to enhance the performance and culture of our business, and apply this philosophy when seeking qualified individuals to fill roles at BBA Aviation.

We have a framework in place that incorporates relevant best practice and promotes a common understanding of diversity and inclusion across the Group. This includes BBA Aviation's Equal Opportunities and Anti-Harassment Guidelines which set out our approach to these matters.

Our 'BBA Aviation Celebrates!' initiative was introduced during 2017 to recognise a variety of cultural holidays and events and seeks to celebrate the diversity of our global team at a grass roots rather than top down level.

Recognising that gender is only one form of diversity to which we are committed, we are pleased that women make up 25% of our employee population and 20% of our senior management group, the latter being 16% in 2016. Two female non-executive directors joined BBA Aviation on 1 January 2018, meaning our current Board is made up of three women and six men.

The table below shows the percentage of women employed in various roles as at 31 December 2017:

Population	Total Population	Number of women	% of women
Board	7	1	14%
Executive Management Committee	9	1	11%
Senior Management Group	85	17	20%
Directors of subsidiaries included in consolidation[1]	50	4	8%
All employees of the Group	6775	1675	25%

[1] This disclosure includes dormant companies and multiple directorships and we do not believe it is an accurate indicator of diversity.

One Young World, Bogota 2017
In October, BBA Aviation sent eight young leaders from across the Group to the One Young World (OYW) Summit in Bogota, Columbia for the first time to join participants from across the globe, from multiple businesses and organisations, to debate, formulate and share new ideas on solving the pressing issues facing the world. The goal of the OYW organisation is to empower young leaders to make lasting connections to create positive change. Our delegates returned as energised and enthused OYW Ambassadors with plans to partner BBA Aviation's CR Committee to drive engagement and communication within the Group on various CR matters. BBA Aviation intends to send a delegation to the OYW 2018 Summit to be held in The Hague.

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 with customer service at the forefront and with the ability to innovate and anticipate customer requirements both now and into the future. Our internal Ascend initiative is a continuous improvement programme in place in every part of BBA Aviation seeking to implement projects that will make it easier to do business with us and easier for employees to work together.

Responsibility

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

Community

We recognise the benefits of working in partnership with the communities in which we operate, and our sites play an active role in local projects and local and national organisations through volunteering, fundraising and taking part in events.

Hurricane Relief

In late 2017, hurricanes Harvey, Irma and Maria had a devastating effect on communities in Houston, Florida and the Caribbean, with many BBA Aviation personnel and their families affected. Teams from across the Group rallied to support rescue and relief efforts, from setting up and supporting a staging location for a US Military Task Force and assisting the coastguard, the American Red Cross and FEMA (Federal Emergency Management Agency) to collecting supplies and arranging their safe passage to affected areas. Employees across the world also pledged money through three fundraising campaigns, raising nearly $100,000 including matched funding from BBA Aviation.

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 those that benefit the communities in which they operate. Participating in these efforts engages employees and builds strong teams as well as helping others.

Our local efforts are complemented by the BBA Aviation parent company charitable giving programme which was launched in 2010. The programme invites recommendations for donations every six months and, to date, has donated more than $1.6 million to charities and organisations around the world.

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. We monitor external developments to ensure that we remain compliant with all environmental legislation and watch developing technology – for example alternative fuels and vehicles – to understand if they might have application at BBA Aviation.

Every BBA Aviation site records and tracks the use of key resources to monitor efficiency and enable us to report and improve environmental performance. We regularly review performance and look for ways to reduce and prevent pollution and reduce emissions, energy and water use and waste. We also aim to increase levels of recycling across the Group. See CR Dashboards in the Performance section on page 25.

Our Environment Policy and Approach is available to download from the CR section of the BBA Aviation website.

Environmental KPIs

BBA Aviation has voluntarily reported on environmental metrics for a number of years and 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.

The table below shows the disclosures, in a format that is consistent with previous disclosures:

Units	2017	2016	2015[1]	2014[1]	2013[1]
Electricity consumption					
KWh/$m revenue	46,983	49,241	50,676	49,206	48,155
GHG emissions					
Tonnes/$m revenue	38.38	38.29	53.41	53.42	49.54
Water consumption					
1,000 litres/$m revenue	170	159	203	169	161
Revenue					
$m	2,370.6	2,149.1	2,129.8	2,289.8	2,218.6

[1] Figures include ASIG.

Greenhouse gas emissions reporting data

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.

	2017	2016[1]	
Combustion of fuel and operation of facilities	35,858	29,892	tCO_2e
Electricity, heat, steam and cooling purchased for own use	55,130	52,389	tCO_2e
Total	90,988	82,280	tCO_2e
GHG intensity measurement			
Emissions reported per $m of revenue	38.38	38.29	tCO_2e

[1] 2016 figures have been recalculated to remove ASIG.

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.

Electric crew cars and charging stations

Signature has installed electric vehicle charging stations at 12 locations across the network and Tesla chargers at five. These are a complimentary service available to customers at locations where there is demand and additional sites are being evaluated for future installs. Signature also introduced to the fleet hybrid electric crew cars which are used by crews requiring transportation off the airport. These are currently available at 11 locations.

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. Ethics training is conducted every year.

Our Ethics policies are available to download from the CR section of the BBA Aviation website, as is BBA Aviation's Modern Slavery Statement and its statement on Global Tax Strategy.

Human rights

We respect the principles of the Universal Declaration of Human Rights and the International Labour Organization's core conventions. BBA Aviation has not adopted a formal human rights policy as we believe that our existing adopted policies and our Vision, Mission and Values recognise the importance of how we conduct our business and its impact on a wide range of stakeholders and therefore our responsibilities in relation to human rights. The requirement for a specific human rights policy will continue to be monitored.

Our Markets in 2017

BBA Aviation's key market showed good growth in 2017. B&GA movements in the USA increased by 3.7% year on year and in Europe grew by over 7%.

Business & General Aviation
US B&GA monthly flight activity cycles were positive with growth every month, but showing particular strength in the second half.

Modest growth in the economies of the majority of the top 20 business aviation markets worldwide continues to be a key factor affecting new aircraft orders and sales of pre-owned aircraft. Deliveries of business jets have been broadly flat over the last six years. However, long-term forecasts still predict the delivery of more than 8,000 new business jets between 2018 and 2027; projecting total active global fleet growth of 24% or 2.2% 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 22% over 10 years. Aircraft utilisation rates in the USA, while still historically low, increased during the year. Pre-owned inventory for sale of both jets and turboprops also fell during the year.

Over the longer term, the key drivers for B&GA remain intact – continued growth in GDP and total wealth, the increasing value of people's time, corporate confidence and corporate activity levels all point to improving sentiment. The unusual nature of the 2007–2009 crisis and the halting return to growth have meant that, although corporate profits have recovered and confidence has improved, flight activity has lagged. 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 2037.

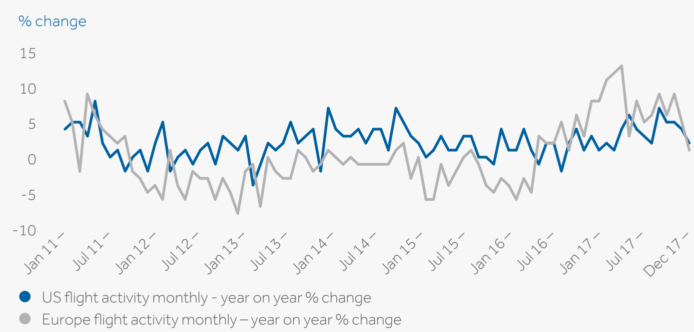
The political environment in the USA could also be positive in the short and medium-term, with commentators speculating that the new US tax policy could be marginally beneficial to jet purchases.

Commercial and Military Aviation
Trends in military aviation are likely to improve as the global defence market recovers 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 2017 driven by the new administration's focus on strengthening the nation's military. The USA accounts for 26% of the global military aviation fleet (c13,800 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.

Military legacy aircraft life extensions of between seven and ten years on platforms such as the C-130, ACV-8B, F-15 and AH-64 and delays on new aircraft, such as the F-35 and A400M are key drivers for our Ontic business. 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 the large defence budget increases.

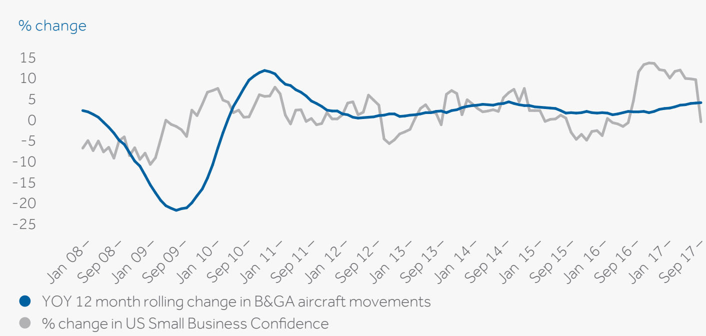
Commercial aircraft production is expected to be reasonably flat over the next few years (after a slowdown in 2016) and with an increase in delivery deferrals, the influence of the low oil price and growing passenger and freight traffic this results in increased passenger load factors and so the outlook for our legacy support business, Ontic, is positive.

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

"Flight Support delivered excellent underlying operating profit growth, continuing to outperform its markets with good drop through to profit."

David Crook,
Group Finance Director

BBA Aviation has delivered another year of strong growth. Our underlying operating profit outperformed strong B&GA markets in 2017.

During the year we made significant progress on transitioning our customers onto new commercial agreements to begin capturing the value from the unique Signature network, post the integration of Landmark Aviation. Ontic's focus as a high-quality, cash generative market leading provider of legacy support services was further enhanced with the addition of new licence agreements during the year. Furthermore, the acquisition of GE Aviation's portfolio of legacy avionics products in December 2016 made an encouraging initial contribution.

Flight Support delivered excellent underlying operating profit growth, continuing to outperform its markets, with good drop through to profit. In Aftermarket Services, Ontic, our legacy support business delivered ahead of our expectations. We saw a good contribution from licences added in 2016 and organic growth from military parts programmes, including the B52. ERO delivered a much-improved operating performance through market share gains on certain engine platforms, underpinned by ongoing cost reduction and the results of the footprint rationalisation. This was achieved despite markets that remained challenging with no recovery in legacy mid-cabin fixed wing flying and continued pressure on pricing and workscopes.

Continuing Group revenue increased by 10% to $2,370.6 million (2016: $2,149.1 million), including $92.7 million contribution from acquisitions. Flight Support revenue increased 13.8%, reflecting the contribution from acquisitions of $53.0 million, being one additional month of Landmark Aviation and the additional three months of contribution from the new FBOs in Italy, together with the impact of higher fuel prices, partially offset by foreign exchange movements that increased Flight Support revenue by $88.1 million. Aftermarket Services revenue was up 3.1% driven by Ontic, offsetting the decline from continuing challenging markets in ERO.

Continuing underlying Group operating profit was up 19% to $360.6 million (2016: $302.6 million). There was an excellent performance in Flight Support which increased operating profit as adjusted for FX and disposals (see page 37) by $43.8 million and included an $11.6 million contribution from acquisitions. Aftermarket Services, now 17% of continuing Group underlying operating profit, was up $24.6 million as adjusted for FX (see page 39) due to Ontic's strong performance and included an $11.5 million contribution from acquisitions and a much-improved financial performance at ERO.

Statutory Group operating profit was up 43% to $237.6 million (2016: $166.1 million) due to improved trading performance and lower exceptional and other items, as set out below.

Continuing Group underlying operating profit margin increased to 15.2% (2016: 14.1%) reflecting underlying margin growth in both Flight Support and Aftermarket Services. On a constant fuel, disposals adjusted basis, the underlying operating margin increased 200 basis points to 15.2%.

Underlying net interest decreased by $1.8 million to $62.1 million (2016: $63.9 million). Net debt decreased to $1,167.1 million (2016: $1,335.3 million). On a covenant basis, the net debt to underlying EBITDA ratio decreased to 2.6x (2016: 3.1x), and on a reported basis to 2.6x (2016: 3.2x). Interest cover on a covenant basis increased to 8.4x (2016: 7.2x), due to the decreased interest on the lower drawn debt.

Underlying continuing profit before tax increased to $298.5 million (2016: $238.7 million).

The Group's underlying effective tax rate for continuing operations is 17.5% (2016: 16.5%). Underlying profit after tax increased by 24% and continuing underlying adjusted earnings per share (EPS) increased by 24% to 24.0 cents (underlying adjusted 2016: 19.4 cents). Cash EPS, the measure of EPS adjusted to use a current as opposed to total tax charge, increased 29% to 28.6 cents (2016: 22.1 cents).

Total Group ROIC increased 90 basis points to 11.0%, up from 10.1% in 2016.

Group Financial Summary

	2017		2016			
	Total $m	Continuing[1] $m	Total $m	Continuing[1] $m	Total %	Continuing[1] %
Revenue	2409.0	2370.6	2,565.9	2,149.1	(6.1)%	10.3%
Underlying EBITDA[2]	447.9	447.9	414.7	384.5	8.0%	16.5%
Underlying operating profit[2]	360.4	360.6	330.1	302.6	9.2%	19.2%
Operating profit	237.4	237.6	192.9	166.1	23.1%	43.0%
Underlying operating margin[2]	15.0%	15.2%	12.9%	14.1%	–	–
Underlying profit before tax[2]	298.3	298.5	266.1	238.7	12.1%	25.1%
Profit/(loss) before tax	168.7	175.5	(164.6)	(82.2)	–	–
Profit (loss) for the period	119.3	141.8	(98.9)	(19.3)	–	–
Adjusted earnings per share[2]	24.0¢	24.0¢	21.1¢	19.4¢	13.7%	23.7%
Return on invested capital[2]	11.0%	–	10.1%	–	–	–
Operating cash flow[2]	317.3	–	299.4	–	6.0%	–
Free cash flow[2]	220.6	–	224.1	–	(1.6%)	–
Net debt[2]	(1,167.1)	–	(1,335.3)	–	–	–
Net debt to underlying EBITDA[2]	2.6x	–	3.2x	–	–	–

1 Continuing operations comprises Signature Flight Support and Aftermarket Services
2 Defined and reconciled to reported financials under alternative performance measures (APMs). See pages 174–178

Exceptional and other items after tax, for continuing and discontinued operations, totalled $127.0 million (2016: $316.0 million). Significant items include restructuring expenses of $28.0 million (2016: $9.9 million), comprising of $15.7 million as a result of restructuring ERO's Abu Dhabi facility and $12.3 million associated with ERO's footprint rationalisation programme and actions taken to address the costs previously associated with supporting ASIG; $93.8 million of non-cash amortisation of acquired intangible assets (2016: $98.6 million), and $22.5 million loss after tax on disposal of discontinued operations (2016: $97.5 million). The impact of the enactment of the Tax Cuts and Jobs Act in the US has also been presented as exceptional and other item tax charge during the year.

Continuing statutory profit before tax was $175.5 million versus an $82.2 million loss for the prior year.

Free cash flow was $220.6 million (2016: $224.1 million), the decrease mainly due to a working capital outflow of $46.3 million compared to an inflow of $36.1 million in the prior year and increased tax payments, largely offset by increased earnings, lower capital expenditure and lower interest payments.

Gross capital expenditure amounted to $80.3 million (2016: $102.4 million). Principal capital expenditure items include the investment in our FBOs at Boeing Field, Palm Beach and Nashville, our new engine overhaul and testing facility at Dallas Fort Worth and our Ontic facility in Cheltenham to support the ongoing transition of GE Aviation avionics licences.

Working capital outflows in the year of $46.3 million (2016: $36.1 inflow), represented $25.7 million outflow relating to discontinued operations and approximately $20 million outflow representing the expected reversal of outperformance from 2016.

Cash flows on exceptional and other items during the year were $12.7 million (2016: $63.5 million) which primarily relate to restructuring costs.

The Group's tax payments during the year were $41.8 million (2016: $15.8 million) which included tax payments of $8.4 million in relation to the disposal of ASIG. Net interest payments were $57.2 million (2016: $61.8 million) and dividend payments amounted to $130.7 million (2016: $124.3 million).

The consideration paid relating to acquisitions including deferred consideration during the year was $75.7 million, net of cash acquired. This related substantially to the acquisition of Ontic's licences. In December 2016, Ontic completed the acquisition of a portfolio of legacy avionics products from GE Aviation for $60.7 million. The cash payment for this acquisition was made in January 2017.

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:

	2017	2016	2015
Sterling – average	1.29	1.36	1.53
Sterling – spot	1.35	1.23	1.48
Euro – average	1.13	1.11	1.11
Euro – spot	1.19	1.05	1.09

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 in both the current and comparative financial disclosures. 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

Central costs were $0.7 million higher at $34.1 million (2016: $33.4 million). The central cost base represents two elements: the unallocated corporate costs for the Group; and the costs previously associated with supporting the ASIG business, which was sold in January 2017. We supported Menzies (the acquirer of ASIG) for a period of six months through to July 2017 and since July we have been able to address the cost base that had supported the transitionary service agreement with Menzies. The work to address the cost base that previously supported ASIG is substantially complete with approximately $5 million of such costs included in the central costs for 2017 (2016: $18.6 million). These costs will not impact the Group from 2018 onwards.

The balance of central costs represents the unallocated central costs to support the continuing Group which reflects the additional share based payment expenses as anticipated, plus the one-time costs associated with the transition of the CEO, and losses incurred by our captive insurance company for the damage to US and Caribbean facilities during the recent hurricanes.

Exceptional and other items

Exceptional and other items are defined in note 2 to the Consolidated Financial Statements. Exceptional and other items after tax, for continuing and discontinued operations, totalled $127.0 million (2016: $316.0 million). Significant items include restructuring expenses of $28.0 million (2016: $9.9 million), comprising $15.7 million as a result of restructuring ERO's Abu Dhabi facility and $12.3 million associated with ERO's footprint rationalisation programme and actions taken to address the costs previously associated with supporting ASIG; $93.8 million of non-cash amortisation of acquired intangible assets (2016: $98.6 million); and $22.5 million loss after tax on discontinued operations (2016: $97.5 million). The impact of the Tax Cuts and Jobs Act in the US has also been presented as exceptional and other items tax charge as set out below.

Acquisitions and disposals
During 2017 the Group completed four acquisitions for a total initial consideration of $14.1 million (of which $0.7 million was deferred), net of cash acquired. Further details of these acquisitions are given in note 24 to the Consolidated Financial Statements. The acquisitions represented the purchase of manufacturing rights and associated processes from UTC Aerospace Systems, Curtiss-Wright Defense Solutions, Pratt & Whitney Canada and Ultra Electronics by our Ontic business.

Signature has also invested in Victor, a leading on-demand private jet charter company.

Interest
Net interest expense decreased by $1.8 million to $62.1 million (2016: $63.9 million). Interest cover on a covenant basis increased to 8.4x (2016: 7.2x), due to the decreased interest on the lower drawn debt.

Tax and Dividends
The underlying tax rate increased to 17.5% (2016: 16.5%). This increase was primarily due to a greater proportion of taxable profits being generated in the US and limitations on the deduction of interest expense in the UK.

The impact of the enactment of the Tax Cuts and Jobs Act in the US is broadly neutral for the Group's underlying effective tax rate in 2018. As a result of US tax reform legislation the Group has incurred a one-time, exceptional charge of $20.5 million, primarily related to the non-cash revision of US deferred tax assets and liabilities. The Group has revalued US deferred tax liabilities at 31 December 2017, primarily relating to amortisation of intangibles to reflect the reduction in headline US tax rates, and written off deferred tax assets primarily relating to deferred interest as a result of the tax reform restrictions on interest deductibility which is now capped at 30% of US EBITDA. In addition, the exceptional tax charge includes a $3.0 million one-time repatriation tax charge on the unremitted earnings of overseas subsidiaries controlled by a US entity. This one-time tax charge is payable over eight years and has minimal impact on the Group's cash tax rate.

The Group's cash tax payments for 2017 amounted to $41.8 million (2016: $15.8 million). The increase in cash tax payments resulted from the increased taxable profits of the Group and certain one-time payments including settlement of tax payable ($8.4 million) on the taxable gain arising from the disposal of ASIG's US operations.

At the time of the interim results, the Board declared an increased interim dividend of 3.81 cents (H1 2016: 3.63 cents). The Board is now proposing a final dividend of 9.59 cents per share (2016: 9.12 cents), up 5.2% on an underlying basis reflecting the Board's progressive dividend policy and its continued confidence in the Group's future growth prospects.

Pensions
The Group paid net $8.4 million of pension payments during the period, of which $4.0 million represented pension deficit payments reflecting the agreed payments to the schemes.

The actuarial valuation of the UK plan at 31 March 2015 indicated a funding deficit of £45 million ($66 million) at 31 March 2015 exchange rates. The Group paid £4.3 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 per annum 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 2017, the accounting net deficit across the UK and US plans was $71.7 million (2016: $82.8 million). The reduction in the net deficit of $11.1m since 31 December 2016 reflects the favourable impact of better than expected returns on plan assets and employer contributions, more than offsetting unfavourable impacts from foreign exchange movements, net interest costs and administration expenses. In 2017 the largest of the US plans undertook an exercise during the year whereby lump sum transfer payments were paid out to a number of members in order to discharge the associated liabilities. This resulted in a deficit reduction for that particular plan of $2.1 million.

Cash Flow and Debt
At 31 December 2017 the Group had net debt of $1,167.1 million (2016 net debt: $1,335.3 million), the decrease being due to the strong operating performance of the business and the net proceeds from the disposal of ASIG whilst continuing to invest in the existing businesses and new Ontic licences. The Group's net debt to underlying EBITDA ratio at 31 December 2017 was 2.6x on a reported basis (2016 3.2x on a reported basis) and 2.6x on a covenant basis (2016: 3.1x on a covenant basis).

Net cash flow from operating activities of $339.0 million is lower than the prior year (2016: $374.9 million) primarily as a result of the outflow in working capital compared to the inflow in the prior year and the disposal of ASIG in January 2017. Free cash flow decreased by $3.5 million to $220.6 million (2016: $224.1 million) as a result of the working capital movements as previously noted and increased tax payments, largely offset by increased earnings, decreased capital expenditure and lower interest payments. Capital expenditure amounted to $80.3 million (2016: $102.4 million). Principal items included the investment in our FBOs at Boeing Field, Palm Beach and Nashville, our new engine overhaul and testing facility at Dallas Fort Worth and our Ontic facility in Cheltenham to support the successful transition of GE Aviation avionics licences.

Other significant cash flow items include the proceeds from disposal of ASIG of $170.5 million, net of fees, the acquisition of subsidiaries, net of cash acquired of $75.7 million (2016: $2,098.2 million) and dividend payments of $130.7 million (2016: $124.3 million).

A profile by currency is shown in the table below:

(Debt)/Cash Profile by Currency

$m	2017	2016
US dollars	(1,221)	(1,389)
Sterling	25	24
Euros	18	15
Others	11	15
Total	(1,167)	(1,335)

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 (2016: $650 million) multi-currency revolving credit facility. In addition, the Group has $500 million (2016: $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.

At the end of 2017, the Group had committed bank facilities of $1,353 million (2016: $1,463 million) of which $818 million (2016: $1,043 million) was drawn. The reduction in committed bank facilities of $110 million was due to the part prepayment of the 3-year tranche of the Acquisition Financing Agreement ("AFA") from the proceeds of the ASIG disposal in accordance with the terms of the loan documentation.

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 3.5x and minimum net interest cover of 3.0x 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 4.0x 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 was 4.0x at the 30 June 2016 and 31 December 2016 test dates. The net debt to underlying EBITDA covenant reverted back to 3.5x from the 30 June 2017 test date. The Group has operated within these covenants.

The rationale for preparing the financial statements on a going concern basis is set out on page 85.

Capital Structure
Post the $2.1bn acquisition of Landmark Aviation and the disposal of ASIG, the Group is increasingly focused on the B&GA markets, and we communicated at our preliminary results announcement in March 2017 that we would undertake a review of capital structure during the year. The review is now complete and we believe an increase in our target leverage range is appropriate based on the strong and robust cash flow fundamentals of the Group.

Our balance sheet remains strong and the Group will now manage net debt in the range of 2.5x to 3.0x underlying adjusted EBITDA which we believe gives flexibility and headroom for the investment requirements of the Group and the cyclicality within the B&GA market. The Group has performed within this target range during 2017 following the disposal of ASIG with net debt to underlying adjusted EBITDA at 31 December 2017 being 2.6x, in line with expectations. The new target range provides up to 1.0x headroom against the Group's net debt to adjusted underlying EBITDA banking covenant.

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 2017, approximately 55% (2016: 65%) of the Group's total borrowings were fixed at weighted average interest rates of 3.5% (2016: 3.3%) for a weighted average period of three years (2016: three 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 2017 performance

Flight Support comprises Signature Flight Support, Signature TECHNICAir™ and the Gama Aviation Signature Aircraft Management partnership.

83% of underlying operating profit of continuing operations.

Financial Summary

$m	2017	2016	Change
Revenue	1,643.0	1,443.2	13.8%
Organic revenue growth	3.8%	3.9%	(10) bps
Underlying operating profit†	329.4	294.0	12.0%
Underlying operating margin†	20.0%	20.4%	(40) bps
Underlying operating margin† (adjusted for fuel and disposals)	20.0%	18.6%	140 bps
Operating profit	247.1	177.3	39.4%
Operating cash flow*	313.4	276.8	13.2%
Divisional ROIC†	12.2%	11.2%	100 bps

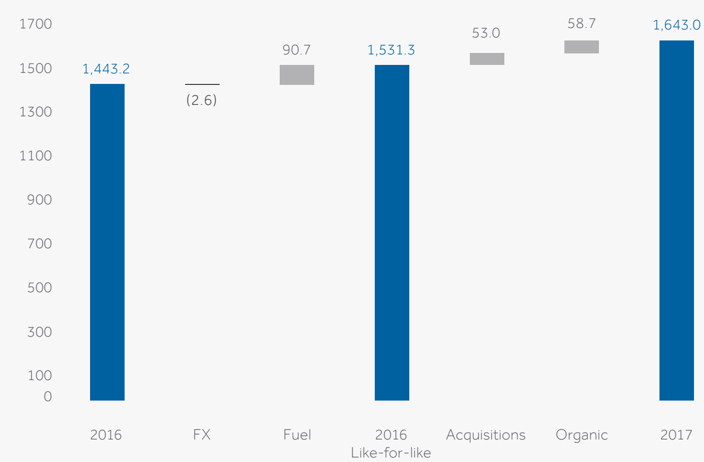
† Defined under Alternative Performance Measures (APMs). See pages 174–178
* Operating cash flow represents net cash inflow from operating activities less purchase of property, plant and equipment, purchase of intangible assets, plus proceeds from disposal of property, plant and equipment and add back taxes paid

Revenue in Flight Support increased by 13.8% to $1,643.0 million (2016: $1,443.2 million), reflecting a net positive impact of higher fuel prices and foreign exchange movements and $53.0 million contribution from 2016 acquisitions being an additional one month contribution from Landmark Aviation and an additional three months contribution from the acquisition of four FBOs in Italy. Flight Support's organic revenue growth of 3.8% for the full year reflected good growth in the US B&GA market generally with movements up 3.7% and European B&GA movements up 7.3% during the year.

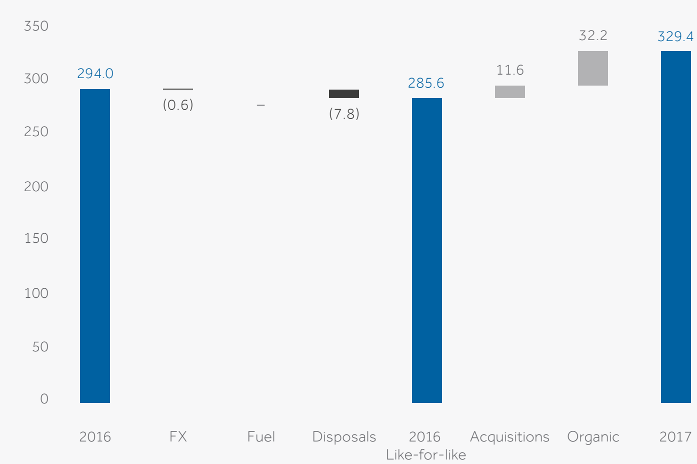
Underlying operating profit in Flight Support increased by 12.0% to $329.4 million (2016: $294.0 million), driven by continued strong underlying operational performance in Signature Flight Support and an $11.6 million contribution from acquisitions. Underlying operating profit includes our Signature TECHNICAir™ and our aircraft management and charter business which is accounted for as a joint venture. On an organic basis, adjusting for acquisitions ($11.6 million), FX ($0.6 million) and disposals ($7.8 million), underlying operating profit increased by 11.3%. Underlying operating margins were slightly lower due to the increase in fuel prices and disposal of FBOs in 2016 which were equity accounted. Underlying operating margins adjusted for constant fuel prices and disposals increased by 140 basis points to 20.0%.

Statutory operating profit of $247.1 million increased by 39.4% (2016: $177.3 million). This is a result of strong organic growth plus the impact of acquisitions, net of disposals and a reduction in exceptional and other items, primarily lower amortisation of acquired intangible assets and the non-repeat of acquisition integration costs from 2016. Operating cash flow for the division was $313.4 million (2016: $276.8 million) due principally to strong organic operating profit growth and reduced capital expenditure. Return on invested capital increased to 12.2% (2016: 11.2%) reflecting the strong improvement in underlying operating profit during the year.

Revenue Bridge ($m)



Underlying Operating Profit Bridge ($m)



Signature Flight Support 2017 Performance

Revenue

	2017 $m	2016 $m	Inc/(dec) %
North America	1,463.0	1,279.2	14.4%
Europe & ROW	180.0	164.0	9.8%
Total	1,643.0	1,443.2	13.8%

Signature Flight Support's locations delivered another strong performance in a good growth environment, as we started to capture the benefits of our strong and customer-relevant network.

Against a background of a US B&GA market that grew 3.1% in the first half, Signature performed broadly in line with the market despite a short-term negative impact on fuel volumes while negotiations with Signature's customers were undertaken and the loss of the Santa Ana FBO in April 2017. In the second half, Signature outperformed its principal US B&GA market with 4.4% organic revenue growth against the market which grew at 4.1% reflecting both the positive customer response to the enlarged network proposition and the good progress with our commercial renegotiations.

The hurricanes in August and September – Harvey, Irma and Maria – caused minimal impact overall across the Signature network and we were able to re-establish services quickly and provide support for the rescue and relief efforts. Damage to our FBO network was limited although there were some excess payments made on our insurance policies by Signature.

Signature is well positioned to focus on optimising its unique and high-quality global network of FBOs and line maintenance locations, 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 unique 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 2018 and beyond.

In 2017 Signature expanded its affiliate FBO programme, Signature Select®. It signed an extended licence agreement with Fly Across at Toluca International Airport in Mexico, just a 30-minute drive from Santa Fe, the country's financial and business district. This location increases the Signature Select® network to 19 locations globally and we continue to look for further opportunities to expand this proposition.

Signature has continued to invest in its current network, with the successful opening of its newly constructed FBO with premium hangar space to satisfy the growing tenant demand at Boeing Field, Seattle which completed in June 2017. It also secured a new strategic lease at Washington Dulles International Airport.

BBA Aviation has also recently taken a minority investment in Victor, a leading on-demand private jet charter company. Through this minority investment, which concurrently acquired RocketRoute, a global flight planning and trip support business, we are committed to being at the forefront of advances in data and technology enabled customer service. As the demographic using and chartering private jets continues to change, our ability to utilise technology will ensure we bring the best possible service to our many discerning customers.

There are now 198 locations in Signature's global network.

Aftermarket Services 2017 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 & Overhaul (ERO) businesses.

17% of underlying operating profit of continuing operations.

Financial Summary

$m	2017	2016	Change
Revenue	727.6	705.9	3.1%
Organic revenue growth	(1.7)%	(10)%	–
Underlying operating profit†	65.3	42.0	55.5%
Underlying operating margin†	9.0%	5.9%	310 bps
Operating profit	33.6	22.2	51.4%
Operating cash flow*	66.0	34.0	94.1%
Divisional ROIC†	11.3%	6.9%	440 bps

† Defined under Alternative Performance Measures (APMs). See pages 174–178
* 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.

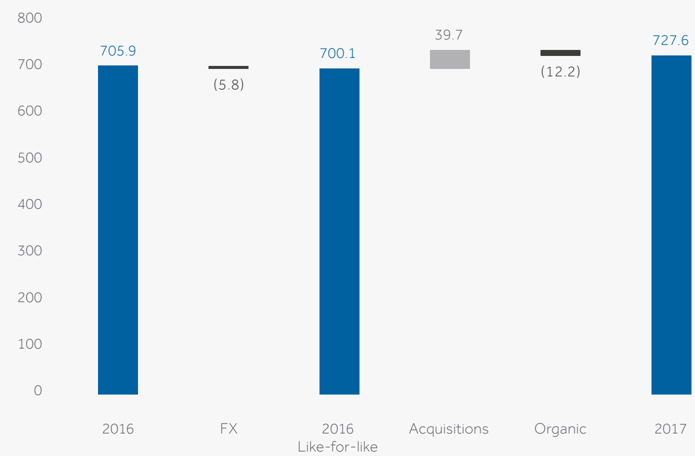
In Aftermarket Services, revenue grew by 3.1% to $727.6 million (2016: $705.9 million). Underlying operating profit of $65.3 million (2016: $42.0 million) was driven by Ontic which now represents c.85% of the division's profits, supported by a much-improved performance in ERO. Underlying operating margins grew strongly during the year to 9.0% (2016: 5.9%).

On an organic basis, adjusting for FX ($1.3 million) and acquisitions ($11.5 million) the Aftermarket Services underlying operating profit was up 32.2% driven primarily by a recovery in ERO through cost-reduction actions and supported by organic growth in Ontic on military licences.

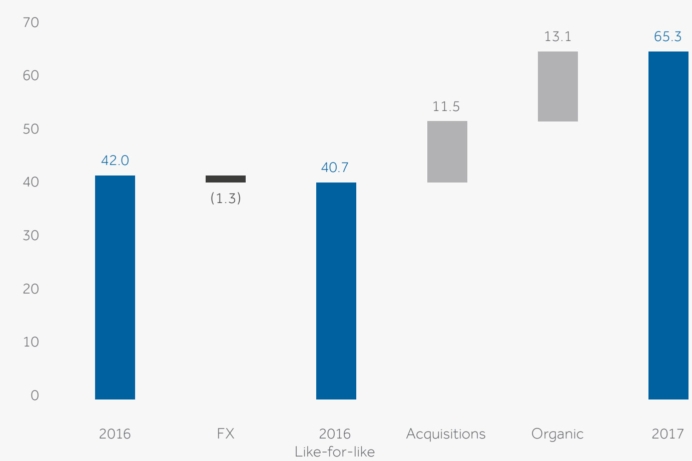
Operating profit of $33.6 million has increased (2016: $22.2 million). This is a result of improved organic operating performance in Ontic and ERO and the contribution from acquisitions in Ontic.

Operating cash flow for the division was $66.0 million (2016: $34.0 million) which reflected the improved operating performance, lower capital expenditure and the receipt of proceeds from the sale of the Forest Park facility in Dallas. Return on invested capital increased to 11.3% (2016: 6.9%) reflecting the improved operating performance.

Revenue Bridge ($m)



Operating Profit Bridge ($m)



Ontic 2017 Performance

Revenue

	2017 $m	2016 $m	Inc/(dec) %
North America	122.7	108.9	12.7%
Europe & ROW	86.1	55.6	54.9%
Total	208.8	164.5	26.9%

Ontic, our legacy support business, continues to perform well, with revenue up 26.9% to $208.8 million (2016: $164.5 million). On an organic basis, revenue was up 4.5%.

The 2017 performance includes a significant contribution from the portfolio of legacy avionics products acquired from GE Aviation in December 2016. This business has been substantially transitioned into Ontic's existing UK facility in Cheltenham over the course of 2017. The cash payment of $60.7 million for this acquisition was made in January 2017. Furthermore, it was a strong year for cyclical military demand – B52 actuation and C130 Radar units shipped in significant quantities during 2017 which we do not expect to repeat in 2018. We expect the non-repeat element of the cyclical military orders to counter growth from new licences acquired at the end of 2017.

Ontic has further extended its licensed product portfolio during the year with the addition of important new licences; Ontic has recently signed a second product licence with Ultra Electronics for the OE manufacturing and aftermarket support for various military cockpit controls, switches and indicators. We also have a new licence agreement with UTC Aerospace Systems for its wound motor product lines, part of the electric power systems business segment. This adds significant military content to our portfolio.

In December 2017, we acquired Curtiss-Wright's product line for the Ethernet Switch Unit, which grows not only our military platform content but also our product portfolio with Curtiss-Wright. Furthermore, Ontic has received certification by the US Department of Transportation Federal Aviation Administration for its Singapore facility which serves as both a repair station and storefront for a variety of OEM-licenced and acquired products, including fuel measurement systems on the Boeing B737 Classic and B777, Fokker 50, 70 and 100 as well as the Airbus A300, A318, A319 and A320. In 2018 we have also signed a first product licence with Racal Acoustics, part of Esterline Corporation, for various military and civil avionics products including cockpit communication control systems. The products will transition to our Cheltenham facility during 2018.

These acquisitions support Ontic's strategy to deliver continued profitable growth in mature avionics and electronics products with high intellectual property content. Ontic continues to assess a strong pipeline of opportunities in relation to new products and licence adoptions.

Engine Repair & Overhaul 2017 Performance

Revenue

	2017 $m	2016 $m	Inc/(dec) %
North America	437.1	459.0	(4.8)%
Europe & ROW	81.7	82.4	(0.8)%
Total	518.8	541.4	(4.2)%

Engine Repair & Overhaul's revenue decreased by 4.2% to $518.8 million (2016: $541.4 million). Conditions in ERO's market remain challenging and, while organic revenue was down for the year, we have improved our market share on the majority of programmes. ERO's operating performance in the first half was stable against the second half of 2016 but much improved on the first half of 2016. Operating performance in the second half delivered significant improvement in line with expectations resulting from market share gains (PT6, TFE, PW300 and Tay) and cost efficiencies from the footprint rationalisation programme.

Volumes in legacy mid-cabin and rotorcraft engine overhauls remained depressed throughout the year, with reduced workscopes and competitive market pricing. In the first half of the year ERO saw improvements in demand for overhauls in certain Pratt & Whitney and Tay markets, as well as market share gains for certain Pratt & Whitney engines. However, while our market share has improved on the majority of programmes, we continue to see lower engine inputs, primarily on JT15D, PW500 and PW100. Time between engine overhauls continues to extend and the increase of power by the hour contracts either through the OEMs or third parties increases the competitive tension.

ERO's footprint rationalisation programme is nearly complete and it will undergo its final facility consolidation in 2018. The new overhaul facility at Dallas Fort Worth Centre (DFW) is successfully delivering the overhaul operations formerly undertaken at the Neosho and Forest Park facilities. The sale of the Forest Park site for $17.4m completed at the end of 2017. Looking forward the combination of an efficient, lower cost, flexible engine overhaul and test facility in DFW and a renewed focus on customer service will drive further improvement in financial performance and allow us to execute our strategy for value creation from our ERO business.

We have recently made the decision to close our engine overhaul operations in Abu Dhabi given insufficient market demand to support our facility on current engine authorisations. We expect the facility to complete its final engine overhaul in April.

As part of BBA Aviation's focus on driving long-term sustainable value for our shareholders, we are currently conducting a strategic review of our ERO business, although there is no certainty that this will result in a transaction being agreed.

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

Wayne Edmunds,
Interim Group Chief Executive

David Crook,
Group Finance Director

Chairman's Introduction

"I am pleased to introduce the Corporate Governance Statement for 2017. The Board is responsible for ensuring the long-term success of BBA Aviation and the delivery of long-term, sustainable value for all of our stakeholders."

Sir Nigel Rudd,
Chairman

Governance is an important contributor to the success of the Group and we take pride in what we do and in the way we conduct our business and deliver our strategic objectives. The Board fully supports the BBA Aviation values and the Board is committed to ensuring that high standards of ethical behaviour and governance are maintained throughout the Group.

The Corporate Governance section of the report follows the same format that was introduced last year and includes 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 Chair.

David Crook, who was the Group Financial Controller, succeeded Mike Powell as Group Finance Director. David became Group Finance Director and joined the Board on 1 June 2017. I would like to formally record my thanks to Mike Powell for his contribution to the Company. At the end of June, Simon Pryce, Group Chief Executive, stepped down as Group Chief Executive and retired from the Board earlier than anticipated. Wayne Edmunds was appointed as Interim Group Chief Executive. On 2 January 2018 we announced Mark Johnstone as Group Chief Executive from 1 April 2018. Wayne will remain on the Board as a non-executive director, but will not be regarded as independent. Wayne will not be a member of the Audit and Risk Committee, the Nomination Committee or the Remuneration Committee but will be invited to attend these Committee meetings as appropriate.

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 2017, through the Nomination Committee, on the search for a new Group Chief Executive and a new non-executive director, which resulted in the announcement of a new Group Chief Executive in Mark Johnstone and two new non-executive directors in Amee Chande and Emma Gilthorpe.

We conducted a Board effectiveness exercise towards the end of 2017. As a result of the exercise the timings of Board Committee meetings are being changed, wherever possible,to provide more time between the Committee and Board meetings and there remains a continued focus on succession at all levels of the Group. Having used Clare Chalmers of Independent Audit as an external facilitator in 2015 and used her to support the process in 2016, the effectiveness review in 2017 was conducted by the Company Secretary with support from Oliver Ziehn of Lintstock, a corporate governance advisory firm.

During 2017, Susan Kilsby has consulted extensively with shareholders on the remuneration policy that will be put to the AGM for consideration in May. The Annual Statement starting on page 56 of the Remuneration Report sets out in detail the Committee's thinking behind the changes. The Board unanimously supports the proposed policy, that 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.

We note the proposed changes to the UK Corporate Governance Code that are the subject of consultation through the first part of 2018. The Board will review the changes once finalised and decide what changes need to be made to the governance processes before the changes take effect from 1 January 2019.

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 2017 Annual Report more generally.

Board of Directors and Executive Management

Chairman and non-executive directors


Sir Nigel Rudd,
Chairman


Amee Chande


Peter Edwards


Emma Gilthorpe


Susan Kilsby


Peter Ratcliffe


Peter Ventress

Executive directors


Wayne Edmunds,
Interim Group Chief Executive


David Crook,
Group Finance Director

Executive management


David Blizzard


Kevin Erickson


Gareth Hall


Mark Johnstone


Erik Keller


Tony Lefebvre


Maria Sastre

Chairman and Non-Executive Directors

Sir Nigel Rudd (71) **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 Limited and Pilkington plc; and as founder of Williams plc he oversaw its demerger in 2000, creating Chubb plc and Kidde plc. Sir Nigel is Deputy Lieutenant of Derbyshire and a Freeman of the City of London.

Amee Chande (44) **A N R**
Non-executive director

Appointed to the Board on 1 January 2018. Amee has significant international commercial experience, living and working in North America and Asia before moving to the UK. She is currently Managing Director of Global Strategy and Operations at Alibaba, based in London. She began her career at McKinsey and Co and then moved into the retail sector, gaining considerable experience building growing consumer propositions at Wal-Mart, Staples and Tesco. In 2015 she became one of the first international leaders to join Alibaba. Amee is an active volunteer with the World Association of Girl Guides & Girl Scouts and the Kensington and Chelsea Foundation. She has an MBA from Harvard Business School and an MSc. from The London School of Economics.

Peter Edwards (62) **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 AirResearch 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 promoted to 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 has been active with his aviation advisory practice, along with various roles in European based ventures in the commercial and business aviation sectors. He is a director of Dunn-Edwards Corporation, a Los Angeles based manufacturer and retailer of architectural and industrial paint products.

Emma Gilthorpe (47) **A N R**
Non-executive director

Appointed to the Board on 1 January 2018. Emma brings extensive aviation experience from her various roles at Heathrow Airport Holdings (formerly BAA), where she is currently Executive Director for Expansion. She started her career at Cable & Wireless where she worked in commercial, regulatory and policy roles before becoming Group Director, Regulatory Affairs in 2004. In 2005 she joined the launch Management Board of Openreach and moved to BT as Group Director for Industry Policy and Regulation in 2007. She joined Heathrow Airport Holdings in 2009 as Regulatory Director and became Executive Director, Strategy in 2013, before taking her current position. She is a Barrister and is also currently a non-executive director at South East Water.

Susan Kilsby (59) **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 AG. Her current appointments include being Chairman of Shire plc and 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.

Peter Ratcliffe (69) **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 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. Peter will step down from the Board at the AGM on 11 May 2018.

Peter Ventress (57) **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 and Staples Solutions N.V. 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.

Executive Directors

Wayne Edmunds (62)
Interim Group Chief Executive

Appointed to the Board in August 2013 and became Interim Group Chief Executive on 1 July 2017. Other current appointments include being Chairman of Dialight PLC and a non-executive director of Ashtead Group and MSCI, Inc. He has extensive commercial experience, particularly in the US markets. He was Chief Executive of Invensys plc until January 2014 and Chief Financial Officer prior to that, 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.

David Crook (49)
Group Finance Director

Appointed to the Board as Group Finance Director on 1 June 2017 having joined BBA Aviation in April 2015 as Group Financial Controller. David's previous roles include Head of Group Finance at AZ Electronic Materials, as well as general management and finance roles within Sun Chemical, Telewest Global, Vantico Group and Corus Group. David is a qualified accountant and holds an MBA from Warwick Business School.

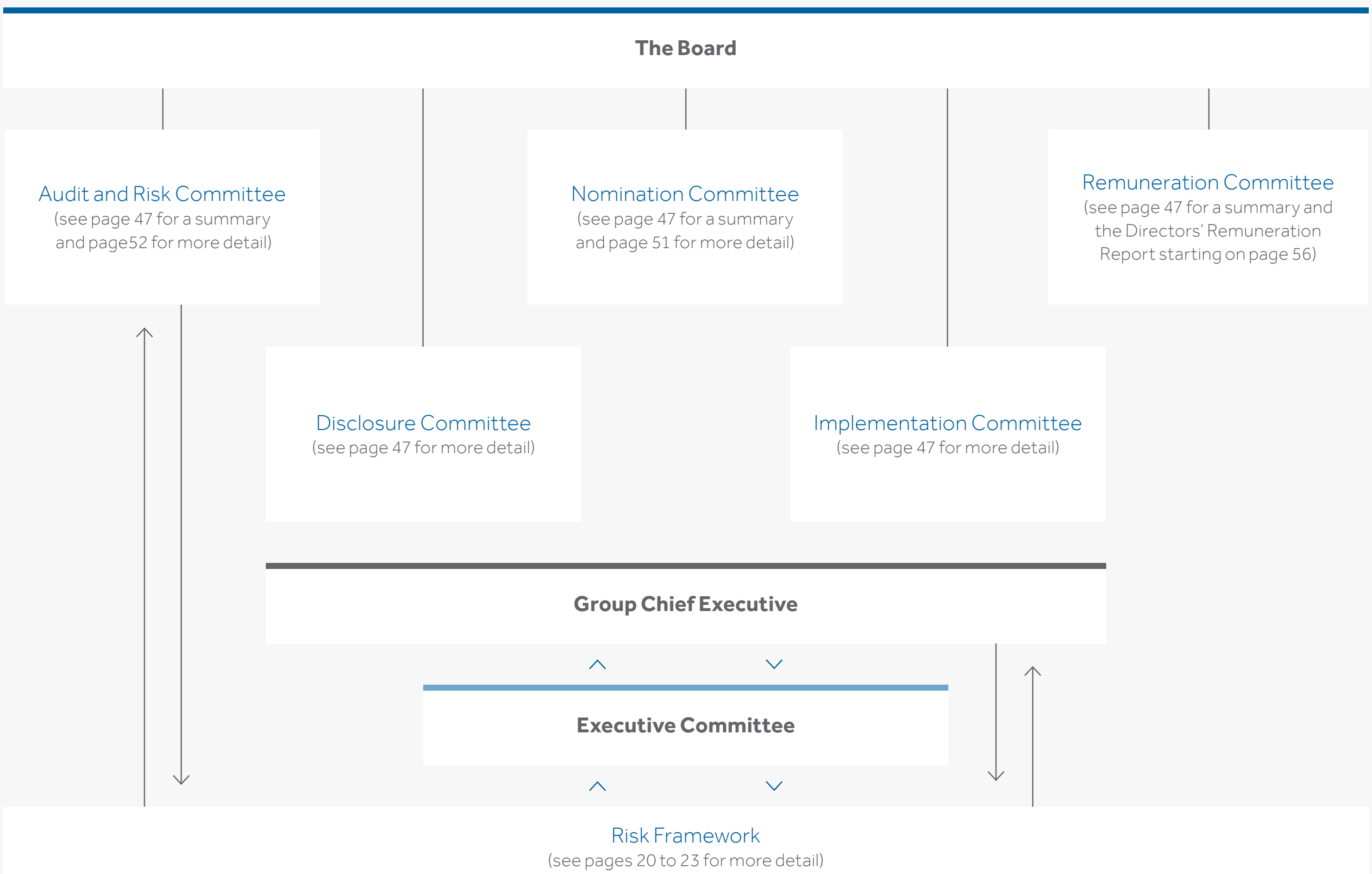
Key to Committee members

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 the appointment and removal of directors and the 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 the Audit and Risk Committee.

The Board recognises its responsibilities for monitoring the culture of the organisation, ensuring that the values remain relevant and that they, in conjunction with the Group Chief Executive, set the tone from the top.

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 systems of internal control and risk management process;
- 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 April 2016 (the Code), which is the version of the Code that applies to the 2017 financial year. The Directors can confirm compliance throughout 2017 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.

As described in the 'at a glance section' there is a schedule of matters reserved to the Board and this is reviewed annually by the Board in December. The following sections of the Corporate Governance Report discuss the work of the Board and the work of its Committees.

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 2017. In summary, Sir Nigel Rudd, the Chairman, is responsible for leading the Board and its effectiveness; 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 has been the Senior Independent Director throughout the year. Peter Ventress became Chairman of the Audit and Risk Committee from 1 July when Wayne Edmunds became the Interim CEO following Simon Pryce's retirement from the Board.

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.

As part of the Board effectiveness review (see B6 below), Susan Kilsby collated the feedback on the Chairman, discussed this with the other non-executive directors and 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, six independent non-executive directors and two executive directors, who contribute a wide range of complementary skills and experience.

The Board has concluded that Amee Chande, Peter Edwards, Emma Gilthorpe, 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 2017 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. Amee Chande and Emma Gilthorpe were appointed to the Board on 1 January 2018 following a comprehensive process.

The process to select the new Group Chief Executive, Mark Johnstone, who will join the Board on 1 April, is also described in the report from the Nomination Committee.

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. The Board understood Wayne Edmunds' non-executive commitments when they asked him to take on the Group Chief Executive role on an interim basis.

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 the new directors 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 visits and presentations from each of the businesses within the Group and from the Group's function leaders.

The Board Effectiveness Review covered training needs. If any 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 82.

B6: Evaluation

In 2017, the Company Secretary conducted the Board evaluation with support from Lintstock, a governance advisory firm. The directors each completed a questionnaire covering a wide range of topics. The outputs were written up and discussed at the Board meeting in November.

Overall, the conclusion from the Board evaluation and appraisal process was positive and it was felt the Board and its Committees were operating effectively. The Board asked the Company Secretary to review the arrangements for the Committee meetings to create more time between the Committee meetings and the Board meetings. The Board recognised succession planning as an area that continues to require focus through 2018.

In November 2017, the Board also reviewed the evaluation findings from 2016 and noted progress had been made in all areas, but as noted above will continue to focus on succession in 2018.

B7: Re-election

The Board has decided that all Board members will retire at the AGM and all (with the exception of Peter Ratcliffe who is retiring from the Board) will stand for re-election at the 2018 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 accounts is set out on page 88.

The business model is within the Strategic Report on pages 10 and 11. The Going Concern and Viability Statements are set out on page 85.

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 20–23.

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 and Risk 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 56–84.

D2: Procedure

Pages 56–84.

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, the executive directors and the Head of Investor Relations 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 2017 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 2017, there was a comprehensive engagement programme on remuneration with shareholders accounting for over half of the issued share capital. 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, Peter Ventress 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 2018. 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 are 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 2017 are shown in the table below:

Meeting	Main issues considered
February	Annual Results and Report content AGM and dividend
May	Business Presentations: Ontic and TECHNICAir™
June	Visit to ERO and Signature operations in Dallas Summary Business Presentations covering the whole portfolio Review of policies on ethics
July	Half year results and interim dividend Progress against Board objectives
October	Business Presentation: Signature Capital Structure and Financing Investor Relations Update
November	Strategy Session Capital Structure and Financing Independent presentation on shareholders' views Board Evaluation FBO visit
December	Board objectives and progress 2018 budget and goals Matters reserved and Committee terms of reference

In addition to the matters set out above at each meeting in 2017 the Board received reports from the Group Chief Executive and the Finance Director together with reports and updates on Health and Safety, litigation and potential mergers and acquisition activities. Members of the Executive Committee attended a number of meetings in 2017 to report to the Board on their areas of responsibility. Opportunities also exist throughout the year for informal contact between Board members and with members of the senior management team.

In 2017, the Board held two of its scheduled seven meetings in the USA. The June meeting was held in Dallas, which allowed the Board to visit two of the GES sites and the Signature operation at Dallas Love Field. In November, the Board meeting was held at the FBO in San Diego allowing the Board to tour the FBO. The Site visits are an important part of the Board's programme, enabling Board members to meet a number of employees from different parts of the Group.

In November, the Board conducted a comprehensive review of the Group's strategy and execution against the strategic plans. The Board also spent time discussing the findings of the Board evaluation and receiving an independent presentation on investors' perceptions.

In December, the Board reviewed the objectives it set itself for 2017 which included monitoring strategic progress, executive succession planning, non-executive succession planning, capital allocation and capital structure, conduct and review and independent investor survey and addressing the Board Effectiveness actions from 2016. The Board considers it has made good progress against its objectives during the year, although it recognises that succession planning will need to remain an area of focus.

The Board, supported by the Nomination Committee, has spent a significant amount of time during the year considering the appointment of a permanent Group Chief Executive to replace Wayne Edmunds, who stepped into the role on an interim basis following Simon Pryce's retirement.

2017 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 or part of meetings to which they were invited.

Name	Board	Audit and Risk	Remuneration	Nomination
Number of scheduled meetings	7	5	5	5
Sir Nigel Rudd	7/7	–	5/5	5/5
David Crook	5/5	–	–	–
Wayne Edmunds	7/7	2/2	2/2	2/2
Peter Edwards	7/7	5/5	5/5	5/5
Susan Kilsby	7/7	5/5	5/5	5/5
Mike Powell	2/2	–	–	–
Simon Pryce	3/3	–	–	–
Peter Ratcliffe	5/7	3/5	3/5	3/5
Peter Ventress	7/7	5/5	5/5	5/5

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.

The Board held two additional meetings in 2017; the Remuneration Committee held four additional meetings and the Nomination Committee held five additional meetings. These additional meetings were well attended with only two individual absences at the 11 meetings.

Induction

The induction programmes for Amee Chande and Emma Gilthorpe have started and will continue.

Both Amee and Emma have undertaken site visits in the UK and held meetings with various members of the executive team. Amee spent two days in the USA, meeting members of the executive team and visiting the head office in Orlando and a number of the Group's FBOs on the east coast.

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 pages 46 and 47. The work of the Board Committees is described below.

Nomination Committee

The composition of the Nomination Committee is set out in the table below. During 2017, the Nomination Committee comprised the Chairman and independent non-executive directors. Wayne Edmunds stepped down on his appointment as Interim Group Chief Executive.

		During year			
	01/01/17	Resigned	Appointed	31/12/17	28/02/18
Sir Nigel Rudd (Chairman)	✓	–	–	✓	✓
Wayne Edmunds	✓	30/6/2017	–	–	✓
Peter Edwards	✓	–	–	✓	✓
Susan Kilsby	✓	–	–	✓	✓
Peter Ratcliffe	✓	–	–	✓	✓
Peter Ventress	✓	–	–	✓	✓
Amee Chande	–	–	–	–	✓
Emma Gilthorpe	–	–	–	–	✓

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

The Nomination Committee had five scheduled meetings and four additional meetings in 2017. This was supplemented by informal meetings, individual briefings and meetings between Committee members. The additional meetings were related to the appointments of the Group Chief Executive, the CFO and additional non-executive directors.

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 of the pipeline of talent within the Group and increasing the interaction between Board members and executive management and talented future executives.

Diversity

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. However, the Board does believe that an appreciation of the value of a diverse range of backgrounds is an important part of succession at all levels of the organisation.

Appointment term

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

Group Chief Executive succession

The Committee was considering succession plans for the CEO role when it was agreed to bring forward Simon Pryce's retirement from the Board. In order to address the immediate concern, the Committee recommended the appointment of Wayne Edmunds as Interim Group Chief Executive.

Having met a number of firms, the Committee appointed Korn Ferry to support the appointment of a permanent CEO. Korn Ferry supported the Committee in defining a detailed role profile and the skills required in the ideal Chief Executive Officer candidate. Korn Ferry prepared a long list of potential candidates and worked with the Committee to prepare a short list of candidates. Following assessments (including a CEO simulation exercise for the internal candidates), preliminary meetings and interviews with Korn Ferry, the Committee members met a number of internal and external candidates for formal interviews. The Committee discussed the decision in detail before making their recommendation to the Board.

Korn Ferry's only relationship with BBA Aviation plc was in respect of search, selection and recruitment.

Group Finance Director succession

When Mike Powell resigned, the Nomination Committee were pleased, having evaluated a number of options, to recommend the appointment of David Crook, the former Group Financial Controller, as the successor to Mike Powell in the role of Finance Director. David was on the succession plan for the Group Finance Director role.

Non-executive directors

The Board identified the need to search for a new non-executive director and agreed to appoint JCA Heidrick Struggles to assist with this search. The Nomination Committee considered a skills matrix to help them understand the existing balance of experience, skills, knowledge, independence and diversity of backgrounds on the Board. The Nomination Committee briefed the JCA team on the characteristics of an ideal candidate before a long list of candidates was drawn up. The Committee discussed the candidates and identified a number for interview. Members of the Committee conducted the interviews and the interviewed candidates were discussed by the Committee before making a recommendation to the Board that two new non-executive directors were appointed to the Board.

JCA Heidrick Struggles are a signatory to the voluntary code of conduct for executive search firms on gender diversity and their only relationship with BBA Aviation plc was in respect of search, selection and recruitment.

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 2017 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 that they 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.

Peter Ventress,
Chairman of the Audit and Risk Committee

Composition

The composition of the Audit and Risk Committee during 2017 is set out in the table below. Wayne Edmunds stepped down on his appointment as Interim Group Chief Executive.

		During year			
	01/01/17	Resigned	Appointed	31/12/17	28/02/18
Wayne Edmunds (Chairman until 30 June)	✓	30/6/2017			
Peter Ventress (Chairman from 1 July)	✓	–	–	✓	✓
Peter Edwards	✓	–	–	✓	✓
Susan Kilsby	✓	–	–	✓	✓
Peter Ratcliffe	✓	–	–	✓	✓
Amee Chande	–	–	–	–	✓
Emma Gilthorpe	–	–	–	–	✓

All members of the Audit and Risk Committee are independent non-executive directors. The Committee is well qualified with comprehensive experience of corporate finance matters, Peter Ratcliffe has a professional accountancy qualification and Peter Edwards has good relevant industry knowledge. The Board believes that the Committee has sufficient recent and relevant financial experience to discharge its duties.

Wayne Edmunds and Peter Ventress organised a handover when responsibilities changed at the end of June.

During 2017, the Audit and Risk Committee had five scheduled meetings, generally coinciding with key dates in the financial reporting and audit cycle. The meetings are minuted by the Company Secretary. The Chairman, Group Chief Executive, Group Finance Director, and 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 2017, the Audit and Risk Committee held confidential sessions with the Head of Group Internal Audit, 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 2018. The Committee Chairman may call additional Audit and Risk Committee meetings at the request of any director or the 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 auditors. In 2017, briefings included the impact of new IFRS standards and in particular revenue recognition (IFRS 15) and accounting for leases (IFRS 16).

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. A tender process took place in 2014. The Committee considers a number of factors, including audit effectiveness at, both operating Company and Group-level: quality, continuity, expertise, depth of resources, and competitiveness of fees. The appointment of the Senior Statutory Auditor is rotated every five years and Ed Hanson will hand over to a new partner after the completion of the 2017 year-end audit work.

The 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 2017 and to date in 2018 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);
- 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 reviewed in December 2017 and no significant changes were made.

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 2017 financial statements and how these were addressed include:

- Recording of exceptional and other items within operating profit;
- Accounting for the disposal of ASIG;
- Taxation and the impact of the US tax cuts and jobs act;
- Purchase price accounting; 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 in the February meeting.

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.

The Committee reviewed analysis provided by management and the report of Deloitte LLP. The Committee was satisfied that the judgements made were consistent and aligned to the Group's policy and the disclosures made in relation to them were appropriate.

Accounting for the disposal of ASIG

On 31 January 2017, the Group concluded the disposal of the ASIG business. In 2017 the disposal accounting undertaken included judgements surrounding the residual commercial and transactional exposures retained by the Group.

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

Tax and the impact of the US Tax Cuts and Jobs Act

The impact of the US tax cuts and Jobs Act was material to the Group's financial statements. The impact of the change in legislation requires judgement and is dependent on long-term forecasts of the performance on the business in the US. The treatment and presentation of the changes as an exceptional item was also material to the Group's continuing underlying effective tax rate.

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

Purchase price accounting

The Group completed a number of acquisitions during 2017. In each case the allocation of fair values to all acquired assets and liabilities is an area of significant judgement. Key to the judgements is the estimation of the related cash flows for each and every asset and liability acquired. The judgements are often inherently dependent on, and sensitive to, long-term forecasts of the performance of the underlying business.

The Committee relied upon analysis provided by management both from the acquisition due diligence and the purchase price accounting exercise. The work of management was reported on by Deloitte LLP. The Committee was satisfied that the purchase price accounting and the disclosure made in relation to it were appropriate.

Provision for slow moving and obsolete inventory

The Group holds significant inventory across its operations, with $249.9 million of net inventory at 31 December 2017. This inventory is held at cost net of a provision for slow moving or obsolete inventory. The Group has a clear policy for inventory provisioning and the policy is applied on a consistent basis. This policy 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 2017 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. 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 2017 are set out in note 2 to the Consolidated Financial Statements.

During 2017, 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 was 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 2017, 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 guidance. The non-audit services policy is available on the Company's website www.bbaaviation.com.

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 2017 and up to 28 February 2018 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 FRC's guidance 'Risk Management, Internal Control and Related Financial and Business Reporting' (formerly 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 it is appropriate, taking account of costs and benefits.

The principal risks and uncertainties which the Group faces are summarised on pages 20–23, 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.
2. 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 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.

3. 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.

4. 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 to which it adheres, 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, together with a summary of key issues, work schedules and 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.

5. 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.

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

7. 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.

8. 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.

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

10. 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.

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

12. 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 risk-based Internal Audit programme. The effectiveness of these policies is assessed alongside the risk review process described in item 1 above.

13. 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 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 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 2018 and signed on its behalf by:

Sir Nigel Rudd,
Chairman

Directors' Remuneration Report

Susan Kilsby,
Chairman of the
Remuneration Committee

Introduction

During 2017, the main focus of the Remuneration Committee's work has been finalising the new Directors' Remuneration Policy. The new policy is described below and will be put to shareholders at the 2018 Annual General Meeting. The Committee has also dealt with a change of both the Group Chief Executive and the Group Finance Director.

In considering the new policy the Committee reviewed the principles of the existing policy that recognise, among other things: the cyclicality of our business; the importance of pay for performance; and that a significant element of remuneration for executive directors and the senior management team should be aligned to long-term performance. These principles are unchanged and they are set out in full in the introduction to the policy on page 76. Although the Company is listed in London, the majority of the senior management team and the majority of the Group's business is based in the United States and this, together with the views of shareholders, have been significant factors in the Committee's decisions.

New policy

As shareholders will recall we had initially anticipated that we would put a new policy to shareholders at the 2017 AGM. However, as we were still engaged with shareholders up to the deadline for the 2017 AGM we decided to continue with the consultation process before putting a new policy to shareholder vote at the 2018 AGM.

At the start of 2017, the Committee was confident that three of the proposed changes that had been subject to the earlier consultation had overwhelming support from shareholders. These changes were compatible with the existing policy and, accordingly, they were introduced for 2017. These changes are all carried forward into the new policy. They include:

Long Term Incentive Plan ("LTIP")

We introduced total shareholder return ("TSR") compared to the FTSE 250 as a third performance condition in addition to return on invested capital ("ROIC") and earnings per share ("EPS") growth. We also added a two-year holding requirement for LTIP awards to further align the interests of executive directors with those of shareholders.

Minimum Shareholding Requirement

We increased the shareholding requirement for executive directors from 200% of salary to 300% of salary.

Extended LTIP

We decided that the ELTIP would not operate in 2017. In addition, it will not be part of the new policy. This reduces the maximum incentive opportunity under the new policy and simplifies the remuneration structure.

These changes were welcomed by shareholders, as can be seen in the vote for the 2016 Annual Report on Remuneration which received 99.8% support.

Proposed Policy for 2018 and beyond

Our consultation with shareholders, representing over half of issued shares and the main shareholder representative bodies continued throughout 2017. The main focus of the consultation was on the Deferred Stock Plan and, in particular, on the performance conditions, the vesting profile, the maximum size of the award, and a corresponding adjustment to the maximum award under the LTIP. We made a number of changes to the proposed policy as a direct result of feedback from shareholders.

The Committee recognises shareholders' sensitivity to quantum in the current market. In response to this sensitivity, the maximum opportunities under the incentive arrangements have been reduced under the new policy.

The table below summarises the changes in opportunities in variable remuneration:

Element of reward	Existing policy	Proposed policy	Net annual change
Bonus	62.5%	65.0%	+2.5%
DSP	72.5%	125.0%	+52.5%
LTIP	190.0%	150.0%	-40.0%
E-LTIP (110.0% every 3 years)	36.6%	0.0%	-36.6%
TOTAL	**361.6%**	**340.0%**	**-21.6%**

The maximum variable opportunity is being reduced from just over 360% of salary per year to 340% under the proposed policy. Whilst, the expected fair value of the new proposed policy is unchanged when measured against the current policy, the Committee believes that the proposed shape of the new incentives better supports the Company's strategy over the next period and is better suited to an employee base that is predominantly based in the US. Details and rationale regarding the changes are set out below.

Bonus

Further to shareholder feedback on quantum, the Committee is now proposing that the maximum cash bonus opportunity remains broadly the same at 65% versus 62.5%. The aspects of the policy governing the performance measures are materially the same.

DSP

Overview

The new policy proposes three changes to the DSP:

- an increase in the maximum size of the award from 72.5% of salary to 125% of salary;
- a change in the vesting profile from three equal annual instalments over three years, to a single vesting on (or after) the third anniversary of grant; and
- the addition of a two-year holding period post vesting.

The Committee views the DSP as a long-term plan as, whilst the performance periods are annual, shares cannot be sold for five years following their award. In addition, a number of the strategic objectives will require multiple years to achieve. Therefore, whilst the Committee is measuring the steps in successful implementation on an annual basis under the DSP, this does not mean that they are not long-term objectives. The Committee takes the view that long-term strategic objectives need to be broken down into shorter milestones if they are to be successfully implemented. Therefore, whilst the performance targets are set on an annual basis, a number of objectives to which these performance conditions relate are multi-year.

Setting performance conditions

The following points should be noted in respect of the Committee's proposed approach to setting performance conditions and targets for the DSP under the new policy:

- where strategic and operational objectives are used, the Committee will ensure that a significant component of the targets set are capable of quantifiable assessment;
- the increase in the incentive opportunity will be accompanied by an appropriate increase in the stretch of the performance conditions; and
- the objectives and the performance against those objectives will be fully disclosed in the remuneration report in the following year.

New Executive Team

The DSP is particularly important given a new CEO and Finance Director as it will help facilitate the build-up of shares early in their tenure subject to performance which have to be retained for five years. In the Committee's opinion, other benefits of the revised DSP are:

- Defers an annual incentive in shares that supports the build-up of a long-term locked-in shareholding aligning the interests of management with shareholders;
- Manages reward through the cyclicality of the business;
- Allows potential for award value to grow due to share price appreciation helping drive longer-term decision making; and
- Facilitates malus and clawback provisions by having a significant proportion of the incentives earned deferred in shares and under the control of the Company post the determination of the reward for a particular year.

LTIP

As noted above, the Committee introduced two changes to the LTIP in 2017. These were the addition of a two-year holding period following a vesting and the introduction of TSR as a third performance condition. These two changes will continue under the new policy. The only additional change proposed under the new policy is the reduction in the maximum size of the award from 190% of salary to 150% of salary.

The Committee has retained the LTIP as it wishes to ensure that a significant part of the incentives are based on long-term multi-year performance. This will help ensure that short-term performance is not prioritised over long-term sustainable value.

The Committee has included TSR in the LTIP performance conditions for the 2017 award and intends to continue to use it under the new policy because TSR is aligned to shareholders' ownership experience. The Committee recognises the range of shareholder views on TSR as a performance measure for LTIP awards and, having considered these differing views, on balance decided to include it.

Overall view

The Company now has a US-based Group Chief Executive and a predominantly US-based business and management team. The slight weighting of 56% of the total variable incentive opportunity to an annual assessment of performance under the new policy reflects the proposed increase of the maximum award under the DSP. This is a key component in the remuneration structures of our US competitors and necessary as we compete for talent in the US. Shareholders will be aware that it is very difficult for a UK listed company to implement US levels of equity compensation. The Committee, therefore, took the view that whilst the Company cannot compete on absolute quantum it would provide more competitive levels of deferred stock.

The three-year vesting for the DSP and holding periods for both the DSP and LTIP, in conjunction with the increase in minimum shareholding requirements align the directors' interest with those of shareholders. Eighty percent of the potential variable reward is provided in shares that have to be retained for five years.

The new policy is simpler than the existing policy, with three elements of variable remuneration: the annual bonus plan, the DSP facilitating the deferral of reward into shares and an LTIP plan with a three-year performance period and two-year holding period.

The Committee has designed the new policy to be aligned to the Company's principles of remuneration and believes it will incentivise the executive directors to deliver long-term sustainable value for shareholders.

Other matters relating to 2017

Group Chief Executive

The Committee carefully considered the terms agreed with Simon Pryce when he stepped down from the Board at the end of June 2017, having brought forward his retirement. The Committee agreed to a balanced position that was both fair to Simon and facilitated ongoing access to Simon for the executive team given his 10 years of experience as Group Chief Executive. The statement published on the Company's website in accordance with Section 430(2B) of the Companies Act 2006 sets out the compensation arrangements for Simon Pryce on leaving and these are also set out in full on page 75.

Interim Group Chief Executive

Wayne Edmunds was appointed Interim Group Chief Executive from 1 July 2017. Recognising the interim nature of the appointment a compensation package consisting of only base salary was agreed. Wayne Edmunds was appointed on a base salary of $2,500,000 per annum. The fees as Interim Group Chief Executive and as a non-executive director are split in the single figure table on page 62.

New Group Chief Executive

The reward package that was agreed with Mark Johnstone recognised that the role is based in the US. The base salary from appointment on 1 April 2018 will be $912,060, the US dollar equivalent of £675,000 at the exchange rate on the date of agreement. The base salary was set to be competitive when measured against our US peers and the general UK FTSE 250, and has been set below that of the outgoing Group Chief Executive to reflect the difference in experience. Further details of Mark's remuneration package are set out on page 69 of this report.

New Group Finance Director

The Section 430(2B) statement published following Mike Powell's resignation is set out in full on page 74.

David Crook was promoted from Group Financial Controller to Group Finance Director on 1 June 2017. His base salary was set at £375,000. The base salary was set to be competitive when measured against our US peers and the general UK FTSE 250, and was set below that of the outgoing Group Finance Director to reflect the difference in experience. Further details of David's remuneration are set out in the relevant sections of the Remuneration Report.

Performance in 2017 and remuneration outcomes

The Group has delivered a strong performance in 2017, increasing underlying profits by 19%. The Company's total shareholder returns have significantly outperformed the FTSE 250.

Simon Pryce will receive a bonus pro-rated for the part of the year he was actively engaged as Group Chief Executive. David Crook's bonus reflects that he was Group Financial Controller for five months of the year and Group Finance Director for seven months. Wayne Edmunds and Mike Powell are not entitled to a bonus in respect of 2017.

Changes in US tax legislation in the last few days of 2017 resulted in an unexpected increase in the earnings per share figure that is used to calculate the amount of the 2015 LTIP that would vest. The Committee made an adjustment and removed the favourable impact of the US tax legislation from the calculation as it was not reflective of management action or underlying performance; the consequence of this was a reduced vesting percentage for the 2015 award from 78% to 50%. Further explanation is provided on page 67.

2018 targets

The Committee will consider all relevant factors when setting the performance targets for the bonus, DSP and the LTIPs to be awarded in respect of 2018. They will be set at an appropriate level to challenge and incentivise the leadership team to drive shareholder value and support delivery of the Group's strategy. The bonus and DSP targets and performance against them will be set out in the 2018 Remuneration Report due to commercial sensitivity. The LTIP targets for awards to be granted in 2018 are set out on page 73.

Remuneration reporting

The report follows the same format as last year:

Part 1 on pages 59 to 61 includes an 'At a glance' section that includes a summary of the reward in 2017 and 2018, the relative importance of pay, and the graph showing TSR performance over the last nine years relative to the Group Chief Executive's remuneration.

Part 2 on pages 62 to 73 sets out the Annual Report on Remuneration for 2017. 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 2018. The sections of the report that have been subject to audit are set out on page 73.

Part 3 on pages 76 to 84 sets out the proposed policy on directors' remuneration.

Conclusion

I would like to thank those shareholders that took part in the consultation on the Company's new policy. This process has helped us formulate what we believe is the right policy for the Group's next stage.

We take an active interest in your views as shareholders and I welcome your views on any aspect of our remuneration policy.

Susan Kilsby,
Chairman of the Remuneration Committee
28 February 2018

Part 1: At a glance

Executive directors' remuneration

The various elements of the executive directors' remuneration under the policy, how it was implemented in 2017 and the expected implementation in 2018.

Element of pay	Implementation of policy for 2017	Implementation of policy for 2018
Short term (1 year)		
Base salary	Salary increases on 1 January 2017 were: Simon Pryce: 3% to £680,572.50; Mike Powell: 3% to £432,600.00; David Crook's base salary on appointment was £375,000 The average employee salary rise was 3%	David Crook did not receive a salary increase this year. On appointment as Group Chief Executive, Mark Johnstone's salary will be $912,060 (£675,000 at the exchange rate on the date it was set).
Benefits Include private medical insurance, car allowance etc.	Executive Directors received a market competitive level of benefits.	No change. Mark Johnstone will not receive a car or car allowance.
Annual bonus Maximum of 62.5% of salary	Performance targets for 2017 included Group operating profit, Group free cash flow and personal objectives.	No change to performance targets. Maximum bonus will, subject to shareholder approval at the AGM, increase to 65% of salary.
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 £97,000 for relocation/living expenses/housing allowance.	Mark Johnstone will receive a relocation allowance based on the costs of his move to the USA.
Long term (5 years or more)		
Long-Term Incentive Plan (LTIP) Maximum of 190% of salary	Simon Pryce received an award of 190% of salary which is expected to lapse on his leaving date. David Crook received an award of 120% of salary. Awards will vest subject to the achievement of stretching EPS, ROIC and TSR targets at the end of a three-year performance period and are subject to a two-year holding period.	No change to basic structure of the award. Both Mark Johnstone and David Crook will receive an LTIP award of 150% of salary.
Deferred Stock Plan (DSP) Current maximum under the policy is 72.5% of salary – the new policy proposes a maximum of 125% of salary	The awards granted in March 2017 were in respect of 2016 performance and included in the single figure for 2016. The awards to be granted during 2018 are in respect of 2017 performance, and are included in the single figure for 2017. These DSP awards vest in equal instalments over three years but are not released until the third anniversary of grant.	DSP awards for performance in 2018 will be made in 2019. Subject to shareholder approval at the AGM the maximum award will be 125% of (2018) salary and the awards will vest on the third anniversary and be subject to a two-year holding period.

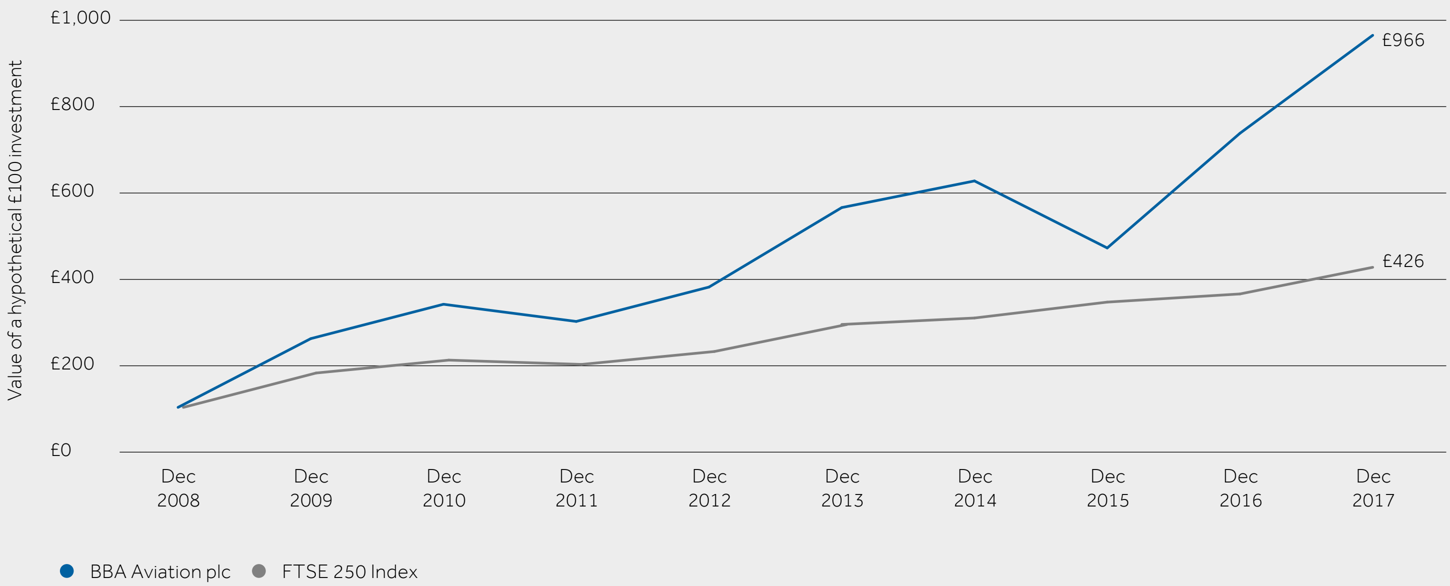
As interim CEO Wayne Edmunds is not shown in the table above. Due to the interim nature of the position, he is not receiving equity awards or any benefits in addition to his base salary of $2,500,000 per annum. When Wayne returns to his non-executive director ("NED") role he will receive the standard NED fee.

Long-term performance over the past nine 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 £100 holding over nine 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	2017
Total single figure £'000	1,232	1,800	2,689	1,855	1,748	1,748	1,500	2,131	1,862
Bonus total and as percentage of maximum	453 88.0%	460 70.1%	566 83.5%	328 47.0%	458 63.7%	455 61.8%	199 53.0%	291 70.6%	143 67.4 %
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 32.0%	832 45.1%	784 30.2%

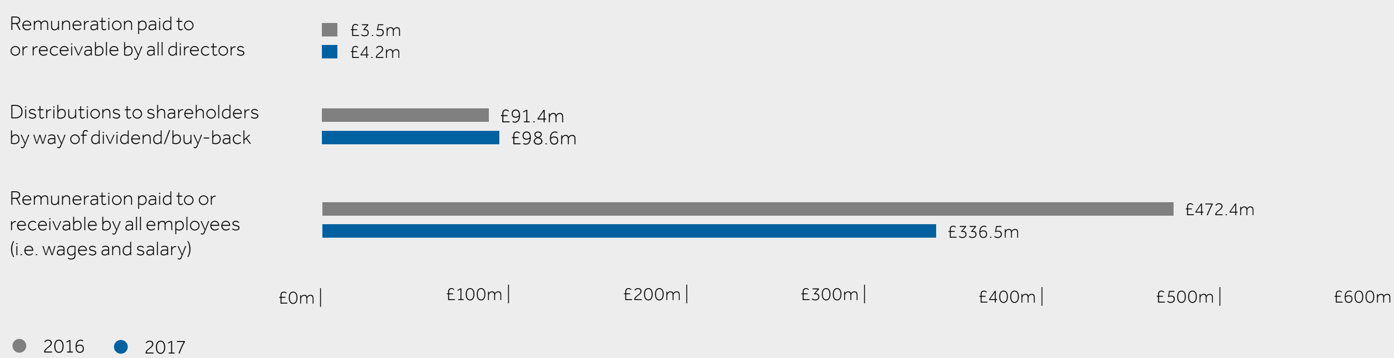
Wayne Edmunds (only showing the pay received for duties as CEO).

Total remuneration maximum	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total single figure £'000	–	–	–	–	–	–	–	–	969

Owing to the interim nature of the role, Wayne Edmunds only received a basic salary. See page 63 for more detail.

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.



Part 2: Annual Report on Remuneration for 2017

The Board has seen the executive team deliver on the Group's strategy during 2017, which is reflected in the strong shareholder returns and the absolute remuneration outcomes.

Remuneration for 2017

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

Directors – single figure total (£'000)

Director	Year	Salary and fees	Benefits	Bonus	Value of LTIP vesting and DSP grant	Pension	Other	Overall single figure total
Wayne Edmunds	2017 As NED	34	–	–	–	–	–	34
	2017 As Interim CEO	969	–	–	–	–	–	969
	Total for 2017	1,003	–	–	–	–	–	1,003
	2016	62	–	–	–	–	–	62
David Crook (from 1 June 2017)	2017	219	10	92	256	44	–	621
	2016	–	–	–	–	–	–	–
Sir Nigel Rudd	2017	250	–	–	–	–	–	250
	2016	250	–	–	–	–	–	250
Susan Kilsby	2017	78	–	–	–	–	–	78
	2016	70	–	–	–	–	–	70
Peter Ventress	2017	63	–	–	–	–	–	63
	2016	55	–	–	–	–	–	55
Peter Ratcliffe	2017	57	–	–	–	–	–	57
	2016	55	–	–	–	–	–	55
Peter Edwards	2017	57	–	–	–	–	–	57
	2016	55	–	–	–	–	–	55
Simon Pryce	2017	681	21	143	784	136	97	1,862
	2016	661	21	291	832	132	194	2,131
Mike Powell	2017	180	7	–	–	36	–	223
	2016	420	18	184	156	84	–	862

Notes

1 Taxable benefits for Simon Pryce, Mike Powell and David Crook include a cash allowance in lieu of a company car and private medical insurance.
2 David Crook's remuneration shown in the table above is for his services as a director of the company with the amount shown in the column titled 'Value of LTIP vesting and DSP grant' showing a pro-rated amount in respect of the long-term incentive plan award granted in 2015 that is expected to vest in March 2018 plus the full amount of the DSP award that is also expected to be granted in March 2018.
3 The LTIP awards shown in the 2016 figures above have been restated. The original disclosure was based on the average share price in the last quarter of 2016 which was 261.23 pence. When the awards vested on 21 March 2017 the share price was 307.05 pence. The awards were disclosed in the 2016 report because the three-year performance period for these awards granted in 2014 ended on 31 December 2016.
4 Mike Powell's 2014 LTIP award was delayed due to the timing of his recruitment. The performance period for these awards ended on 31 December 2016 prior to the point at which Mike Powell gave the Company notice. The award was released at 23.3% in August 2017 and is disclosed in the 2016 figures because the financial performance conditions ended during that year.
5 The LTIP awards granted in 2015 will vest at 50% of the maximum and are disclosed in the table above. The value disclosed is based on the share price in the last quarter of 2017 which was 325.66 pence.
6 The Deferred Stock Plan awards that are expected to be granted in 2018 are disclosed in the table above because the operating profit used to calculate the pool was over the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 and the strategic objectives were measured at the end of 2017. The details of these DSP awards are shown on page 66.
7 During the year Simon Pryce, Mike Powell and David Crook (since his appointment to the Board) received a cash payment of 20% of basic salary in lieu of a contribution to a company pension scheme.
8 The disclosure in the "Other" column 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 2016, the Remuneration Committee reviewed the base salaries for the executive directors and their salaries were increased in line with increases for other members of staff. The base salary effective from 1 January 2017 for Simon Pryce was £680,572.50 and for Mike Powell was £432,600.00.

When David Crook was appointed finance director on 1 June 2017 his base salary was set at £375,000. The base salary was set to be competitive looking at our US peers, the general UK FTSE 250 and was lower than the outgoing Group Finance Director to reflect the difference in experience.

When Wayne Edmunds was appointed Interim Group Chief Executive with effect from 1 July 2017 the Remuneration Committee felt that, given the interim nature of the role, it would be appropriate to pay him a base salary only with no bonus or equity awards. Wayne Edmunds was appointed on a basic salary of $2,500,000 per annum. The basic salary rate was based on the average single figure paid by the Company over the previous period to the former Group Chief Executive. The Committee did not feel it appropriate to operate the bonus plan given that the expected tenure was less than one year and it would also be inappropriate to make any awards under the DSP or LTIP. No further payments will be made to the Interim Group Chief Executive other than the salary for the period that he holds the office.

Fees for the Chairman and non-executive directors

The fees for the Chairman and the non-executive directors are in the single figure table. In accordance with the arrangements on appointment there was no change to the fee payable to the Chairman in respect of 2017. The non-executive directors' fees were increased in line with the increases for other members of staff. The fee for the senior independent director was increased from £6,500 to £10,400. This fee was increased because it did not reflect the responsibility or the necessary time commitment.

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 2016.

Bonus

The maximum bonus opportunity for 2017 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 2017, no discretion was exercised by the Remuneration Committee in determining the outcomes.

Following an assessment against the performance targets, the Committee concluded that Simon Pryce will receive a bonus of £143,261. The bonus is pro-rated to take into account the fact that Simon stepped down as Group Chief Executive on 30 June 2017. The bonus paid is 67.4% of the pro-rated maximum.

David Crook will receive a bonus of £92,094, he was appointed as Finance Director on 1 June 2017 and the bonus payable for the first five months of the year prior to appointment as a director is not included in this amount. The bonus paid is 67.4% of the pro-rated maximum. The bonus for the first five months of the year was calculated on the salary prevailing at the time.

Both Simon Pryce and David Crook receive 32.1% of their eligible salaries in respect of financial performance (21.4% was for achievement against the operating profit target and 10.7% for free cash flow targets) and they will both receive 10% of their eligible salaries for achievement against their personal strategic objectives. For Simon Pryce his personal objectives were measured at the point he stepped down as Group Chief Executive.

The detailed personal and financial targets and the achievement against these are shown on the following two pages of this report.

Wayne Edmunds and Mike Powell are not entitled to receive a bonus in respect of 2017.

Targets and performance

The Board is continuing with its approach to disclose the Bonus targets for the year under review. Financial measures account for 84% of the maximum opportunity: operating profit represents 56% of the maximum opportunity and free cash flow represents 28% of the maximum opportunity split equally for the half-year position and full-year position. Personal objectives represent 16% of the maximum opportunity.

Personal objectives

The personal objectives set and how the Committee assessed their satisfaction and the level of performance achieved are set out below for the executive directors:

Simon Pryce

Simon Pryce's personal objectives are set out in the table overleaf. These personal objectives had to be judged at 30 June 2017 when Simon stepped down from the Board. As all the objectives were on track and it was reasonable to assume that they would have been completed by the end of the year it was decided that Simon's personal objectives would be considered as being 100% achieved.

Simon Pryce

Measure	Weighting	Performance assessment	Level of performance achieved
Oversight for a number of strategic business and technology projects for Signature	10%	The relevant projects were on track at 30 June.	100%
Disposal of a number of assets including Forest Park and Neosho	10%	Initial planning for the disposals were on track; the disposals were completed in the second half of the year at a value acceptable to the Board.	100%
Footprint rationalisation in ERO	10%	Cost base reduction targets achieved and majority of that work was completed in the first half of the year.	100%
Integration of new lines into Ontic	10%	The lines acquired from GE were being successfully integrated into Ontic.	100%
Portfolio considerations	10%	Strategic plan developed around the portfolio and target investment in certain areas.	100%
Executive Committee development plans with focus on CEO succession	10%	Succession plans developed and successfully implemented with an internal candidate Mark Johnstone appointed to the role. David Crook was promoted from the Financial Controller role to Group Finance Director during the year.	100%
Support for new Group Finance Director and in particular his induction	10%	Feedback received by the Chairman demonstrated full support for the new Group Finance Director.	100%
Capital restructuring and recommended approach to Board	10%	The capital restructuring proposals were developed throughout the year and as at 30 June plans were on track.	100%
Independent investor perception survey	10%	Survey launch and completed by investors and potential investors. Feedback from the survey used to refine and confirm approach to capital structure and other matters.	100%
Working relationship with the Board	10%	The Board reviewed this objective and a strong and consistent working relationship with the Board.	100%
Overall level of satisfaction			100%

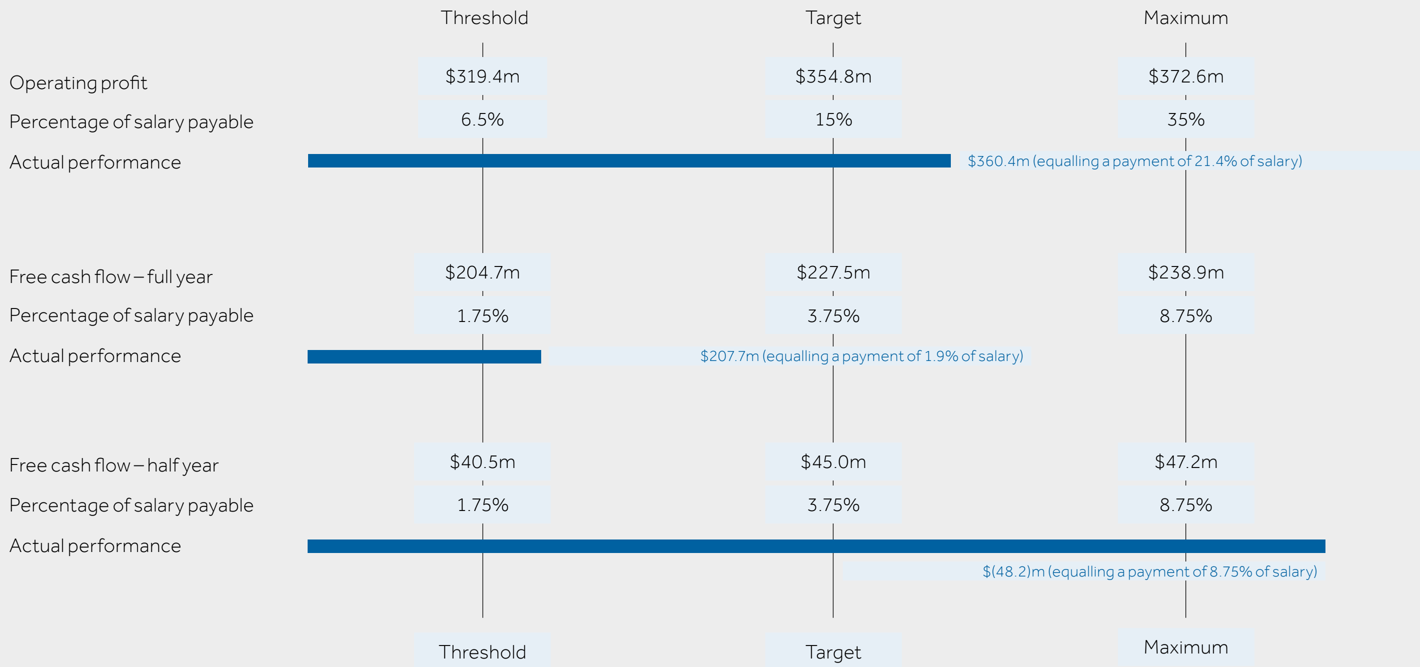
David Crook

Measure	Weighting	Performance assessment	Level of performance achieved
Transition to Group Finance Director and build necessary stakeholder relationships	20%	It is the Board's view that David Crook has successfully stepped up to the Group Finance Director role.	100%
Leadership on the development of the appropriate capital structure. including: • Debt financing; • Capital allocations	20%	The plans for the appropriate capital structure were developed during the year and regular updates were provided to the Board and the proposals are announced with the preliminary results on 1 March 2018.	100%
Develop and implement functional strategy for the finance team	20%	Presented strategy to the Board which was signed off for implementation. The implementation to date has been in line with plan.	100%
Management oversight and direction for the Central cost rationalisation project	20%	The cost savings have been delivered during 2017.	100%
People development/talent development and succession planning	20%	People development plans agreed with the HR Director. Succession plans reviewed and approved by the Board.	100%
Overall level of satisfaction			100%

Financial objectives

The graph below shows the financial objectives performance:

Performance targets and achievement for 2017



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.

Deferred bonus in respect of 2014

Half of the bonus in respect of 2014, paid in early 2015, to Simon Pryce was deferred into shares and this award will be released shortly after the third anniversary of grant. Dividends will be awarded on the deferred element once the risk of forfeiture has lifted to reflect economic alignment of the director's interests with those of shareholders. No additional sum is included in the 2017 single figure total as the full bonus, including the deferred element, was disclosed in respect of 2014, the year it was earned.

Long-term awards

Deferred Stock Plan

Under the DSP, a pool of shares is determined based on 3.5% of the Company's average underlying 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 underlying operating profit for 2015 was US$202.0 million for 2016 was $330.1 million and for 2017 was $360.4 million, giving an average of $297.5 million and 3.5% of this is $10.4 million. The strategic objectives were:

Goals	Achieved
Improve processes and achieve over $5m of new cross-business selling during the year. • Improvements have been delivered and over $5m of new cross-business selling was achieved in 2017.	100%
Establish common customer KPI definitions and measures Group-wide. • Completed within Signature and baseline established. • Decided to postpone some aspects in other businesses due to more urgent customer and business requirements.	70%
Completion of the disposal of ASIG within the financial parameters set by the Board. • The ASIG business was successfully sold at a price and on terms acceptable to the Board.	100%
Develop an improved culture of innovation and continuous improvement measured with financial targets. • The improved culture of innovation and continuous improvement has been delivered and financial targets met. • Examples include energy efficiency / green energy programmes, waste reduction projects and a number of process enhancements.	100%
Develop the safety culture by completing further training to a wider audience. • Training has been completed and delivered to over 2,000 employees. • Strong culture of hazard reporting with over 2000 hazards reported during 2017. • Although the training was completed, the achievement level was reduced from 100% because the Reportable Injury Rate increased year on year. The increase was primarily due to higher than usual slip, trip and fall injuries in wintry weather conditions in the first quarter.	80%
Deliver ethics training to nurture culture for employees to behave and make decisions in an ethical manner consistent with our values. • The agreed training was delivered and it is felt that employees operate ethically and consistently with the Group's values • Supporting evidence is that there were no regulatory fines for inappropriate ethical behaviour in 2017 • There were no matters reported through the confidential whistleblowing channels to give rise to concerns.	100%
Develop and implement solutions to improve core functionality for FBO operations and data-analytics capabilities • The projects to deliver these solutions are progressing well albeit behind the stretching timetable that was set.	65%
Develop a revised capital allocation and distribution policy and re-finance $500m of the Group's acquisition financing. • The plans for the appropriate capital structure were developed during the year and regular updates were provided to the Board and the proposals are announced with the preliminary results on 1 March 2018. • The Board has determined this is fully achieved because the requisite work was completed but the Board requested the proposals were reviewed by the incoming CEO once appointed and held back on timing pending the appointment.	100%
Develop the Corporate Responsibility strategic plans and agree appropriate benchmarks. • The external FTSE for Good benchmark was retained. • Further work required on the strategic plans for Corporate Responsibility.	75%
Reduce SG&A costs in line with publicly disclosed targets to better reflect new complexion of Group portfolio and needs of businesses. • The requisite cost savings have been delivered during 2017.	100%
Overall achievement: (goals are equally weighted)	89%

The Remuneration Committee concluded that 89% of the strategic objectives had been delivered and agreed the overall pool is therefore $9,267,125.

The face value of the DSP award that will be granted to David Crook in respect of 2017 is equivalent to 64.5% of his 2017 salary (£375,000). This award equates to 89% of the maximum. The Remuneration Committee anticipates that it will grant this award in March and as soon as awards are made to executive directors they will be announced via the Regulatory News Service (RNS), as well as in the 2018 Annual Report.

Long-Term Incentive Plan

The performance conditions for the LTIP awards granted in 2015 are set out in the table below. Performance was measured over three financial years ending 31 December 2017.

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%

For the three years ended 31 December 2017 EPS growth per annum was 8.9% and the average annual ROIC was 10.7%. This performance would lead to the EPS element of the award vesting at 56% of the maximum and a full vesting of the ROIC element – an overall vesting of 78%. As set out on page 73 and calculated in note 6 the earnings used in the LTIP calculation of EPS are adjusted to take account of the Company's exceptional policy and also the underlying current tax charge. The US tax reform in the final few days of 2017 resulted in a significant increase in the EPS using the agreed methodology. This was not reflective of management action or underlying business performance and therefore the Committee used its discretion to adjust for the impact of US tax reform and this reduced the EPS growth to 5.1% and accordingly the EPS element will not vest. The overall vesting will be 50% for the awards held by the executive directors.

The performance conditions for the ELTIP Awards granted in 2015 had an EPS performance range between 12% and 15% with a 9% ROIC hurdle. The EPS growth, even without making an adjustment as described above, was below the 12% threshold and accordingly all the ELTIP awards lapse.

Pension

The Company's pension contribution for Simon Pryce, Mike Powell and David Crook (since his appointment to the Board) was 20% of basic salary. During the year all three received a cash payment in lieu of a contribution to a company pension scheme.

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	426,714	1,293,088	25%	31/12/2019
	DSP – Conditional Shares	162,825	493,415	100%	Awards released in 2020
David Crook	LTIP – Conditional Award	149,826	455,000	25%	31/12/2019
	DSP – Conditional Shares	77,360	235,625	100%	Awards released in 2020

Notes
1 The LTIP Awards were made on 17 March 2017. The grant price was £3.030 which was the average middle market closing price on the three trading days prior to the grant. David Crook received a second award to recognise promotion to the CFO role on 3 April 2017; the grant price was £3.071 which was the average middle market closing price on the three trading days prior to grant The total aggregate award was just over 120% of his new salary, recognising he was not in the Finance Director role for the full year.
2 The DSP awards granted in 2017 are in respect of performance in 2016. Simon Pryce's DSP award is included in the single figure table in the row for 2016. David Crook's award granted in 2017 is not included in the single figure table as it does not relate to services as a director of the Company. The DSP conditional awards were made on 17 March 2017. The grant price was £3.030 which was the average middle market closing price on the three trading days prior to the grant. David Crook received a second award to recognise promotion to the CFO on 3 April 2017 and the grant price was £3.071. The aggregate award was just under 63% of his new salary.
3 David Crook's awards were granted before he became an executive director but are included in this table to provide shareholders with full information.

Long-Term Incentive Plan

In 2017, Simon Pryce was awarded an LTIP of 190% of his salary and this will lapse on his leaving the Group in June 2018. David Crook received an LTIP equivalent to 120% of his new salary. Mike Powell did not receive an LTIP award in 2017.

Performance conditions for awards made in 2017

A ROIC performance condition is applied to one third of the LTIP award, an EPS performance condition is applied independently to another third of the award and the final third is subject to a total shareholder return ("TSR") measure. There are no further performance conditions attached to the DSP or SAYE scheme.

The detailed performance conditions for the LTIP awards are set out on page 73.

Extended Long-Term Incentive Plan

No awards were made under this plan in 2017.

SAYE

The Company issued an invitation under the Savings Related Share Option Plan in September 2017. No directors accepted the invitation. David Crook was already saving the maximum amount under an earlier scheme. His options are disclosed in the Interests in shares table on page 72.

Other

In 2015, when Simon Pryce was asked to take on the role of President of Flight Support in addition to his role as Group Chief Executive, he was asked to spend significantly more of his time in the United States. At the time the Remuneration Committee agreed Simon should be neither better off nor worse off as a result of the assignment and agreed to provide accommodation and an allowance to support his incidental living expenses and certain elements were grossed up for tax purposes. In accordance with this approach Simon Pryce received £97,000 (2016: £194,000).

Payments to past directors

The payments made to Mike Powell in respect of 2017 are disclosed in the single figure table. The statement in accordance with section 430(2B) of the Companies Act 2006 that has been on the Company's website since 1 June 2017 is set out in full on page 74.

Simon Pryce has continued to receive his basic salary, benefits and pension contribution during his notice period and will receive a bonus for the first half of 2017. Simon's 2015 LTIP and DBP awards will vest at the normal time while he is still an employee. This remuneration is all disclosed in the single figure table (with the exception of the DBP award, because it was disclosed in the year it was earned). Simon continues to be paid and also to be available to the executive team until 5 June 2018. The outstanding LTIP awards from 2016 and 2017 will lapse on this date and the outstanding DSP awards will vest on the normal date. Full details were set out in the statement in accordance with section 430(2B) of the Companies Act 2006 that has been on the Company's website since 1 July 2017 and included in the RNS announcement is set out in full starting on page 75.

No payments have been made to any other past directors of the Company during the year.

Loss of office payments

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

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 80 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 2017	Year ended 31 December 2016	Percentage change
CEO base salary	680.6	661.0	3.0%
Relevant average comparator employees' base salary	157.4	137.2	14.7%
CEO taxable benefits	21.0	21.0	0.0%
Relevant average comparator employees' taxable benefits	9.0	8.7	3.4%
CEO annual bonus	286.5	291.0	-1.7%
Relevant average comparator employees' annual bonus	51.4	45.6	12.7%

For the illustrative purposes of this table and to make the comparisons valid, the CEO's bonus has not been pro-rated for time (the figure shown above for the year ended 31 December 2017 is double the amount that was actually paid). The majority of the Comparator Group are paid in US$ and the exchange rate accounts for a proportion of the increase shown above.

Outside appointments

Simon Pryce received an annual fee of £50,000 for his role at Electrocomponents plc. For his role at Low and Bonar plc Mike Powell received an annual fee of £40,000, which increased to £47,000 on 12 April 2017 when he became chairman of the Audit Committee. Wayne Edmunds received $192,400 and £60,000 for his roles on the Dialight and Ashtead Boards respectively. During 2017 he received a combination of a cash fee ($85,000) and stock ($140,000) for his role on the MSCI Inc. Board. In accordance with policy the directors retain their fees for these appointments.

Implementation of policy in 2018

The proposed implementation of the existing policy for each element of remuneration in 2018 is described below.

Base salary for executive directors

The Remuneration Committee reviewed the base salary for David Crook and, given his appointment was relatively recent, decided not to increase it from £375,000. The standard pay increase for employees of good standing across the Group was 2.5 – 3%. Mark Johnstone, who will be appointed as Chief Executive Officer on 1 April 2018, will receive a base salary of $912,060. The base salary was set to be competitive looking at our US peers, the general UK FTSE 250 in line with the size of the company and was lower than our outgoing Group Chief Executive to reflect the difference in experience. Mark's salary is denominated in US dollars and accordingly this amount will appear to fluctuate when disclosed in the single figure tables in sterling. Any increases in salary will be transparently disclosed in US$ within the remuneration report.

Chairman and NED fees

On appointment it was agreed that the fee for the Chairman would not be reviewed for the first three years and the Chairman's fee has increased with effect from 1 January 2018 to £295,000, an increase of 18%. This is the first increase the Chairman has received since becoming Chairman in May 2014. The basis of the Chairman's new fee was to position him broadly at the median compared to the FTSE 250 in line with the size of the Company and also to reflect the increase in scope and commitment required given the changes to the Company over the period, including the transformational acquisition of Landmark. The fees for the non-executive directors (including SID and Committee Chair roles) have been reviewed and it was agreed to increase all fees by 3%, in line with average employee rises during this cycle.

Pension and benefits

The Committee does not expect to change the pension or benefit arrangements for the executive directors in 2018.

Annual cash bonus

For 2018, the Committee has determined that the annual bonus opportunity for executive directors is 65% of salary (subject to shareholder approval at the AGM) 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 2018, financial performance objectives will again represent about 85% of the bonus opportunity and personal objectives will represent about 15% of the bonus opportunity. The financial targets will, as in 2017, be based on operating profit and free cash flow at the half and full year with approximately the same weights as in 2016.

The Board has decided that bonus targets for 2018 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 2018 Annual Report. This has been the Company's practice for the last three years.

Deferred Stock Plan

In respect of 2018, Mark Johnstone and David Crook are eligible to receive an award (in early 2019) under the plan. The award will be subject to a maximum of 125% (subject to shareholder approval) of their 2018 salary following an assessment of Group operating profit performance at the end of the 2018 financial year and performance against the strategic Group objectives. These awards will be subject to a three-year cliff vest and a subsequent two-year holding period.

LTIP

The LTIP award, due to be granted in 2018 for Mark Johnstone and David Crook, will be 150% of salary. The award will be announced to the market when it is made with additional detailed disclosure to shareholders in the 2018 Directors' Remuneration Report. The three-year performance criteria will be average ROIC; EPS growth and total shareholder return. As in previous years, the average ROIC and EPS growth targets are set using GAAP applying at the time and the performance will be assessed on a consistent/constant GAAP basis. The performance conditions are shown on page 73 and show progression from the performance conditions for the awards granted in 2017. The awards will be subject to a two-year holding period following the performance period.

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 garden leave at the Company's discretion. Both the Group Chief Executive and the Group Finance Director are required to give the Company 12 months' notice.

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 the 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 2018
Wayne Edmunds	7 August 2016	n/a (will revert to NED appointment during 2018)
David Crook	1 June 2017	n/a
Sir Nigel Rudd	1 December 2016	20 months
Susan Kilsby	10 April 2015	1 month
Peter Ratcliffe	9 January 2018	35 months
Peter Edwards	1 January 2016	10 months
Peter Ventress	1 January 2016	10 months

The Remuneration Committee and its work

The Board is responsible for the 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. 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), Peter Edwards, Peter Ratcliffe, Sir Nigel Rudd and Peter Ventress. Wayne Edmunds was a member of the Committee from 1 January 2017 until 30 June 2017.

In 2017, the Committee held five scheduled meetings and three ad hoc meetings. Peter Ratcliffe was unable to attend one meeting. The meetings were minuted by the Company Secretary. Executive directors and the Group HR Director attend Remuneration Committee meetings by invitation. The Committee has responsibility for the remuneration of the Chairman, executive directors and the Executive Management Committee (that includes the Company Secretary). The remit includes determining remuneration strategy and this year has considered changes in employee incentive structures throughout the senior management team (about 100 staff).

The main issues considered by the Remuneration Committee during 2017 are set out below:

Meeting	Main issues considered
February	Update on developments in directors' remuneration Payments of bonuses in respect of 2016 and vesting levels for the long-term awards granted in 2014 Consideration of the DSP pool approval and targets for short and long-term awards granted in 2017 2016 Remuneration Report
May	Shareholder views ahead of the AGM Reward package for the Finance Director Save as you earn Share Option Scheme
June (2 meetings)	Treatment of Simon Pryce's outstanding share awards Remuneration for the Interim Group Chief Executive
July	Progress against targets for annual and long-term awards Consultation with shareholders in respect of the remuneration policy and cascade to the senior management team
October	Consultation with shareholders in respect of the remuneration policy and cascade to the senior management team
November	Review of progress against annual targets
December (2 meetings)	Consultation with shareholders in respect of the remuneration policy and cascade to the senior management team Initial consideration of bonuses and long-term awards for 2018 Remuneration package for the new Group Chief Executive

In the course of its 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 2018 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 2017 PricewaterhouseCoopers LLP (PwC) provided input and advice on these areas.

The Committee's advisers throughout 2017 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 for advice on remuneration issues were £186,200. PwC also provide internal audit services to the Company.

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 2017

The votes cast in respect of this resolution were:

	Proxy votes for	% for	Proxy votes against	% against	Votes cast	Proxy votes withheld
Approval of the 2016 Directors' Remuneration Report	861,421,550	99.8	1,748,436	0.2	863,169,986	38,913,444

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

The Committee takes this vote as strong support for changes to the remuneration changes implemented in 2017 and for the direction set out in the 2017 report, which is reflected in the changes proposed under the new policy.

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 2017 and the changes during the year.

Share scheme interests

Director	Description	Performance measures	1 January 2017	Awarded (vested) during the year	(Lapsed) during the year	31 December 2017
Simon Pryce	2014 Conditional LTIP	Yes	474,151	110,477	363,674	–
	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
	2017 Conditional LTIP	Yes	–	426,714	–	426,714
	2017 Conditional DSP	No	–	162,825	–	162,825
Mike Powell	2014 Conditional LTIP	Yes	212,661	49,550	163,111	–
	2014 Linked Award LTIP	Yes	12,885	2,362	10,523	–
	2015 Conditional LTIP	Yes	225,826	–	225,826	–
	2015 Conditional DBP	No	65,577	21,859	43,718	–
	2015 Conditional ELTIP	Yes	173,967	–	173,967	–
	2016 Conditional LTIP	Yes	305,000	–	305,000	–
	2016 Conditional DSP	No	157,908	52,636	105,272	–
David Crook	2015 Conditional LTIP	Yes	32,095	–	–	32,095
	2015 Linked Award LTIP	Yes	12,343	–	–	12,343
	2016 Conditional LTIP	Yes	75,100	–	–	75,100
	2016 Conditional DSP	No	42,298	–	–	42,298
	2016 Conditional (Synergy) DSP	No	21,618	–	6,170	15,448
	2017 Conditional LTIP	Yes		149,826	–	149,826
	2017 Conditional DSP	No		77,260	–	77,360

Full details of the treatment of the awards on leaving for both Simon Pryce and Mike Powell are set out in full in the Companies Act 430(2B) statements that are reproduced starting on page 74.
David Crook's awards during 2017 were all made before he was appointed as a director of the Company (the details of the awards are set out on page 67).

Share options

Director	Plan Description	Performance measures	1 January 2017	Awarded/ (exercised)/ (lapsed) during the year	31 December 2017	Exercise price in pence per share	Exercisable from	Expiry date
Simon Pryce	2015 Executive Share Option Plan	Yes	15,557	–	15,557	192.83	2019	2019
	2014 SAYE	No	16,903	–	16,903	~177.5	1/8/2019	31/1/2020
Mike Powell	2006 Executive Share Option Plan	Yes	12,885	(12,885)	–	232.8	2017	2017
	2014 SAYE	No	18,750	(18,750)	–	160.0	1/8/2021	31/1/2022
David Crook	2015 Executive Share Option Plan	Yes	12,343	–	12,343	243.00	2018	2018
	2014 SAYE	No	11,250	–	11,250	160.0	1/8/2019	31/1/2020

Directors' shareholdings and interests

In accordance with the Company's internal shareholding guidelines, the executive directors are expected to hold the equivalent of 300% of their annual salary in shares. There are no formal shareholding requirements in the articles of association of the Company. As can be seen from the table below,Simon Pryce comfortably exceeded the increased minimum expectation from 1 January 2017 until he stepped down from the Board on 30 June 2017. At his date of leaving Simon Pryce held 501% of his salary in shares. None of the other executive directors held any shares. New executive directors are expected to build up their holding to meet the expectation over five years.

Directors' shareholdings and share interests (includes connected persons)

Director	Ordinary shares held at 31 December 2017 (or date of leaving if earlier)	Ordinary shares held at 1 January 2017 (or date of joining if later)
Simon Pryce	**1,112,172 (as at 30 June 2017)**	1,650,308
David Crook	**–**	– (as at 1 June 2017)
Mike Powell	**– (as at 31 May 2017)**	–
Wayne Edmunds	**–**	–
Peter Edwards	**–**	–
Susan Kilsby	**20,000**	20,000
Peter Ratcliffe	**33,000**	33,000
Sir Nigel Rudd	**239,200**	230,760
Peter Ventress	**25,763**	25,763

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

2018 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 5%	Less than 10.0%	Less than 50th percentile
25%	At 5%	At 10.0%	50th percentile
25% to 100% straight line pro-rata	Between 5% and 11%	Between 10% and 12%	Between 50th – 75th percentile
100%	At or above 11%	At or above 12%	At or above 75th percentile

LTIP calculation methodology

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

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

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 underlying current tax charge.

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 into account the Company's exceptional policy.

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

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 62;
- the table of scheme interests awarded in 2017 on page 67;
- the tables of share scheme interests on page 71 and options on page 72; and
- the table of directors' shareholdings and share interests on page 72.

The Directors' Remuneration Report was approved by the Board on 28 February 2018 and signed on its behalf by:

Susan Kilsby,
Chairman of the Remuneration Committee

Section 430(2B) statement relating to Mike Powell
1 June 2017

Further to the announcement dated 1 March 2017 BBA Aviation plc (the "Company") confirms that Mike Powell stepped down as a director on 31 May 2017.
Mike Powell has outstanding awards under the Long-Term Incentive Plan ("LTIP"), the Executive Long-Term Incentive Plan (the "ELTIP"), the Executive Share Option Plan ("ESOP"), the Deferred Bonus Plan ("DSP") and the Deferred Stock Plan ("DSP"). Full details of the outstanding awards and the performance conditions are set out in the Remuneration Report in the Annual Report and Accounts 2016. Mike's entitlements to these outstanding awards will be calculated in accordance with the directors' remuneration policy and the rules of the plans.

The LTIP awards granted in 2015 and 2016 will lapse. The ELTIP award granted in 2015 will also lapse. The risk of forfeiture over awards under the DBP and the DSP plans lift in equal tranches on each of the first three anniversaries of the award so Mike will receive 2/3 of the 2015 DBP award and 1/3 of the 2016 DSP award. The treatment for each of these awards is set out in the table below:

Award details	Outstanding	Lapse	To be released / vest
2015 Conditional LTIP	225,826	225,826	0
2015 Conditional ELTIP	173,967	173,967	0
2015 Conditional DBP	65,577	21,859	43,718
2016 Conditional LTIP	305,000	305,000	0
2016 Conditional DSP	157,908	105,272	52,636

Mike Powell's 2014 LTIP award comprised of a conditional award over 212,661 shares and a linked award over 12,885 shares together with approved options over 12,885 shares under the 2006 Executive Share Option Plan. The performance period for these awards ended on 31 December 2016 prior to the point at which Mike gave the Company notice. Based on the Group's performance the conditional awards will vest at 23.3% in August. The linked award will vest at a level to fund the exercise of 23.3% of the approved options. Full disclosure of the value at vesting will be disclosed in the 2017 Remuneration Report.

Mike Powell has not received a DSP or LTIP award in 2017 and he will not receive a bonus in respect of 2017.

No other payments will be made to Mike Powell in connection with his loss of office and no other payments will be made in relation to the cessation of his employment.

Section 430(2B) statement relating to Simon Pryce

1 July 2017

Following Simon Pryce stepping down as CEO from 30 June 2017, he will continue to remain an employee for the duration of his garden leave period until 5 June 2018, during which period he will receive his current salary, benefits and pension contribution. There will be no entitlement to bonus for the period of garden leave.

In respect of the 2017 financial year, Simon Pryce will receive a bonus pro-rated to the period worked during the year and based on the satisfaction of the performance conditions at the end of the year. Bonus payment will be made at the same time as to other executives of the Company.

Simon Pryce holds a number of subsisting awards under the following Company share plans:

- BBA 2006 Deferred Bonus Plan (the "DBP").
- BBA 2015 Deferred Stock Plan (the "DSP").
- BBA 2015 Long-Term Incentive Plan (the "LTIP").
- BBA 2015 Extended Long-Term Incentive Plan (the "ELTIP").

DBP & DSP Awards

The performance conditions for awards granted under the DBP and DSP were satisfied at the date of grant with the only ongoing condition being continued employment at the relevant vesting date. Awards under these plans vest in equal tranches over a three-year period with the risk of forfeiture ceasing at each vesting date. Shares subject to vested awards can only be sold at the release date, which is three years from the date of grant. Dividend equivalents may be provided on vested shares on the release date.

Simon Pryce will remain employed by the Company at the vesting dates below and therefore the tranches of the award set out will automatically be eligible to vest in accordance with the rules of the plan. He will remain subject to the terms and conditions of the plan and will not be able to sell shares until the relevant release date.

Date of grant	Vesting date	Release date	Number of shares
13.03.2015	13.03.2018	13.03.2018	31,880
11.03.2016	11.03.2018	11.03.2019	82,808
17.03.2017	17.03.2018	17.03.2020	54,275

The Remuneration Committee has determined that the following additional tranches of DSP awards will vest on their original vesting dates and be subject to their original release dates. The basis of the Committee's determination is that these tranches have already been earned by Simon Pryce.

Date of grant	Vesting date	Release date	Number of shares
11.03.2016	11.03.2019	11.03.2019	82,808
17.03.2017	17.03.2019	17.03.2020	54,275
17.03.2017	17.03.2020	17.03.2020	54,275

LTIP and ELTIP Awards

The performance periods for the 2015 awards granted under the LTIP and ELTIP will have been completed prior to Simon Pryce's cessation of employment. In addition, Simon Pryce will be employed at the vesting date and release date for the LTIP award and therefore this award will automatically be eligible to vest in accordance with the rules of the LTIP. In respect of the ELTIP award, the Committee has determined that any shares earned at the end of the performance period will continue to vest and be released in accordance with the rules of the ELTIP.

Dividend equivalents may be provided on vested shares on the release date.

The 2016 and 2017 LTIP grants of 635,484 and 426,714 shares respectively (together with the linked award of 15,557 and the approved options from 2016) will lapse on Simon Pryce's cessation of employment. No further awards will be made in 2018.

Plan	Date of grant	Vesting date	Release date	Maximum number of shares capable of vesting
LTIP	12.03.2015	12.03.2018	12.03.2018	481,697
ELTIP	11.05.2015	11.05.2019 (50% of shares) 11.05.2020 (50% of shares)	11.05.2020	273,420

Entitlement under the 2014 Savings Related Share Option Scheme will be treated in accordance with the rules of that scheme.

Payment for loss of office

Simon Pryce will receive no payments for loss of office.

Part 3: Policy

Introduction

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.

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: executive directors

Base salary There are no performance or recovery provisions.	
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. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.
Maximum opportunity	Typically, the base salaries of executive directors in post at the start of the policy period and who remain in the same role throughout the policy period will be increased by a similar percentage to the average annual percentage increase in salaries of all other employees in the Group. The exceptions to this rule may be where there is an increase in scope, complexity or responsibilities of the role/salary progression for a newly appointed director and market adjustment. Salary increases are linked to individual contribution and performance, which is assessed annually by the Remuneration Committee. The Committee ensures that salary levels are positioned in line with companies of comparable size, complexity, geographical spread, business focus and opportunity so that they are competitive against the market.
Link to performance	Salary increases are linked to individual contribution and business performance, which is assessed annually by the Remuneration Committee.
Pension There are no performance or recovery provisions.	
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. Pension is not included in salary figures for the purposes of determining any other benefit entitlement.
Maximum opportunity	Up to 25% of base salary per annum as a cash payment or employer contribution into the pension scheme for current executive directors. The Company will set out in the section headed Implementation of remuneration policy, in the following financial year the pension contributions for that year for each of the executive directors. In respect of new executive directors, the level of cash payment will be set in line with other employees.
Link to performance	n/a

Other benefits There are no performance or recovery provisions.	
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 (see note 4 on page 78). The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may therefore be offered.
Maximum opportunity	Benefits are set by the Remuneration Committee to be locally competitive, and consistent with arrangements provided to other senior employees. The maximum is the cost of providing the relevant benefits; levels are determined by market rates.
Link to performance	n/a
Annual Bonus Plan ("ABP") There are provisions for recovery of sums paid or withholding of sums – subject to the Group's malus and clawback policy (see table on page 79).	
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	Annual performance conditions including targets and weightings are determined by the Committee at the beginning of the year. 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 65% of salary. At threshold financial performance, up to 20% of the maximum bonus can be earned. At target performance, up to 45% of the maximum bonus can be earned. Bonus is earned on a straight line or kinked line basis between threshold and target, and between target and maximum.
Link to performance	The level of bonus paid each year is determined by the Remuneration Committee after the year end based on performance against targets. 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.
Deferred Stock Plan ("DSP") There are provisions for recovery of sums paid or withholding of sums – subject to the Group's malus and clawback policy (see table on page 79)	
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	Deferred stock will be allocated from a pool. Annual performance conditions and targets are set at the beginning of the plan year. 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. The value of the pool will be converted into a number of shares based on the prevailing share price. As well as determining the performance conditions, targets and relative weighting, the Committee will also determine, within the pool limit, the allocation of deferred stock to each individual based on potential and performance at the beginning of the plan year. Awards are provided in shares which vest on the third anniversary of the grant date subject to continued employment and are subject to a two-year holding period that expires on the fifth anniversary of grant. 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. In the UK, the Executive Share Option Plan (ESOP) may be used to grant options that are linked to the DSP to allow directors to take advantage of HMRC-approved share options at no marginal cost to the Company.
Maximum opportunity	The maximum opportunity is 125% of salary.

Link to performance	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. An award under the DSP is subject to satisfying operational and strategic Group objectives that are directly linked to Company strategy and KPIs, measured over a period of one financial year. The current performance condition is a matrix of Group operating profit and strategic Group objectives.
Long-term incentive plan (LTIP) There are provisions for recovery of sums paid or withholding of sums paid – subject to the Group's malus and clawback policy (see table on page 79 below)	
Strategic purpose	Focuses executives on achievement of longer-term strategic objectives and ensures long-term alignment with shareholders' interests.
Operation	Awards are granted annually to executive directors in the form of a conditional share award, nil cost option or restricted share award. Awards will vest at the end of a three year period subject to: The executive director's continued employment at the date of vesting; and satisfaction of the performance conditions. Awards are subject to an additional holding period of two years following the vesting of shares. In the UK, the Executive Share Option Plan (ESOP) may be 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 150% of salary. Below threshold performance no award can be earned. At threshold performance 25% of the maximum opportunity can be earned rising to 100% for maximum performance. The award is calculated on a straight line basis between threshold and maximum.
Link to performance	No material change will be made to the type of performance conditions without prior shareholder consultation.
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 Key Performance Indicators 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.

Intention and discretion

In respect of the Annual Bonus Plan, the Deferred Stock Plan and the Long-Term Incentive Plan, the Company will set out in the section headed Implementation of remuneration policy, in the following financial year, the nature of the targets and their weighting for each year and in relation to the LTIP the targets themselves. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. Should the Committee determine that one or more targets are commercially sensitive, these will be disclosed in subsequent years' remuneration reports once commercial sensitivity ceases to apply. When the Committee sets targets for any element of reward it should be assumed that these are on a consistent basis of accounting and, where accounting standards change during the performance period, the Committee will (when it is fair and equitable to do so) make adjustments to ensure that directors neither benefit nor suffer as a result of changes in accounting standards. The Committee may make adjustments for exceptional items in the performance period if it is not fair and equitable to do so.

In exceptional circumstances the Committee retains the discretion to:

- change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance period if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate;
- make downward or upward adjustments to the amount of bonus contribution earned or DSP or LTIP resulting from the application of the performance measures, if the Committee believes that the outcomes are not a fair and accurate reflection of business performance.

Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report.

The Committee will operate all plans in accordance with the relevant rules and in accordance with the principles of the policy set out in the introduction to the policy above

Malus and clawback policy

The table below sets out the scope and circumstances under which 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). The definition of malus and clawback that will apply for the ABP, DSP and the LTIP are:

- Malus is the adjustment of the ABP payments or unvested DSP and LTIP awards because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.
- Clawback is the recovery of payments made under the ABP or vested DSP and LTIP awards as a result of the occurrence of one or more circumstances listed below.
- Clawback may apply to all or part of a participant's payment under the ABP or vested DSP or LTIP awards and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- Discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- The assessment that any performance condition or condition in respect of a payment under the ABP, DSP or LTIP award was based on error, or inaccurate or misleading information;
- The discovery that any information used to determine the ABP payments or DSP and LTIP awards were based on error, or inaccurate or misleading information;
- Action or conduct of a participant which amounts to fraud or gross misconduct; or
- Events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

	ABP	DSP	LTIP
Malus	Up to the date of bonus determination.	To the end of the three-year vesting period.	To the end of the three-year vesting period.
Clawback	2 years post the date of any payment under the Plan.	Two years post vesting.	Two years post vesting.

Policy table: Chairman

Fees There are no performance or recovery provisions.	
Strategic purpose	Designed to attract and retain a high-calibre chairman by offering a market-competitive fee.
Operation	The Chairman is paid an annual fee, paid in cash, which is set by the Remuneration Committee and reviewed on an annual basis. Note that a review does not automatically give rise to an increase in fees.
Maximum opportunity	The annual percentage fee 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 an increase in scope, complexity or responsibilities of the role, and market adjustment.
Link to performance	The review takes account of level of experience, time commitment and relevant market comparisons reflecting the size and complexity of the Company.
Benefits There are no performance or recovery provisions.	
Strategic purpose	To support the effective performance of duties.
Operation	Benefits may include, but are not limited to, contribution to the costs of a car and a driver.
Maximum opportunity	Benefits are set by the Remuneration Committee to be locally competitive and appropriate for the role and will not exceed 30% of fees.
Link to performance	n/a

Policy table: non-executive directors

Fees There are no performance or recovery provisions.	
Strategic purpose	Designed to attract and retain high-calibre non-executive directors by offering market- competitive fees.
Operation	The non-executive directors are paid an annual basic fee (paid in cash) and supplements are paid for additional responsibilities. The Chairmen of the Audit and Risk and Remuneration Committees receive an additional fee for chairing the Committees. The Senior Independent Director receives an additional fee. Non-executive directors' fees and supplements are reviewed periodically with comparisons made against similar roles in organisations of comparable size, complexity, geographical spread, business focus and opportunity.
Maximum opportunity	The annual percentage fee 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 an increase in scope, complexity or responsibilities of the role; and market adjustment.
Link to performance	The fee review takes account of level of experience, time commitment and relevant market comparisons reflecting the size and complexity of the Company.
Benefits There are no performance or recovery provisions.	
Strategic purpose	To support the effective performance of duties.
Operation	None is currently given.
Maximum opportunity	Benefits are not variable and are set by the Remuneration Committee to be locally competitive and appropriate for the role.
Link to performance	n/a

Notes
1 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.

Shareholding requirement

To ensure that executive directors' interests are aligned with those of shareholders over a longer time horizon there is a formal shareholding guideline to encourage substantial long-term share ownership by executive directors.

The ownership guideline for executive directors is 300% of base salary, which should be achieved within five years. This element of the policy ensures that the interests of the executive directors and those of shareholders are closely aligned. The build-up and retention of shares by management is a key objective of the policy. The Committee retains the discretion to increase the shareholding requirements.

Legacy arrangements under incentive plans

There are outstanding awards which apply to directors made under arrangements which will not be offered under the policy effective from the close of the Company's 2018 AGM. The awards already made under these plans will be honoured.

Recruitment and appointment policy

On appointment the Committee's approach to remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The remuneration package for any new recruit would be determined in accordance with the principles set out on page 76. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and is aware of guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance conditions associated with the award.

If an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration. These would be disclosed to shareholders in the following year's Annual Report on Remuneration.

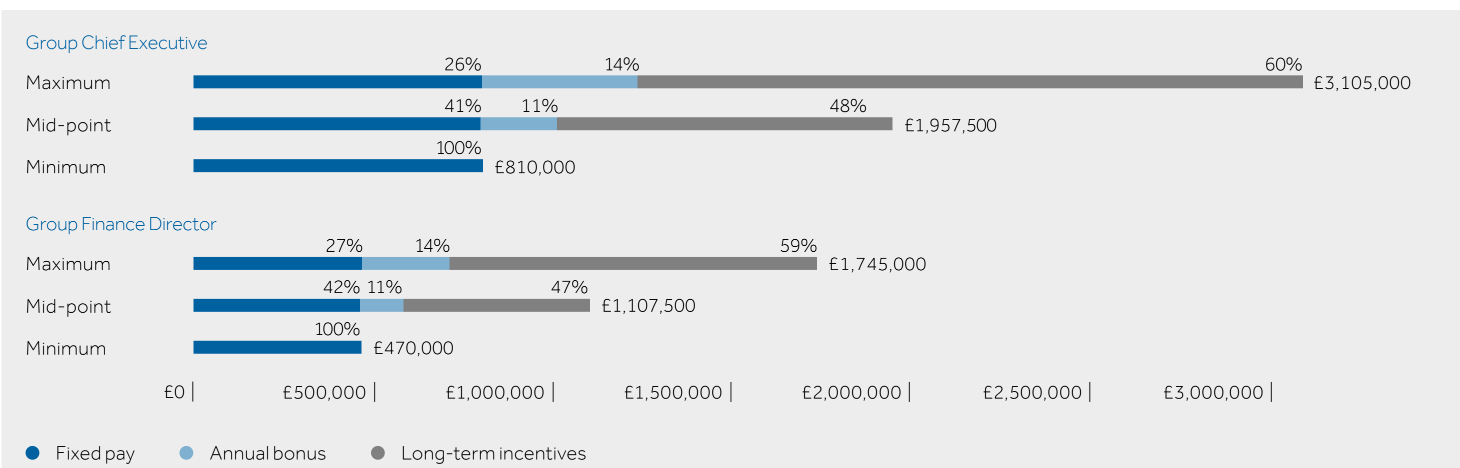
The Company's policy when setting fees for the appointment of new non-executive directors is to apply the policy which applies to current non-executive directors.

The Company's policy when setting remuneration for a new director is summarised in the following table:

Remuneration element	Policy
Base salary and benefits	The salary level will be set taking into account the responsibilities of the individual, experience and the salaries paid for similar roles in comparable companies. The Committee will apply the policy set out on salaries for the current Executive Directors in the remuneration policy table. The executive director shall be eligible to receive benefits in line with the Company's benefits policy as set out in the remuneration policy table.
Pension	The executive director will be entitled to receive contributions into a pension plan or alternatively to receive a supplement in lieu of pension contributions in line with the Company's pension policy as set out in the remuneration policy table.
Annual Bonus Plan ("ABP")	The executive director will be eligible to participate in the ABP as set out in the remuneration policy table. The maximum potential opportunity under this plan is 65% of salary.
Deferred Stock Plan ("DSP")	The executive director will be eligible to participate in the DSP as set out in the remuneration policy table. The maximum potential opportunity under this plan is 125% of salary.
Long-Term Incentive Plan ("LTIP")	The executive director will be eligible to participate in the LTIP as set out in the remuneration policy table. The maximum potential opportunity under this plan is 150% of salary.
Total incentive opportunity	The maximum variable remuneration which may be granted in normal circumstances is 340% of salary under the ABP, DSP and LTIP (excluding the value of any buy-out awards).
"Buy-out" of incentives forfeited on cessation of employment	The Committee's policy is not to provide buy-outs as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: • the proportion of the performance period completed on the date of the executive director's cessation of employment; • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and • any other terms and conditions having a material effect on their value ("lapsed value"). The Committee may then grant up to the equivalent value as the lapsed value, where possible, under the Company's existing incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans a bespoke arrangement would be used.
Relocation policies	Where the new Executive Director is required to relocate from one work base to another, the Company may provide one-off/ongoing support as part of the director's relocation benefits compensation to reflect the cost of relocation for the executive director in cases where they are expected to spend significant time away from their country of domicile. The level of relocation package will be assessed on a case-by-case basis, but will take into consideration any cost of living differences, housing allowance and schooling.

Levels of remuneration under the policy assuming different performance outcomes for 2018

This information has been prepared on the basis that the policy that is being put to shareholders for approval at the 2018 AGM is approved



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 to apply in 2018.
- 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.

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 and the Group Finance Director are required to give the Company 12 months' notice.

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 in this policy.

All directors benefit from a Company indemnity in connection with their duties and the Company also purchases Directors and Officers Liability insurance.

Policy on payment for loss of office/leaving the Company

When determining any loss of office payment for a departing director, the Committee will always seek to minimise the cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an executive director's office or employment. The Company will seek to avoid making any payment for failure.

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 remuneration policy (see page 76 for further details).

The share plan rules make more generous provisions for those who leave for a permitted reason (ill health, retirement, redundancy etc.) and this is colloquially referred to as a "good leaver".

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 leaving gift for departing directors.

The table below sets out how each component of the payment may be calculated. Any discretions described in the table below may be applied in full or in part against all or part of an award as the Committee thinks fit.

Element of payment	Basis of calculation	
	Permitted reason (good leaver)	Other reason
Annual base salary and benefits	Executive Directors may be entitled to receive compensation for loss of office which will be a maximum of 12 months' salary. Such payments will be equivalent to the monthly salary and benefits that the executive would have received if still in employment with the Company. These will be paid over the notice period. Executive directors will be expected to mitigate their loss within a 12-month period of their departure. The Company has discretion to make a lump sum payment in lieu of notice. The Committee may also make modest payments relating to outplacement consultancy.	There will be no compensation for loss of office due to misconduct or normal resignation.
Pension	Pension contributions or payments in lieu of pension contributions will be made during the notice period. The Company has discretion to make a lump sum payment in lieu regarding loss of office. 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.	There will normally be no payments or compensation.

Element of payment	Basis of calculation	
Annual Bonus Plan ("ABP")	Performance conditions will be measured at the measurement date. The Committee's normal policy is that the bonus will be pro-rated for time although the Committee may decide not to pro-rate for time. It is the Committee's intention to only use this discretion in circumstances which, in its opinion, are sufficiently exceptional and where there is an appropriate business case which will be explained in full to shareholders.	No bonus is payable for the year of cessation. The Remuneration Committee has the discretion to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances which, in its opinion, are sufficiently exceptional and where there is an appropriate business case which will be explained in full to shareholders.
Deferred Stock Plan ("DSP")	All subsisting deferred stock awards will vest. The Remuneration Committee has discretion: • to vest deferred shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; • to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the executive director's' departure. Awards subject to the holding period (i.e. vested awards for years four or five following grant) will normally be released at the end of the holding period. The Committee has discretion to release the shares earlier and will make this determination depending on the type of good leaver reason resulting in the cessation.	Lapse of any unvested deferred stock awards. Awards subject to the holding period (i.e. vested awards in years four or five following grant) will be released at the end of the holding period. The Remuneration Committee has the discretion to determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. The Committee may determine to pay cash in lieu of shares.
Long Term Incentive Plan ("LTIP")	Normally pro-rated to time and performance in respect of each subsisting LTIP award and the performance testing is undertaken at the normal time. Awards subject to the holding period (i.e. vested awards for years four or five following grant) will normally be released at the end of the holding period. The Committee has discretion to release the shares earlier and will make this determination depending on the type of good leaver reason resulting in the cessation. The Committee may decide to measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation. The Committee may determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will pro-rate awards for time. It is the Committee's intention to use discretion not to pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. The Committee may determine to pay cash in lieu of shares.	Any unvested LTIP awards will normally lapse. Awards subject to the holding period (i.e. vested awards in years four or five following grant) will be released at the end of the holding period. The Committee may determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. The Committee may determine to pay cash in lieu of shares.
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 in accordance with the rules of the relevant plan and there is no discretion to apply alternative treatment.	

A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- injury or disability;
- redundancy;
- retirement (in agreement with the Company);
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- any reason permitted by the Committee in its absolute discretion in any particular case except where termination is for dishonesty, fraud, misconduct or other circumstances justifying summary dismissal.

Cessation of employment in circumstances other than those set out above is for other reasons.

Change of control

In the event of a change of control the Remuneration Committee will consider all relevant factors to ensure an equitable result is delivered for all stakeholders. The table below sets out the default position and the Committee's discretions. As above, any discretions described in the table below may be applied in full or in part against all or part of an award as the Committee thinks fit.

Element	Approach	Discretion
Annual Bonus Plan	Default: performance conditions will be measured at the date of the change of control. The bonus will normally be pro-rated to the date of change of control.	The Committee has the discretion to determine whether to pro-rate the bonus to time. The normal approach is that it will pro-rate for time, however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met (or likely to have been met) the Committee will consider whether pro-rating is equitable.
Deferred Stock Plan	For the year of change of control performance conditions will be measured at the date of the change of control. The award will normally be pro-rated to the date of change of control. Subsisting deferred stock awards will vest on a change of control.	The Committee has the discretion to determine whether to pro-rate the DSP award to time for the year of change of control. The normal approach is that it will pro-rate for time, however, in exceptional circumstances where the nature of the transaction produces exceptional value and provided the performance targets are met (or likely to have been met) the Committee will consider whether pro-rating is equitable and also may determine to pay cash in lieu of shares. In respect of subsisting awards the Committee has the discretion to determine whether to pro-rate the DSP award to time. The normal approach is that it will not pro-rate for time. The Committee may determine to pro-rate depending on the circumstances of the change of control.
LTIPs	The number of shares subject to subsisting LTIP awards will vest on change of control pro-rated to time and performance.	The Committee has the discretion to determine whether to pro-rate the LTIP award to time and performance. The normal approach is that it will pro-rate, however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met (or likely to have been met) the Committee will consider whether pro-rating is equitable and also may determine to pay cash in lieu of shares.

Employment conditions elsewhere in the Company

In determining remuneration, the Remuneration Committee is mindful of pay and conditions across the Group. Decisions concerning executive directors' pay and benefits are generally in line with the practices and framework across the Group. The Committee is briefed by the Group Chief Executive and the Reward team on the overall pay and benefits framework for the Group and on changes made.

Employees' views

Employees have not been consulted on the directors' remuneration policy but are free to ask any questions they wish and to offer any opinions they have through our employee communications channels. Employees who are also shareholders are able to vote on the directors' remuneration policy and report.

Shareholders' views

The Remuneration Committee supported by relevant executives actively engages with major institutional shareholders on a regular basis and welcomes the views of shareholders on the Group's remuneration policy. The Remuneration Committee consulted with shareholders throughout 2017 and addressed the proposed amendments to the remuneration policy that have been set out in detail above. In finalising the proposals, the views of the largest shareholders were taken into account during a comprehensive engagement process.

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 1–88. 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 (RCF) 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. Following the prepayment of Facility A and the partial prepayment of Facility B in June 2016 from the disposal proceeds of the six FBOs in accordance with the U.S. Department of Justice's requirement in relation to the Landmark Aviation acquisition, there remain two term debt facilities. These are Facility B due to expire in February 2019 and Facility C due to expire in September 2020. During the year the Group used part of the net proceeds from the disposal of ASIG to prepay $110 million under Facility B of the AFA and, therefore, as at 31 December 2017 $253 million remains outstanding under this term debt facility. There have been no prepayments under Facility C of the AFA and, therefore, as at 31 December 2017 the full amount of $450 million remains outstanding.

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 $1,853 million and as at 31 December 2017 the Group has available $535 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 3.5x and minimum net interest cover of 3.0x underlying EBITDA. 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 20–23.

The directors have carried out a critical review of the Group's 2018 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 growth in B&GA flying hours.
- In Aftermarket Services, Ontic's outlook remains solid with a strong order backlog. Engine Repair & Overhaul has substantially completed its 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 2020. 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 2020 to be the appropriate viability assessment period based on the historic performance of the Group and its key underlying markets. The directors believe the period is the optimal balance of long-term projections and acceptable forecasting accuracy.

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 20–23. 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 2020.

Additional Disclosures

Group results and dividends
The results for the year ended 31 December 2017 are shown in the Consolidated Statement of Comprehensive Income on page 91.

The directors recommend the payment of a final ordinary share dividend for 2017 of 9.59 ¢ per share on 25 May 2018 to shareholders on the register at the close of business on 13 April 2017, which together with the interim dividend paid on 3 November 2017 makes a total of 13.4 ¢ net per ordinary share for the year (2016: 12.75¢). 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 30 April 2018. 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
There are no 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. On 31 May 2017, Mike Powell stepped down from the Board as Finance Director and was replaced by David Crook. On 30 June 2017, Simon Pryce retired from the Board and Wayne Edmunds was appointed as Interim Group Chief Executive. All other directors held office throughout the financial year under review. Amee Chande and Emma Gilthorpe were appointed to the Board as non-executive directors on 1 January 2018.

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; (iv) the operating licence with London Luton Airport Operations may be terminable; and (v) certain licence agreements within the ERO and Ontic businesses are terminable or require the consent of the counterparty but none of these contracts in their own right are significant to the Group.

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 trust 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 2017 the Company has used 2.2% towards the 5% limit and 2.5% towards the 10% limit.

The Company was given authority to purchase up to 14.99% of its existing ordinary share capital at the 2017 AGM. That authority will expire at the conclusion of the AGM in 2018 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 2018 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 2018 AGM, all directors wishing to remain in office would stand for re-election at the 2019 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 11 May 2018. 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 31/12/17	As at 28/2/17
William H. Gates III	14.19%	14.19%
Aviva plc and its subsidiaries	6.32%	7.58%
APG Asset Management NV	5.17%	5.17%

Charitable and political donations

Group donations to charities worldwide were $877,024 (2016: $1,057,712). 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 s/he ought to have taken as a director to make herself/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 20 to 23.

The Directors' Report was approved by the Board on 28 February 2018 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 judgements 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 2018 and is signed on its behalf by:

Wayne Edmunds,
Interim Group Chief Executive
28 February 2018

David Crook,
Group Finance Director
28 February 2018

Independent Auditor's Report

To the members of BBA Aviation plc

Report on the audit of the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 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 Financial Reporting Standard (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.

We have audited the financial statements of BBA Aviation plc (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the Accounting Policies of the Group and Parent Company;
- the related Group notes 1 to 26; and
- the related Parent Company notes 1 to 14.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach	
Key audit matters	**The key audit matters that we identified in the current year were:** • Signature Flight Support ("SFS") goodwill impairment • Revenue recognition: Percentage of completion accounting • Carrying value of Aftermarket Services inventory • Presentation of earnings
Materiality	The materiality that we used for the Group financial statements was $12.0 million which was calculated by reference to both profit before tax and underlying profit before tax.
Scoping	Following the sale of the ASIG business in February 2017 and further integration of the Landmark business, our audit scope for 2017 decreased from 13 to 10 operating locations. Senior members of the group audit team continued to visit key locations where our group audit scope was focused.
Significant changes in our approach	In the current year, acquisition accounting has been removed as a key audit matter as there have been no significant acquisitions. In addition, following a reassessment of risks that are most significant to our audit, the key audit matter on goodwill impairment is focused on the SFS goodwill because the balance represents over 25% of total assets of the Group and the forecasted cash flows are subject to management's estimate of the long-term performance of the business.

Conclusions relating to going concern, principal risks and viability statement	
Going concern We have reviewed the directors' statement on page 85 to the financial statements 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 and Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**
Principal risks and viability statement	
Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: • the disclosures on page 23 that describe the principal risks and explain how they are being managed or mitigated; • the directors' confirmation on page 85 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; or • the directors' explanation on page 85 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 are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

SFS goodwill impairment

Key audit matter description	Goodwill within the SFS cash generating unit amounted to $1,058.3 million (2016: $1,048.7 million), representing 26% (2016: 24%) of the total assets of the Group. As stated within the accounting policies to the Group's financial statements on page 100, goodwill is subject to an annual impairment review using a value in use basis. The value in use calculation is based on long-term cash flows of the business which are subject to management's estimate of the long-term performance of the business and risk adjusted discount rates, as stated within the notes to the accounts on page 107. We have therefore included goodwill impairment for the SFS cash generating unit as a key audit matter.
How the scope of our audit responded to the key audit matter	Our audit procedures included challenging the key assumptions used in management's impairment model, including the forecast future cash flows, growth rates applied in the medium and long term and the risk adjusted discount rates. In performing our audit procedures 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 assessed the appropriateness of the forecast cash flows and long-term growth rates with reference to external macro-economic and market outlook data. To assess the discount rate applied we used internal valuation specialists to perform benchmarking against independent data. In addition to the above, we have also reviewed the related presentation and disclosures in the financial statements.
Key observations	We concur with the directors' assessment that there is no impairment charge required. We also consider the disclosures within the Consolidated Financial Statements to be appropriate.

Revenue recognition: Percentage of completion accounting

Key audit matter description	As stated within the accounting policies to the Group's financial statements on page 102, revenue recognised in the Engine Repair & Overhaul businesses of $518.8 million (2016: $541.4 million) 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. Given the management estimates involved in determining the key assumptions, we have identified this as a potential fraud risk area.
How the scope of our audit responded to the key audit matter	In performing our audit procedures 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 observations	Based on the results of each of the procedures as set out above, we consider the related financial statement amounts to be appropriate and in line with the Group's accounting policies as set out on page 102.

Carrying value of Aftermarket Services inventory

Key audit matter 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 $220.0 million (2016: $215.8 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 key audit matter	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 assessed the mathematical accuracy of the provisioning calculation by performing a recalculation of the expected provision based on the above key assumptions.
Key observations	Evidence obtained during the audit shows that the level of inventory provisions is appropriate and consistent with our understanding of the business.

Presentation of earnings

Key audit matter description	Management presents the Consolidated Income Statement in a columnar format, separately disclosing the "underlying" results and "exceptional and other items". Total "exceptional and other items" contributed to a charge of $127.0 million (2016: charge of $316.0 million). In addition, following the sale of the ASIG business in February 2017, management has presented the results of the business as a discontinued operation, consistent with the presentation shown for the year ending 31 December 2016. As detailed within note 2 to the Group's financial statements, management has defined "exceptional and other items" as items which are material and non-recurring in nature and also include costs relating to acquisitions and disposals and amortisation of acquired intangibles and valued in accordance with IFRS 3. 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 key audit matter was discussed in the Audit and Risk Committee Report on page 53.

How the scope of our audit responded to the key audit matter	We have challenged the assumptions made to identify and measure those items classified as "exceptional and other items". 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 and other items is consistent with the prior year; • assessing the adequacy of disclosure in relation to the "exceptional and other items"; and • understanding and challenging management's rationale for those items included in the underlying results which may be considered non-recurring in nature. We have also considered the use of alternative performance measures disclosed in the Annual Report given previous guidance issued by the FRC and European Securities and Markets Authority (ESMA).
Key observations	Evidence obtained during the audit shows that the presentation of earnings is appropriate and consistent with the Group's policy in this area.

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 financial statements	Parent Company financial statements
Materiality	$12.0 million (2016: $10.0 million)	$6.0 million (2016: $5.0 million)
Basis for determining materiality	Materiality was determined by reference to both profit before tax and underlying profit before tax.	Materiality represents less than 1% (2016: less than 1%) of net assets.
Rationale for the benchmark applied	Profit before tax and underlying profit before tax are considered to be key performance metrics of the business. Materiality of $12.0 million represents approximately 7% of Profit before Tax and 4% of Underlying Profit before Tax.	As this is the parent company of the Group it does not generate significant revenue but instead incurs costs and as such the net assets of the Parent Company are considered appropriate when determining materiality.

We have agreed with the Audit and Risk Committee that we would report all audit differences in excess of $600,000 (2016: $500,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. 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 10 (2016: 13) operating locations representing a decrease of three operating locations audited in the current year. The decrease arises from the disposal of the ASIG business and integration of the Landmark business.

- Five (2016: five) of these locations were subsidiaries subject to a full scope audit for the year ended 31 December 2017 in accordance with statutory reporting requirements in the UK and Europe.
- Four (2016: three) were subject to specific audit procedures, focused on the significant audit risk areas. This increase on prior year due to Dallas Airmotive being subject to specific audit procedures in the current year.
- The remaining operating location (2016: five locations) relates to the SFS US business for which a full scope audit was completed.
- These 10 (2016: 13) locations represent the principal operating locations of the Group and account for approximately 96% (2016: 96%) of revenue and 93% (2016: 93%) 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 70% (2016: 60%) of Group materiality.

At the Parent Company 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 7 of the 10 operating locations during the year (2016: 10 out of 13). The visits will enable the group audit team to update their understanding of the operations, risks and control environments of each component. The visits will also be used to review audit working papers and attend key meetings with local management.

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.

The Parent Company is located in the United Kingdom and audited directly by the group audit team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit and Risk Committee reporting – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the Group's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Group'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 Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- 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 Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or 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 in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board in 2002 to audit the financial statements for the year ending 31 December 2002 and subsequent financial periods. Following a competitive tender process, we were appointed as auditor for the period ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years, covering the years ending 31 December 2002 to 31 December 2017.

Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

Edward Hanson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
28 February 2018

Consolidated Income Statement

		2017			2016		
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	2,370.6	–	2,370.6	2,149.1	–	2,149.1
Cost of sales		(1,813.1)	–	(1,813.1)	(1,654.7)	–	(1,654.7)
Gross profit		557.5	–	557.5	494.4	–	494.4
Distribution costs		(36.1)	–	(36.1)	(37.6)	–	(37.6)
Administrative expenses		(171.8)	(93.8)	(265.6)	(172.3)	(98.6)	(270.9)
Other operating income		8.9	–	8.9	5.7	–	5.7
Share of profit of associates and joint ventures	10	3.4	–	3.4	13.4	–	13.4
Other operating expenses		(1.3)	(1.2)	(2.5)	(1.0)	(28.0)	(29.0)
Restructuring costs	2	–	(28.0)	(28.0)	–	(9.9)	(9.9)
Operating profit/(loss)	1, 2	360.6	(123.0)	237.6	302.6	(136.5)	166.1
Impairment of assets	8	–	–	–	–	(184.4)	(184.4)
Investment income	3	3.2	–	3.2	3.7	–	3.7
Finance costs	3	(65.3)	–	(65.3)	(67.6)	–	(67.6)
Profit/(loss) before tax		298.5	(123.0)	175.5	238.7	(320.9)	(82.2)
Tax (charge)/credit	4	(52.2)	18.5	(33.7)	(39.5)	102.4	62.9
Profit/(loss) from continuing operations		246.3	(104.5)	141.8	199.2	(218.5)	(19.3)
Discontinued operation							
(Loss)/profit from discontinued operation, net of tax	25	–	(22.5)	(22.5)	17.9	(97.5)	(79.6)
Profit/(loss) for the period		246.3	(127.0)	119.3	217.1	(316.0)	(98.9)
Attributable to:							
Equity holders of BBA Aviation plc		246.4	(127.0)	119.4	217.1	(316.0)	(98.9)
Non-controlling interest		(0.1)	–	(0.1)	–	–	–
		246.3	(127.0)	119.3	217.1	(316.0)	(98.9)

Earnings/(loss) per share		Adjusted	Unadjusted	Adjusted	Unadjusted
Total Group					
Basic	6	24.0¢	11.6 ¢	21.1¢	(9.6)¢
Diluted	6	23.7 ¢	11.5 ¢	20.9¢	(9.6)¢
Continuing operations					
Basic	6	24.0 ¢	13.8 ¢	19.4¢	(1.9)¢
Diluted	6	23.7 ¢	13.7 ¢	19.2¢	(1.9)¢
Discontinued operations					
Basic	25	–	(2.2) ¢	1.7¢	(7.7)¢
Diluted	25	–	(2.2) ¢	1.7¢	(7.7)¢

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 174-178. The Group has presented a discontinued operation in the current year and prior year, see note 25.

Consolidated Statement of Comprehensive Income

For the year ended 31 December	Notes	2017 $m	2016 $m
Profit/(loss) for the period		119.3	(98.9)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	19	11.2	(52.3)
Tax (charge)/credit relating to components of other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	4	(1.1)	9.8
		10.1	(42.5)
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations	21	(6.8)	1.0
Recycling of translational exchange differences accumulated in equity	25	6.4	–
Fair value movements in available for sale investments	21	(4.4)	(2.0)
Fair value movements in foreign exchange cash flow hedges	17, 21	10.1	1.3
Transfer to profit or loss from other comprehensive income on foreign exchange cash flow hedges	17, 21	(2.2)	(4.5)
Fair value movement in interest rate cash flow hedges	17, 21	1.7	(5.4)
Transfer to profit or loss from other comprehensive income on interest rate cash flow hedges	17, 21	4.0	7.3
Tax relating to components of other comprehensive income that may be subsequently reclassified to profit or loss	4	(4.3)	2.8
		4.5	0.5
Other comprehensive income/(loss) for the year		14.6	(42.0)
Total comprehensive income for the year		133.9	(140.9)
Attributable to:			
Equity holders of BBA Aviation plc		134.0	(141.1)
Non-controlling interests		(0.1)	0.2
		133.9	(140.9)

Consolidated Balance Sheet

As at 31 December	Notes	2017 $m	2016 $m
Non-current assets			
Goodwill	8	1,126.6	1,113.9
Other intangible assets	8	1,311.3	1,378.3
Property, plant and equipment	9	845.5	875.6
Interests in associates and joint ventures	10	41.4	40.1
Trade and other receivables	12	20.1	19.2
Deferred tax asset	20	0.1	0.4
		3,345.0	3,427.5
Current assets			
Inventories	11	249.9	235.8
Trade and other receivables	12	321.4	296.8
Cash and cash equivalents	12	153.5	182.5
Tax recoverable		0.7	1.4
Assets held for sale	25	–	267.7
		725.5	984.2
Total assets	1	4,070.5	4,411.7
Current liabilities			
Trade and other payables	13	(502.1)	(543.2)
Tax liabilities		(31.9)	(36.8)
Obligations under finance leases	14	(0.2)	(0.2)
Borrowings	16	(124.2)	(1.0)
Provisions	18	(32.2)	(27.6)
Liabilities held for sale	25	–	(89.3)
		(690.6)	(698.1)
Net current assets		34.9	286.1
Non-current liabilities			
Borrowings	16	(1,198.6)	(1,546.7)
Trade and other payables due after one year	13	(0.9)	(4.0)
Pensions and other post-retirement benefits	19	(71.7)	(82.8)
Deferred tax liabilities	20	(137.8)	(120.5)
Obligations under finance leases	14	(1.1)	(1.5)
Provisions	18	(36.6)	(39.5)
		(1,446.7)	(1,795.0)
Total liabilities	1	(2,137.3)	(2,493.1)
Net assets		1,933.2	1,918.6
Equity			
Share capital	21	509.0	508.7
Share premium account	21	1.594.5	1,594.5
Other reserve	21	(5.4)	(1.0)
Treasury reserve	21	(92.8)	(91.0)
Capital reserve	21	50.4	45.1
Hedging and translation reserves	21	(73.9)	(87.1)
Retained earnings	21	(50.1)	(52.2)
Equity attributable to equity holders of BBA Aviation plc		1,931.7	1,917.0
Non-controlling interest		1.5	1.6
Total equity		1,933.2	1,918.6

These financial statements were approved by the Board of Directors on 28 February 2018 and signed on its behalf by:

Wayne Edmunds,
Interim Group Chief Executive

David Crook,
Group Finance Director

Consolidated Cash Flow Statement

For the year ended 31 December	Notes	2017 $m	2016 $m
Operating activities			
Net cash flow from operating activities	23	339.0	374.9
Investing activities			
Interest received		3.3	2.7
Dividends received from associates		2.4	2.4
Purchase of property, plant and equipment		(73.4)	(101.6)
Purchase of intangible assets†		(11.9)	(11.4)
Proceeds from disposal of property, plant and equipment		16.8	11.1
Acquisition of subsidiaries net of cash/(debt) acquired	24	(75.7)	(2,098.2)
Investment in joint venture		(0.3)	–
Proceeds from disposal of subsidiaries and associates, net of costs		170.5	186.6
Net cash inflow/(outflow) from investing activities		31.7	(2,008.4)
Financing activities			
Interest paid		(60.5)	(64.5)
Interest element of finance leases paid		(0.1)	(0.1)
Dividends paid	5	(130.7)	(124.3)
Gains from realised foreign exchange contracts		(15.0)	42.7
Proceeds from issue of ordinary shares net of issue costs		0.3	0.3
Sale/(purchase) of own shares††		0.3	(1.3)
(Decrease)/increase in loans		(222.6)	1,035.3
(Decrease)/increase in finance leases		(0.4)	1.7
Increase/(decrease) in overdrafts		3.0	(11.0)
Net cash (outflow)/inflow from financing activities		(425.7)	878.8
(Decrease)/increase in cash and cash equivalents		(55.0)	(754.7)
Cash and cash equivalents at beginning of year		205.3	966.4
Exchange adjustments		3.2	(6.4)
Cash and cash equivalents at end of year	12	153.5	205.3
Comprised of:			
Cash and cash equivalents at end of the year	17	153.5	182.5
Cash included in Assets held for sale at end of the year	25	–	22.8
Net debt at beginning of year		(1,335.3)	456.5
Decrease in cash and cash equivalents		(55.0)	(754.7)
Decrease/ (increase) in loans		222.6	(1,035.3)
Decrease/ (increase) in finance leases		0.4	(1.7)
(Increase)/decrease in overdrafts		(3.0)	11.0
Exchange adjustments		3.2	(11.1)
Net debt at end of year†††1		(1,167.1)	(1,335.3)

† Purchase of intangible assets includes $5.0 million (2016: $10.6 million) paid in relation to Ontic licences not accounted for as acquisitions under IFRS 3.
†† Sale/(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 (2016: $500 million), reflecting the fact that the liabilities will be in place until maturity. This is $3.5 million (2016: $8.8 million) lower than its carrying value.
1 All alternative performance measures are reconciled to IFRS measures and explained on pages 174-178.

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 2016		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 non-controlling interest		–	–	–	–	–	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
Profit for the year		–	–	119.4	–	119.4	(0.1)	119.3
Other comprehensive income for the year		–	–	5.8	8.8	14.6	–	14.6
Total comprehensive income/(loss) for the year		–	–	125.2	8.8	134.0	(0.1)	133.9
Dividends	5	–	–	(130.7)	–	(130.7)	–	(130.7)
Issue of share capital	21	0.3	–	–	–	0.3	–	0.3
Movement on treasury reserve	21	–	–	–	0.3	0.3	–	0.3
Credit to equity for equity-settled share-based payments	21	–	–	–	10.0	10.0	–	10.0
Tax on share-based payment transactions	4	–	–	0.8	–	0.8	–	0.8
Transfer to retained earnings	21	–	–	6.8	(6.8)	–	–	–
Balance at 31 December 2017		509.0	1,594.5	(50.1)	(121.7)	1,931.7	1.5	1,933.2

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 2017 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, are effective for future annual periods 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 16).

IFRS 9

The Group will apply IFRS 9 from 1 January 2018. IFRS 9 addresses the classification, measurement and recognition of financials assets and financials liabilities, impairment and hedge accounting.

Classification and measurement: The number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. The classification is based on the business model within which the asset is held and the contractual cash flow characteristics of the assets.

For financial assets that are debt instruments the classification categories are amortised cost; fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). Equity investments that fall within the scope of the standard are usually measured at FVTPL unless an irrevocable election is made to recognise them within other comprehensive income. On the transition the Group has elected to recognise future changes in the fair value of the equity investment in Fly Victor Limited and Lider Taxi Aero S.A. Air Brasil which are classified as financial instruments within other comprehensive income.

Impairment: The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39.

Hedge accounting: On initial application of the standard, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group will adopt the hedge accounting requirements of IFRS 9 from 1 January 2018.

The full impact of adopting IFRS 9 on the Consolidated Financial Statements of the Group will depend on the financial instruments that the Group has during 2018 as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9 (1 January 2018). Management's expectations are that the impact of IFRS 9 on the Group will not be material.

IFRS 15

IFRS 15 addresses the recognition of revenue from customer contracts and impacts on the amounts and timing of the recognition of such revenue. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue. The Group will adopt IFRS 15 for the year ending 31 December 2018.

The standard introduces a five-step approach to revenue recognition – identifying the contract; identifying the performance obligations in the contract; determining the transaction price; allocating that transaction price to the performance obligations and finally recognising the revenue as those performance obligations are satisfied.

The Group recognises revenue from the following major income streams:

Flight Support:
- Fuelling & fuel farm management
- Property management
- Ground handling
- Technical services

Aftermarket Services:
- Repair & overhaul
- Engine & part sales

An impact assessment has been performed on the likely impact of IFRS 15:

Within the Aftermarket Services division the methodology presently adopted for revenue recognition under the current standard, IAS 18 Revenue, will not materially change under IFRS 15.

Within the Flight Support division it is also not expected that IFRS 15 will have a material impact due to the nature of the services provided – the cycle from order through to delivery of these services is generally short.

The full impact of adopting IFRS 15 on the Consolidated Financial Statements of the Group will depend on the Group's activities during 2018. The Group has performed a preliminary assessment of the potential impact of adopting IFRS 15 based on the Group's historic trading as at the date of initial application of IFRS 15 (1 January 2018). Management's expectations are that the impact of IFRS 15 on the Group will not be material.

IFRS 16

IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. The standard is effective for annual periods beginning on or after 1 January 2019.

The standard requires lessees to account for most contracts under an on-balance sheet model, with the distinction between operating and finance leases being removed.

The standard provides certain exemptions from recognising leases on the balance sheet, including where the asset is of low value or the lease term is 12 months or less. In addition, the standard makes changes to the definition of a lease to focus on, amongst other things, which party has the right to direct the use of the asset.

Under the new standard, the Group will be required to recognise right of use lease assets and lease liabilities on the balance sheet. The right of use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. Liabilities are measured based on the present value of future lease payments over the lease term. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The recognition of the depreciation of right of use lease assets and interest on lease liabilities over the lease term will have no overall impact on profit before tax over the life of the lease, however the result in any individual year will be impacted and the change in presentation of costs will likely be material to the Group's key metrics. Under IAS 17, the charge is booked in full to operating profit. Metrics which will therefore be affected will include operating profit & operating margin, interest & interest cover, EBITDA, ROIC and operating cash flow.

Furthermore, the principal amount of cash paid and interest in the cash flow statement will be presented separately as a financing activity. Operating lease payments under IAS 17 would have been presented as operating cash flows. There will be no overall net cash flow impact.

The Group has commenced work to understand the impact of the new standard and the project will complete during 2018. Work will include detailed review of contracts to establish lease classification, assessment of transition options, the quantification of financial impacts, design of future processes and the related systems changes, the assessment of the related impacts on the Group's regulatory and commercial reporting requirements and the impact on the Group's long-term incentive schemes. It is therefore not practicable to provide a reasonable estimate of the financial effect until the directors complete their review.

Information on the undiscounted amount of the Group's operating lease commitments under IAS 17 'Leases', the current leasing standard, is disclosed in note 15.

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 the current year the Group reclassified its investment in GB Aviation Holdings LLC as a joint venture. The reclassification resulted in a $28.4 million reclassification from the investment in associates to the investment in joint ventures.

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 85 of the Directors' Report.

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 Policies of the Group – continued

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.

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 items are items which are material and non-recurring in nature, and include costs relating to acquisitions, disposals and significant restructuring programmes. Other items include the amortisation of acquired intangibles accounted for under IFRS 3.

Underlying operating profit is the Group's key alternative performance measure and 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. Additionally, exclusion of amortisation of acquired intangibles accounted for under IFRS 3 from the Group's underlying results assists with the comparability of the Group's underlying profitability with peer companies.

Underlying operating profit is calculated as operating profit before exceptional and other items (see note 2). Further detail on the rationale for the use of alternative performance measures and reconciliations to the equivalent GAAP measures are set out on pages 174-178.

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 impairment. 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.

Associates and Joint Ventures
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 or joint venture. Associates and joint ventures are initially recognised in the consolidated balance sheet at cost. Subsequently associates and joint ventures 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 or joint venture unless there is an obligation to make good those losses).

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

Any premium paid for an associate or joint venture 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 or joint venture. Where there is objective evidence that the investment in an associate or joint

Accounting Policies of the Group – continued

venture 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.

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 is 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.

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. Following a review of certain leases during the year, the prior year comparatives have been restated to remain consistent with the current year presentation.

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.

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

Accounting Policies of the Group – continued

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 Group is monitoring developments in relation to EU State Aid investigation including the EU Commission's announcement on 16 November 2017 that it will conduct a State Aid investigation into the UK's Controlled Foreign Company regime. The Group does not currently consider any provision is required in relation to EU State Aid.

The provision for uncertainties is established based on the management judgement 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
In the application of the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has concluded that for 2017 there are no critical accounting judgements or key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year.

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 (until 31 January 2017), and Aftermarket Services, which comprises Engine Repair & Overhaul (ERO) and Ontic.

The businesses within the Flight Support segment provide refuelling, ground handling, line maintenance 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 174-178

Business segments	Flight Support[1] $m	Aftermarket Services $m	Total $m	Unallocated corporate[2] $m	Total $m
2017					
External revenue					
External revenue from continuing and discontinued operations	1,681.4	727.6	2,409.0	–	2,409.0
Less external revenue from discontinued operations, note 25	(38.4)	–	(38.4)	–	(38.4)
External revenue from continuing operations	1,643.0	727.6	2,370.6	–	2,370.6
Underlying operating profit					
Underlying operating profit from continuing and discontinued operations	329.2	65.3	394.5	(34.1)	360.4
Add underlying operating loss from discontinued operations	0.2	–	0.2	–	0.2
Adjusted for intergroup charges for discontinued operations[3]	–	–	–	–	–
Underlying operating profit/(loss) from continuing operations	329.4	65.3	394.7	(34.1)	360.6
Underlying operating margin from continuing operations	20.0%	9.0%	16.6%		15.2%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(82.3)	(31.7)	(114.0)	(9.0)	(123.0)
Less exceptional and other items from discontinued operations	–	–	–	–	–
Exceptional and other items from continuing operations	(82.3)	(31.7)	(114.0)	(9.0)	(123.0)
Operating profit/ (loss) from continuing operations	247.1	33.6	280.7	(43.1)	237.6
Net finance costs					(62.1)
Profit before tax from continuing operations					175.5
Other information					
Capital additions**	60.0	25.3	85.3	–	85.3
Depreciation and amortisation	151.9	29.0	180.9	0.4	181.3

** Capital additions represent cash expenditures in the year. Capital additions include additions to Property, Plant & Equipment, and intangible assets including Ontic licences not accounted for as acquisitions under IFRS 3.

Balance sheet					
Total assets	3,196.3	763.8	3,960.1	110.4	4,070.5
Total liabilities	(304.8)	(176.8)	(481.6)	(1,655.7)	(2,137.3)
Net assets/(liabilities)	2,891.5	587.0	3,478.5	(1,545.3)	1,933.2

Notes to the Consolidated Financial Statements – continued

1. Segmental information – continued

Business segments	Flight Support[1] $m	Aftermarket Services $m	Total $m	Unallocated corporate[2] $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[3]	–	–	–	(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)
Other information					
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. Capital additions include additions to Property, Plant & Equipment, and intangible assets including Ontic licences not accounted for as acquisitions under IFRS 3.

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

1 Operating profit/ (loss) from continuing operations includes $3.4 million profit (2016: $13.4 million profit) of associates and joint ventures.
2 Unallocated corporate balances includes debt, tax, provisions, insurance captives and trading balances from central activities.
3 Costs previously allocated to ASIG.

Geographical segments	Revenue by destination $m	Revenue by origin $m	Capital additions[1] $m	Non-current assets[2] $m
2017				
United Kingdom	76.7	277.6	7.1	298.0
Mainland Europe	221.7	57.5	0.3	71.9
North America	2,017.7	2,051.1	75.9	2,955.2
Rest of World	92.9	22.8	2.0	5.9
Total from continuing and discontinued operations	2,409.0	2,409.0	85.3	3,331.0
Less discontinued operations	(38.4)	(38.4)	–	–
Total from continuing operations	2,370.6	2,370.6	85.3	3,331.0
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 continuing operations	2,149.1	2,149.1	102.7	3,413.5

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 $0.1 million (2016: $0.4 million) and financial instrument balances of $13.9 million (2016: $13.6 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	
	2017 $m	2016 $m	2017 $m	2016 $m
Flight Support	1,126.8	1,027.2	554.6	832.8
Aftermarket Services	236.2	189.2	491.4	516.7
	1,363.0	1,216.4	1,046.0	1,349.5

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 of $1,363.0 million (2016: $1,216.4 million) includes a gain of $0.8 million (2016: gain of $1.2 million) in respect of the recycling of the effective amount of foreign currency derivatives used to hedge foreign currency revenue.

Notes to the Consolidated Financial Statements – continued

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 and non-recurring in nature and also include costs relating to acquisitions, disposals and restructuring. Other items includes amortisation of acquired intangibles accounted for under IFRS 3. 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 174-178.

	Note	Administrative expenses 2017 $m	Other operating expenses 2017 $m	Restructuring costs 2017 $m	Total 2017 $m	Administrative expenses 2016 $m	Other operating expenses 2016 $m	Restructuring costs 2016 $m	Total 2016 $m
Restructuring expenses									
ERO footprint rationalisation		–	–	5.6	5.6	–	–	9.9	9.9
H+S Middle East impairment loss	8	–	–	15.7	15.7	–	–	–	–
Central costs rationalisation		–	–	6.7	6.7	–	–	–	–
Acquisition related									
Amortisation of intangible assets arising on acquisition and valued in accordance with IFRS 3		93.8	–	–	93.8	98.6	–	–	98.6
Landmark integration costs		–	–	–	–	–	24.9	–	24.9
Transaction costs[1]		–	0.1	–	0.1	–	1.5	–	1.5
Other		–	1.1	–	1.1	–	1.6	–	1.6
Operating loss on continuing operations		93.8	1.2	28.0	123.0	98.6	28.0	9.9	136.5
Impairment loss	8	–	–	–	–	–	–	–	184.4
Loss before tax on continuing operations		–	–	–	123.0	–	–	–	320.9
Net impact of United States tax reform	4, 20	–	–	–	20.5	–	–	–	–
Tax on other exceptional items		–	–	–	(39.0)	–	–	–	(102.4)
Tax impact of exceptional and other items		–	–	–	(18.5)	–	–	–	(102.4)
Loss for the year on continuing operations		–	–	–	104.5	–	–	–	218.5
Loss from discontinued operation, net of tax	25	–	–	–	22.5	–	–	–	97.5
Total exceptional and other items		–	–	–	127.0	–	–	–	316.0

1 All transaction costs presented as exceptional and other items in 2017 relate to the acquisition by Ontic of GE's Aviation portfolio, see note 24.

Net cash flow from exceptional items was an outflow of $12.7 million (2016: outflow of $63.5 million). Net cash flow from other items was $nil (2016: $nil).

Other	2017 $m	2016 $m
Net foreign exchange losses/(gains)	0.2	(3.2)
Depreciation of property, plant and equipment	71.4	69.7
Amortisation of intangible assets (included in cost of sales)	4.0	4.6
Amortisation of intangible assets (included in administrative expenses)	105.9	109.6
Total depreciation and amortisation expense	181.3	183.9
Total employee costs (note 7)	473.3	702.2
Cost of inventories recognised as an expense within cost of sales	1,017.5	931.6

The analysis of auditor's remuneration is as follows:	2017 $m	2016 $m
Fees payable to the Company's auditor for the audit of the Group's annual accounts	1.6	2.5
The audit of the Company's subsidiaries pursuant to legislation	0.5	0.4
Total audit fees	2.1	2.9
Tax compliance services	–	0.1
Total fees payable to the Company's auditor	2.1	3.0

Financial statements

Notes to the Consolidated Financial Statements – continued

3. Investment income and finance costs

	2017 $m	2016 $m
Interest on bank deposits	3.2	4.0
Total investment income	3.2	4.0
Total investment income from discontinued operations	–	0.3
Total investment income from continuing operations	3.2	3.7
Interest on bank loans and overdrafts	(38.3)	(42.4)
Interest on loan notes	(24.5)	(24.7)
Interest on obligations under finance leases	(0.1)	(0.1)
Net finance expense from pension schemes	(2.5)	(1.4)
Other finance costs	(3.6)	(1.5)
Total borrowing costs	(69.0)	(70.1)
Less amounts included in the cost of qualifying assets	1.8	1.7
Fair value losses on interest rate swaps designated as cash flow hedges transferred from equity	(4.0)	(7.3)
Fair value gains on interest rate swaps designated as fair value hedges	5.9	7.7
Total finance costs	(65.3)	(68.0)
Finance costs from discontinued operations	–	(0.4)
Finance costs from continuing operations	(65.3)	(67.6)
Net finance costs	(62.1)	(64.0)
Net finance costs from discontinued operations	–	(0.1)
Net finance costs from continuing operations	(62.1)	(63.9)

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 3.57% (2016: 3.85%) to expenditure on such assets, which represents the weighted average interest rate for the currency in which the expenditure has been made.

Interest amounts included in the cost of qualifying assets carry tax relief at the prevailing rate of tax in the relevant jurisdiction as amortised through the Income Statement, with an associated deferred tax movement in the year amounting to $0.5 million (2016: $0.6 million).

4. Income tax

Recognised in the Income Statement	2017 $m	2016 $m
Current tax expense	24.8	16.0
Adjustments in respect of prior years – current tax	(6.2)	(1.6)
Current tax	18.6	14.4
Deferred tax (note 20)	16.5	(78.7)
Adjustments in respect of prior years – deferred tax (note 20)	(1.4)	1.4
Deferred tax	15.1	(77.3)
Income tax expense/(credit) for the year from continuing operations	33.7	(62.9)

UK income tax is calculated at 19.25% (2016: 20.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 22 December 2017, the United States enacted tax reform that implements substantial changes to the federal tax system by reducing the headline federal tax rate from 35% to 21% and limiting interest deductions to a maximum of 30% of US EBITDA. The reduction in the headline rate of tax has resulted in a revaluation of US deferred tax balances amounting to a credit of $59.3 million. Additionally, the Group has re-measured a deferred tax asset relating to financing costs from prior years amounting to a charge of $54.5 million together with a current year charge of $22.3 million. Finally, the tax reform introduced a tax on repatriation of profits of overseas subsidiaries resulting in a charge of $3 million.

The net impact of this tax reform ($20.5m charge) has been reflected in the continuing exceptional and other items tax result so as to reflect the underlying effective tax rate on a consistent basis to prior periods.

The total charge for the year can be reconciled to the accounting profit as follows:

	2017 $m	2016 $m
Profit / (loss) before tax on continuing operations	175.5	(82.2)
Tax at the rates prevailing in the relevant tax jurisdictions 26.4% (2016: 25.3%)	46.3	(20.8)
Tax effect of offshore financing net of UK CFC charge	(37.0)	(34.1)
Tax effect of expenses that are not deductible in determining taxable profit	6.4	16.6
Tax effect of US tax reform	20.5	–
Items on which deferred tax has not been recognised	0.8	1.3
Tax rate changes (excluding US tax reform)	(0.5)	0.2
Difference in tax rates on overseas earnings	4.8	(25.9)
Adjustments in respect of prior years	(7.6)	(0.2)
Tax expense/(credit) for the year	33.7	(62.9)

The applicable tax rate of 26.4% (2016: 25.3%) 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	2017 $m	2016 $m
Tax on items that will not be reclassified subsequently to profit or loss		
Current tax credit on pension deficit payments	0.5	0.5
Deferred tax (credit)/charge on actuarial gains/(losses)	(1.6)	9.3
	(1.1)	9.8
Tax on items that may be reclassified subsequently to profit or loss		
Current tax credit on foreign exchange movements	(1.6)	0.7
Deferred tax charge on derivative instruments	(2.7)	2.1
	(4.3)	2.8
Total tax (charge)/credit within other comprehensive income	(5.4)	12.6
Recognised in equity		
Current tax credit on share-based payments movements	0.8	0.1
Deferred tax credit/(charge) on share-based payments movements	–	0.6
Total tax credit/(charge) within equity	0.8	0.7
Total tax (charge)/credit within other comprehensive income and equity	(4.6)	13.3

5. Dividends

On 19 May 2017, the 2016 final dividend of 9.12¢ per share (total dividend $91.5 million) was paid to shareholders (2016: the 2015 final dividend of 8.68¢ per share (total dividend $87.2 million) was paid on 20 May 2016).

On 3 November 2017, the 2017 interim dividend of 3.81¢ per share (total dividend $39.2 million) was paid to shareholders (2016: the 2016 interim dividend of 3.63¢ per share (total dividend $37.1 million) was paid on 4 November 2016).

In respect of the current year, the directors propose that a final dividend of 9.59¢ per share will be paid to shareholders on 25 May 2018. The proposed dividend is payable to all shareholders on the register of members on 13 April 2018. The total estimated dividend to be paid is $98.6 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.

Notes to the Consolidated Financial Statements – continued

6. Earnings per share

All alternative performance measures are reconciled to IFRS measures and explained on pages 174-178.

The calculation of the basic and diluted earnings per share is based on the following data:

	Continuing		Total	
	2017 $m	2016 $m	2017 $m	2016 $m
Basic and diluted				
Earnings:				
Profit/(loss) for the year	141.8	(19.3)	119.3	(98.9)
Non-controlling interests	0.1	(0.4)	0.1	–
Basic earnings attributable to ordinary shareholders	141.9	(19.7)	119.4	(98.9)
Exceptional items (net of tax)	104.5	218.5	127.0	316.0
Adjusted earnings for adjusted earnings per share	246.4	198.8	246.4	217.1
Underlying deferred tax	47.7	27.7	47.7	35.6
Adjusted earnings for tax adjusted earnings per share	294.1	226.5	294.1	252.7
Number of shares				
Weighted average number of $29\frac{16}{21}$p ordinary shares:				
For basic earnings per share	1,028.2	1,026.6	1,028.2	1,026.6
Dilutive potential ordinary shares from share options	10.6	9.9	10.6	9.9
For diluted earnings per share	1,038.8	1,036.5	1,038.8	1,036.5
For diluted losses per share	1,028.2	1,026.6	1,028.2	1,026.6
Earnings per share				
Basic:				
Adjusted	24.0¢	19.4¢	24.0¢	21.1¢
Cash	28.6¢	22.1¢	28.6¢	24.6¢
Unadjusted	13.8¢	(1.9)¢	11.6¢	(9.6)¢
Diluted:				
Adjusted	23.7¢	19.2¢	23.7¢	20.9¢
Cash	28.3¢	21.9¢	28.3¢	24.4¢
Unadjusted	13.7¢	(1.9)¢	11.5¢	(9.6)¢

Cash 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.

Adjusted earnings per share is presented calculated on earnings before exceptional and other items (note 2). Both adjustments have been made because the directors consider that this gives a useful indication of underlying performance.

For discontinued earnings per share, refer to note 25.

7. Employees

Average monthly number (including executive directors)	2017 number	2016 number
By segment		
Flight Support	5,252	11,472
Aftermarket Services	1,493	1,530
Total employment numbers by segment from continuing and discontinued operations	6,745	13,002
By region		
United Kingdom	831	2,804
Mainland Europe	253	226
North America	5,599	9,765
Rest of World	62	207
Total employees by region from continuing and discontinued operations	6,745	13,002
Total employees from continuing operations	6,745	6,848
Total employees from discontinued operations	–	6,154

	2017 $m	2016 $m
Employment costs		
Wages and salaries	434.1	642.5
Social security costs	29.5	46.6
Pension costs (note 19)	9.7	13.1
Total employment costs from continuing and discontinued operations	473.3	702.2
Total employment costs from continuing operations	447.9	439.7
Total employment costs from discontinued operations	25.4	262.5

Notes to the Consolidated Financial Statements – continued

8. Intangible assets

	Goodwill 2017 $m	Licences and contracts 2017 $m	Computer software 2017 $m	Total 2017 $m	Goodwill 2016 $m	Licences and contracts 2016 $m	Computer software 2016 $m	Total 2016 $m
Cost								
Beginning of year	1,252.7	1,586.1	42.8	2,881.6	889.6	360.9	47.7	1,298.2
Exchange adjustments	9.2	17.7	0.3	27.2	(10.0)	(16.3)	(0.6)	(26.9)
Acquisitions	0.9	24.3	–	25.2	557.7	1,251.7	–	1,809.4
Acquisitions in prior years	–	–	–	–	–	0.7	–	0.7
Additions	–	0.3	6.6	6.9	–	0.2	0.6	0.8
Impairment charges	–	(11.0)	–	(11.0)	(114.0)	(0.2)	–	(114.2)
Transfer to assets held for sale	–	–	–	–	(70.6)	(16.3)	(1.5)	(88.4)
Disposals	–	(0.1)	(3.1)	(3.2)	–	–	(0.3)	(0.3)
Transfers (to)/from other asset categories	4.0	(3.5)	6.6	7.1	–	5.4	(3.1)	2.3
End of year	1,266.8	1,613.8	53.2	2,933.8	1,252.7	1,586.1	42.8	2,881.6
Amortisation								
Beginning of year	(138.8)	(223.1)	(27.5)	(389.4)	–	(115.0)	(27.4)	(142.4)
Exchange adjustments	(1.4)	(3.4)	(0.3)	(5.1)	–	5.2	0.6	5.8
Amortisation charge for the year	–	(104.5)	(5.4)	(109.9)	–	(112.0)	(2.2)	(114.2)
Impairment charges	–	5.3	–	5.3	(138.8)	(12.8)	–	(151.6)
Transfer to assets held for sale	–	–	–	–	–	10.6	1.1	11.7
Disposals	–	–	3.1	3.1	–	–	0.3	0.3
Transfers to other asset categories	–	3.1	(3.0)	0.1	–	0.9	0.1	1.0
End of year	(140.2)	(322.6)	(33.1)	(495.9)	(138.8)	(223.1)	(27.5)	(389.4)
Carrying amount								
End of year	1,126.6	1,291.2	20.1	2,437.9	1,113.9	1,363.0	15.3	2,492.2
Beginning of year	1,113.9	1,363.0	15.3	2,492.2	889.6	245.9	20.3	1,155.8

Included within the amortisation charge for intangible assets of $109.9 million (2016: $114.2 million) is amortisation of $93.8million (2016: $99.4 million) in relation to the amortisation of intangible assets acquired and valued in accordance with IFRS 3 and disclosed within exceptional and other items.

Included within the acquisitions of $25.2 million (2016: $1,809.4 million) is $5.0 million (2016: $2.5 million) of Ontic licence acquisitions which are not accounted for as a business combination under IFRS 3 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 (2016: 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 (2016: five years).

Transfers to assets held for sale relates to the ASIG business as disclosed in note 25.

Impairment losses recognised in the year

During 2017 the Group's H+S Middle East business (part of the H+S CGU) continued to underperform. As a result of this underperformance management carried out an impairment review to assess the recoverability of the remaining assets of the business following the CGU impairment in 2016. The review led to an impairment loss of $15.7 million that has been recognised within exceptional and other items in 2017. The $15.7 million impairment was recognised against $5.7 million of Intangible assets and $10.0 million of Property, Plant & Equipment.

H+S Middle East is contained within the Group's Aftermarket Services operating segment.

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 and reflects aggregated CGUs:

	2017 $m	2016 $m
Flight Support:		
Signature Flight Support	1,058.3	1,048.7
ASIG (discontinued operations)	–	70.6
Aftermarket Services:		
Engine Repair & Overhaul	–	–
Ontic	68.3	65.2
Total goodwill from continuing and discontinued operations	1,126.6	1,184.5
Total goodwill from continuing operations	1,126.6	1,113.9
Total goodwill from discontinued operations	–	70.6

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 four years, as approved by management, with a terminal growth rate after four 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 four 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 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 intact – continued growth in GDP and total wealth, the increasing value of people's time, corporate confidence and corporate activity levels all point to improving sentiment. The unusual nature of the 2007–2009 crisis and the halting return to growth have meant that, although corporate profits have recovered and confidence has improved, flight activity has lagged. 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 2037.

The political environment in the USA could also be positive in the short and medium-term, with commentators speculating that the new US tax policy could be marginally beneficial to jet purchases.

Trends in military aviation are likely to improve as the global defence market recovers 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 2017 driven by the new administration's focus on strengthening the nation's military. The USA accounts for 26% of the global military aviation fleet (c13,800 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. Military legacy aircraft life extensions of between seven and ten years on platforms such as the C-130, ACV-8B, F-15 and AH-64 and delays on new aircraft, such as the F-35 and A400M are key drivers for our Ontic business. 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 the large defence budget increases.

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Notes to the Consolidated Financial Statements – continued

8. Intangible assets – continued

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% (2016: 2.0%) 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.

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 7.5% (2016: 7.3%) for the CGUs within Flight Support and 9.9% to 10.0% (2016: 9.4% to 9.6%) for the CGUs within Aftermarket Services.

Sensitivity analysis

Both the ERO CGUs, Dallas Airmotive (DAI) and H&S Aviation (H+S), recognised impairments 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 note 25.

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

In 2016 both the ERO CGUs recognised impairment. Management had 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 2016, 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, led to another disappointing ERO result. Engine trading was much reduced and that, together with further margin pressure arising from OEM actions, and reduced demand for lease engines, was only partially offset by the limited cost savings 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.

The key assumptions for the value-in-use calculations were consistent with the 2016 year end goodwill impairment test, with the exception of discount rates which were adjusted to reflect risks specific to each CGU but had not already been reflected in the future cash flows for that CGU. Full detail of the assumptions used in the ERO impairment test are set out in the 2016 Annual Report and Accounts.

9. Property, plant and equipment

	Land and buildings 2017 $m	Fixtures and equipment 2017 $m	Total 2017 $m	Land and buildings 2016 $m	Fixtures and equipment 2016 $m	Total 2016 $m
Cost or valuation						
Beginning of year	1,092.2	312.1	1,404.3	757.2	458.0	1,215.2
Exchange adjustments	11.4	6.9	18.3	(12.2)	(11.5)	(23.7)
Transfers from/(to) other asset categories	17.8	(39.4)	(21.6)	27.4	(40.1)	(12.7)
Acquisition of businesses	–	–	–	292.9	27.6	320.5
Additions	42.6	25.3	67.9	66.6	40.5	107.1
Disposals	(24.2)	(34.9)	(59.1)	(1.1)	(12.4)	(13.5)
Asset write downs	(11.3)	(4.5)	(15.8)	(5.7)	(4.1)	(9.8)
Transfer to assets held for sale	–	–	–	(32.9)	(145.9)	(178.8)
End of year	1,128.5	265.5	1,394.0	1,092.2	312.1	1,404.3
Accumulated depreciation and impairment						
Beginning of year	(339.3)	(189.4)	(528.7)	(302.2)	(268.0)	(570.2)
Exchange adjustments	(3.0)	(4.5)	(7.5)	3.5	5.3	8.8
Transfers to/(from) other asset categories	0.6	10.5	11.1	(13.8)	18.4	4.6
Depreciation charge for the year	(55.8)	(15.6)	(71.4)	(50.7)	(19.0)	(69.7)
Disposals	10.0	33.4	43.4	0.7	6.0	6.7
Impairment	–	(10.0)	(10.0)	–	(31.6)	(31.6)
Asset write downs	9.8	4.8	14.6	5.0	2.4	7.4
Transfer to assets held for sale	–	–	–	18.2	97.1	115.3
End of year	(377.7)	(170.8)	(548.5)	(339.3)	(189.4)	(528.7)
Carrying amount						
End of year	750.8	94.7	845.5	752.9	122.7	875.6
Beginning of year	752.9	122.7	875.6	455.0	190.0	645.0

	2017 $m	2016 $m
Capital commitments		
Capital expenditure contracted for but not provided for continuing and discontinued operations	72.3	49.9
Capital expenditure contracted for but not provided for continuing operations	72.3	44.8
Capital expenditure contracted for but not provided for discontinued operations	–	5.1

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 10.0% (31 December 2016: 10.9%).

The amounts disclosed above for asset write downs are attributable to $1.2 million (2016: $1.8 million) in Flight Support, $nil (2016: $0.6 million) in Aftermarket Services and $nil (2016: $nil) in unallocated corporate.

The amounts disclosed above for impairment are described in note 8.

Financial statements

Notes to the Consolidated Financial Statements – continued

10. Interests in associates and joint ventures

Interests in associates	2017 $m	2016 $m
Cost of investment in associates	–	26.3
Share of post-acquisition profit, net of dividends received	5.5	7.5
Group share of net assets of associates	5.5	33.8

The investment in associates relates to Page Avjet Fuel Co LLC and Hong Kong Business Aviation Centre Limited, both of which are investments within the Flight Support segment.

In the current year the Group reclassified its investment in GB Aviation Holdings LLC as a joint venture. As described in the accounting policies of the Group, the reclassification resulted in a $28.4 million reclassification from the investment in associates to the investment in joint ventures.

Aggregated amounts relating to associates	2017 $m	2016 $m
Total assets	125.0	144.9
Total liabilities	(85.7)	(93.5)
Net assets	39.3	51.4

	2017 $m	2016 $m
Revenue	574.8	436.3
Profit for the year	16.9	33.2
Group's share of profit and total comprehensive income for the year	1.9	11.7

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 1660172.

Interests in joint ventures	2017 $m	2016 $m
Cost of investment in joint ventures	30.8	4.2
Share of post-acquisition profit, net of dividends received	5.1	2.1
Group share of net assets of joint ventures	35.9	6.3

Summary of aggregate financial results and position of joint ventures:

	2017 $m	2016 $m
Current assets	44.4	5.9
Non-current assets	54.3	8.7
Total assets	98.7	14.6
Current liabilities	(51.4)	(2.9)
Non-current liabilities	(4.3)	(2.5)
Total liabilities	(55.7)	(5.4)
Net assets	43.0	9.2

	2017 $m	2016 $m
Total revenues	409.3	36.8
Total profit for the year	3.3	8.7
Group's share of profit and total comprehensive income for the year	1.5	1.7

The Group has three joint venture investments being Signature Canada FBO Services Inc, Jacksonville Jetport LLC and GB Aviation Holdings 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.

11. Inventories

	2017 $m	2016 $m
Raw materials	131.4	133.8
Work in progress	32.0	25.3
Finished goods	86.5	76.7
	249.9	235.8

As at 31 December 2016, included within assets classified as held for sale is a further $4.0 million of inventories (see note 25).

12. Other financial assets

Trade and other receivables	Note	2017 $m	2016 $m
Amounts due within one year			
Trade receivables		242.2	223.9
Other receivables, prepayments and accrued income		75.8	69.9
Derivative financial instruments	17	3.4	3.0
Trade and other receivables due within one year		321.4	296.8
Amounts due after one year			
Trade and other receivables		6.2	5.6
Available for sale investments		5.4	4.5
Derivative financial instruments	17	8.5	9.1
Trade and other receivables due after one year		20.1	19.2
		341.5	316.0

As at 31 December 2016, included within assets classified as held for sale is a further $100.8 million of trade and other receivables (see note 25).

On 23 December 2017 the Group via its subsidiary BBA Holdings Limited invested £3.8 million or $4.9 million in Fly Victor Limited. The investment gave the Group a 3.96% equity stake in the business which is included within available for sale investments above.

Notes to the Consolidated Financial Statements – continued

12. Other financial assets – continued

Trade receivables

An allowance has been made for estimated irrecoverable amounts from the sale of goods and services of $6.6 million (2016: $7.5 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 $47.0 million (2016: $58.7 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 69 days (2016: 73 days).

	2017 $m	2016 $m
Ageing of past due but not impaired receivables		
30–60 days	29.3	30.6
60–90 days	6.6	11.3
90–120 days	2.6	6.6
Over 120 days	8.5	10.2
	47.0	58.7

	2017 $m	2016 $m
Movement in the allowance for doubtful debts		
Beginning of year	(7.5)	(3.5)
Exchange adjustments	(0.1)	0.1
Amounts written off as uncollectable	5.8	1.4
Charged in the year	(4.8)	(8.6)
Allowance for doubtful debts transferred to assets held for sale	–	3.1
End of year	(6.6)	(7.5)

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.

	2017 $m	2016 $m
Ageing of impaired trade receivables		
30–60 days	–	1.7
60–90 days	0.6	3.0
90–120 days	2.2	1.4
Over 120 days	3.8	1.4
	6.6	7.5

Cash and cash equivalents	2017 $m	2016 $m
Cash at bank and in hand	104.7	111.2
Short-term bank deposits	48.8	71.3
Cash and cash equivalents for continuing operations	153.5	182.5
Cash and cash equivalents held for sale	–	22.8
Cash and cash equivalents in the statement of cash flows	153.5	205.3

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.

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	2017 $m	2016 $m
Amounts due within one year			
Trade payables		290.4	297.0
Other taxation and social security		13.7	10.9
Other payables		32.3	87.3
Accruals and deferred income		161.1	141.7
Derivative financial instruments	17	4.6	6.3
		502.1	543.2
Amounts due after one year			
Trade and other payables		0.4	–
Derivative financial instruments	17	0.5	4.0
		0.9	4.0
Total trade and other payables		503.0	547.2

As at 31 December 2016, included within assets classified as held for sale is a further $88.5 million of trade and other payables (see note 25).

The directors consider that the carrying amount of trade and other payables approximates their fair value.

The average age of trade creditors was 56 days (2016: 52 days).

14. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 $m	2016 $m	2017 $m	2016 $m
Amounts payable under finance leases				
Within one year	(0.3)	(0.3)	(0.2)	(0.2)
In the second to fifth years inclusive	(1.3)	(1.8)	(1.1)	(1.5)
	(1.6)	(2.1)	(1.3)	(1.7)
Less: future finance charges	0.3	0.4	–	–
Present value of lease obligations	(1.3)	(1.7)	(1.3)	(1.7)
Less: Amount due for settlement within 12 months (shown under current liabilities)	0.3	0.3	0.2	0.2
Amount due for settlement after 12 months	(1.0)	(1.4)	(1.1)	(1.5)

Notes to the Consolidated Financial Statements – continued

14. Obligations under finance leases – continued

The average lease term was five years (2016: five years) for equipment and 18 years (2016: 18 years) for FBO leasehold improvements. In 2017, the average effective borrowing rate for the Group was 6.2% (2016: 6.2%). Interest rates were fixed at the contract date or varied based on prevailing interest rates.

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

	2017 $m	Restated 2016 $m
Minimum lease payments under operating leases recognised as an expense in the year for continuing and discontinued operations	170.0	168.7
Minimum lease payments under operating leases recognised as an expense in the year for continuing operations	167.8	144.6
Minimum lease payments under operating leases recognised as an expense in the year for discontinued operations	2.2	24.1

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

	2017 $m	Restated 2016 $m
Within one year	186.7	177.8
In the second to fifth years inclusive	658.0	587.8
After five years	1,731.3	1,530.8
Total outstanding commitments under non-cancellable operating leases on continuing and discontinued operations	2,576.0	2,296.4
Total outstanding commitments under non-cancellable operating leases on continuing operations	2,576.0	2,255.8
Total outstanding commitments under non-cancellable operating leases on discontinued operations	–	40.6

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 eight years for office properties, 15 years for plant and warehouses, 23 years for FBOs and five years for equipment. Rentals are generally fixed or adjusted based on inflation. Following a review of certain leases during the year, the prior year comparatives have been restated to remain consistent with the current year.

The total future minimum sub-lease payments expected to be received under non-cancellable sub-leases at 31 December 2017 were $316.4 million (2016: $303.3 million).

16. Borrowings

	2017 $m	2016 $m
Bank overdrafts	4.0	1.0
Bank loans	813.3	1,036.2
Loan notes	502.2	507.3
Other loans	3.3	3.2
	1,322.8	1,547.7
The borrowings are repayable as follows:		
On demand or within one year	124.2	1.0
In the second year	369.3	121.8
In the third to fifth years inclusive	619.6	1,214.4
After five years	209.7	210.5
	1,322.8	1,547.7
Less: Amount due for settlement within 12 months (shown within current liabilities)	(124.2)	(1.0)
Amount due for settlement after 12 months	1,198.6	1,546.7

Current year bank loans and loan notes are stated after their respective transaction costs and related amortisation.

2017								
Type	Facility amount $m	Headroom $m	Principal $m	Amortisation costs $m	Fair value adjustment $m	Drawn $m	Facility date	Maturity date
Multicurrency revolving bank credit facility	650.0	535.0	115.0	(1.2)	–	113.8	Apr 2014	Apr 2019
Acquisition facility bank term loan – Facility B	253.4	–	253.4	(1.0)	–	252.4	Sep 2015	Feb 2019
Acquisition facility Bank term loan – Facility C	450.0	–	450.0	(2.9)	–	447.1	Sep 2015	Sep 2020
Total bank loans	1,353.4	535.0	818.4	(5.1)	–	813.3		
$300m US private placement senior notes – Series A	120.0	–	120.0	(0.3)	0.5	120.2	May 2011	May 2018
$300m US private placement senior notes – Series B	120.0	–	120.0	(0.3)	2.3	122.0	May 2011	May 2021
$300m US private placement senior notes – Series C	60.0	–	60.0	(0.2)	(0.3)	59.5	May 2011	May 2023
$200m US private placement senior notes – Series A	50.0	–	50.0	(0.1)	0.7	50.6	Dec 2014	Dec 2021
$200m US private placement senior notes – Series B	100.0	–	100.0	(0.3)	0.1	99.8	Dec 2014	Dec 2024
$200m US private placement senior notes – Series C	50.0	–	50.0	(0.1)	0.2	50.1	Dec 2014	Dec 2026
Total loan notes	500.0	–	500.0	(1.3)	3.5	502.2		
Total bank and loan notes	1,853.4	535.0	1,318.4	(6.4)	3.5	1,315.5		
Bank overdraft – UK cash pool						4.0		
Other loans						3.3		
						1,322.8		

During the year, the Group prepaid $110 million of the acquisition bank term debt Facility B which related to part of the net proceeds from the disposal of ASIG, in accordance with the requirements of the loan documentation.

Notes to the Consolidated Financial Statements – continued

16. Borrowings – continued

	2016							
Type	Facility amount $m	Headroom $m	Principal $m	Amortisation costs $m	Fair value adjustment $m	Drawn $m	Facility date	Maturity date
Multicurrency revolving bank credit facility	650.0	420.0	230.0	(1.8)	–	228.2	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	1,463.4	420.0	1,043.4	(7.2)	–	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	500.0	–	500.0	(1.5)	8.8	507.3		
Total bank and loan notes	1,963.4	420.0	1,543.4	(8.7)	8.8	1,543.5		
Bank overdraft – UK cash pool						1.0		
Other loans						3.2		
						1,547.7		

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 of $37 million were used to prepay part of Facility B under the requirements of the loan documentation.

As at 31 December 2017, the Group had $500 million of US 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.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Sterling $m	US dollar $m	Euro $m	Total $m
31 December 2017				
Bank overdrafts	2.9	0.4	0.7	4.0
Bank loans	–	813.3	–	813.3
Loan notes	–	502.2	–	502.2
Other loans	0.3	3.0	–	3.3
	3.2	1,318.9	0.7	1,322.8
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

The average floating interest rates on borrowings are as follows:

	2017	2016
Sterling	1.3%	1.4%
US dollar	3.1%	2.5%
Euros	0.0%	0.0%

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 2017, 55% (2016: 65%) of the Group's borrowings are fixed at a weighted average interest rate of 3.5% (2016: 3.3%) for a weighted average period of three years (2016: three years).

Bank overdrafts are repayable on demand. All bank loans and loan notes are unsecured.

Notes to the Consolidated Financial Statements – continued

17. Financial instruments

Categories of financial instruments

The carrying values of the financial instruments of the Group are analysed below:

	2017 Carrying value $m	2016 Carrying value $m
Financial assets		
Fair value through profit or loss – foreign exchange contracts[a]	–	2.7
Derivative instruments held in fair value hedges[b]	1.5	5.5
Derivative instruments in cash flow hedges	10.4	3.9
Available for sale investments	5.4	4.5
Loans and receivables (including cash and cash equivalents)[c, d]	395.8	406.5
	413.1	423.1
Financial liabilities		
Fair value through profit or loss – foreign exchange contracts[a]	(2.5)	(0.9)
Derivative instruments held in fair value hedges[b]	(0.3)	–
Derivative instruments held in cash flow hedges	(2.3)	(9.4)
Financial liabilities at amortised cost[d]	(1,233.6)	(1,507.4)
Financial liabilities at fair value	(402.0)	(406.4)
	(1,640.7)	(1,924.1)

[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 (2016: $5.7 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	2017		2016	
	Notional amount $m	Fair value $m	Notional amount $m	Fair value $m
Cash flow hedges				
Interest rate swaps	(526.6)	6.6	(590.0)	3.4
Foreign exchange forward contracts	(75.5)	3.8	1.9	0.5
Fair value hedges				
Interest rate swaps	(270.0)	1.5	(400.0)	5.5
Derivatives not in a formal hedge relationship				
Foreign exchange forward contracts	0.9	–	159.9	2.7
	(871.2)	11.9	(828.2)	12.1

Derivative financial liabilities measured at fair value	2017 Notional amount $m	2017 Fair value $m	2016 Notional amount $m	2016 Fair value $m
Cash flow hedges				
Interest rate swaps	(100.0)	(1.0)	(455.0)	(3.5)
Foreign exchange forward contracts	(4.1)	(1.3)	(55.5)	(5.9)
Fair value hedges				
Interest rate swaps	(130.0)	(0.3)	–	–
Derivatives not in a formal hedge relationship				
Foreign exchange forward contracts	309.4	(2.5)	48.4	(0.9)
	75.3	(5.1)	(462.1)	(10.3)

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:

	2017 Asset fair value $m	2017 Liability fair value $m	2016 Asset fair value $m	2016 Liability fair value $m
Current				
Less than one year	3.4	(4.6)	3.0	(6.3)
Total current	3.4	(4.6)	3.0	(6.3)
Non-current				
One to two years	1.2	(0.2)	2.5	(3.7)
Two to three years	6.4	–	–	(0.3)
Three to four years	0.5	(0.2)	3.4	–
Four to five years	–	–	2.1	–
More than five years	0.4	(0.1)	1.1	–
Total non-current	8.5	(0.5)	9.1	(4.0)
	11.9	(5.1)	12.1	(10.3)

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:

	2017 US dollar $m	2017 Sterling $m	2017 Total $m	2016 US dollar $m	2016 Sterling $m	2016 Total $m
BBA Aviation Insurances Limited	0.7	0.8	1.5	11.3	0.7	12.0
BBA Aviation Insurances (Vermont) Inc	9.3	–	9.3	15.2	–	15.2
Total	10.0	0.8	10.8	26.5	0.7	27.2

Notes to the Consolidated Financial Statements – continued

17. Financial instruments – continued

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

The Group's activities expose it 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 3.5x and minimum net interest cover of 3.0x (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 4.0x 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 covenant reverted back to 3.5x for 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 2017, the majority of the Group's net borrowings were denominated in US dollars as set out below:

	2017				
	US dollar $m	Euros $m	Sterling $m	Other $m	Total $m
Cash and cash equivalents	95.9	19.1	27.9	10.6	153.5
Borrowings and finance leases	(1,320.2)	(0.7)	(3.2)	–	(1,324.1)
Net borrowings per the Balance Sheet	(1,224.3)	18.4	24.7	10.6	(1,170.6)

	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)

Within the Group's definition of net debt the US Private Placement (USPP) is included at its face value of $500 million (2016: $500 million) reflecting the fact that the liabilities will be in place until maturity. This is $2.2 million (2016: $7.3 million) lower than the carrying value, adjusted for the deduction of debt issuance costs. The net carrying value as at 2017 was $502.2 million (2016: $507.3 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.

		2017	
	US dollar $m	Euros $m	Total $m
Net foreign exchange transaction cash flow exposure	86.8	0.7	87.5
Derivative effect – foreign exchange contracts spot/forwards	(80.0)	(0.6)	(80.6)
Net asset position excluding inter-company debt post hedging effect	6.8	0.1	6.9

		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

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to $10.1 million (2016: $1.3 million) has been recognised in other comprehensive income. A gain of $2.2 million (2016: gain of $4.5 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 $11.1 million (2016: $34.6 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.

Notes to the Consolidated Financial Statements – continued

17. Financial instruments – continued

The fixed/floating interest rate mix within net debt and other financial instruments is as follows:

	2017		
	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	–	(170.2)	(171.0)
Between two and five years	–	(476.3)	(471.4)
After five years	–	(74.9)	(84.2)
Total fixed interest rate (adjusted for interest rate hedging)	–	(721.4)	(726.6)
Floating interest rate	153.5	(602.7)	(602.7)
Total interest-bearing assets/(liabilities) within net debt	153.5	(1,324.1)	(1,329.3)

	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)

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 $626.6 million (2016: $1,045.0) interest rate swaps as cash flow hedges of which $nil (2016: $150 million) are forward starting interest rate swaps and the fair value loss of $1.7 million (2016: gain of $5.4 million) has been recognised in other comprehensive income. A charge of $4.0 million (2016: charge of $7.3 million) has been booked against hedged interest payments made in the period.

As detailed in note 16, $400 million of the $500 million 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 $4.3 million on the swaps has been recognised in the income statement (2016: loss of $3.8 million) which has been offset by the fair value gain on the related fixed rate debt of $4.3 million (2016: gain of $3.8 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.

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 2017 and 31 December 2016, 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 in 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:

	2017							
	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	141.2	32.8	0.3	0.2	311.4	485.9	7.7	493.6
Due between one and two years	18.8	386.7	0.3	0.2	–	406.0	1.4	407.4
Due between two and three years	18.8	462.0	0.3	3.3	–	484.4	0.4	484.8
Due between three and four years	184.3	–	0.3	–	–	184.6	0.2	184.8
Due between four and five years	9.8	–	0.1	–	–	9.9	0.1	10.0
Due in more than five years	227.8	–	0.3	–	–	228.1	–	228.1
Total	600.7	881.5	1.6	3.7	311.4	1,798.9	9.8	1,808.7

Notes to the Consolidated Financial Statements – continued

17. Financial instruments – continued

	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	0.3	0.2	–	172.8	2.0	174.8
Due between two and three years	17.9	610.6	0.3	3.4	–	632.2	(0.1)	632.1
Due between three and four years	17.9	460.4	0.3	–	–	478.6	–	478.6
Due between four and five years	183.5	–	0.3	–	–	183.8	–	183.8
Due in more than five years	234.9	–	0.6	–	–	235.5	–	235.5
Total	618.8	1,136.2	2.1	3.8	364.4	2,125.3	10.2	2,135.5

The maturity profile of the Group's financial derivatives using undiscounted cash flows is as follows:

	2017		2016	
	Payable $m	Receivable $m	Payable $m	Receivable $m
Due within one year	(612.4)	612.2	(339.4)	336.6
Due between one and two years	(93.5)	96.8	(44.7)	46.2
Due between two and three years	(32.6)	34.6	(23.5)	26.5
Due between three and four years	(11.1)	11.0	(18.7)	20.7
Due between four and five years	(6.7)	6.6	(11.5)	11.0
Due in more than five years	(10.2)	10.0	(17.7)	16.7
Total	(766.5)	771.2	(455.5)	457.7

Sensitivity analysis as at 31 December 2017

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 2017 and 2016 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.

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.

	2017		2016	
	Income statement $m	Other comprehensive income $m	Income statement $m	Other comprehensive income $m
£/$ FX rates – £ strengthens 10%	–	7.3	–	4.9
£/$ FX rates – £ weakens 10%	–	(8.9)	–	(6.0)
£/euro FX rates – £ strengthens 10%	–	0.1	–	0.1
£/euro FX rates – £ weakens 10%	–	(0.1)	–	(0.1)
Interest rates +1.00%	(4.4)	21.5	(5.5)	36.0
Interest rates –1.00%	6.1	(22.8)	3.8	(38.6)

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 $0.4 million (2016: $0.1 million) for each 1% movement in the £/$ exchange rate.

18. Provisions

	Beginning of year $m	Exchange rate adjustments $m	Reallocation to/from other assets/ liabilities $m	From acquisitions[1] $m	Charged in year $m	Utilised in year $m	Transfer to Assets held for sale $m	Unwind $m	Released in year $m	End of year $m
31 December 2017										
Insurance	28.6	1.5	–	–	11.2	(12.5)	–	1.0	–	29.8
Discontinued operations	11.3	0.2	0.7	–	1.2	(1.8)	–	0.4	–	12.0
Environmental	9.5	(0.1)	0.2	–	0.8	(1.4)	–	–	–	9.0
Warranty	10.8	0.3	–	4.5	2.4	(4.5)	–	–	–	13.5
Other	6.9	0.5	(0.2)	–	–	(1.7)	–	–	(1.0)	4.5
	67.1	2.4	0.7	4.5	15.6	(21.9)	–	1.4	(1.0)	68.8
31 December 2016										
Insurance	28.1	(2.9)	–	–	19.8	(13.0)	–	–	(3.4)	28.6
Restructuring	4.5	0.1	–	–	–	(4.6)	–	–	–	–
Discontinued operations	17.3	–	–	–	1.2	(7.1)	–	–	(0.1)	11.3
Environmental	2.1	(0.3)	–	8.1	0.3	(0.7)	–	–	–	9.5
Warranty	5.1	(0.4)	–	4.3	2.8	(0.9)	–	–	(0.1)	10.8
Other	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

1 Included within the acquisitions of $4.5 million (2016: $21.8 million) is a $1.4 million (2016: $nil) warranty that was acquired and not accounted for as a business combination under IFRS 3 and hence not presented under note 24.

Notes to the Consolidated Financial Statements – continued

18. Provisions – continued

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 (2016: 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.

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 $12.0 million (2016: $11.3 million) is partially offset by expected recoveries from third parties of $5.7 million (2016: $5.7 million), which are included within trade and other receivables due after one year of $5.0 million, (2016: $5.0 million) and trade and other receivables due within one year of $0.7 million (2016: $0.7 million) in note 12. The liabilities have an expected life of up to 50 years (2016: 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 (2016: ten years).

Warranty provisions relate to warranties issued in the Aftermarket Services division. The liabilities have an expected life of up to ten years (2016: ten years).

Other provisions relate to other trading matters from the acquisition of Landmark Aviation in the prior year. The trading matters included onerous leases, liabilities for indirect taxes and property dilapidation provisions. The liabilities have an expected life of up to ten years (2016: ten years).

Analysed as:	2017 $m	2016 $m
Current liabilities	32.2	27.6
Non-current liabilities	36.6	39.5
	68.8	67.1

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 $9.7 million (2016: $13.1 million) of which $6.2 million (2016: $8.9 million) was in respect of schemes outside the United Kingdom. This includes $8.9 million (2016: $10.9 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 2016 or 2017. 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 fair value of the annuity policy has been set equal to the present value of the related benefit payments.

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 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. At the time the funding plan was agreed, if the assumptions made are borne out in practice the funding deficit will be eliminated by 31 March 2034. The next actuarial valuation is due as at 31 March 2018, at which point the funding deficit and funding plan will be reviewed. During the year the Company has appointed a sole professional trustee. This decision was taken to improve scheme governance, enable more efficient and quicker decision making, and reduce costs. The sole trustee continues to act on behalf of the scheme members.

The US Minimum Funding actuarial valuation for the BBA retirement plan as at 1 January 2017 indicated a funding deficit of $3.2 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 2018.

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 IAS 19, and therefore is not included as part of the Group's pensions disclosures under IAS 19. 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 2017 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.

Notes to the Consolidated Financial Statements – continued

19. Pensions and other post-retirement benefits – continued

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 Company and Trustee agreed to merge the assets and liabilities of the NEA Scheme into the IPP, with an effective date of 31 December 2017. This decision was taken to reduce running costs of two separate plans and improve overall efficiency. Members in the NEA Scheme will continue to receive the same benefits following the merger. 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.

During December 2017, the main US plan undertook a bulk transfer exercise, extinguishing the liabilities for a number of members of the scheme. In total, $8.6 million of assets were transferred out of the scheme, with a corresponding decrease in the IAS 19 liabilities as at 31 December 2017 of $10.7 million.

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 2017. The following weighted average financial assumptions have been adopted:

	United Kingdom		North America	
	2017	2016	2017	2016
Per annum (%)				
Discount rate	2.35	2.5	3.5	4.1
Rate of increase to pensionable salaries	–	–	–	–
Price inflation	3.1	3.2	2.3	2.3
Rate of increase to pensions in payment	3.0	3.1	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 2017 are as follows:

	2017		2016	
	Male	Female	Male	Female
Life expectancy for a current 65-year-old (years)	22.0	24.1	22.1	24.3
Life expectancy for a 65-year-old in 15 years (years)	23.2	25.7	23.5	26.2

For the US post-retirement medical plan, the immediate trend rate for medical benefits was 8.50% which is assumed to reduce by 0.5% per annum to 4.5% in 2026 onwards.

The fair value of the assets and liabilities of the schemes at each balance sheet date were:

	United Kingdom		North America		Total	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Assets						
Equities	143.2	138.9	16.1	16.9	159.3	155.8
Government bonds	115.5	32.5	0.4	–	115.9	32.5
Corporate bonds	47.9	83.9	15.3	20.4	63.2	104.3
Property	37.7	29.8	2.3	2.5	40.0	32.3
Insurance policies	379.4	361.7	–	–	379.4	361.7
Cash	9.3	32.7	1.7	0.9	11.0	33.6
Total fair value of scheme assets	733.0	679.5	35.8	40.7	768.8	720.2

For the UK plans, at 31 December 2017, a total of $571.0 million of assets were not quoted on an active investment market (comprising $145.2 million equities, $37.4 million property, $379.4 million of insurance policies and $9.0 million of cash). All of the assets in respect of the US plans were quoted on an active investment market.

Present value of defined benefit obligations	(784.2)	(737.3)	(56.3)	(65.7)	(840.5)	(803.0)
Liability recognised on the Balance Sheet	(51.2)	(57.8)	(20.5)	(25.0)	(71.7)	(82.8)

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 $2.6 million (2016: $2.9 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	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Analysis of Income Statement charge						
Current service cost	–	0.8	–	–	–	0.8
Net interest on the net defined benefit liability	1.5	0.4	1.0	1.0	2.5	1.4
Administration expenses	1.5	1.6	1.3	0.7	2.8	2.3
Recognition of past service cost	–	1.4	(2.1)	–	(2.1)	1.4
Expense recognised in Income Statement	3.0	4.2	0.2	1.7	3.2	5.9

Notes to the Consolidated Financial Statements – continued

19. Pensions and other post-retirement benefits – continued

	United Kingdom		North America		Total	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Changes to the present value of the defined benefit obligation during the year						
Defined benefit obligation at beginning of year	737.3	739.6	65.7	66.1	803.0	805.7
Current service cost	–	0.8	–	–	–	0.8
Interest cost	18.9	24.5	2.6	2.7	21.5	27.2
Contributions by plan participants	–	0.2	–	–	–	0.2
Past service cost	–	1.4	–	–	–	1.4
Actuarial (gains)/losses due to change in financial assumptions	5.9	158.2	4.3	2.0	10.2	160.2
Net increase in liabilities from acquisitions	–	3.8	–	–	–	3.8
Actuarial (gains)/losses due to change in demographic assumptions	(6.7)	–	(0.5)	(1.2)	(7.2)	(1.2)
Experience (gains)/losses on scheme liabilities	(4.4)	(10.3)	(0.9)	0.1	(5.3)	(10.2)
Net benefits paid out	(37.7)	(42.9)	(4.2)	(4.0)	(41.9)	(46.9)
Settlement from liabilities	–	–	(10.7)	–	(10.7)	–
Foreign currency exchange rate changes	70.9	(138.0)	–	–	70.9	(138.0)
Defined benefit obligation at end of year	784.2	737.3	56.3	65.7	840.5	803.0

	United Kingdom		North America		Total	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Changes to the fair value of scheme assets during the year						
Fair value of scheme assets at beginning of year	679.5	725.5	40.7	40.1	720.2	765.6
Interest income on scheme assets	17.4	24.1	1.6	1.7	19.0	25.8
Actual employer contributions	5.5	6.5	2.9	2.0	8.4	8.5
Contributions by plan participants	–	0.2	–	–	–	0.2
Net benefits paid out	(37.7)	(42.9)	(4.2)	(4.0)	(41.9)	(46.9)
Actuarial gains/(losses) on assets	4.2	94.9	4.7	1.6	8.9	96.5
Net increase in assets from acquisitions	–	3.6	–	–	–	3.6
Settlement from assets	–	–	(8.6)	–	(8.6)	–
Administration expenses	(1.5)	(1.6)	(1.3)	(0.7)	(2.8)	(2.3)
Foreign currency exchange rate changes	65.6	(130.8)	–	–	65.6	(130.8)
Fair value of plan assets at end of year	733.0	679.5	35.8	40.7	768.8	720.2

At 31 December 2017, the largest single category of investment held by the UK Plans are annuities purchased from Legal and General which match the liabilities associated with pensioner members, with a value of $379.4 million (51.8% of the asset holding at 31 December 2017). 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	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Actual return on scheme assets	21.5	119.0	6.3	3.3	27.8	122.3

	United Kingdom		North America		Total	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Analysis of amounts recognised in the statement of comprehensive income						
Liability (losses)/gains due to changes in financial assumptions	(5.9)	(158.2)	(4.3)	(2.0)	(10.2)	(160.2)
Liability gains/(losses) due to changes in demographic assumptions	6.7	–	0.5	1.2	7.2	1.2
Asset gains/(losses) arising during the period	4.2	94.9	4.7	1.6	8.9	96.5
Experience gains/(losses) on scheme liabilities	4.4	10.3	0.9	(0.1)	5.3	10.2
Total gains/(losses) before exchange (losses)/gains	9.4	(53.0)	1.8	0.7	11.2	(52.3)
Exchange gains	(5.3)	7.1	–	–	(5.3)	7.1
Total gains/(losses) recognised in the statement of comprehensive income	4.1	(45.9)	1.8	0.7	5.9	(45.2)

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	(29.9)	(1.5)
Decrease of 0.25% in discount rate	31.9	1.5
Increase of 0.25% in inflation	27.2	0.2
Decrease of 0.25% in inflation	(25.9)	(0.2)
Increase of 0.25% in pension increase rate	20.6	0.2
Decrease of 0.25% in pension increase rate	(19.8)	(0.2)
Increase of one year in life expectancy	37.1	2.2
Decrease of one year in life expectancy	(37.1)	(2.2)

Notes to the Consolidated Financial Statements – continued

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 2018 are estimated to be as follows:	5.7	1.3	7.0

20. Deferred tax

	Property, plant and equipment $m	Other (liabilities)/ 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 2016	(6.3)	28.4	(132.7)	21.9	13.3	0.5	(74.9)
Credit/(expense) for the year from continuing operations	10.6	17.8	46.0	2.3	(0.5)	1.1	77.3
Credit/(expense) for the year from discontinued operations	(1.8)	7.6	(1.3)	(0.2)	–	–	4.3
Credit to other comprehensive income and equity	–	2.1	–	–	9.3	0.6	12.0
Expense to other comprehensive income and equity	(3.6)	(3.0)	(154.1)	1.9	–	–	(158.8)
Acquisitions/disposals	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)
Expense/(credit) for the year from continuing operations	1.0	8.7	(3.7)	(23.3)	(2.3)	(0.3)	(19.9)
Expense/(credit) for the year from continuing operations relating to US tax reform	(4.2)	(53.0)	64.9	–	(2.9)	–	4.8
Expense/(credit) for the year from discontinued operations	(0.3)	3.7	(0.3)	0.9	–	–	4.0
Expense/(credit) for the year from discontinued operations relating to US tax reform	–	(1.2)	–	–	–	–	(1.2)
(Credit)/expense to other comprehensive income and equity	–	(2.7)	–	–	(1.6)	–	(4.3)
Acquisitions	–	–	(1.4)	–	–	–	(1.4)
Other	1.8	1.7	0.1	(1.0)	–	–	2.6
Exchange adjustments	(0.7)	0.2	(2.9)	0.1	0.9	0.2	(2.2)
Balance as at 31 December 2017	2.1	(1.0)	(156.5)	1.1	14.9	1.7	(137.7)

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:

	2017 $m	2016 $m
Deferred tax liabilities	(137.8)	(120.5)
Deferred tax assets	0.1	0.4
	(137.7)	(120.1)

On 22 December 2017, the United States enacted tax reform that implements substantial changes to the federal tax system reducing the headline federal tax rate from 35% to 21% and limiting interest deductions to a maximum of 30% of US EBITDA. The impact of the tax reform has meant a re-measurement of a deferred tax asset related to financing costs from prior years amounting to a charge of $54.5 million reflected in continuing operations, whilst additionally the reduction in the headline rate of tax has resulted in a revaluation of US deferred tax attributes amounting to a credit of $58.1 million.

The net impact of this tax reform ($3.6 million credit) has been reflected in the exceptional and other items tax result (continuing $4.8 million credit and discontinued $1.2 million charge).

At the balance sheet date, the Group has gross temporary differences and tax losses of $1.6 billion (2016: $1.2 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 $nil (2016: $9.5 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 $nil (2016: $13.0 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.

Notes to the Consolidated Financial Statements – continued

21. Share capital and reserves

Share capital	Allotted, called up and fully paid 2017 millions	2016 millions
Number of shares		
Ordinary $29^{16}/_{21}$p shares		
At the start of the year	1,044.9	1,044.5
Issued during the year	0.4	0.4
At the end of the year	1,045.3	1,044.9
5% cumulative preference £1 shares at the start and end of the year	0.2	0.2

Nominal value of shares	2017 $m	2016 $m
Equity shares		
Ordinary $29^{16}/_{21}$p shares	509.0	508.7
Non-equity shares		
5% cumulative preference £1 shares	0.2	0.2
	509.2	508.9

Issue of share capital

During the year, the Group issued 0.4 million (2016: 0.4 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 (2016: $0.3 million).

	2017 $m	2016 $m
Reserves attributable to equity interests		
Share premium account		
Beginning of year	1,594.5	1,594.4
Issue of share capital	–	0.1
End of year	1,594.5	1,594.5
Other reserve		
Beginning of year	(1.0)	1.0
Fair value movements on available for sale financial instruments	(4.4)	(2.0)
End of year	(5.4)	(1.0)
Treasury reserve		
Beginning of year	(91.0)	(90.0)
Purchase of own shares	(4.9)	(2.4)
Sale/transfer of own shares	5.2	1.1
Transfer from retained earnings	(2.1)	0.3
End of year	(92.8)	(91.0)

	2017 $m	2016 $m
Capital reserve		
Beginning of year	45.1	38.1
Credit to equity for equity-settled share-based payments	10.0	9.1
Transfer to retained earnings on exercise of equity-settled share-based payments	(4.7)	(2.1)
End of year	50.4	45.1
Hedging reserve		
Beginning of year	(13.9)	(12.6)
Increase/(decrease) in fair value of cash flow hedging derivatives	11.8	(4.1)
Transfer to Income Statement	1.8	2.8
End of year	(0.3)	(13.9)
Translation reserve		
Beginning of year	(73.2)	(74.4)
Exchange differences on translation of foreign operations	(0.4)	1.2
End of year	(73.6)	(73.2)
Retained earnings		
Beginning of year	(52.2)	208.2
Transfer from capital reserve on exercise of equity-settled share-based payments	4.7	2.1
Transfer to treasury reserve	2.1	(0.3)
Deferred tax on items taken directly to reserves	(4.6)	13.3
Actuarial gains/(losses)	11.2	(52.3)
Dividends paid	(130.7)	(124.3)
Profit/(loss) for the year	119.4	(98.9)
End of year	(50.1)	(52.2)

At 31 December 2017, 2,319,074 ordinary $29^{16}/_{21}$p shares (2016: 4,428,002 shares) with a nominal value of £0.7 million (2016: £1.3 million) and a market value of $11.0 million (2016: $15.4 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.

Notes to the Consolidated Financial Statements – continued

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:

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	6,160,905	113p	4,164,391	151p
Granted during the year	1,060,204	245p	3,685,380	162p
Exercised during the year	(2,274,826)	170p	(689,034)	76p
Lapsed during the year	(1,928,970)	159p	(999,832)	178p
Outstanding at the end of the year	3,017,313	195p	6,160,905	113p

The weighted average share price at the date of exercise for share options exercised during the period was 308.83p (2016: 220.93p). The options outstanding at 31 December 2017 had weighted average remaining contractual life of 24 months (2016: 26 months), and an exercise price range of 112p to 303p (2016: 156p to 248p). Options of 56,432 (2016: 221,896) shares were granted under the BBA UK Share Option Plan in the year. 1,003,772 options (2016: 3,463,484) 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 2017	Issued in September 2017	Issued in March 2016
Weighted average share price (pence)	305	298	202
Weighted average exercise price (pence)	303	242	160
Expected volatility (%)	27.8%	27.8%	23.9%
Expected life (months)	36	48	36
Risk-free rate (%)	0.12%	0.12%	0.56%
Expected dividend yield (%)	1.78%	1.78%	4.61%

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 2017	Number of shares 2016
Outstanding at the beginning of the year	13,477,137	11,135,460
Granted during the year	4,406,452	6,471,140
Exercised during the year	(1,326,413)	(825,123)
Lapsed during the year	(3,353,502)	(3,304,340)
Outstanding at the end of the year	13,203,674	13,477,137

The awards outstanding at 31 December 2017 had a weighted average remaining contractual life of 16 months (2016: 18 months). The weighted average fair value of conditional shares granted in the year was 209p (2016: 167p).

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 2017	Issued in March 2016
Weighted average share price (pence)	305	194
Expected volatility (%)	27.8%	23.9%
Expected life (months)	36	36
Risk-free rate (%)	0.12%	0.56%
Expected dividend yield (%)	1.78%	4.75%

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 $9.9 million (2016: $9.1 million) related to equity-settled share-based payment transactions and $nil (2016: $0.7 million) related to cash-settled share-based payment transactions during the year. $0.4 million (2016: $3.7 million) of that expense was classified as exceptional and other costs in relation to restructuring.

(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.

Notes to the Consolidated Financial Statements – continued

23. Cash flow from operating activities

All alternative performance measures are reconciled to IFRS measures and explained on pages 174 –178.

	2017 $m	2016 $m
Operating profit	237.6	166.1
Operating profit from discontinued operations	(0.2)	26.8
Share of profit from associates and joint ventures	(3.4)	(13.4)
Profit from operations	234.0	179.5
Depreciation of property, plant and equipment	71.4	69.7
Amortisation of intangible assets	109.9	114.2
Profit on sale of property, plant and equipment	(2.2)	(4.3)
Share-based payment expense	9.9	6.1
Decrease in provisions	(7.3)	(7.8)
Pension scheme payments	(5.1)	(6.6)
Non-cash impairment	15.7	–
Other non-cash items	1.3	2.5
Unrealised foreign exchange movements	(0.5)	1.3
Operating cash inflows before movements in working capital	427.1	354.6
(Increase)/decrease in working capital	(46.3)	36.1
Cash generated by operations	380.8	390.7
Net income taxes paid	(41.8)	(15.8)
Net cash inflow from operating activities	339.0	374.9
Dividends received from associates	2.4	2.4
Purchase of property, plant and equipment	(73.4)	(101.6)
Purchase of intangible assets*	(6.9)	(0.8)
Proceeds from disposal of property, plant and equipment	16.8	11.1
Interest received	3.3	2.7
Interest paid	(60.5)	(64.5)
Interest element of finance leases paid	(0.1)	(0.1)
Free cash flow	220.6	224.1

* Purchase of intangible assets excludes $5.0 million (2016: $10.6 million) paid in relation to Ontic licences,not accounted for as acquisitions under IFRS 3 since the directors believe these payments are more akin to expenditure in relation to acquisitions, and are therefore outside 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.

24. Acquisition of businesses

During the year the Group made the following acquisitions:

On 30 November 2017, the Group's Ontic business acquired intellectual property for designed motor components for aerospace use from Hamiltonian Sunstrand Corporation ("HSC"), a UTC Aerospace Systems company ("UTAS") for a total consideration of $2.3 million.

On 29 November 2017, the Group's Ontic business acquired an Ethernet Switch Unlit (ESU) product line for use in military ground combat vehicles from Curtiss-Wright Defense Solutions (CW) for a total consideration of $5.0 million.

On 31 October 2017, the Group's Ontic business acquired from Ultra Electronics Plc ("Ultra") the intellectual property to support a variety of parts that are fitted onto the Hawk platform for a total consideration of £3.8 million or $4.9 million.

On 29 March 2017, 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 $1.9 million, of which is $0.7 million is deferred.

As disclosed in the 2016 Annual Report and Accounts, Ontic completed the acquisition of the GE Aviation portfolio and the Q400 parts series. The purchase price accounting has been finalised with the measurement period adjustments tabulated on the next page. In the year, an increase in goodwill of $0.9 million has been recognised as a result of completing final fair value exercise for Ontic's GE Aviation portfolio acquisition.

Notes to the Consolidated Financial Statements – continued

The fair value of the net assets acquired, measurement period adjustments and goodwill arising on these acquisitions are set out below:

	Aftermarket Services $m	Total 2017 $m
Intangible assets	17.9	17.9
Inventories	(0.3)	(0.3)
Receivables	(0.5)	(0.5)
Payables	0.6	0.6
Provisions	(3.1)	(3.1)
Taxation	(1.4)	(1.4)
Net assets	13.2	13.2
Goodwill	0.9	0.9
Total consideration (including deferred consideration)	14.1	14.1
Satisfied by:		
Cash	13.4	13.4
Deferred consideration	0.7	0.7
Net cash consideration	14.1	14.1
Net cash flow arising on acquisition		
Cash consideration	13.4	13.4
	13.4	13.4

All acquisition costs incurred in the year are in relation to the acquisition of Ontic's GE Aviation portfolio. These costs were recognised as part of transaction costs under exceptional and other items. Refer to note 2 for further details.

In 2017, $0.8 million of deferred consideration was paid in relation to prior year acquisitions in Signature, $60.7 million was paid in relation to the Ontic GE Aviation portfolio and $0.8 million was paid in relation to prior year acquisitions in Ontic. In the prior year, $0.8 million of deferred consideration was paid in relation to prior year acquisitions in Ontic.

24. Acquisition of businesses – continued

The goodwill arising on these acquisitions is attributable to anticipated future operating synergies. $0.9 million of the goodwill is expected to be deductible for income tax purposes.

In the period since acquisition, the operations acquired during 2017 have contributed $0.6 million and $0.3 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 $5.6 million and $1.2 million respectively.

Notes to the Consolidated Financial Statements – continued

25. Disposals and assets and associated liabilities classified as held for sale

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.

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.

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.

Results of discontinued operations

		2017			2016		
	Notes	Underlying[1] $m	Exceptional and other items $m	Total $m	Underlying[1] $m	Exceptional and other items $m	Total $m
Revenue	2	38.4	–	38.4	416.8	–	416.8
Cost of sales		(35.9)	–	(35.9)	(373.9)	–	(373.9)
Gross profit		2.5	–	2.5	42.9	–	42.9
Distribution costs		–	–	–	(2.0)	–	(2.0)
Administrative expenses		(2.7)	–	(2.7)	(31.9)	(0.7)	(32.6)
Other operating income		–	–	–	1.1	–	1.1
Share of profits of associates and joint ventures	10	–	–	–	–	–	–
Other operating expenses		–	–	–	(1.2)	–	(1.2)
Operating (loss)/profit incl. group charges		(0.2)	–	(0.2)	8.9	(0.7)	8.2
Elimination of internal group charges		–	–	–	18.6	–	18.6
Operating (loss)/profit	1, 2	(0.2)	–	(0.2)	27.5	(0.7)	26.8
Impairment and other charges on classification as held for sale[2]		–	(6.6)	(6.6)	–	(109.1)	(109.1)
Investment income	3	–	–	–	0.3	–	0.3
Finance costs	3	–	–	–	(0.4)	–	(0.4)
(Loss)/profit before tax		(0.2)	(6.6)	(6.8)	27.4	(109.8)	(82.4)
Tax (charge)/credit	4	0.2	(15.9)	(15.7)	(9.5)	12.3	2.8
(Loss)/profit for the period		–	(22.5)	(22.5)	17.9	(97.5)	(79.6)
Attributable to:							
Equity holders of BBA Aviation plc		–	(22.5)	(22.5)	18.3	(97.5)	(79.2)
Non-controlling interests		–	–	–	(0.4)	–	(0.4)
Profit/(loss) for the period		–	(22.5)	(22.5)	17.9	(97.5)	(79.6)

Earnings per share	Note	Adjusted[1]	Unadjusted	Adjusted[1]	Unadjusted
Basic	6	–	(2.2)¢	1.7¢	(7.7)¢
Diluted	6	–	(2.2)¢	1.7¢	(7.7)¢

1 Underlying profit and adjusted earnings per share is stated before exceptional and other items.
2 The impairment of $6.6 million reported in exceptional and other items includes the recycling of translational differences accumulated in equity, additional disposal costs and the gain/(loss) on disposal. In the prior year 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 174-178.

25. Disposals and assets and associated liabilities classified as held for sale – continued

Cash flows from/(used in) discontinued operation

	2017 $m	2016 $m
Net cash inflow from operating activities	(33.4)	18.8
Net cash outflow from investing activities	–	(10.0)
Net cash inflow/(outflow) from financing activities	–	(1.7)
Net cash flows for the year[1]	(33.4)	7.1

1 Net cash flows for the year comprise the ($0.2 million) operating loss, ($25.7 million) working capital movement, $0.9 million non-cash items and ($8.4 million) tax payment in relation to the discontinued operation.

Effect of the disposal group on financial position of the Group

	Notes	2017 $m	2016 $m
Assets held for sale			
Non-current assets			
Goodwill	8	–	70.6
Other intangible assets	8	–	6.1
Property, plant and equipment	9	–	63.4
		–	140.1
Current assets			
Inventories	11	–	4.0
Trade receivables	12	–	72.9
Other receivables	12	–	27.9
Cash and cash equivalents	12	–	22.8
		–	127.6
Total assets held for sale		–	267.7
Liabilities held for sale			
Current liabilities			
Trade payables	13	–	(38.0)
Tax liabilities		–	(0.2)
Other payables	13	–	(33.6)
Borrowings	16	–	–
Provisions	18	–	(0.6)
		–	(72.4)
Non-current liabilities			
Borrowings	16	–	–
Other payables	13	–	(16.9)
Provisions	18	–	–
		–	(16.9)
Total liabilities held for sale before tax		–	(89.3)
Net assets held for sale		–	178.4

Notes to the Consolidated Financial Statements – continued

2016 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 were 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 2016.

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 in 2016 the disposal group contributed $nil 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.

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:

	2017 $m	2016 $m
Short-term benefits	8.8	7.7
Post-employment benefits	0.4	0.5
Share-based payments	2.0	2.7
	11.2	10.9

Post-employment benefits include contributions of $0.4 million (2016: $0.5 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 56-84.

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	
	2017 $m	2016 $m	2017 $m	Restated 2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Associates	14.4	5.7	610.5	359.4	2.0	1.5	64.7	46.8

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. Prior year purchases of goods have been restated to include fuel purchases previously omitted in the US.

At the balance sheet date, Group companies had loan receivables from associates and joint ventures of $2.0 million (2016: $2.2 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.

Company Balance Sheet

	Notes	2017 £m	2016 £m
Non-current assets			
Tangible fixed assets	3	0.7	1.0
Fixed asset investments	4	3,704.8	3,632.8
Derivative financial instruments	5	6.5	8.2
Other non-current assets	6	28.1	29.3
Deferred tax asset	10	7.8	10.6
		3,747.9	3,681.9
Current assets			
Derivative financial instruments	5	3.4	7.4
Other debtors	6	2,796.8	2,742.4
Corporation tax receivable		3.0	–
Cash at bank and in hand	8	34.8	38.2
		2,838.0	2,788.0
Current liabilities			
Creditors: amounts falling due within one year			
Borrowings	7, 8	(89.8)	(0.8)
Derivative financial instruments	5	(5.5)	(6.1)
Others	7	(3,676.2)	(3,110.4)
Corporate tax payable		–	(3.6)
Provisions	9	–	(0.2)
Net current liabilities		(933.5)	(333.1)
Total assets less current liabilities		2,814.4	3,348.8
Creditors: amounts falling due after more than one year			
Borrowings	8	(885.6)	(1,255.1)
Derivative financial instruments	5	(1.3)	(3.5)
Retirement benefit obligations	13	(37.9)	(46.7)
Provisions	9	(1.4)	(0.6)
Total net assets		1,888.2	2,042.9
Capital and reserves			
Called up share capital	11	311.1	310.9
Share premium account	11	978.7	978.7
Other reserves	11	207.1	200.2
Profit and loss account	11	391.3	553.1
Equity shareholders' funds		1,888.2	2,042.9

The financial statements of BBA Aviation plc (registered number 00053688) were approved by the Board of Directors on 28 February 2018 and signed on its behalf by:

Wayne Edmunds,
Interim Group Chief Executive

David Crook,
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 result for the financial year in the accounts of the Company amounted to £72.1 million loss (2016: £119.2 million profit).

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 2016		310.8	978.6	548.5	198.8	2,036.7
Profit for the year		–	–	119.2	–	119.2
Other comprehensive expense 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	11	–	–	–	(1.0)	(1.0)
Credit to equity for equity-settled share-based payments	11	–	–	–	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
Loss for the year		–	–	(72.1)	–	(72.1)
Other comprehensive income for the year		–	–	7.3	4.2	11.5
Total comprehensive (expense)/income for the year		–	–	(64.8)	4.2	(60.6)
Transfer between reserves		–	–	–	–	–
Dividends		–	–	(102.3)	–	(102.3)
Issue of share capital		0.2	–	–	–	0.2
Movement on treasury reserve	11	–	–	–	0.2	0.2
Credit to equity for equity-settled share-based payments	11	–	–	–	7.8	7.8
Tax on share-based payment transactions		–	–	–	–	–
Transfer to profit and loss account		–	–	5.3	(5.3)	–
Balance at 31 December 2017		311.1	978.7	391.3	207.1	1,888.2

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. The Company reports under Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The financial statements have been prepared on the going concern basis in accordance with the rationale set out in the Going Concern and Viability Statement on page 85 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.

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 Company 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 Company in line with the Company'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.

Financial statements

Accounting Policies of the Company – continued

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 FRS 101 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.

Notes to the Company Financial Statements

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 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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has concluded that for 2017 there are no critical accounting judgements or key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year.

1. Dividends

Details of the Company's dividends paid are provided in note 5 of 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 56-84.

Employees

	2017	2016
Average monthly number	45	54

	2017 £m	2016 £m
Salaries	5.7	7.1
Social security	1.2	1.0
Contributions to defined contribution plans	0.4	0.4
Expenses related to defined benefit plans	2.3	3.1
	9.6	11.6

Financial statements

Notes to the Company Financial Statements – continued

3. Tangible fixed assets

	Leasehold improvements 2017 £m	Plant and machinery 2017 £m	Total 2017 £m	Leasehold improvements 2016 £m	Plant and machinery 2016 £m	Total 2016 £m
Cost or valuation						
Beginning of year	0.8	1.2	2.0	0.8	1.4	2.2
Disposals	–	–	–	–	(0.2)	(0.2)
End of year	0.8	1.2	2.0	0.8	1.2	2.0
Accumulated depreciation						
Beginning of year	0.5	0.5	1.0	0.4	0.6	1.0
Depreciation charge for the year	0.1	0.2	0.3	0.1	0.1	0.2
Disposals	–	–	–	–	(0.2)	(0.2)
End of year	0.6	0.7	1.3	0.5	0.5	1.0
Net book value end of year						
Owned assets	–	0.5	0.5	–	0.7	0.7
Leasehold improvements	0.2	–	0.2	0.3	–	0.3
	0.2	0.5	0.7	0.3	0.7	1.0

	2017 £m	2016 £m
Land and buildings		
Short leasehold	0.2	0.3

4. Fixed asset investments

	2017 £m	2016 £m
Subsidiary undertakings		
Cost of shares		
Beginning of year	3,661.2	3,000.3
Additions	72.0	660.9
End of year	3,733.2	3,661.2
Provisions for impairments		
At beginning of year	(28.4)	(28.4)
End of year	(28.4)	(28.4)
Net book value end of year	3,704.8	3,632.8

The additions of £72.0 million in 2017 relate to an increase in the Company's investment in Balderton Aviation Holdings Limited.

The subsidiaries and related undertakings of BBA Aviation plc are listed on pages 166-172.

5. Derivative financial instruments

	2017 Current £m	2017 Non-current £m	2017 Total £m	2016 Current £m	2016 Non-current £m	2016 Total £m
Derivative financial assets						
Foreign exchange forward contracts	2.8	1.0	3.8	7.4	1.0	8.4
Interest rate swaps	0.6	5.5	6.1	–	7.2	7.2
	3.4	6.5	9.9	7.4	8.2	15.6
Derivative financial liabilities						
Foreign exchange forward contracts	(4.7)	(1.1)	(5.8)	(5.8)	(1.0)	(6.8)
Interest rate swaps	(0.8)	(0.2)	(1.0)	(0.3)	(2.5)	(2.8)
	(5.5)	(1.3)	(6.8)	(6.1)	(3.5)	(9.6)

Details of the foreign exchange forward contracts and interest rate swaps are provided in note 17 to the Consolidated Financial Statements.

6. Debtors

	2017 £m	2016 £m
Prepayments relating to the Company's pension scheme, note 12	28.1	29.3
Debtors due after one year	28.1	29.3
Amounts owed by subsidiary undertakings	2,795.0	2,738.3
Other debtors, prepayments and accrued income	1.8	4.1
Debtors due within one year	2,796.8	2,742.4

7. Creditors: amounts falling due within one year

	2017 £m	2016 £m
Borrowings (note 8)		
Bank loans and overdrafts	89.8	0.8
	89.8	0.8
Other		
Amounts owed to subsidiary undertakings	3,667.4	3,100.2
Other taxation and social security	0.2	0.2
Other creditors	2.2	3.0
Accruals and deferred income	6.4	7.0
	3,676.2	3,110.4

Notes to the Company Financial Statements – continued

8. Cash and borrowings

Borrowings summary	2017 £m	2016 £m
Medium-term loans		
Repayable between one and two years	271.2	99.0
Repayable between two and five years	459.0	985.0
Repayable in more than five years	155.4	171.1
Borrowings: due after more than one year	885.6	1,255.1
Short-term		
Overdrafts and borrowings repayable within one year (note 7)	89.8	0.8
Total borrowings	975.4	1,255.9
Cash at bank and in hand	(34.8)	(38.2)
Net borrowings/(cash)	940.6	1,217.7

Borrowings analysis	2017 £m	2016 £m
Unsecured		
Bank loans and overdrafts		
Sterling	0.2	0.4
US dollar	974.7	1,254.9
Other currencies	0.5	0.6
Total borrowings	975.4	1,255.9
Cash at bank and in hand	(34.8)	(38.2)
Net borrowings/(cash)	940.6	1,217.7

The interest rates on unsecured loans range from 3.4% to 5.9% per annum (2016: 2.9% to 5.9%) and repayments are due at varying dates up to 2026.

Operating lease commitments

At the balance sheet date, the Company has outstanding commitments under non-cancellable operating leases which fall due as follows:

Land and buildings	2017 £m	2016 £m
Within one year	0.4	0.4
One to five years	1.3	1.6
More than five years	–	0.1
Total outstanding commitments under non-cancellable operating leases	1.7	2.1

	2017 £m	2016 £m
Minimum lease payments under operating leases recognised as an expense in the year	0.4	0.4

9. Provisions

	Beginning of year £m	Charged in year £m	Utilised in year £m	Released in year £m	End of year £m
31 December 2017					
Discontinued operations	0.8	0.8	(0.2)	–	1.4
31 December 2016					
Discontinued operations	1.0	–	(0.2)	–	0.8

Analysed as:	2017 £m	2016 £m
Current liabilities	–	0.2
Non-current liabilities	1.4	0.6
	1.4	0.8

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.

10. Deferred tax

The following is the deferred tax liability recognised by the Company and movements thereon during the current and prior reporting period.

	£m
At 1 January 2016	1.6
Charge to profit and loss account	0.5
Charge to equity	8.5
At 1 January 2017	10.6
Charge to profit and loss account	(0.1)
Charge to equity	(1.7)
Effect of change in tax rate	
– profit and loss account	(1.1)
– equity	0.1
As at 31 December 2017	7.8

No deferred tax assets have been offset against deferred tax liabilities. At the balance sheet date the Company has no unused tax losses (2016: £nil) available for offset against future profits.

Notes to the Company Financial Statements – continued

11. 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.

	2017 £m	2016 £m
Reserves attributable to equity interests		
Share premium account		
Beginning of year	978.7	978.6
Premium on shares issued	–	0.1
End of year	978.7	978.7
Merger reserve		
Beginning and end of year	99.3	99.3
Capital reserve		
Beginning of year	159.2	154.0
Credit to equity for equity-settled share-based payments	7.8	6.7
Transfer to retained earnings on exercise of equity-settled share-based payments	(3.7)	(1.5)
End of year	163.3	159.2

	2017 £m	2016 £m
Treasury reserve		
Beginning of year	(58.2)	(57.4)
Purchase of own shares	0.2	(1.0)
Transfer to profit and loss account	(1.6)	0.2
End of year	(59.6)	(58.2)
Hedging reserve		
Beginning of year	(0.1)	2.9
Transfer to P&L reserves	–	(4.2)
Fair value movements in interest rate cash flow hedges	1.1	(4.2)
Transfer to profit or loss from other comprehensive income on interest rate cash flow hedges	3.1	5.4
End of year	4.1	(0.1)
Profit and loss account		
Beginning of year	553.1	548.5
Transfer from hedging reserve	–	4.2
Transfer from capital reserve on exercise of equity-settled share-based payments	3.7	1.5
Transferred to/(from) treasury reserve	1.6	(0.2)
Tax on items taken directly (from)/to reserves	(1.5)	8.5
Actuarial gains/(losses)	7.2	(38.9)
Other items taken directly from reserves	1.6	1.7
(Loss)/profit for the year	(72.1)	119.2
Equity dividends	(102.3)	(91.4)
End of year	391.3	553.1

At 31 December 2017, 2,319,074 ordinary $29\frac{16}{21}$p shares (2016: 4,428,002 shares) with a nominal value of £0.7 million (2016: £1.3 million) and a market value of £8.2 million (2016: £12.5 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 £29.2 million (2016: £30.4 million) which is not distributable.

12. Share-based payments
Details of share-based payments are provided within note 22 to the Consolidated Financial Statements.

13. 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 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.

14. 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:	2017 £m	2016 £m
Guarantees of subsidiary undertakings, overdrafts or loans and other guarantees	3.2	4.2

Financial statements

Subsidiaries and Related Undertakings

Subsidiaries	Principal Activity	% Holding
Antigua		
Roberts & Co Law, 60 Nevis Street, St. Johns, Antigua		
SFS Operations Antigua Ltd	Aviation	100%
Barbados		
The Phoenix Centre, George Street, Belleville, St. Michael, Barbados		
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		
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 Europe Limited	Holding	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%
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%

Subsidiaries	Principal Activity	% Holding
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 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%
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	Finance	100%
Lynton Aviation Aircraft Sales Ltd	Dormant	100%
Lynton Aviation Ltd	Dormant	100%
Lynton Corporate Jet Ltd	Dormant	100%

Financial statements

Subsidiaries and Related Undertakings – continued

Subsidiaries	Principal Activity	% Holding
RSS Aircraft Engineering Limited	Liquidation	100%
RSS Jet Centre (Prestwick) Limited	Dormant	100%
RSS Jet Centre Limited	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 ∆	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		
Signature Flight Support Irish Holdings Ltd	Holding	100%
Signature Flight Support Shannon Ltd	Aviation	95%
57 Herbert Lane, Dublin 2		
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%
North Terminal, Dublin Airport		
Signature Flight Support Dublin Ltd	Aviation	100%

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		
Signature Flight Support Italy Srl	Aviation	60%
Via Visconte di Mordone, 11, 20122 Milano		
SFS Italy Srl	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 S.à.r.l.	Finance	100%
BBA Aviation LM Finance S.à.r.l.	Finance	100%
BBA Aviation S.à.r.l.	Finance	100%
BBA International Investments S.à.r.l.	Holding	100%
BBA Luxembourg Finance S.à.r.l.	Holding	100%
BBA Luxembourg Investments S.à.r.l.	Holding	100%
BBA ROW Investments S.à.r.l.	Holding	100%
BBA US Investments S.à.r.l.	Holding	100%
Landmark Aviation FBO Luxembourg S.à.r.l.	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		
Signature Flight Support Panama S.A.	Aviation	100%
Puerto Rico		
CT Corporation System, Isla Grande Airport, Hangar 4, Southwest End, San Juan, Puerto Rico 00907		
Signature Flight Support Puerto Rico, Inc	Aviation	100%
Scotland		
C/O Dentons UK MEA 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%
Guthrie Scottish Nominees (No 1) Limited	Dormant	100%
Guthrie Scottish Nominees (No 3) Limited	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 and Related Undertakings – continued

Subsidiaries	Principal Activity	% Holding
Singapore		
1075 West Camp Road, Seletar Airport, Singapore 797800		
BBA Aviation Asia-Pacific Pte Limited	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 Limited	Aviation	100%
Signature Flight Support Asia-Pacific Pte. Limited	Aviation	100%
South Africa		
Hangar 201, Lanseria International Airport, Johannesburg, Gauteng 1748		
Dallas Airmotive South Africa Pty Limited	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		
C/O Hostals 16 Baja, Palma de Mallorca, 07-Mallorca		
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%
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		
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%
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 Services Inc.	Aviation	100%
Fresno FBO LLC	Aviation	100%

Subsidiaries	Principal Activity	% Holding
Galvin Aviation LLC	Aviation	100%
Galvin Flying Inc.	Aviation	100%
Galvin Holdings LLC	Holding	100%
Global FBO Holdings Inc.	Holding	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	Holding	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 Scottsdale, 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%
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	Holding	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%

Subsidiaries and Related Undertakings – continued

Subsidiaries	Principal Activity	% Holding
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.	Aviation	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
FBOASE, LLC	Aviation	53%
GB Aviation Holdings LLC	Aviation	50%
Signature Canada FBO Services, Inc[1]	Aviation	75%
Jacksonville Jetport LLC	Aviation	50%

Associated Undertakings	Principal Activity	% Holding
Hong Kong Business Aviation Centre Limited	Aviation	10%
Page Avjet Fuel Co. LLC (500 shares divided into 450 Class A voting shares and 50 Class B non-voting shares)	Aviation	50%

Available for Sale Investments	Principal Activity	% Holding
Fly Victor Limited	Aviation	3.96%
Lider Taxi Aereo S.A Air Brasil	Aviation	1.45%

Notes: Subsidiaries and Related Undertakings as at 31 December 2017.
Entries marked with a Δ are directly held by BBA Aviation plc. All entities have ordinary shares unless otherwise stated.
1 The Group holds a 75% ownership interest and a 50% share of the voting power in Signature Canada FBO Services Inc.

Five Year Summary

	Continuing Group 2017 $m	Continuing Group 2016 $m	Continuing Group Restated 2015 $m	Restated 2014 $m	2013 $m
Income statement					
Revenue	2,370.6	2,149.1	1,714.0	2,289.8	2,218.6
Underlying operating profit	360.6	302.6	181.5	201.2	200.1
Exceptional and other items	(123.0)	(136.5)	(68.8)	(20.0)	(25.3)
Impairment of assets	-	(184.4)	–	–	–
Underlying interest (net)	(62.1)	(63.9)	(35.3)	(28.8)	(29.6)
Profit/(loss) before tax	175.5	(82.2)	77.4	152.4	145.2
Tax	(33.7)	62.9	(7.7)	10.1	(7.1)
Profit/(loss) for the period on continuing operations	141.8	(19.3)	69.7	162.5	138.1
(Loss)/profit on discontinued operations, net of tax	(22.5)	(79.6)	13.4	–	–
Profit/(loss) for the period	119.3	(98.9)	83.1	162.5	138.1
Non-controlling interests	0.1	–	0.1	0.3	0.4
Profit/(loss) attributable to ordinary shareholders	119.4	(98.9)	83.2	162.8	138.5
Earnings per share					
Basic: Adjusted	24.0¢	19.4¢	18.0¢	21.9¢	30.5¢
Basic: Unadjusted	13.8¢	(1.9)¢	9.8¢	24.6¢	28.9¢
Diluted: Adjusted	23.7¢	19.2¢	17.9¢	21.8¢	30.1¢
Diluted: Unadjusted	13.7¢	(1.9)¢	9.7¢	24.4¢	28.5¢
Dividends					
Dividends per ordinary share	13.40¢	12.75¢	13.53¢	16.20¢	15.40¢
Balance sheet					
Employment of capital					
Non-current assets	3,345.0	3,427.5	1,843.1	1,833.5	1,652.6
Net current assets	34.9	286.1	1,013.2	223.4	254.3
Total assets less current liabilities	3,379.9	3,713.6	2,856.3	2,056.9	1,906.9
Non-current liabilities	(1.272.3)	(1,635.0)	(574.3)	(862.0)	(711.0)
Provisions for liabilities and charges	(174.4)	(160.0)	(113.6)	(115.9)	(101.9)
Net assets	1,933.2	1,918.6	2,168.4	1,079.0	1,094.0
Capital employed					
Called up share capital	509.0	508.7	508.5	252.3	251.8
Reserves	1,422.7	1,408.3	1,664.7	831.7	846.9
Shareholders' funds	1,931.7	1,917.0	2,173.2	1,084.0	1,098.7
Non-controlling interests	1.5	1.6	(4.8)	(5.0)	(4.7)
	1,933.2	1,918.6	2,168.4	1,079.0	1,094.0
Capital expenditure	85.3	113.0	104.2	139.0	89.8
Average number of employees	6,745	6,848	4,349	12,173	11,212

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, 2016 and 2017 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 2015, 2016 and 2017 financials presented above are not comparable with other 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. Results on an adjusted basis are presented before exceptional and other items.

Alternative performance measures have been defined and reconciled to the nearest GAAP measure below, along with the rationale behind using the measures.

The alternative performance measures we use are: organic revenue growth, underlying operating profit and margin, EBITDA and underlying EBITDA, underlying profit before tax, underlying deferred tax, 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 adjusted performance 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.

Where applicable, divisional measures are calculated in accordance with Group measures.

Exceptional and other 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 items in the current and/or prior years include costs relating to significant acquisitions/disposals of significant businesses and investments, significant business restructuring programmes, asset impairment charges and impact of the US Tax Cuts and Job Act 2017. In the event that other items meet the criteria, which are applied consistently from year to year, they are treated as exceptional and other items. Other items include amortisation of intangible assets arising on acquisition and valued in accordance with IFRS 3. These charges are presented separately to improve comparability of the Group's underlying profitability with peer companies.

Exceptional and other items are disclosed and reconciled to the nearest GAAP measure 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.

	2017 $m	2016 $m
Reported revenue prior year (continuing and discontinued)	2,565.9	2,129.8
Rebase for foreign exchange movements	(8.4)	(41.3)
Rebase for fuel price movements	90.7	(59.2)
Rebase for disposals	(416.8)	–
Rebased comparative revenue	2,231.4	2,029.3
Reported revenue (continuing and discontinued)	2,409.0	2,565.9
Rebase for disposals (note 25)	(38.4)	–
Less acquisitions	(92.7)	(567.6)
Organic revenue	2,277.9	1,998.3
Organic revenue growth	2.1%	(1.5%)

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.

	2017 Total $m	2017 Continuing $m	2017 Discontinued $m	2016 Total $m	2016 Continuing $m	2016 Discontinued $m
Revenue	2,409.0	2,370.6	38.4	2,565.9	2,149.1	416.8
Operating profit/(loss)	237.4	237.6	(0.2)	192.9	166.1	26.8
Exceptional and other items	123.0	123.0	–	137.2	136.5	0.7
Underlying operating profit/(loss)	360.4	360.6	(0.2)	330.1	302.6	27.5

	2017 Total $m	2017 Continuing $m	2017 Discontinued $m	2016 Total $m	2016 Continuing $m	2016 Discontinued $m
Operating margin	9.9%	10.0%	(0.5%)	7.5%	7.7%	6.4%
Exceptional and other items	5.1%	5.2%	–	5.4%	6.4%	0.2%
Underlying operating margin	15.0%	15.2%	(0.5%)	12.9%	14.1%	6.6%

EBITDA and underlying EBITDA

In addition to measuring the financial performance of the Group and lines of business based on underlying 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.

	2017 Total $m	2017 Continuing $m	2017 Discontinued $m	2016 Total $m	2016 Continuing $m	2016 Discontinued $m
Operating profit/(loss)	237.4	237.6	(0.2)	192.9	166.1	26.8
Reported depreciation and amortisation	181.3	181.1	0.2	183.9	180.5	3.4
EBITDA	418.7	418.7	–	376.8	346.6	30.2
Reported depreciation and amortisation	181.3	181.1	0.2	183.9	180.5	3.4
Amortisation presented within exceptional and other items	(93.8)	(93.8)	–	(99.3)	(98.6)	(0.7)
Depreciation and amortisation included in underlying results	87.5	87.3	0.2	84.6	81.9	2.7
Underlying operating profit/(loss)	360.4	360.6	(0.2)	330.1	302.6	27.5
Depreciation and amortisation included in underlying results	87.5	87.3	0.2	84.6	81.9	2.7
Underlying EBITDA	447.9	447.9	–	414.7	384.5	30.2

Financial statements

Alternative Performance Measures – continued

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.

	2017 Total $m	2017 Continuing $m	2017 Discontinued $m	2016 Total $m	2016 Continuing $m	2016 Discontinued $m
Profit/(loss) before tax	168.7	175.5	(6.8)	(164.6)	(82.2)	(82.4)
Exceptional and other items	129.6	123.0	6.6	430.7	320.9	109.8
Underlying profit/(loss) before tax	298.3	298.5	(0.2)	266.1	238.7	27.4

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:

	2017 Total $m	2017 Continuing $m	2017 Discontinued $m	2016 Total $m	2016 Continuing $m	2016 Discontinued $m
Deferred tax	(12.3)	(15.1)	2.8	81.6	77.3	4.3
Exceptional deferred tax	(35.4)	(32.6)	(2.8)	(117.2)	(105.0)	(12.2)
Underlying deferred tax	(47.7)	(47.7)	–	(35.6)	(27.7)	(7.9)

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 are 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.

	2017 Total ¢	2017 Continuing ¢	2017 Discontinued ¢	2016 Total ¢	2016 Continuing ¢	2016 Discontinued ¢
Basic earnings per share	11.6	13.8	(2.2)	(9.6)	(1.9)	(7.7)
Adjustments for adjusted measure	17.0	14.8	2.2	34.2	24.0	10.2
Cash basic earnings per share	28.6	28.6	–	24.6	22.1	2.5
Diluted earnings per share	11.5	13.7	(2.2)	(9.6)	(1.9)	(7.7)
Adjustments for adjusted measure	16.8	14.6	2.2	34.0	23.8	10.2
Cash diluted earnings per share	28.3	28.3	–	24.4	21.9	2.5

Return on invested capital (ROIC)

Measuring ROIC ensures the Group 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 13 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.

	2017 Total $m	2017 Continuing $m	2017 Discontinued $m	2016 Total $m	2016 Continuing $m	2016 Discontinued $m
Underlying operating profit	360.4	360.6	(0.2)	330.1	302.6	27.5
Adjustments for FX	0.1	0.1	–	(0.1)	(0.1)	–
Underlying operating profit for ROIC	360.5	360.7	(0.2)	330.0	302.5	27.5
Net assets	1,933.2	1,933.2	–	1,918.6	1,740.2	178.4
Add back impairment made to disposal group	–	–	–	–	(109.1)	109.1
Adjustments for FX and averaging	(10.9)	(10.9)	–	42.9	42.9	–
Net assets for ROIC	1,922.3	1,922.3	–	1,961.5	1,674.0	287.5
Reported borrowings & finance leases	(1,324.1)	(1,324.1)	–	(1,549.4)	(1,549.4)	–
Reported cash and cash equivalents	153.5	153.5	–	205.3	182.5	22.8
Adjustments for FX and averaging	(175.9)	(175.9)	–	22.3	22.3	–
Less net debt for ROIC	(1,346.5)	(1,346.5)	–	(1,321.8)	(1,344.6)	22.8
Invested capital for ROIC	3,268.8	3,268.8	–	3,283.3	3,018.6	264.7
ROIC	11.0%	11.0%	–	10.1%	10.0%	10.4%

Alternative Performance Measures – continued

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 not accounted for under IFRS 3, 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.

	2017 Total $m	2016 Total $m
Reported cash generated by operations (note 23)	380.8	390.7
Less reported purchase of property, plant and equipment (note 23)	(73.4)	(101.6)
Less reported purchase of intangible assets (note 23)	(11.9)	(11.4)
Add Ontic licences not accounted for under IFRS 3 (note 23)	5.0	10.6
Add reported proceeds from disposal of property, plant and equipment (note 23)	16.8	11.1
Operating cash flow	317.3	299.4

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.

	2017 Total %	2016 Total %
Cash conversion	134%	155%

Free cash flow

Free cash flow represents the cash that a company is able to generate after spending the money required to maintain or expand its asset base. 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.

	2017 Total $m	2017 Continuing $m	2017 Discontinued $m	2016 Total $m	2016 Continuing $m	2016 Discontinued $m
Reported borrowings (note 16)	(1,322.8)	(1,322.8)	–	(1,547.7)	(1,547.7)	–
Reported finance leases (note 14)	(1.3)	(1.3)	–	(1.7)	(1.7)	–
Reported cash and cash equivalents (note 17)	153.5	153.5	–	205.3	182.5	22.8
Fair value adjustment on USPP (note 16)	3.5	3.5	–	8.8	8.8	–
Net debt	(1,167.1)	(1,167.1)	–	(1,335.3)	(1,358.1)	22.8

Shareholder Information

Shareholdings

As at 31 December 2017, 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 the Company's registrar no later than 5.30 pm on 30 April 2018. 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 1 May 2018 and this exchange rate will be announced on 2 May 2018.

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 registrar via the registrar's 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 (0)371 664 0300), by e-mail: shareholder.services@linkgroup.co.uk or visit www.signalshares.com

Share dealing service

A share dealing service is available for UK shareholders from Link Asset Services to either sell or buy BBA Aviation plc shares. For further information on this service, please visit www.linksharedeal.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.

Financial calendar

	Date payable
Dividend and interest payments	
Ordinary shares:	
final 2017	May 2018
interim 2018	November 2018
5% cumulative preference shares	February 2018 and August 2018

	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

Link 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 (0)371 664 0300
E-mail: enquiries@linkgroup.co.uk
Website: www.linkassetservices.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.signalshares.com. You will require your Investor Code (IVC), which can be found on your share certificate or dividend confirmation, 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, or to the Company.

Shareholder Information – continued

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.

Registered office

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Board photography by Anna Batchelor, Jo Hanley, The Headshot Guy & David Woolfall
Printed by PureprintGroup

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