

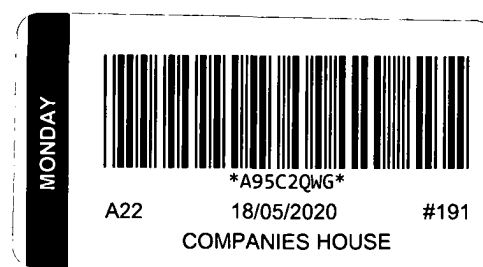
SIGNATURE AVIATION PLC

**Annual Report
2019**

Company number
53688



Formerly BBA Aviation plc.
The Group changed its name
to Signature Aviation plc on
22 November 2020.



The number 1 global FBO network serving the Business & General Aviation industry.

2019 Continuing Group

\$2,260.5_m

Revenue
2018¹: \$2,131.3m

\$320.8_m

Underlying operating profit²
2019 (Pre IFRS 16): \$276.4m 2018¹ (Pre IFRS 16): \$277.3m

\$177.2_m

Underlying profit before tax²
2019 (Pre IFRS 16): \$203.0m 2018¹ (Pre IFRS 16): \$211.6m

8.6%

Return on invested capital²
2019 (Pre IFRS 16): 10.5% 2018¹ (Pre IFRS 16): 10.5%

¹ 2018 Continuing Group restated following the presentation of Ontic as a discontinued operation.

² Defined and reconciled to reported financials under Alternative Performance Measures (APMS). See Note 29.



4-9

Q&A with Mark Johnstone

Strategic highlights

- Signature FBO outperformance against a flat US B&GA market.
- Fully recognised the strategic value of Ontic.
- Continued strong cash generation.
- IAM Jet Centre acquisition adds five sole source Caribbean locations.
- Progressed Group focus on driving for a sustainable future.



2019 has been a transformational year for our organisation.

Mark Johnstone
Group CEO



10-13

The number 1 global
FBO network



14-21

Business model, Strategy
& Financial KPIs



30-39

Resources &
relationships

→ **22-29**
**Group Finance
Director's Review**

**Refinancing completed to support
long-term growth.**

David Crook
Group Finance Director

→ **52-65**
Governance



**Sustainability is increasingly important
and is expected to be a key focus in 2020.**

Sir Nigel Rudd
Chairman

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Signature at a glance

>370

locations worldwide

1.6_m

aircraft movements
handled by Signature
in 2019

72%

Of the top 200 US B&GA
locations, Signature and
EPIC are present at
locations where 72%
of fuel is pumped

13_m

sq foot of hangar,
terminal and office space
under management
in the USA

>5,300

employees

North America

64% of global
B&GA fleet
(see page 12)

144

 Signature and
Signature Select® locations

176

 EPIC branded
locations

Europe

32 Signature and
Signature Select® locations

12% of global B&GA fleet (see page 12)

Key services

- High-quality, full-service flight support for B&GA travel including fuelling, ground handling, passenger and pilot amenities, and concierge services
- Technical support, line and heavy maintenance, inspection and Aircraft on Ground (AOG) services at key locations
- EPIC fuelling services
- Over 1,500 QTPod self-serve fuel technology installations
- Non-fuel activities including hangar rental for overnight parking and home-based aircraft
- Fuel purchasing card and transaction processing
- Signature ELITE Class™ offering Signature VIP service to commercial travellers

South America*

18 Signature
locations

Asia

3 Signature
locations

Africa

1 Signature
location

Signature locations at 29 February 2020

EPIC locations at 31 January 2020

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

Q&A with Mark Johnstone

2019 has been a transformational year for our organisation. We are undertaking a shift in business culture, both as a result of the portfolio changes we have made, but also through the re-naming of the business to Signature Aviation – underlining the Group’s status as the largest FBO network in the world.

Mark Johnstone
Group CEO



We have concentrated the portfolio on our market leading Signature business, while delivering significant value for shareholders in terms of achieving a full valuation for Ontic.

Can you reflect on the achievements of the past year?

2019 has been a transformational year for our organisation. We are undertaking a shift in business culture, both as a result of the portfolio changes we have made, but also through the re-naming of the business to Signature Aviation – underlining the Group's status as the largest FBO network in the world.

We have concentrated the portfolio on our market-leading Signature business, while delivering significant value for shareholders in terms of achieving a full valuation for the Ontic business in the disposal to CVC. Our capital allocation policy worked efficiently, and we returned \$835 million to shareholders in the form of a special dividend. In addition, we refinanced our banking facilities and issued a further senior notes offering in the US high yield market which has lowered our debt service costs.

The ERO disposal process remains very active and is nearing its conclusion.

We have also made good progress on some of the strategic activities we laid out at our Capital Markets Day in November 2018, and have begun to deliver the expected benefits from the 2018 EPIC acquisition.

Will the Signature Aviation strategy be any different to BBA Aviation?

We have recently updated our strategic focus areas to reflect the needs of the Signature business, but these remain consistent with our Signature priority areas from when we were a portfolio business. These are the really important building blocks for the future, with everything we do as a business mapping to one of five areas: growth; operational efficiency and process improvement; employee experience; customer experience; and environmental and social responsibility (see page 15).

In the next 12 months we will also consider a refresh of both our brand and our values: performance, safety, people, service, responsibility and integrity and our purpose, to ensure they appropriately reflect the focused business.

What progress have you made on initiatives presented at the Capital Markets Day and EPIC?

It's already over a year since our Capital Markets Day, when we laid out some of the initiatives we believe will, over a three- to five-year timeframe, raise our US B&GA market outperformance from historic levels of around 200 basis points up to a new target of 250 basis points per annum. As the clear market leader in the US it

becomes increasingly difficult to outperform the market, but we continue to strive for new ways to supplement revenue beyond JetA fuel, particularly as jets become increasingly fuel efficient, making these and other initiatives a fundamental part of continuing to grow.

At the Capital Markets Day we focused on four main pillars – organic growth, pricing optimisation, non-fuel revenue growth, and new services and asset utilisation.

During the year we strengthened the network with the addition of five new sole source locations in the Caribbean through the acquisition of IAM Jet Centre and its affiliated companies in October, which included VIP suite services for commercial travellers in Barbados and Grenada similar to our ELITE proposition. We also exited three locations that made no contribution to profit or network value.

We have also made good progress on launching the ELITE Class™ service in the US through negotiations with airport authorities, airlines and the TSA, and hope to have our first US ELITE location up and running early in 2020. Construction has commenced on our new Atlanta FBO and the adjacent terminal will be ideally suited to the ELITE offering.

Part of the strategic rationale for the EPIC transaction was to acquire our fuel card services provider. Around half of transactions at Signature are on credit card and encouraging the use of our own fuel card saves on transaction fees paid to the credit card providers. We have already doubled fuel card penetration within the Signature network from below 3% to around 9%. When you compare that with EPIC, which achieves around 25% penetration in its franchise network, I see no reason why we can't increase penetration to similar levels over time.

Finally, in the summer, we successfully concluded our first fuel RFP for the combined gallons of the Signature and EPIC businesses. For the first time we have been able to source our fuel directly from the fuel refiners, rather than via the middle market (where EPIC is an established player) and this has enabled us to achieve an annual saving of \$7 million.

What are your initiatives around extracting value from your real estate?

What we didn't detail at the Capital Markets Day were the exciting opportunities I believe we have to ensure we appropriately price our real estate assets to users, whether it be securing access to the ramp on a busy day when the airfield is effectively sold out, or more efficient and cost-effective utilisation of our significant hangar and office space. We are just starting to look at opportunities in this area and will share details when we are clear on the potential.

What is the Labour and Equipment Efficiency Project?

The month on month volatility we are seeing in the US B&GA market makes it more difficult to manage labour costs. Whilst it is relatively easy to reduce costs driven by headcount, it takes much more time to add resource back, in fact some 6-8 weeks, due to the hiring process and the requirement for airport security and background checks. While the Signature cost model split is around 75% variable and 25% fixed, our ability to flex the labour element of our variable costs has been muted in an environment of monthly market swings from negative 2% to positive 2%. The other large component of variable costs – fuel – automatically flexes if flying levels are lower.

We are therefore looking to improve the efficiency of our labour model – for example, most locations require 24/7 access, but that doesn't necessarily require us to have personnel on site. The same goes for equipment availability (e.g. tugs and fuel trucks) – and we are looking to more proactively manage and match both equipment availability and labour through local peaks and troughs driven by daily traffic patterns at our FBOs and via equipment fleet size reduction and overall modernisation across the network (see page 17).

Early in 2019 we held a leadership conference (our first since April 2016) with a vision to create an organisation with the skills and drive to lead change in the FBO industry, to challenge ourselves to do things differently, and to encourage team members to feel empowered and have a go. We have recently repeated the conference to ensure we continue to drive forward this culture change.

We also launched a refreshed Manager In Training (MIT) programme for our up and coming talent with ambitions to manage an FBO. The 2019 cohort comprises 35 employees of whom 19 are female. Each manager in training is given access to a development and mentoring team as they work through the 6-12 month training programme. I will be personally tracking their progress and am looking forward to recruiting the 2020 group.

Finally, diversity and inclusion training is in the process of being rolled out across the Group.



I am passionate about engaging our employees and creating an exciting workplace where everyone wants to work.

Signature Strategic Flight Plan

In 2019 we refreshed our five strategic pillars to focus on our key drivers for a sustainable future.

Last year you started on a journey to improve employee engagement. How has this progressed?

I am passionate about engaging our employees and creating an exciting workplace where everyone wants to work. To deliver best in class service to our customers and create value for all our stakeholders it is important that our employees have a clear sense of purpose, are inspired by our leaders and are given opportunities to develop. I want to create an organisational environment, mindset and culture that delivers on this.

During the year, every team in the organisation has been working on a local level engagement action plan to address feedback from their results in our 2018 Employee Engagement Survey, which was our first since 2014. And, as I write, we have just received the early results of the 2019 Engagement Survey which we will use to measure the progress we have made in the last 12 months. Participation in the survey rose to 84%, from 71% in 2018, an outstanding improvement which indicates a material increase in employee trust in both the process and leadership, and that individuals feel confident in expressing their opinion. The number of engaged employees in the organisation also rose significantly vs 2018 and our scores improved in every one of the Gallup Q12 questions which measure the 12 key metrics proven to drive engagement (see page 18).

How has the US B&GA market performed in 2019?

The US B&GA market has performed as we expected during the year, namely flat. That said, month-on-month volatility has been more pronounced than we expected. Macro-economic concerns have not gone away and businesses remain cautious on investing in both capital goods and discretionary travel.

A breakdown of the segmental performance of the market by certificate type – owner operators (part 91), fractional owners (part 91K) and charter operators (part 135) – shows that while there has been some growth in the fractional and owner operator segments, the charter market has been impacted by the uncertainty. With no invested position in a plane, the marginal cost of charter flying is greater in this segment.

As we look forward to 2020, we do not anticipate a significant change in either the macro geopolitical environment, nor in US market conditions ahead of the US Presidential elections.

However, we continue to assert that there is a strong multi-decade correlation between GDP growth and corporate profit growth and growth in the US B&GA market; and the FAA forecasts average growth in B&GA jet flying hours of 3.1% per annum to 2028.

Do you believe environmental concerns are causing business flying to decline?

Total aviation accounts for c.2.8% of global CO₂ emissions, and business aviation accounts for around 2% of that. We do not believe that current market trends are driven by environmental concerns.

However, as you would expect from the market leader, we wish to remain at the forefront of the industry's initiatives to tackle environmental issues and we are increasingly focused on how we can reduce our carbon footprint in a sustainable way.

Following an investment of c.\$7 million, we already have seven FBOs on the US East Coast that are completely self-sufficient in electricity from solar panels. From these we are generating electricity over and above our needs and therefore returning clean energy to the grid (see page 20).

Signature operates a large fleet of ground support equipment (GSE), from fuel trucks to smaller items such as tugs and lavatory and water carts, with around 3,500 motorised and 4,500 non-motorised assets in the USA alone. Availability and viability of alternative technology options for lighter equipment has improved significantly and we have many electric items in our fleet such as tugs, towbarless tractors and belt loaders, which also have a low cost to operate and maintain.

We have a small fleet of hybrid electric crew cars and we are looking to roll out more extensive use of these cars and electric models, as well as charging points at more of our FBOs. At multiple airports in the USA we are working with the airport authorities and other agencies on strategic plans to convert fully to electric, utilising new state funding. We have an active fuel truck renewal programme which, in the absence of in-production alternative technology models, is focused on vehicles with low emission, efficient diesel engines.

What are the other longer-term actions you are taking to combat environmental issues?

Our goal is to remain at the forefront of the industry. We have plans to increase the number of locations that are self-sufficient for electricity from solar by an additional 30 over the next two years. And, you will have seen that we have partnered with Uber Elevate as its infrastructure advisor as it seeks to develop its eVTOL or electric vertical take-off and landing vehicles.

Electric flying will continue to be a slower concept to evolve when considered against the automotive industry, but we do believe that hybrid planes for short distances could be increasingly present in the next 5-10 years. At our core, we are providers of real estate to facilitate business and general aviation; we do not operate any aircraft ourselves.

In fuel, the move to sustainable aviation fuel has been a slow process given the lack of global production capacity, which often makes the product very expensive in today's market – often three to four times the cost of normal JetA product. We will work with our supply chain, through both our customer and vendor channels, to influence behaviours to achieve a sustainable future.

Our new build FBO and VIP terminals at Atlanta Hartsfield are being constructed to LEED certification and all renovations follow these principles if possible.

Is the 2.5-3x net debt to underlying EBITDA range still appropriate for the standalone Signature?

Yes, we believe the range is still appropriate. Signature was always the main cash driver of our former portfolio of businesses including Ontic and ERO. While some of our peers may have higher leverage, we believe that given we operate in a cyclical industry and experience a mix of leverage appetite amongst our differing geographical investor bases, 2.5-3x is the right range.

An Air Concierge on the ramp at Las Vegas (LAS).

What are your priorities as you look into 2020?

As Signature Aviation we will create value for our stakeholders by aligning all of our activities and investment around our five strategic pillars: growth; operational efficiency and process improvement; employee experience; customer experience; and environmental and social responsibility, both in the coming year and into the future.

A flat market, with minimal growth and lower volumes, has limited our ability to outperform B&GA movements growth in the US in recent months, but we will look to restore historic levels of outperformance through growing our network and services – whether adding new locations or prioritising and building on the delivery of the initiatives set out in our Capital Markets Day.

In terms of priorities, the new SIGnet 2.0 global FBO management system has now been rolled out across our US network, with the EMEA roll out currently underway (see page 19). This investment has transformed our 'point of sale' system and gives customer facing team members network-wide the tools to increase consistency of service delivery and customer experience, while improving operational flexibility and data management and capture. It is a key focus in 2020 to deliver the benefits from this investment.

As described above we are also focused on employee engagement and developing our culture and organisational mindset to deliver our objectives, and we will collaborate with our airport communities on leading the industry on environmental and sustainable projects.

Do you still see opportunities to grow the network?

Signature is the largest FBO network in the US with network relevance of 72% based on fuel pumped, but there are 20-30 locations where we would like to be and that would enhance our network proposition. We see good opportunities to grow our franchise model through our Signature Select® and EPIC brands.

However, M&A tends to be lumpy and, given the cash generative nature of the Signature business, and our rational investment decision making, should we not see opportunities to deploy cash back into the business, and we fall below the bottom of our target leverage range, we will return cash to shareholders.

Signature Leadership Team

1. Shawn Fallon,

Chief Financial Officer, Signature
Joined the Group in 2009 and held a number of senior finance roles at Signature Flight Support and Engine Repair & Overhaul before being appointed Chief Financial Officer, Signature in January 2019. Prior to joining was with Flight Options LLC, the US fractional private jet operator.

2. Ben Hooper

Chief HR Officer, Signature
Joined the Group in 2015 as HR Director, Flight Support EMEA and then VP Global HR Operations before being appointed Chief HR Officer, Signature in October 2019. Prior to joining held HR roles at chemical distributor Univar.

3. Shawn Hall

Chief Commercial Officer, Signature
Joined the Group in 2017 as SVP Strategy and Business Development and was appointed Chief Commercial Officer, Signature in July 2018. Prior to joining served for 11 years in the US Navy as a Naval Aviator and Tactics Instructor Pilot before joining McKinsey & Co where he was an Associate Partner.

4. David Crook

Group Finance Director
Joined the Group in 2015 as Group Financial Controller and was appointed Group Finance Director in June 2017. Previous roles include Head of Group Finance at AZ Electronic Materials as well as general management and finance roles with Sun Chemical, Telewest Global, Vantico Group and Corus Group.

5. Mark Johnstone

Group CEO
Joined the Group in 2008 and progressed through a number of senior leadership roles, including Group Corporate Development Director, CFO Signature Flight Support and President and COO Engine Repair & Overhaul, before being appointed Group CEO in April 2018. Prior to joining held roles in the aerospace and off-highway division of GKN plc.

6. Maria Garton

Group General Counsel
Joined the Group as Group General Counsel in August 2018. Began her career working in corporate law and litigation in New York and Washington before moving into General Counsel and Compliance roles in the aerospace sector with Mubadala Development Company PJSC and Lockheed Martin Aeronautics.

7. Tony Lefebvre

Chief Operating Officer, Signature
Joined the Group in 2013 as President and COO ASIG and then President and COO TECHNICAir™ before being appointed Chief Operating Officer, Signature in July 2018. Prior to joining was Chief Operating Officer, Spirit Airlines and MD, Europe for US Airways.

8. David Blizzard

Group Company Secretary
Joined the Group in 2013 as Assistant Group Company Secretary and was appointed Group Company Secretary in June 2016. Prior to joining spent nine years in Company Secretarial roles with Barclays and six years in client-facing roles with PwC.

The number 1 global FBO network

Our market leading global network of FBO locations, together with our high-quality people, our skills and technical capabilities, and our relationships with customers and other partners, position us strongly to continue to lead progress in the B&GA industry, grow, and create value for all our stakeholders.

Completing checks before towing.

Network transformation 2008–2019

The Superbowl is a busy and co-ordinated effort for Signature. Superbowl LIV, held in February 2020, saw us undertake approximately 1,200 operations and deliver c500,000 gallons of fuel at our Miami locations.

Signature competitive advantages

- Largest international network of FBO locations – around one third of locations being sole source
- Highly customer-relevant network
 - 38 Signature locations at top 50 US airports (including all of top ten)
 - Of the top 200 US B&GA locations, Signature and EPIC are present at locations where 72% of fuel is pumped
 - Signature present at 13 of the top 20 home bases for business aircraft in the USA
 - Signature present at both ends of 31 of the 50 most trafficked city pairs in the USA
- Long-term, quality real estate assets; average remaining lease life of around 17 years across Signature's FBO portfolio in North America
- Large scale infrastructure capable of handling high volume operations
- EPIC and Signature Select® FBO franchise and licensing models and QTPod self-serve technology
- Highly trained and engaged teams, empowered to deliver personalised customer experiences
- Management experience and expertise
- Strong relationships with key customers and airport partners
- Highly recognised and valued customer brands
- Well positioned for new and renewal airport FBO opportunities
- Technology base to support customer experience and capture market/customer knowledge
- Fuel buying power
- Strong free cash flow to support investment activities

Business & General Aviation market

B&GA global installed fleet of business jets and turboprops 2018–2028¹

¹ Excludes migration effects. Fleet with unknown operating region excluded from analysis. Excludes utility turboprops.
² Asia includes Pacific Rim.

Source: Roland Berger

Market drivers

The B&GA market covers thousands of aircraft, large and small, outside the commercial and military fleets. Private and business travellers use B&GA aircraft as a productivity, efficiency and leisure tool, particularly in North America where there are significant distances between large conurbations and a lack of efficient alternative travel options. More than 40% of business aircraft are flown to towns in the USA with little or no reasonable transport alternative/airline service.

B&GA travel is driven by corporate confidence and wealth creation, with a long-term, through cycle correlation to GDP and corporate profits.

The global installed fleet of business jets and turboprops is estimated to be more than 32,000 aircraft, with 64% currently based in North America, and a further 12% in Europe, Signature's second largest market.

The global fleet is expected to grow by 14% over the next decade but its distribution is not forecast to change significantly, hence North America remains our key focus geographically. The FAA predicts growth in US business jet flight hours of an average 3.1% per annum to 2028.

B&GA flight hours, aircraft movements and asset utilisation are key drivers for Signature and EPIC. Increased activity means more arrivals and departures and a higher uptake of fuel and other services across the network. As market leader in the B&GA market we have a responsibility to ensure a sustainable future for our industry and we will work with partners to advance initiatives such as sustainable aviation fuel to ensure we achieve this.

Key market segments

The B&GA market splits into three main flying certificates. Jet owner operators, whether private or corporate, fly under a Part 91 certificate type, the fractional owners, such as our largest customer NetJets, fly on certificate Part 91K and the third category is the charter or 'on-demand' market (Part 135).

The charter flier has no invested position in an aircraft and therefore incurs a higher marginal cost to fly. This segment of the market tends to be more discretionary and as the uncertainty around US trade tariffs, Gulf tensions and a slowdown in China continue to impact business

confidence there has been a reduction in discretionary flying, which has been most notable in our charter customer segment.

The flying behaviours of the owner operator and fractional owners is more resilient given their invested position in an aircraft makes the marginal cost to fly lower.

Signature benefits from a global and diverse customer base of over 8,000 customers worldwide and we maintain long-term relationships with many of these customers across the three market segments.

Business model

We provide fuel and non-fuel services through a network of owned FBO real estate and licensed or contracted locations. Strong free cash flow supports continued investment in the size and quality of the network, our people and the services that we offer.

Strategic Flight Plan

In 2019 we refreshed our five strategic pillars to focus on Signature's key drivers for a sustainable future. The Strategic Flight Plan guides decision making in the organisation, and all activities and team and individual objectives are aligned with it.

Strategic Flight Plan in action

In 2019 we made progress in every area of the Flight Plan and have a widerange of projects underway or scheduled in 2020.

Growth

Grow customer value through expanded network and offerings

Key areas of focus

- Expand network via targeted acquisitions/agreements at new locations
- Extend reach via Signature Select®, EPIC franchise extensions and QTPod installations
- Expand network real estate offer and upgrade assets
- Add non-fuel services
- ELITE Class™ commercial passenger service
- Customer behaviour segmentation and pricing optimisation – fuel and real estate

Measuring success

- New locations
- Revenue growth
- Pipeline of FBO development and renovation projects

Progress in 2019

- Acquisition of IAM Jet Centre. Five FBO sole source locations in Caribbean including 2 VIP ELITE locations and international trip planning services
- New Select® leadership team
- New construction/renovation/infrastructure projects including Atlanta (ATL); Washington Dulles (IAD); Washington Reagan (DCA); Midland (MAF) and Fayetteville (FAY)
- Updated base digital advertising network and overhauled approach to accommodate wider advertising partnerships
- Uber Elevate partnership
- ELITE™ negotiations with key stakeholders
- Continued to refine pricing model and customer segments, delivering incremental benefits to operating profit from price and volume and expanded model to include first non-fuel product

Plans for 2020

- Continue to source opportunities to expand network – owned and non-owned
- New construction/renovation/infrastructure projects including Newark (EWR); Bedford (BED); Teterboro (TEB); New York Stewart (SWF); and Des Moines (DSM)
- Promote new advertising partnership approach, including experiential advertising
- H2 opening of ELITE Class™ terminal at ATL. Expect further US and one further EMEA location during the year
- Develop and deploy holistic real estate pricing model and expanded offering to tenants

Acquisition of IAM Jet Centre

In October 2019 Signature acquired IAM Jet Centre and its affiliated companies, adding five new sole source Caribbean locations to the network on Barbados (BGI), Grenada (GND), Tortola (EIS), Jamaica (MBJ) and the recently opened St Lucia (UVF).

IAM Jet Centre was founded in 1989 as the first dedicated full-service provider for business aviation in the Caribbean and has an established reputation in passenger and ground handling. As part of the transaction Signature also assumed control of IAM Jet Centre's VIP suite services for commercial travellers at BGI and GND which align with our ELITE Class™ service.

IAM Jet Centre, Barbados (BGI).

Operational efficiency and process improvement

Optimal resources and simple, reliable processes

Key areas of focus

- Smart technology to deliver enhanced data quality and drive better decision making
- Practical goal setting to deliver clarity and consistency of expectation for all team members
- Globalisation and simplification of key operational procedures
- Labour and equipment optimisation
- Mature SMS (Safety Management System) – proactive, risk-based safety and security culture, owned by operations, supported by centre
- Fuel card penetration

Measuring success

- Labour and equipment efficiency
- Customer survey scores
- Safety metrics
- Fuel card penetration

Progress in 2019

- Fuel RFP delivering \$7 million annual cost saving
- SIGnet 2.0 FBO management system rolled out in USA
- Digitalisation of training records
- Launch of OKR (Objectives and Key Results) goal setting process
- Development of new labour management tool (LEEP project)
- New Ground Support Equipment (GSE) fleet management strategy (LEEP project)
- Implementation of new safety organisation and growth in IS-BAH accredited sites
- Business continuity planning
- Increased Signature penetration of fuel card from below 3% to c.9%

Plans for 2020

- SIGnet 2.0 roll out to EMEA and global mobile platform
- Embed OKR process in daily management
- Globalise HR systems and processes
- Digitalisation of global operations procedures
- Deploy new labour management and optimisation tool
- Implementation and optimisation of GSE fleet strategy
- Launch safety risk matrix reporting – actionable insights
- Examine safety leading indicators and expand root cause analysis
- Continued focus on increasing fuel card penetration

Labour management and optimisation

During 2019 our operations team developed a new intelligence tool that leverages quantitative and qualitative labour data to enable our field teams to more efficiently forecast, plan and manage labour demand at their locations. Combined with the experience of our base leaders, we expect the tool to deliver labour efficiency cost savings while ensuring we continue to provide optimal support to our customers.

The tool uses information collected by SIGnet 2.0 (see page 19), time studies, and qualitative input from base managers to create a seasonal and day-of-week forecast of resource demand which will be used to guide team scheduling. The tool dynamically adapts output for changing local conditions to support future resource planning activities e.g. new hires.

The new tool will be deployed to field leaders during the first half of 2020.

GSE fleet strategy

Our GSE fleet strategy seeks to provide an optimal level of GSE at every location while reducing the total cost of ownership per operating hour. It also has regard to environmental factors, where we are working with our supply chain to deploy low emission, efficient and/or electric models and exploring further use of sustainable fuels (see page 36).

The strategy is supported by our fleet management database tool First Ramp. In the last year we have been working with our field teams to bridge operational gaps in the tool to improve the quality of data collected and the management information it provides, e.g. being able

to flag assets with abnormally high repair costs. Data from the tool will drive purchasing and allocation decisions and enable us to quickly identify poor performing/excess items and redeploy or remove them.

In Q4 2019 we deployed more than 40 new GSE assets to our US locations and retired around 60 legacy units, with an average age of 20 years. In 2020 we will continue to drive the depth of data collected to support ongoing optimisation of our global fleet.

Our Jacksonville (JAX) team take delivery of their new fuel truck.

Employee experience

A company where everyone
wants to work and thrive

Key areas of focus

- Attract the best talent
- Aligned and empowered culture across the organisation
- Understand and drive employee engagement
- Skills development and succession planning at every level
- Promote inclusion and diversity
- Empowered and transparent ethics and compliance culture
- Bespoke and individual recognition

Measuring success

- Employee engagement scores
- Employee turnover
- Internal promotions
- Reported ethics/compliance breaches

Progress in 2019

- Customised local engagement action plans arising from 2018 Engagement Survey
- 2019 survey conducted
- Benchmarked compensation strategy
- Improved internal communications
- Launched new global Manager in Training programme (see page 33)
- Launched 'Propel' online multi-media learning management system

Plans for 2020

- Action planning based on 2019 survey findings
- Improve quality of recruitment process (testing and metrics)
- Refresh Purpose, Values and brand
- Launch standard induction programme for all new joiners
- Implement leadership training and transition support programme
- Implement succession planning at all levels
- New compensation strategy
- Roll out inclusion and diversity training and create a network to promote at local level
- Improved ethics and compliance communication and training
- Further develop engaging/interactive training content

84%

Employee participation in
2019 Engagement Survey
(2018: 71%)

45%

2019 percent of engaged
employees (2018: 32%)

2019 Employee Engagement Survey

Employee engagement is a fundamental driver to becoming a safer, happier, healthier, customer service-led and more productive team. For the last two years we have been working with Gallup on a holistic programme to improve employee engagement and we completed our second annual Engagement Survey at the end of 2019.

The survey was undertaken across the Signature business and both participation and the total number of engaged employees improved significantly vs 2018, with our scores in line with other organisations at the same stage of the Gallup process. Our scores also improved in every one of the Gallup Q12 questions which measure the 12 key metrics proven to drive engagement in Gallup research conducted over more than 30 years.

In 2020, as in 2019 following the 2018 survey, results are provided to managers so that they may work with their teams to prepare and submit action plans to improve engagement at the local level. These are reviewed throughout the year and updated as appropriate as plans come to fruition and we continue our journey, targeting world-class levels of employee engagement.

Employee engagement is a fundamental driver to a more productive, happier and customer service-led team.

Customer experience

Deliver a personalised experience right, the first time and every time

Key areas of focus

- Investment to drive network quality – people and real estate
- Better understand customer needs and what really matters to them
- Increased consistency of experience and service delivery across network
- Accountability/empowered service culture
- Smart technology to make it easier for customers to do business with us

Measuring success

- Customer survey scores
- Alignment to brand standards
- New service offerings

Progress in 2019

- Appointment of new Customer Experience team
- Launched new customer experience global survey programme – actionable insights
- Tested Signature Steps of Service global training programme
- Global brand standards team convened
- SIGnet 2.0 rolled out in USA
- Launched 'test kitchen' for new products, service offerings, technology and other customer facing enhancements

Plans for 2020

- Launch Steps of Service training for all front line employees (ramp and front of house)
- Utilise new customer survey data to drive quality of experience and troubleshoot where required
- Launch updated brand standards and audit for compliance
- Complete roll out of SIGnet 2.0
- Continue to test new customer innovations and improvements

SIGnet 2.0 live across the US network

Our SIGnet 2.0 global FBO management system is now live at every FBO location in the USA and will be rolled out to our European and other locations in 2020. The platform will also be implemented on mobile devices this year.

The cloud-based system creates a single global account for every customer through which all transactions are managed – including reservations, service requests and billing. The tool is intuitive to use and puts customer data at the fingertips of our front line teams, enabling them to deliver a more tailored, efficient and consistent customer experience, wherever they are in the network.

Transaction data from SIGnet 2.0 is captured by our CHQ management systems and has enabled the streamlining of many back office processes, as well as delivering real-time management information to support decision making and other workstreams e.g. labour management (see page 17).

SIGnet 2.0 enables our teams to deliver a more tailored, efficient and consistent customer experience.

Environmental and social

Recognised as environmentally and socially responsible leaders in our communities

Key areas of focus

- Reduce company carbon footprint
- Embed environmental considerations into investment decisions e.g. real estate and procurement process e.g. GSE
- Lead/partner on industry carbon and environmental projects, including sustainable aviation fuel (SAF)
- Mature SMS – proactive, risk-based management of environmental hazards e.g. spills
- Promote volunteering, charitable giving and long-term partnerships with appropriate organisations

Measuring success

- Environmental metrics
- Lower emission/efficient/electric GSE fleet
- LEED certified FBOs
- Solar installations
- SAF availability
- Safety metrics (spills)
- Volunteer hours
- Community fundraising and partnerships

Progress in 2019

- Progressed sustainable aviation fuel projects with key partners – availability and deployment
- Expansion of solar and electric/lower impact GSE
- LEED silver certified build projects at Atlanta (ATL)
- Began testing for expansion of sustainable diesel fuel in GSE
- Progressed fully electric sites
- Uber eVTOL partnership
- Third year of support for One Young World global summit for young leaders
- Partnerships with Women in Aviation International and Veterans Airlift Command

Plans for 2020

- Offer sustainable aviation fuel at key locations
- Continued expansion of lower impact equipment and solar power
- Continue to progress fully electric sites
- Continued inclusion of range of environmentally friendly build materials and systems across all building and renovation projects
- LEED or LEED equivalent projects at Teterboro (TEB), Newark (EWR), Bedford (BED) and New York Stewart (SWF)
- Planning for LEED/LEED equivalent certification where appropriate on build project pipeline
- New charitable matched giving programme
- Launch volunteer hours app
- Maintain and expand community partner relationships

Clean energy back to the grid

As part of our commitment to limit the impact of our business on the environment we plan to accelerate the roll out of solar panel systems at suitable FBO locations in the USA. Over time we believe we will be able to significantly reduce electricity costs across our US real estate portfolio through the deployment of these systems, as well as return clean energy to the grid.

We currently have solar panels installed at seven locations, including projects at all three of our Teterboro (TEB) FBOs. Each is self-sufficient for electricity and generating an excess. We are currently uploading around 40% of the electricity generated back to the grid.

We are looking to extend the number of solar locations by 30 over the next two years and replicate our current success. In doing this we will explore options to 'host' the solar system rather than 'own and operate', therefore limiting the capital expenditure required.

Solar panels at Bradley (BDL).

Financial Key Performance Indicators

Organic revenue growth¹

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.

Underlying EBITDA¹

Underlying EBITDA measures the operating financial performance of the business. It is defined as EBITDA before exceptional and other items.

Adjusted earnings per share¹

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

Cash conversion¹

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.

Return on invested capital¹

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 invested capital for ROIC.

Dividend per share

Our dividend payout reflects our effective management of capital and the inherently cash generative nature of the Signature business. The Board has a progressive but sustainable dividend policy with the aim of increasing dividends in line with long-term underlying growth in earnings.

¹ Defined and reconciled to reported financials under Alternative Performance Measures (APMs). See Note 29. 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.
³ Historic dividends restated for the impact of the October 2015 rights issue.

Group Finance Director's Review

Signature continued to outperform the US B&GA market with progress on strategic, commercial and operational initiatives.

David Crook
Group Finance Director

Key financials

\$m	2019 Total Group ²	2019 Continuing	2018 Total Group ²	2018 Continuing (restated) ³	Change Total Group
Underlying results¹					
Revenue	3,017.4	2,260.5	2,880.9	2,131.3	4.7%
EBITDA	607.6	482.0			
IFRS 16 impact	147.0	133.3			
EBITDA (Pre IFRS 16)	460.6	348.7	456.4	346.2	0.9%
Operating profit	441.1	320.8			
IFRS 16 impact	57.3	44.4			
Operating profit (Pre IFRS 16)	383.8	276.4	375.2	277.3	2.3%
Profit before tax	292.0	177.2			
IFRS 16 impact	(17.3)	(25.8)			
Profit before tax (Pre IFRS 16)	309.3	203.0	308.0	211.6	0.4%
Basic adjusted EPS	25.6c	16.3c			
IFRS 16 impact	(1.3)c	(1.9)c			
Basic adjusted EPS (Pre IFRS 16)	26.9c	18.2c	23.3c	16.3c	15.5%
Statutory results					
Revenue	3,017.4	2,260.5	2,880.9	2,131.3	4.7%
EBITDA	565.5	439.9			
IFRS 16 impact	147.0	133.3			
EBITDA (Pre IFRS 16)	418.5	306.6	431.5	323.8	(3.0)%
Operating profit	312.7	204.9			
IFRS 16 impact	57.3	44.4			
Operating profit (Pre IFRS 16)	255.4	160.5	261.5	180.4	(2.3)%
Profit before tax	722.2	23.4			
IFRS 16 impact	(17.3)	(25.8)			
Profit before tax (Pre IFRS 16)	739.5	49.2	174.3	100.6	324.3%
Basic unadjusted EPS	65.2c	4.0c			
IFRS 16 impact	(3.0)c	(1.9)c			
Basic unadjusted EPS (Pre IFRS 16)	68.2c	5.9c	13.4c	8.0c	409.0%
Dividend per share	14.77c	–	14.07c	–	5%
ROIC, Cash Flow and Net Debt					
Return on invested capital	9.9%	8.6%			
IFRS 16 impact	(190)bps	(190)bps			
Return on invested capital (Pre IFRS 16)	11.8%	10.5%	11.4%	10.5%	40bps
Free cash flow	187.2	129.1			
IFRS 16 impact	–	–			
Free cash flow (Pre IFRS 16)	187.2	129.1	224.8	205.2	(16.7)%
Net debt	(2,250.7)				
IFRS 16 impact	(1,242.4)				
Net debt (Pre IFRS 16)	(1,008.3)		(1,332.2)	–	(24.3)%
Net debt to underlying EBITDA ⁴	2.2x		2.8x	–	(0.6)x

¹ Defined and reconciled to reported financials under Alternative Performance Measures (APMs). See note 29. Where applicable and for comparability these are presented on a pre IFRS 16 basis.

² From continuing and discontinued operations.

³ Restated following the presentation of Ontic as a discontinued operation.

⁴ Net debt to underlying EBITDA calculated on a covenant basis.

Note on IFRS 16

As previously noted, we have adopted the modified retrospective approach available within the new accounting standard and therefore we have not restated our comparative disclosures for the impact of IFRS 16, which came into effect from 1 January 2019. Our statutory results have been split out to show the IFRS 16 impact to aid comparison year on year.

We reiterate that the adoption of IFRS 16 has no impact on the economic prospects, strategy, cash generative nature of our business or on our progressive dividend policy or our stated capital allocation policy.

At adoption on 1 January 2019, IFRS 16 has significantly impacted several key financial metrics with regard to reported performance, financial position, financing costs and associated financial leverage.

The approach we have taken to ensure consistency and comparability is to report APMs (non-GAAP metrics) that convert and reconcile IFRS 16 reported financials back to the historical accounting treatment of leases. This historical accounting treatment of leases is the basis on which we are and will continue to be tested under our banking covenants.

Overview

Overall Signature Aviation performed in line with our expectations, with Signature FBO growing ahead of a flat US B&GA market. We have made further progress with the implementation of our strategy and continue to deliver against the business case for the EPIC acquisition. The ERO disposal process has made further progress in the second half and we will update the market in due course. We booked an impairment on our ERO business of \$124.7 million in the year. Fair value less cost to sell for the ERO business now stands at \$177.6 million.

Continuing Group revenue increased by 6.1% to \$2,260.5 million (2018 restated: \$2,131.3 million) including an additional six month contribution from EPIC and a first-time contribution from IAM Jet Centre of \$235.5 million in total.

- Signature FBO organic revenue grew 1.1% during 2019 after adjusting for the first-time contribution from IAM Jet Centre (\$5.3 million), the impact of lower fuel prices (\$45.1 million), foreign exchange movements (\$9.1 million), FBO divestments (\$1.4 million) and the impact of adopting IFRS 16 (\$4.5 million). TECHNICAir™ and EPIC saw organic revenue declines during 2019 of 3.1% and 10.8%, respectively.

Continuing Group underlying operating profit was \$320.8 million (2018 restated: \$277.3 million).

- Underlying operating profit performance in Signature was \$361.0 million (2018: \$320.6 million) which includes \$43.6 million relating to the adoption of IFRS 16. Performance on a comparable pre IFRS 16 basis was marginally weaker at \$317.4 million (2018: \$320.6 million) due to lower first half performance, which recovered to be marginally up in the second half.
- Underlying central costs were down at \$25.9 million, on a comparable pre IFRS 16 basis \$26.7 million (2018: \$28.3 million).

Continuing Group operating profit on a statutory basis increased 13.6% to \$204.9 million (2018 restated: \$180.4 million) primarily due to the adoption of IFRS 16 (\$44.4 million), partially offset by \$36.5 million of indemnification provisions and associated legal fees in respect of previously disposed businesses.

Continuing Group underlying net interest, including the impact of IFRS 16, was \$143.6 million (2018: \$65.7 million). The increase of \$77.9 million resulted primarily from the adoption of IFRS 16, with the introduction of additional net interest on lease liabilities of \$70.2 million. The increase in underlying net interest on a pre IFRS 16 basis was as expected.

Continuing Group underlying profit before tax was \$177.2 million (2018 restated: \$211.6 million). The decrease primarily resulted from the adoption of IFRS 16 (\$25.8 million).

Profit before tax on a statutory basis for the Continuing Group was \$23.4 million (2018 restated: \$100.6 million). The decrease arose from the adoption of IFRS 16 (\$25.8 million), indemnification provisions and associated legal fees in respect of previously disposed businesses (\$36.5 million), net settlement of USPP make-whole to facilitate the Ontic disposal (\$25.4 million) and the impairment of our charter joint venture investment (\$12.5 million).

The Continuing Group underlying tax rate was 6.8% (2018 restated: 20.6%). The decrease in the underlying tax rate primarily reflects the tax deductibility of deferred interest charges following the refinancing of the Group, previously written off in 2017 upon the implementation of US tax reform. Cash taxes increased in line with expectations to \$41.7 million (2018: \$27.1 million). This increase largely represents timing of payments between 2018 and 2019.

Continuing Group basic adjusted earnings per share was 16.3¢, on a pre IFRS 16 basis 18.2¢ (2018 restated: 16.3¢). Continuing Group basic unadjusted earnings per share decreased to 4.0¢, on a pre IFRS 16 basis 5.9¢ (2018 restated: 8.0¢) principally as a result of the adoption of IFRS 16.

Exceptional and other items after tax, for continuing and discontinued operations, totalled \$400.0 million of income (2018: \$102.6 million loss) of which \$524.1 million of income (2018 restated: \$17.7 million loss) related to discontinued operations. Key components of this for continuing operations are the non-cash amortisation of acquired intangibles accounted for under IFRS 3 (\$73.8 million), restructuring expenses (\$5.6 million) as part of a multi-year restructuring programme, indemnification provisions and associated legal fees in respect of previously disposed businesses (\$36.5 million) and impairment of \$12.5 million relating to the Continuing Group's investment in the charter management joint venture. Exceptional and other items on discontinued operations, net of tax, include a \$724.0 million gain on the disposal of Ontic, partially offset by the \$124.7 million impairment of ERO.

Total Group free cash flow reduced to \$187.2 million (2018: \$224.8 million). This reduction resulted primarily from the execution of the direct fuel supply agreement which resulted in an as anticipated one-off \$69.2 million outflow, due to revision of payment terms, partially offset by a turnaround in working capital within our ERO business following the significant working capital outflows in 2018. Free cash flow for the Continuing Group, excluding the direct fuel supply agreement impact and exceptional cash flows was broadly flat at \$211.9 million (2018 restated: \$216.7 million).

Total Group gross capital expenditure amounted to \$80.6 million (2018: \$93.1 million). Principal capital expenditure items include investment in Signature's FBO developments at Teterboro (TEB), and Palm Beach (PBI). The lower than expected capital expenditure resulted primarily from revised timing of projects due to ongoing discussions with the associated airports and local authorities.

Cash flows on exceptional and other items were an outflow of \$16.4 million (2018: \$19.5 million outflow) and are largely a result of restructuring expenses, settlement of legal matters and costs associated with the disposal process of the ERO business.

The total Group made \$8.0 million of pension scheme payments (2018: \$5.9 million). An additional pension payment of £30 million was made during 2019 as agreed with the Trustees of our UK defined benefit plan to facilitate the disposal of Ontic. This payment is recognised as a cost to dispose of Ontic. During 2019 the Group completed and signed off the 2018 actuarial review of its UK defined benefit pension scheme. Deficit contributions of £2.7 million per annum through to March 2030 have been agreed.

Net interest payments increased to \$141.5 million (2018: \$58.3 million) following the recognition of interest on lease liabilities under IFRS 16 and the non-repeat of swap gains in the prior period.

Dividend payments amounted to \$980.9 million (2018: \$140.7 million) reflecting a core dividend of \$147.3 million, increased by 5% compared to 2018, and a special dividend of \$833.6 million in respect of the net proceeds from the Ontic sale.

Acquisition spend during the year was \$65.3 million, net of cash acquired (2018: \$210.6 million). Total spend on acquisitions included the acquisition of IAM Jet Centre (\$33.5 million), deferred consideration on an Ontic licence acquired in December 2018 (\$11.5 million), the acquisition of new licences by Ontic during 2019 (\$17.4 million) and the final working capital settlements in respect of EPIC and Firstmark (\$3.3 million), all net of \$0.4 million cash acquired.

Net debt on a reported basis increased to \$2,250.7 million (2018: \$1,332.2 million) following the adoption of IFRS 16 which results in the recognition of an additional \$1,242.4 million in lease liabilities within the definition of net debt. Our banking covenants are tested on the accounting standards in force prior to IFRS 16, consequently they are not impacted by the adoption of IFRS 16. Net debt to underlying EBITDA on a covenant basis decreased to 2.2x (FY 2018: 2.8x). Interest cover on a covenant basis decreased to 6.9x for the 12 months to 31 December 2019 (FY 2018: 7.9x).

Total Group Return on Invested Capital (ROIC) was 9.9%. On a comparable pre IFRS 16 basis it improved to 11.8% (FY 2018: 11.4%).

The Board is declaring an increased per share final dividend of 10.57¢ (2018: 10.07¢) up 5%, reflecting the Board's progressive dividend policy and its continued confidence in the Group's future growth prospects.

Signature financials

\$m	Signature FBO	TECHNICAir™	EPIC¹	Signature
2019				
Revenue	1,725.1	68.1	467.3	2,260.5
Organic revenue growth	1.1%	(3.1)%	(10.8)%	(0.6)%
Underlying operating profit	355.3	–	5.7	361.0
<i>Underlying operating profit (Pre IFRS 16)</i>	311.7	–	5.7	317.4
Constant fuel margin	20.6%	0.0%	1.2%	16.0%
<i>Constant fuel margin (Pre IFRS 16)</i>	18.0%	0.0%	1.2%	14.0 %
Operating profit (on a statutory basis)				284.7
Underlying EBITDA				521.2
<i>Underlying EBITDA (Pre IFRS 16)</i>				389.4
Operating cash flow				421.6
<i>Operating cash flow (Pre IFRS 16)</i>				298.0
Divisional return on invested capital				9.6%
<i>Divisional return on invested capital (Pre IFRS 16)</i>				11.8%
2018				
Revenue	1,761.0	74.1	292.5	2,127.6
Organic revenue growth	3.0%	(3.4)%	n/a	2.7%
Underlying operating profit				
<i>Underlying operating profit (Pre IFRS 16)</i>	315.7	3.7	1.2	320.6
Constant fuel margin				
<i>Constant fuel margin (Pre IFRS 16)</i>	18.4%	3.7%	0.5%	15.6%
Operating profit (on a statutory basis)				244.6
Underlying EBITDA				
<i>Underlying EBITDA (Pre IFRS 16)</i>				389.1
Operating cash flow				
<i>Operating cash flow (Pre IFRS 16)</i>				350.0
Divisional return on invested capital				11.8%
Year on year change				
Revenue	(2.0)%	(8.1)%	n/a	6.2%
Organic revenue growth	(1.9)%	0.3%	–	(3.3)%
Underlying operating profit				
<i>Underlying operating profit (Pre IFRS 16)</i>	(1.3)%	(100)%	–	(1.0)%
Constant fuel margin				
<i>Constant fuel margin (Pre IFRS 16)</i>	(40)bps	(370)bps	–	(160)bps
Operating profit (on a statutory basis)				16.4%
Underlying EBITDA				
<i>Underlying EBITDA (Pre IFRS 16)</i>				0.7%
Operating cash flow				
<i>Operating cash flow (Pre IFRS 16)</i>				(14.9)%
Divisional return on invested capital				no change
<i>Divisional return on invested capital (Pre IFRS 16)</i>				

¹ EPIC acquired 1 July 2018

Signature FBO

Signature FBO revenue increased 1.1% on an organic basis. On a reported basis revenue was down 2.0% to \$1,725.1 million (2018: \$1,761.0 million) as a result of lower fuel prices of \$45.1 million, foreign exchange movements of \$9.1 million, divestments of \$1.4 million and the impact of adopting IFRS 16 of \$4.5 million. These impacts were partially offset by the acquisition of ILM Jet Centre generating revenue of \$5.3 million. This was delivered against a backdrop of US B&GA movements (source: FAA) which were up 0.2% for the twelve months to 31 December 2019, representing outperformance of 90 basis points for the year as a whole but an improved second half outperformance of 100 basis points, against 70 basis points in the first half. Heavy jet traffic (over 5k gallon uplifts) was down within our Signature FBO network, which has limited our ability to outperform the overall US B&GA market at our usual levels, though initiatives undertaken in the second half have reduced this impact. We continue to believe the US B&GA market is a long-term structural growth market, highly correlated with US GDP growth. The FAA continues to forecast long term growth in US business jet flight hours of an average 3.1% per annum through to 2028. However, short term uncertainty around the US trade tariffs, Gulf tensions and a slowdown in China continues to impact business confidence and discretionary flying, which has been most notable in our charter customer segment. Furthermore, we have experienced challenges, in what has been a low growth market, as the long tail value behaviours become more pronounced.

Underlying operating profit in our Signature FBO business (on a pre IFRS 16 basis) was down 1.3% to \$311.7 million (2018: \$315.7 million) as the impact from fuel and non-fuel commercial initiatives were offset by wage and other cost inflation that we were unable to fully pass on in

EPIC

a flat market showing continued and marked monthly volatility. Operating profit performance was broadly flat in the second half compared to the same period last year as cost initiatives started to take effect. We remain confident in Signature's ability to deliver significant longer-term value creation across our market leading network, supported by the continued implementation of our strategic growth initiatives presented at the Capital Markets Day in November 2018.

Underlying operating margin, on a pre IFRS 16 basis, in Signature FBO was 18.0% (2018 on a constant fuel price basis: 18.4%) and reflects the wage inflation experienced in a tight US labour market.

TECHNICAir™ continued to face challenges in 2019 with a revenue decline of 8.1% to \$68.1 million (2018: \$74.1 million) as we further rationalised our footprint. Organic revenue declined 3.1% during 2019. Underlying operating profit on a pre IFRS 16 basis decreased to \$nil million (2018: \$3.7 million). TECHNICAir™ is now a smaller and lower risk business and expected to be reported within Signature FBO going forward.

EPIC contributed revenues of \$467.3 million and underlying operating profit of \$5.7 million, on a pre IFRS 16 basis. This represented an increase in revenue of \$174.8 million (2018: \$292.5 million), with \$230.2 million resulting from an additional six months' contribution compared to 2018, offset by a reduction in fuel prices of \$26.7 million, foreign exchange of \$0.1 million and organic revenue decline of \$28.6 million. In 2019, our first full year of ownership, we made good progress on penetration of the fuel card within the Signature FBO network and delivered the direct fuel supply savings from 1st July onwards for the combined Signature FBO and EPIC gallons.

Total

Signature's overall revenue, which includes Signature FBO, TECHNICAir™ and EPIC, increased by 6.2% to \$2,260.5 million (2018: \$2,127.6 million). Organic revenue decreased by 0.6%.

Operating profit on a statutory basis of \$284.7 million increased by 16.4% (2018: \$244.6 million) primarily due to the adoption of IFRS 16.

Operating cash flow for Signature, on a pre IFRS 16 basis, decreased to \$298.0 million (2018: \$350.0 million), principally due to the expected working capital outflow associated with the direct fuel supply agreements.

Return on invested capital on a pre IFRS 16 basis was flat at 11.8% (FY 2018: 11.8%).

Our FBO network

There are 198 locations in Signature's market leading owned global network, including 19 Signature Select® franchise locations. EPIC services 176 privately owned, EPIC branded independent FBOs and a further 119 unbranded locations. Our existing Signature Select® branded locations are complementary to EPIC's FBO locations and are now managed as part of the EPIC network. This creates an unrivalled branded network of over 370 FBO locations, with network relevance of over 70%, with around a third of our owned locations being sole source. The quality and network relevance of our real estate asset base provides us with an unrivalled platform across which we will leverage our strategic initiatives.

Strategic initiatives

In 2019 we refreshed our strategic pillars to ensure they were appropriate for our focused Signature business.

Growth

In the current low growth US B&GA market we have continued to invest in our Signature FBO network either through the addition of FBO locations, such as the five sole source locations acquired with IAM Jet Centre, lease renewals or through investment in new technology. During the year we rolled out our enhanced EPoS technology across the US network and deployed our revenue optimisation tools to enhance our fuel and non-fuel revenue management capabilities. Our rational approach to capital allocation continues, as evidenced by a couple of FBO divestments during the year.

Pre-acquisition, EPIC partnered with Signature as its FBO fuel card provider and Signature now has full end-to-end management of this card programme, associated transaction processing and data capture, which can be used as a platform for an enhanced service offering across our entire owned and non-owned network. Over time, we have committed to deliver \$4-8 million of underlying operating profit from deeper penetration of the branded fuel card within the Signature network. We are pleased to have made good progress in 2019 on increasing Signature fuel card usage by our customers, which has now grown to c.9% in the Signature FBO network, up from c.3% at the time of acquisition.

With regard to new services that will contribute over the next few years, we have made positive initial progress on a US roll-out of the ELITE Class™ service (for commercial passenger interconnect). The existing VIP suite service offered at the IAM Jet Centre locations in Barbados (BGI) and Grenada (GND) has enhanced our offering and build is underway for a dedicated suite at our Atlanta Hartsfield (ATL) sole source FBO. We believe this is further evidence of Signature redefining the market reach for B&GA infrastructure.

We continue to evaluate initiatives to further enhance and fortify Signature's unique real estate network as we lead the development of the B&GA industry.

Operational efficiency and process improvement

During the year we concluded our direct fuel supply agreements on the combined Signature and EPIC gallons of around 500 million gallons per annum. This new agreement took effect on 1 July 2019 and creates c.\$7 million of cost savings on a full year basis. As previously noted, in the current tight US labour market, the benefits of this new deal have been used to mitigate some of the impact of higher wage costs.

On the cost side we are in the process of rolling out labour efficiency benchmarking across the US network as part of our Labour Efficiency and Equipment Productivity (LEEP) initiative. In the case of labour, we will utilise a new tool using information from our SIGnet 2.0 FBO management system to enable field teams to more efficiently forecast, plan and manage labour demand. For our fleet of Ground Service Equipment (GSE) we are focused on providing the right level of GSE at each location, while reducing the total cost of ownership per operating hour and we are working with our supply chain to deploy low emission, efficient and/or electric models. In Q4 2019 we deployed more than 40 new GSE assets in the US while retiring around 60 legacy units, with an average age of 20 years. Transaction data from the SIGnet 2.0 system has also enabled the streamlining of many back office processes.

Employee experience

Our strategic aim is for Signature Aviation to be a company where everyone wants to work and thrive. We have recently undertaken our second annual employee engagement survey, the results of which show good improvements across all metrics, including the participation rate. During 2019 all teams across the Group launched local engagement action plans to improve on areas identified in our 2018 survey.

We have recently launched a new global Manager in Training (MIT) programme to provide visibility on career progression to our employees in the field. Diversity and inclusion training is also being rolled out, and a steering committee has been established to promote this at a local level.

Customer experience

This initiative is to ensure we deliver a personalised experience right, the first time and every time. To do this we are focused on better understanding our customer needs and then meeting them. During the year we launched 'test kitchens' for new products, service offerings, technology and other customer facing enhancements. Utilising new customer survey data, from a survey programme launched in late 2019, will ensure we focus on areas which will achieve the best results. A refresh of our loyalty programme is also under consideration.

We are focused on delivering improved yield management from our real estate footprint through first class customer experience using customer segmentation and technology. We are planning to roll out plane side mobile devices to all front line ramp team members, which will replace numerous paper-based processes and provide our ramp operations teams with real time data on customer requests. Initially we will deploy the technology across our US locations before including our EMEA locations.

Environmental and Social

We are committed to working in ways that limit the impact of our business activities on the environment and to proactively manage environmental resources. Environmental considerations are embedded into our investment decisions to deliver more environmentally friendly buildings (FBO terminals and hangars) and customer and crew services such as charging points for electric cars.

Real estate – we have five Leadership in Energy and Environmental Design (LEED) certified and LEED Silver certified FBO buildings in the network and ten hangars and a further three LEED FBO projects, including our new Atlanta (ATL) terminal building, in progress. On three further projects at Teterboro (TEB), Newark (EWR) and Stewart (SWF) International we are working to deliver LEED equivalent sustainability standards set by the Port Authority of New York and New Jersey.

Operations and ground support – we have many electric items in our ground support equipment (GSE) fleet, as well as hybrid electric crew cars available at 11 locations. Alternative technology models of heavier items such as fuel trucks are not yet commercially available, so our renewal programme is focused on vehicles with low emission, efficient diesel engines. As a large purchaser of GSE, we have a significant opportunity to influence our supply chain and drive new product development as well as support new models coming to the market.

Uber Elevate partnership – given our focus on remaining at the forefront of industry developments, in 2019 we partnered with Uber Elevate to facilitate ground based operations to support skyport infrastructure for UberAIR, which plans to operate a network of electric air taxis in cities worldwide. These electric vertical take-off and landing vehicles (eVTOLs) differ from helicopters as they are quieter, safer, more affordable and more environmentally friendly. This partnership will leverage Signature's leading scale, distribution and aviation expertise with Uber's innovative services and technology leadership to forge a vision for the future of transportation. Signature is also the ground based operator of choice for Uber's helicopter services in Manhattan.

A responsible business – our approach to resources and relationships

Behaving in a responsible way and considering the needs of all our stakeholders is deeply embedded in our culture. It drives our reputation and underpins the long-term sustainability of the business and our financial performance. It is reflected in all five areas of the Strategic Flight Plan and we aim to lead the B&GA industry in this area.

Culture and Values

The Board takes overall responsibility for our company culture, setting direction and determining key policies.

During 2020 we will refresh our Purpose and Values to ensure that they appropriately support the needs of our organisation and are fully integrated with the Strategic Flight Plan. Until such time, our teams continue to be aligned under our existing Values – performance, safety, people, service, responsibility and integrity.

External measures

Since 2006, as BBA Aviation plc, we have been a member of the FTSE4Good Index, and we participate in the Carbon Disclosure Project (CDP). We were pleased to receive a significantly improved score of B- in our 2019 CDP submission which compares positively against the industrial support services sector average score of C and the global and European average score, also a C. See page 37 for more details.

It is our objective, over time, to maintain and improve our ranking within the FTSE4Good Index and to seek further Environmental, Social and Governance benchmarking to guide our efforts and drive improvement. On a broader basis we are also considering how we might best align ourselves and our efforts with the UN Sustainable Development Goals.

Ethics and compliance

Our suite of ethics policies sets out our commitment to the highest standards of ethical behaviour and ensures that our business relationships and our supply chains are managed in line with our culture and Values, and the national and international legal frameworks in which we operate.

Our Code of Business Ethics is the cornerstone of our compliance mindset and corporate programmes. Flowing from the Code, our other policies, procedures and internal controls are designed to address specific compliance areas, conduct or risks in a more comprehensive manner.

We are committed to fostering an open working environment where concerns can be readily raised, and grievances are properly addressed in a timely and confidential manner. Our Ethics Hotline for reporting breaches of policy or other ethical concerns is available 24-7 and our teams are encouraged to contact our legal team to discuss any queries. Retaliation for reporting concerns is strictly prohibited and we aim for transparency and communication during investigations to foster a reporting culture. A bi-annual summary of disclosures is prepared for the Audit and Risk Committee.

The Code and our other policies are reviewed regularly, as are our compliance programmes, and we undertake external benchmarking and evaluation against best practice models. Internal compliance with our policies is monitored and reported through our Internal Audit process and we periodically undertake audits and/or request confirmation of compliance from suppliers and other parties deemed to be high risk.

Ethics policies

Code of Business Ethics	Sets out our ethical standards. Employees are obliged to conduct themselves according to the language and spirit of the Code and to avoid even the appearance of improper behaviour.
Third Party Vetting Policy	Sets out guidelines and procedures for assessing business partners through due diligence processes. Depending on the relative risk associated with a third party – including customers, contractors, senior-level hires, agents and business partners – we undertake standard or enhanced due diligence before entering a business relationship.
Code of Ethics for Suppliers, Contractors and Consultants	Sets out our expectations for our business partners concerning compliance with all applicable laws; conduct of business in a fair and ethical manner; respect for human rights; conservation of the environment; and provision of high-quality, safe products and services.
Policy on Bribery and Corruption	Prohibits the offer or acceptance of any form of bribe or facilitation payment to or from any party.
Policy on Gifts and Entertainment	Describes our guiding principles on the provision or acceptance of gifts and entertainment, the approval process for any such gifts and entertainment and impermissible gifts and entertainment.
Competition Compliance Policy	Sets out our commitment to complying with the competition, anti-trust and anti-monopoly laws of the countries in which we operate, highlights the importance of obtaining legal advice and provides guidelines on approach, including prohibited conduct.
Disclosure of Unethical Conduct Policy	Describes our reporting process and the requirement for employees to report immediately any actual or suspected unlawful or unethical business practices by another employee, by a supplier, or by any other person providing services to or acting on behalf of Signature Aviation. Sets out our zero-tolerance stance towards retaliation against anyone who, in good faith, reports a concern to management, HR, the Ethics and Compliance Officer, or regulatory agencies.

Embedding ethics and compliance into the business

All employees are required to comply with our ethics policies and individuals above a certain level are required to complete ethics training every year. We communicate regularly on ethics matters through our various internal communications channels and promote the Ethics Hotline to encourage more calls including 'near misses'. Ethical matters are also covered in our induction programme for new employees.

Modern slavery

We are committed to ensuring that our business and our supply chain is free from modern slavery and human trafficking. We recognise the overarching importance of human rights and support the principles set out in the UN Universal Declaration of Human Rights.

As described above, we conduct due diligence on each of our suppliers, contractors and service providers with whom we do business, and operate other standard vendor management review procedures, including evaluating key suppliers on an annual basis. This collectively results in a detailed understanding of our business partners, their practices and the products or services they provide to us. Our business partners are also required to comply with our Code of Ethics for Suppliers, Contractors and Consultants.

To date, we believe that we have been highly effective in monitoring the risk of modern slavery and human trafficking in both our operations and those of our partners and suppliers.

Other key activities in 2019:

- Continued to monitor the emerging data privacy landscape and delivered requirements to comply with the California Consumer Privacy Act which came into effect on 1 January 2020.
- Developed a new digital recording and approvals tool for the acceptance of gifts and entertainment.

Plans for 2020:

- Update and strengthen ethics training by creating bespoke modules for different functions in the organisation and bringing standard ethics modules into our new employee induction programme.
- Roll out new Third Party Vetting Policy, process and training module.
- Increase cross-functional working on ethics to embed deeper into all aspects of the business.
- Review ethics policies to align with needs going forward.
- Launch new gifts and entertainment approvals tool.
- Continue to raise awareness of individual responsibility for ethics and compliance matters.

Our ethics policies and our Modern Slavery Statement are available to download from the Signature Aviation website.

People

Our people are our most important resource. Their service skills and their technical and functional expertise are at the core of our business. Our goal is to be a company where everyone wants to work and thrive.

Ensuring that we attract and retain the best talent, develop people from within, and provide all employees with the opportunity for a rewarding and fulfilling career with us is at the heart of our HR strategy and the activities that support it.

Talent and development

Our goal in recent years has been to improve our talent position across the organisation – both through increasing the reliability of our recruitment process and by growing a learning culture, supported by the right development programmes, to enable employees at all levels to shine and progress in their careers. This work has been underpinned by the global harmonisation and simplification of our HR support systems and processes.

During 2019 we set up our new 'Propel' online multi-media learning management system and launched a new, global Manager in Training (MIT) programme.

Leadership, communication and recognition

Leadership, effective communication and recognition are important contributors to a positive employee experience. We offer resources to leaders at every level to improve skills and share knowledge. This is supported by an integrated internal communications programme covering a range of topics from 'need to know' to fun and inspiring. The programme comprises shift briefs, a weekly briefing email for general managers, weekly organisational updates, and a monthly Global Operations Connect (GOC) live video call which is recorded and distributed across the organisation. The GOC agenda includes a recognition section which highlights exceptional performance by individuals and teams. This supplements the bespoke and individual recognition we encourage our leaders to provide day to day.

At the beginning of 2019, and again in January 2020, we held a Signature Leadership Conference giving 350 leaders from across our network and functions the opportunity to meet, share views, hear from colleagues, and work together to progress our Strategic Flight Plan.

Aligning the team

During 2019 we launched a new OKR (Objectives and Key Results) practical goal setting process in Finance and Operations to deliver clarity and consistency of expectations and better align our teams with our objectives and the Strategic Flight Plan. Team OKRs are set at General Manager level and above and are subject to a quarterly planning and review cycle. OKRs are supported by a workboard tracking system which highlights performance vs target in real time.

Inclusion and diversity

We recognise that inclusion and diversity are an important factor underpinning our future success. We promote an inclusive culture and are in the process of rolling out new inclusion and diversity training. We have, however, determined that we wish to go further and drive a cultural change that will, in the medium term, help the shape of our organisation better reflect the communities in which we operate.

To support this, we have recently put in place a new steering group of business leaders, allied with a network of team members across our sites, to bring inclusion and diversity matters into the heart of the daily life of an FBO.

Employee views on inclusion were also measured in the 2019 Engagement Survey and we are pleased to report a 5% increase in our Culture of Inclusion measure vs 2018.

Recognising that gender is only one form of diversity to which we are committed, we are pleased that women make up 25.1% of our employee population and 29.9% of our senior management group. We have three female non-executive directors on our Board and one female member on the Signature Leadership Team.

The table below shows the percentage of women employed in various roles as at 31 December 2019. Data includes the Engine Repair & Overhaul (ERO) business.

Population	Total population	Number of women	% of women
Board	10	3	30.0%
Signature Leadership Team	8	1	12.5%
Senior management group ¹	77	23	29.9%
Directors of subsidiaries included in consolidation ²	25	3	12.0%
All employees of the Group	6,469	1,624	25.1%

¹ Includes members of Signature Leadership Team.

² This disclosure includes dormant companies and multiple directorships and we do not believe it is an accurate indicator of diversity.

For the Signature continuing business, excluding ERO, the percentage of women employed is 27% and 35.7% for the senior management group.

During 2019 we published a Gender Pay Gap report for H+S Aviation and Ontic in the UK, and we will publish a report for our UK Signature Flight Support business during 2020. We monitor gender pay data for Signature (excluding ERO) globally so that we may measure the success of actions taken to increase the number of women in our workforce and reduce the remuneration gap between men and women. Year to April 2019 Signature's mean average gross hourly pay gap was 5.7%.

Engagement Survey

In December 2019, working with Gallup, we undertook our second annual Employee Engagement Survey which saw a significant increase both in employee participation and our overall engagement score (see page 18).

Human rights

We respect the principles of the Universal Declaration of Human Rights and the International Labour Organization's core conventions. We are committed to treating people according to merit and contribution, refraining from coercion and never deliberately causing harm to anyone. We have not adopted a formal human rights policy as we believe that our existing adopted policies and our Values recognise and communicate 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 next generation of FBO leaders

This year we launched a new, global, Manager in Training (MIT) programme to prepare our next generation of leaders for a management role up to and including FBO General Manager.

The 6-12 month programme requires around ten hours' training time per month, enabling participants to maintain their existing day to day responsibilities while learning. Each participant has access to a development and mentoring team who will work with them as they move through the curriculum to complete the course.

Other key activities in 2019:

- Moved salary planning to a single review date across the US to allow for differentiated adjustments based on performance, equity and market.
- Sent our third delegation of young leaders to the One Young World global summit.

Plans for 2020:

- Launch standard induction programme for all new joiners.
- Develop leadership training programmes for existing managers and high potentials.
- Introduce testing and quality of hire metrics into the recruitment process.
- Extend the global HR system and salary planning to EMEA and the Caribbean.
- Extend succession planning to entry level and supervisory roles.
- Develop further interactive training content.

The application process for the programme is straightforward and widely advertised and managers are asked to encourage suitable team members to apply. We accepted 35 candidates onto the 2019 course.

In 2020 we will revise the scheme to invite high potential team members, identified in our talent review, to apply. This will take place in July 2020.

Customers and partners

Our customers expect high-quality, reliability and consistently excellent service from us. We aim to deliver a high-quality and personalised experience right, the first time and every time.

Service and relationships are at the heart of what we do, whether we are dealing with an arriving VIP and his or her aircraft, assisting a pilot with their onward journey, negotiating an EPIC supply contract, or supporting the needs of our Signature base tenants.

We are focused on driving incremental improvements every day through the quality of our people and our operational processes, through investment in our network and our infrastructure, by embedding a culture of empowered and personal accountability, and by leveraging technology and data to anticipate customer needs and support the customer journey. We aim to treat our partners – for example airport authorities – in the same way, encouraging a customer service mindset for all our interactions.

Infrastructure investment

We have an active infrastructure development and renovation/renewal programme with a significant number of projects in train during 2019. These included construction of our new FBO and VIP terminals at Atlanta (ATL), projects at Washington Dulles (IAD); Washington Reagan (DCA); Midland (MAF); Fayetteville (FAY); Fulton County (FTY); Peachtree Dekalb (PDK); Asheville (AVL); Morristown (MMU); and improvements to our hangars at Nashville (BNA). In January 2020 we also completed the terminal building at Hewanorra, St Lucia (UVF), acquired with IAM Jet Centre.

Brand standards

Delivering a consistent customer experience at every location in our network is very important to us. During 2019 we set up a Signature brand standards team and project charter to establish new brand standards covering service, operations and safety. Four standards drafted in 2019 – covering grooming and appearance, CSR uniform, Steps of Service, and the customer survey programme – will be published in early 2020 and will be followed by others during the year. Base compliance with and performance against the standards will be assessed as part of our internal audit process.

Signature Steps of Service global programme

During 2019 we tested an integrated programme of training and support materials that will be rolled out to the Signature network in 2020. Everyone in the Signature organisation, and all new employees, will be required to complete a combination of e-learning and instructor-led training modules that describe our service philosophy and every individual's responsibility for delivering it. The programme is supported by coaching and recognition toolkits for managers and creative communication materials that will be deployed to every site.

Other key activities in 2019:

- SIGnet 2.0 rolled out to all bases in the USA (see page 19).
- Appointed new Customer Experience team.
- Launched 'test kitchen' for new products, service offerings, technology and other customer facing enhancements.

Plans for 2020:

- Roll out SIGnet 2.0 to EMEA and implement mobile.
- Test 'customer recovery' training programme.
- Progress/complete infrastructure investment projects including projects at Atlanta (ATL), Hanscom Field (BED) and Newark (EWR).
- Continue to test new customer innovations and improvements.

Understanding customer needs

Understanding customer priorities and the things that really make a difference are the foundation of our customer strategy. At the end of 2019 Signature launched a new, digital customer experience global survey programme which will inform all aspects of our future approach – from investment decisions to training. The survey will provide us with both immediate data that can be used at base level to correct issues in real time and cumulative, strategic insights to drive medium- and long-term plans.

Customers will be asked to complete the survey both on their invoice and via an emailed survey invitation. Our teams are also encouraged to invite other day to day contacts – for example pilots, crew and dispatchers – to participate. The survey is simple to complete in either desktop or mobile format. Results are reported through easy to read dashboards at base and higher levels and customised reports can be created according to need. The system also incorporates base manager alerts that highlight where action might be required and feedback to be celebrated, as well as a case management tool to manage direct communication with customers.

We aim to deliver a high-quality and personalised experience right, the first time and every time.

Communities

We aim to have a positive impact on the communities in which we operate and to be recognised as leaders in social responsibility. This includes our wider airport communities and the national and international B&GA communities.

Working in partnership with the broad range of communities that have a relationship with us is both the right thing to do and confers benefits in terms of our reputation and employee engagement.

Airports work as communities in their own right and often require parties on the field to work together on specific issues e.g. security. We contribute to these activities through our base leadership teams and are committed to providing time and expertise whenever necessary. We are also working with aviation and airport partners on environmental projects such as sustainable aviation fuel and fully electric sites (see pages 36-37).

As an organisation we support a number of international and national charitable organisations associated with the wider aviation community, including Women in Aviation International (founders of Girls in Aviation Day), Veterans Airlift Command and the Angel Flight network. During 2019 we hosted Girls in Aviation Day events at a number of our locations.

Our sites and individual team members also support many aviation and other causes that benefit their immediate local area, or that are of interest to them, by volunteering, fundraising and hosting/taking part in events. It is recognised that participating in these efforts engages employees and builds strong teams as well as helping others, and we encourage and recognise those involved.

Since 2010 our local efforts have been complemented by our parent company charitable giving programme which, since its launch, has donated around \$1.9 million to charities and organisations around the world.

From 2020 the programme will change to accommodate a matched giving and discretionary giving programme to better support both our organisational priorities and our employees' interests and concerns. We will allocate funds annually to the programmes and each will operate under clear guidelines as to the type of organisation that may be supported.

- The matched giving programme will match funds raised for a charity/ not for profit organisation by four or more Signature employees.
- The discretionary programme will award funds to: charities or communities with significant needs that are closely associated with the areas in which we operate; charities or relief exercises that are responding to disaster or other events that impact employees or that are in regions in which we operate; charities whose operations are associated with aviation or that are linked to employees, customers or suppliers.

So that we may continue to celebrate and recognise the efforts of our teams we have developed a new, simple reporting tool to capture volunteering hours and funds raised outside of our formal programme. This will be launched during 2020.

Including the parent company charitable giving programme, Group donations to charity totalled \$896,946 in 2019 (2018: \$853,008).

Global Tax Strategy

We publish an annual Global Tax Strategy document which describes the three key pillars of our Group Tax Policy as well as our tolerance for tax risk, our attitude to tax planning, and our approach to relationships with tax authorities in the relevant jurisdictions.

The three pillars of our Group Tax Policy are as follows:

- To be a responsible tax payer and act in a manner consistent with Signature Aviation's reputation and corporate social responsibilities;
- To maintain shareholder value, commercial competitiveness, and serve the interests of all our stakeholders whilst ensuring compliance with all relevant tax legislation;
- To maximise certainty of the Group's tax position by maintaining an open and constructive relationship with tax authorities.

Our Global Tax Strategy is available to download from the Signature Aviation website.

Raising awareness and funds to fight breast cancer

Breast cancer awareness month was recognised right across the Signature network with a range of efforts to increase awareness of the disease and raise funds to fight it.

The SLT and members of our Orlando CHQ team present a cheque to the National Breast Cancer Foundation.

Our Teterboro (TEB) team embraced pink for the whole of October.

Environment

We are committed to working in ways that limit the impact of our business activities on the environment and to proactively managing environmental resources. Our aim is to be recognised as a leader in the industry on environmental matters and to use our position to influence our supply chain and lead change.

We aim for continuous improvement in our environmental performance every year and are focused on three key areas where we believe we can make the most difference.

Culture and awareness

We encourage a culture of environmental stewardship and awareness at every site to reduce our use of key resources, increase recycling and limit waste, and eliminate environmental incidents such as fuel spills. Our SHEBBA reporting system collects and records each location's use of resources such as electricity, natural gas and water, and dashboards within the tool provide data on performance to drive engagement amongst our employees who can make a difference on a daily basis.

Real estate

Environmental considerations are embedded into our investment decisions to deliver more environmentally friendly buildings (FBO terminals and hangars) and customer and crew services such as charging points for electric cars.

We have five LEED certified or LEED Silver certified FBO buildings in the network and ten hangars. We have further LEED Silver projects in train at five locations – Atlanta (ATL), Teterboro (TEB), Newark (EWR), Stewart (SWF) and Hanscom Field (BED).

For construction and renovation projects where we are not pursuing certification, we include the following environmental measures as standard:

- Low emission EV glass;
- LED lighting;
- Energy efficient heating and ventilation (HVAC) systems; and
- Occupancy sensors on hangar lighting and non-front-of-house areas.

In addition, we consider the orientation and positioning of buildings during the design phase to improve natural light/reduce the need for AC as a result of overheating.

We also have a significant solar programme, with seven FBOs completely self-sufficient in electricity and more in the pipeline (see page 20).

Operations and equipment

We have many electric items in our ground support equipment (GSE) fleet, as well as hybrid electric crew cars available at some locations. Alternative technology models of heavier items such as fuel trucks are not yet commercially available, so our renewal programme is focused on vehicles with low emission, efficient diesel engines.

As a large purchaser of GSE, we have a significant opportunity to influence our supply chain and drive new product development as well as support new models coming to market. We are partnering with a number of suppliers in this way. We are also able to draw on and share our experience at San Francisco (SFO) where we have exclusively used biodiesel as running fuel for all fuel trucks and GPUs since 2007. The remaining balance of the fleet at SFO is powered by electricity and compressed natural gas. Other procurement activities – for example FBO supplies such as coffee and cups – will be a greater focus from 2020.

Environmental performance

We have voluntarily reported on environmental metrics for a number of years and KPIs are normalised for comparison purposes to revenue. We use the services of an external consultant to review and provide third party verification of the process for collecting and consolidating this data.

Units	2019 ¹	2018 ²	2017 ³	2016	2015
Electricity consumption KWh/\$m revenue	38,248	38,733	46,308	49,241	50,676
GHG emissions Tonnes/\$m revenue	30.96	30.78	37.46	38.29	53.41
Water consumption 1,000 litres/\$m revenue	138	122	180	159	203
Revenue (Total Group) Sm	2,798.8	2,880.9	2,370.6	2,149.1	2,129.8

1 2019 figures include ERO and exclude Ontic.

2 2018 figures recalculated for latest available data.

3 2017 figures recalculated for latest available data.

Greenhouse gas emissions reporting data

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. All of these sources fall within our consolidated financial statements. We have used the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Reporting Protocol Corporate Accounting and Reporting Standard (revised edition), and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019, EPA Emission Factors for Greenhouse Gas Inventories 2018 and EPA Emissions & Generation Resource Integrated Database eGRID2016.

GHG emissions per \$m of revenue have remained similar to 2018.

Units	2019 ¹	2018 ²	
Combustion of fuel and operation of facilities	40,700	40,166	tCO ₂ e
Electricity, heat, steam and cooling purchased for own use	45,950	48,499	tCO ₂ e
Total GHG emissions	86,650	88,665	tCO₂e
GHG emissions per \$m of revenue	30.96	30.78	tCO₂e

1 2019 figures include ERO and exclude Onlic.

2 2018 figures recalculated for latest available data.

Sustainable aviation fuel

We are highly supportive of the work being done by the aviation industry and fuel suppliers to improve both the availability and cost of sustainable aviation fuel (SAF). As market leader in the B&GA sector, we believe we have an important part to play, both providing infrastructure and generating demand. During 2019 we partnered with customers and airport communities on three key SAF initiatives:

- At Mobile Downtown (BFM) we have supplied and delivered SAF to Airbus to support new aircraft deliveries to Delta and JetBlue;
- At Atlantic City (ACY), in a joint EPIC and Signature project, we provided SAF to support a Boeing 777 ecoDemonstrator flight; and
- At Van Nuys (VNY) we participated in and delivered SAF as part of an airport-wide event.

We recognise that there is growing customer demand for SAF and plan to have it regularly available at some of our US locations by the end of 2020.

Carbon Disclosure Project

We are pleased to participate in the Carbon Disclosure Project (CDP) global environmental reporting initiative.

The CDP awards submissions in four bands:

A/A-	Leadership	Implementing current best practices
B/B-	Management	Taking co-ordinated action on climate issues
C/C-	Awareness	Knowledge of impacts on, and of, climate issues
D/D-	Disclosure	Transparent about climate issues

We received a score of B- for our 2019 CDP submission, a significant improvement on our 2018 score of D. The current average score for the industrial support services sector is a C, as is the global and European average. We are working to further improve our submission in 2020.

Other key activities in 2019:

- Uber eVTOL (electric vertical take-off and landing) partnership.
- Progressed fully electric sites (GSE and other vehicles).
- Reviewed PFAS (chemical fire-fighting foam required for hangars over a certain size) systems and launched new protocol for limiting the impact of PFAS discharge.

Plans for 2020:

- Continued expansion of lower impact equipment and solar power.
- Continue to progress fully electric sites.
- Planning for LEED/LEED equivalent certification where appropriate on our build project pipeline.

Fuelling a Boeing 777 ecoDemonstrator flight at ACY.

Health, safety and security

The health, safety and security of our teams, our sites, our customers, and everyone that comes into contact with us is a key priority and underpins our licence to operate.

Our goal is to prevent injuries and incidents and our health, safety and security strategy seeks to create a proactive, risk-based, open and empowered health and safety culture across the organisation, supported by the right tools, training and expertise.

Safety Management System (SMS)

We are four years into the application of a formal SMS. Our goal is to finalise implementation by the end of 2020.

Safety risk reporting

To support our SMS, during 2019 we developed a bespoke safety risk matrix to be incorporated into our SHEBBA reporting system. This will require our sites to report incidents and near misses and categorise risk level, enabling us to provide risk-based real-time safety data locally and centrally, prioritise action and determine resources and training.

New health and safety organisation

We also moved to a global health and safety organisation and restructured the safety team in North America to better align with our operations and take on a more technical, educational and mentoring role. Our location General Managers are accountable for health and safety performance at their sites and are fully empowered to implement improvement programmes as they see fit. Responsibility for developing and implementing health and safety training and maintenance of key operational procedures has also moved across to our specialised Training and Procedures team with a global Technical Procedures Committee working on simplifying procedures, for example, the tow process, and putting them into effect at site level. We also added a new Director of Security role during the year.

Safety communications and culture

We have implemented a more structured approach to internal communications on safety using all Signature communication channels. This includes a weekly HSE (Health, Safety, Environment) update, regular regional calls to discuss issues, and safety stand down calls where GMs speak on incidents at their own bases. Our communications seek to foster a strong reporting culture across the organisation where individuals feel confident to speak up on issues and empowered to deliver change.

Other key activities in 2019:

- Safety Month was celebrated across the network in June, with a couple of special focus areas each week, from extreme weather preparedness and hazard reporting to fitness for duty.
- Business continuity exercises focused on a safety or security incident were held at Van Nuys (VNY) and at the EPIC CHQ in Dallas. Key protocols at EPIC have been revised and brought in line with Signature's as a result. We run annual business continuity exercises at all our EMEA locations, with additional exercises undertaken at Manchester (MAN), London Heathrow (LHR), Southampton (SOU), London Luton (LTN) and London Biggin Hill (BQH) during 2019.

Plans for 2020

- Launch confidential hazard reporting programme in addition to our Ethics Hotline.
- Examine and track safety leading indicators e.g. training completions.
- Expand root cause analysis process to incorporate multiple contributing factors.
- Digitise operational procedures.

^a Safety Month – moving from a safety week to a safety month gave our sites greater flexibility and time to creatively promote an open culture and safe environment.

Safety metrics – Recordable Injury 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.

2019¹	2.21
2018¹	2.35
2017	2.36
2016	1.81
2015	2.16

134 out of 217 or 62% of Signature Aviation's active reporting locations achieved zero RIR during 2019.

2019¹	134
2018¹	132
2017	131
2016	138
2015	93

¹ 2019 and 2018 data includes Engine Repair & Overhaul and excludes OnSite.

External safety accreditation

Over the last three years, we have been pursuing a programme of IS-BAH (International Standard for Business Aircraft Handling) accreditation and, to date, are accredited Level 1 or 2 at 13 FBO locations – 10 EMEA, 2 North America and Panama. In addition, four of the Caribbean locations acquired with IAM Jet Centre are accredited IS-BAH Level 2.

IS-BAH is the only recognised global safety standard for B&GA ground handling, with accreditation demonstrating a location's compliance with a wide range of best practice safety protocols. We see IS-BAH as a positive tool to support our SMS and relationships with our customers and airport partners and intend to move forward with a global programme of accreditation.

We see IS-BAH as a positive tool to support our SMS and relationships with our customers and airport partners.

Risk management

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

How we manage risk across Signature Aviation

Our risk management process is designed to support the business in meeting its strategic 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.

Signature Aviation's risk appetite and risk mitigation strategy are matters that are overseen by the Board, with the support of the Audit and Risk Committee, which reviews and considers the effectiveness of 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 all Audit and Risk Committee meetings to provide regular updates and discuss any proposed changes to the plan.

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 the Group risk map is 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 Signature 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 Signature Aviation's ethics policies.

The bi-annual risk assessment process looks forward three years to create Signature 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 51.

Emerging risk

In addition to the assessment of the Group's risk landscape over a three-year period, management has also considered emerging risk over a longer time horizon with a particular focus on climate change. Three key themes have been identified in relation to emerging climate change risk and a comprehensive review is ongoing into the current state and future strategy of the Group in relation to environmental matters.

Environmental consciousness impacting behaviour – increasing political and public pressure over the impact of flying, including B&GA travel, on the environment and the longer-term impact of customer behaviours in seeking mitigation strategies or alternative sources of travel.

Regulations and taxes – the potential for increasing government regulation including programmes to reduce carbon emissions, increasing taxes on jet fuel, and actions taken against higher carbon emitting industries.

Capital investment – in responding to changes in flight technology such as the introduction of emerging electric aircraft technology and electric vertical take-off and landing vehicles (eVTOLs) capital investment may be needed to meet new customer demand.

Progress in 2019

We continue to evolve our risk management process to provide practical and timely insight into the risks the business is facing. Our risk registers have been extended to:

- More clearly align the risks specifically to the strategic objectives of Signature Aviation; and
- Include a deep dive into climate change risk, identifying how this could impact our business now, and in the future, as emerging risk.

The risk process has also been brought into the quarterly business and functional operations reviews to ensure continued focus in the context of business performance and strategy.

We continue to improve the rigour of our data collection and financial analysis to support the impact evaluation of our key risks. This information is input to the scenario modelling that underpins the Viability Statement (see page 51).

Brexit

The UK left the EU on 31 January 2020 and we continue to monitor the impact of Brexit on the business through the 11 month transition period.

Any risk that we face concerns any changes to the open skies arrangement that may impact B&GA travel, and a slow-down in customs processes that may lead to delays in the cross-border flow of fuel, materials and engines, both for Signature Aviation, our suppliers and their upstream supply chains, and customers shipping engines to ERO for repair and overhaul. Having considered these risks and in the context of the Group's flight operations and supply chains being largely outside Europe, we continue to see only limited potential risk.

Principal risks

We have identified 13 principal risks and uncertainties facing Signature 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 directional changes during the year are summarised in the table below. They are not set out in priority order.

Changes in 2019

The Competitive environment risk has been broadened to include the actions of airport authorities as well as competitors, and the Ethics risk has been broadened to include non-adherence to legal competition regulations. A new principal risk has been introduced for Major safety or environmental incident or site closure resulting from factors including safety, pandemics, natural disasters, flood risks or other external actions.

Key	Change during the year
Growth	Increasing
Operational efficiency and process improvement	No change
Employee experience	Declining
Customer experience	
Environmental and Social	

Risk	Description and potential impact	Mitigation action/Control
Economy	Structural changes in the global economic environment, or cycle fluctuations that drive down B&GA, commercial and military flying.	<ul style="list-style-type: none"> • 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.
Risk owner: Mark Johnstone		

Risk	Description and potential impact	Mitigation action/Control
Terrorist activity Risk owner: Tony Lefebvre	Global terrorist events either in-flight, at or near major airports materially impacting global air travel.	<ul style="list-style-type: none"> • 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 Risk owner: Maria Garton	Legislative changes, for example causing material increase to cost of B&GA flight relative to alternatives such as commercial flying, road or rail travel. Further legislative matters include the introduction of General Data Protection Regulation (GDPR) and the California Consumer Privacy Act.	<ul style="list-style-type: none"> • Active participation in all relevant industry bodies. • Ongoing monitoring of all US and EMEA political activity which may impact B&GA activity. • Internal policies including Data Protection and supporting training ensure GDPR and California Consumer Privacy Act requirements are understood.
Competitive environment Risk owner: Tony Lefebvre	Ongoing competitor activity to replicate market position of Signature network on the field, coupled with the actions of airports on potential changes of FBO requirements.	<ul style="list-style-type: none"> • Active monitoring of competitor activity. • Continuous engagement with airport authorities. • Strong financial controls to monitor financial performance.
People Risk owner: Ben Hooper	Ability to attract and retain high-quality and capable people at senior and mid-management levels.	<ul style="list-style-type: none"> • Succession planning process embedded with review at Signature Leadership Team and Board level annually. • Remuneration structure designed to reward superior performance and promote retention. • Proactive employee development and key talent retention processes.
Products and services Risk owner: Tony Lefebvre	Potential liabilities from defects in services and products and associated warranty claims.	<ul style="list-style-type: none"> • Standard operating procedures with routine root cause analysis of all incidents. • Liability insurance.
Cyber security Risk owner: Mark Johnstone	Impact of a successful cyber attack.	<ul style="list-style-type: none"> • 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. • Cyber insurance added to insurance programme in 2019.

Risk	Description and potential impact	Mitigation action/Control
Ethics Risk owner: Maria Garton	Intentional or inadvertent non-compliance with company values and legislation, both within Signature Aviation and with trading partners, including non-adherence to legal competition requirements.	<ul style="list-style-type: none"> • Clear values statement and ethical policies, including specific competition law matters. • 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.
Environment Risk owner: Tony Lefebvre	Environmental exposures.	<ul style="list-style-type: none"> • 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.
Banking covenants Risk owner: David Crook	Non-compliance with banking covenants, including those caused by a tighter regulatory environment around sanctions compliance, which is a key condition of our banking covenants.	<ul style="list-style-type: none"> • Strong treasury management controls concerning liquidity management. • Rigorous third party vetting processes, which include compliance with sanctions regulations.
Tax Risk owner: David Crook	Changes in tax regulation in both the USA and EMEA could impact our effective tax rate and our cash tax liabilities.	<ul style="list-style-type: none"> • Timely compliance with all international tax requirements. • Continuous monitoring of changes to tax legislation, taking advice where appropriate from reputable professional advisers.
Supply chain disruption Risk owner: Mark Johnstone	Potential fuel supply chain disruption, half of which is now through the EPIC business and delay in delivery or lack of availability of parts from multi-tiered supply chains operating across multiple countries.	<ul style="list-style-type: none"> • Regular business reviews with major suppliers that address horizontal supply chain issues. • Mitigate single sources of supply where able or incorporate supply agreements that provide protection against loss and interruption.
Major safety or environmental incident Risk owner: Tony Lefebvre	Major incident or site closure resulting from factors including safety, pandemics, natural disasters, flood risks or other external actions.	<ul style="list-style-type: none"> • Internal and external regulatory monitoring for all health and safety regulations at all sites. • Business continuity plans in all locations, with a programme of regular testing led by the Business Continuity Management Council.

Financial matters

Exchange rate

Signature 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:

	2019	2018	2017
Sterling – average	1.28	1.33	1.29
Sterling – spot	1.33	1.28	1.35
Euro – average	1.12	1.18	1.13
Euro – spot	1.13	1.15	1.19

Discontinued operations

The disposal of Ontic was announced on 30 July 2019 following Board approval of a fully financed bid and the business was classified as a discontinued operation held for sale from 1 August 2019. The business was sold on 31 October 2019 for \$1,365.0 million resulting in a gain on disposal of \$724.0 million.

Ontic revenue for the 10 months of ownership to 31 October 2019 increased to \$218.6 million (2018: \$216.0 million for 12 months) and Ontic delivered a strong underlying operating profit performance of \$66.9 million on a pre IFRS 16 basis for the 10 months of ownership (2018: \$62.9 million for 12 months).

At the end of May 2018, management committed to a plan to sell substantially all of our ERO 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 ERO operations were also classified as a discontinued operation.

In 2019 ERO's revenue increased to \$555.3 million (2018: \$533.6 million) on a pre IFRS 16 basis. In stable markets, ERO's underlying operating profit on a pre IFRS 16 basis was \$40.5 million (2018: \$35.0 million). ERO's underlying operating profit improvement includes an incremental benefit from the suspension of depreciation and amortisation of \$5.7 million for the year to 31 December 2019, this being the required accounting treatment while the business is held for sale. In the year an impairment charge of \$124.7 million was taken on the net assets of ERO. The fair value less cost to sell of ERO is now \$177.6 million.

The ERO disposal process is ongoing and we expect to update the market in due course.

The financial matters that follow represent the Group's continuing operations unless stated otherwise.

Central costs

Underlying central costs were reduced in 2019 (excluding support costs of discontinued operations) to \$25.9 million. On a comparable pre IFRS 16 basis underlying central costs were \$26.7 million (2018 restated: \$28.3 million). This reduction of \$2.4 million reflects the impact of the central cost rationalisation process, foreign exchange and the adoption of IFRS 16.

Support costs

Support costs relating to the discontinued ERO and Ontic businesses were stable at \$14.3 million (2018 restated: \$14.3 million). The costs associated with supporting the ERO business will be addressed post completion of the ERO disposal or upon completion of the associated Transitional Support Agreement (TSA) period, as appropriate. Similarly, the Ontic support costs are currently being paid for by CVC, as part of the TSA, and we will work to eliminate these costs when the TSA period concludes.

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 \$400.0 million of income (2018: \$102.6 million loss) of which \$524.1 million of income (2018 restated: \$17.7 million loss) related to discontinued operations. Key components of this for continuing operations are the non-cash amortisation of acquired intangibles accounted for under IFRS 3 (\$73.8 million), restructuring expenses (\$5.6 million) as part of a multi-year restructuring programme, indemnification provisions and associated legal fees in respect of previously disposed businesses (\$36.5 million) and impairment of \$12.5 million relating to the Continuing Group's investment in the charter management joint venture.

Exceptional and other items on discontinued operations, net of tax, include a \$724.0 million gain on the disposal of Ontic, partially offset by the \$124.7 million impairment of ERO.

Acquisitions

During 2019 the total Group completed four acquisitions for a total of \$65.3 million, net of cash acquired (2018: \$210.6 million). Further details of these acquisitions are given in note 25 to the Consolidated Financial Statements.

Total spend on acquisitions included the acquisition of IAM Jet Centre (\$33.5 million), deferred consideration on an Ontic licence acquired in December 2018 (\$11.5 million), the acquisition of new licences by Ontic during 2019 (\$17.4 million) and the final working capital settlements in respect of EPIC and Firstmark (\$3.3 million), all net of \$0.4 million cash acquired.

Interest

Net interest payments increased to \$141.5 million (2018: \$58.3 million) following the recognition of interest on lease liabilities under IFRS 16 and the non-repeat of swap gains in the prior period. Interest cover on a covenant basis decreased to 6.9x for the 12 months to 31 December 2019 (FY 2018: 7.9x).

Exceptional interest costs of \$25.4 million (2018: \$Nil) represented the net settlement of the USPP make-whole payments to facilitate the Ontic disposal.

Tax and Dividends

The Continuing Group underlying tax rate was 6.8% (2018 restated: 20.6%). The decrease in the underlying tax rate primarily reflects the tax deductibility of deferred interest charges following the refinancing of the Group, previously written off in 2017 upon the implementation of US tax reform.

Cash taxes increased in line with expectations to \$41.7 million (2018: \$27.1 million). This increase largely represents timing of payments between 2018 and 2019.

At the time of the interim results, the Board declared an increased interim dividend of 4.20 cents (H1 2018: 4.00 cents). In addition, on 1 November 2019 the Company announced a special interim dividend of 80.71 cents per existing ordinary shares following completion of the sale of Ontic. This was paid on 13 December 2019.

The Board is declaring an increased per share final dividend of 10.57¢ (2018: 10.07¢) up 5%, reflecting the Board's progressive dividend policy and its continued confidence in the Group's future growth prospects.

Pensions

The Group's net defined benefit pension and other post-retirement benefits liabilities increased to \$38.0 million during 2019 from \$28.2 million at 31 December 2018 and \$32.7 million at 30 June 2019. The increase in the net deficit of \$9.8 million since 31 December 2018 is primarily due to a lower discount rate, net of deficit contributions.

During the first half of 2019 the Group completed and signed off the 2018 actuarial valuation of its UK defined benefit pension plan. As a result of this valuation and the initial recognition of past service liabilities in line with the recent High Court ruling in the Lloyds Banking Group case on Guaranteed Minimum Pension (GMP) equalisation, we had agreed to make additional payments of £8.5 million in total between July 2019 and September 2021. These payments were reconsidered during the process to dispose of Ontic and a revised funding arrangement was agreed with the scheme Trustees for the UK defined benefit pension plan to pay a lump sum of £30 million. This payment was made in full upon the legal completion of the Ontic disposal and in addition we have agreed to make an annual deficit payment of £2.7 million in quarterly instalments for the period to 31 March 2030, the first payment being for the quarter ended 31 December 2019.

Cash Flow and Debt

Net debt for the total Group on a reported basis increased to \$2,250.7 million (2018: \$1,332.2 million) following the adoption of IFRS 16 which results in the recognition of an additional \$1,242.4 million in lease liabilities within the definition of net debt. Our banking covenants are tested on the accounting standards in force prior to IFRS 16, consequently they are not impacted by the adoption of IFRS 16.

The Group's net debt to underlying EBITDA ratio at 31 December 2019 was 3.7x on a reported basis (2018: 2.9x) while net debt to underlying EBITDA on a covenant basis decreased to 2.2x (FY 2018: 2.8x).

Net cash inflow from operating activities of \$467.0 was higher than the prior year (2018: \$368.3 million) primarily as a result of the adoption of IFRS 16. Total Group free cash flow reduced to \$187.2 million (2018: \$224.8 million). This reduction resulted primarily from the execution of the direct fuel supply agreement which resulted in an as anticipated one-off \$69.2 million outflow, due to revision of payment terms, partially offset by a turnaround in working capital within our ERO business following the significant working capital outflows in 2018. Free cash flow for the Continuing Group, excluding the direct fuel supply agreement impact and exceptional cash flows was broadly flat at \$211.9 million (2018 restated: \$216.7 million).

Total Group gross capital expenditure amounted to \$80.6 million (2018: \$93.1 million). Principal capital expenditure items include investment in Signature's FBO developments at Teterboro (TEB), and Palm Beach (PBI). The lower than expected capital expenditure resulted primarily from revised timing of projects due to ongoing discussions with the associated airports and local authorities.

Other significant cash flow items include the net proceeds from disposal of Ontic of \$1,224.3 million, the acquisition of businesses, net of cash acquired of \$65.3 million (2018: \$210.6 million) and dividend payments of \$980.9 million (2018: \$140.7 million) which include the special dividend paid of \$833.6 million following the disposal of Ontic.

(Debt)/Cash profile by currency

\$m	2019 ¹	2018
US dollars	(2,118.5)	(1,377.4)
Sterling	(58.7)	15.9
Euros	(18.2)	11.8
Other	(14.2)	16.6
Net debt per balance sheet	(2,209.6)	(1,333.1)
Less fair value adjustments	13.4	1.9
Net debt classified as held for sale	(54.5)	(1.0)
Net debt per cash flow	(2,250.7)	(1,332.2)

¹ Including lease liabilities recognised under IFRS16.

The Group policy with respect to cash deposits is to only 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 the level of our US holding company and then lent to operating subsidiaries. The Group maintains sufficient available committed borrowing facilities to meet its forecasted funding requirements.

The Group's committed bank facilities comprise a \$400 million multi-currency revolving credit facility (RCF) dated 26 March 2018 due to expire in March 2024, \$500 million senior unsecured notes due 2026 and \$650 million senior unsecured notes due 2028. During the year the RCF was amended to reduce the facility size from \$650 million to \$400 million and amend certain covenant levels and related definitions. The RCF includes an ability to extend the duration for an additional year at its second anniversary. This extension option is at the lenders' discretion.

In addition, the remaining \$450 million Facility C Acquisition Financing Agreement (AFA) put in place during 2015 to fund the acquisition of Landmark Aviation, in conjunction with the rights issue, was repaid, partly from the new \$650 million unsecured senior notes due 2028 and partly from the proceeds from the disposal of Ontic.

The Group's outstanding US private placement (USPP) obligations of \$380 million senior notes were redeemed in full.

In total, the Group has debt obligations and facilities of \$1,550 million and, as at 31 December 2019, the Group has available \$400 million of undrawn committed borrowing facilities for daily working capital fluctuation purposes. These debt obligations and facilities are subject to cross default.

The bank facilities are subject to two main financial covenants: maximum net debt to underlying EBITDA of 4.25x; and minimum net interest cover of 3.0x underlying EBITDA which are both tested on a pre-IFRS16 basis. The Group has operated within these covenants.

The rationale for preparing the financial statements on a going concern basis is set out on page 50.

Capital structure

Following the review of our capital structure, we announced in March 2018 that we had increased our target leverage range based on the strong and robust cash flow fundamentals of the Group.

The Group manages net debt in the range of 2.5x to 3.0x underlying adjusted EBITDA on a covenant basis which we believe gives flexibility and headroom for the investment requirements of the Group and the cyclical nature within the B&GA market, our primary market.

The Group has performed materially within this target range during 2019, although net debt to underlying adjusted EBITDA at 31 December 2019 is 2.2x on a covenant basis, reflecting continued strong free cash flow generation and timing of tax payments relating to the Ontic disposal.

The target range provides up to 1.75x headroom against the Group's amended 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 2019, approximately 51% (2018: 44%) of the Group's total borrowings were fixed at weighted average interest rates of 4.6% (2018: 4.2%) for a weighted average period of seven years (2018: five 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.

Non-financial Information Statement

The table below, and information in this Annual Report which it refers to, is intended to assist our stakeholders in understanding our position on key non-financial matters.

Reporting requirement	Policies and guidelines governing our approach ¹	Risk management and additional information		Associated KPIs	
Environmental matters	<ul style="list-style-type: none"> Strategic Flight Plan Safety Management System Safety Business Plans 	Strategic Flight Plan in action	→ p20	Environmental performance	→ p36
		A responsible business	→ p30	Greenhouse gas emissions	→ p37
		Environment	→ p36	Carbon Disclosure Project score	→ p37
		Principal risks	→ p42		
Employees	<ul style="list-style-type: none"> Strategic Flight Plan Code of Business Ethics Equal Opportunities and Anti-Harassment Guidelines Training Attendance Policy Family Friendly Policies (UK) Safety Management System Safety Business Plans Data Protection Policy Privacy Policy 	Strategic Flight Plan in action	→ p18	Recordable Injury Rate (RIR)	→ p39
		A responsible business	→ p30	Number of locations achieving zero RIR	→ p39
		People	→ p32	Percentage of women employed	→ p32
		Health, safety and security	→ p38	Employee Engagement Survey	→ p18
		Principal risks	→ p42		
Social matters	<ul style="list-style-type: none"> Strategic Flight Plan Community Involvement and Charitable Giving Framework Code of Business Ethics Global Tax Strategy 	Strategic Flight Plan in action	→ p20	Donations to charity	→ p35
		A responsible business	→ p30		
		Customers and partners	→ p34		
		Communities	→ p35		
		Principal risks	→ p42		
Human rights	<ul style="list-style-type: none"> Code of Business Ethics Equal Opportunities and Anti-Harassment Guidelines Third Party Vetting Policy Code of Ethics for Suppliers, Contractors and Consultants Data Protection Policy Privacy Policy 	People	→ p32		
		Human rights	→ p33		
		Customers and partners	→ p34		
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> Policy on Bribery and Corruption Code of Business Ethics Disclosure of Unethical Conduct Policy Code of Ethics for Suppliers, Contractors and Consultants Policy on Gifts and Entertainment 	Customers and partners	→ p34		
		Principal risks	→ p42		
Description of the business model	<ul style="list-style-type: none"> Business model 		→ p14		

¹ Certain Group policies and guidelines are not published externally.

Section 172 Statement

The directors are aware of their various duties including those under section 172 of the Companies Act.

Signature Aviation's values are consistent with the requirements under section 172 of the Companies Act. The Board has oversight of the matters and policies referred to in the Resources and Relationships section of this report (pages 30 to 39) and that section of the report supports this specific section 172 statement.

The directors will consider all relevant factors when taking any decision and, where relevant, the factors under 172 of the Companies Act will be addressed in Board papers so that they can be discussed and considered; where parts of the section are not relevant, they are not referred to in papers.

The examples below illustrate some of the key items under section 172 that were considered by the Board during 2019:

Likely consequence of any decision in the long term	When the possibility of the Ontic disposal was first considered by the Board there was a detailed discussion on what the disposal would mean for the Group and the long-term impacts of any decision. More generally, when the Board is considering the Group's strategy, viability statement, and conducting the review of emerging risks, the Board takes a long-term view which helps form the background of all decisions.
Interest of the Company's employees	There are multiple examples during the year. In respect of the Ontic transaction, the Board considered the impact on both employees at Ontic and those remaining with the Group. The Board considered whether or not the prospective purchasers would be good owners of the business and the impact of new ownership on the employees. Throughout the ERO sale process the Board has been mindful of the impact on employees of working for a business held for sale. The Board took a keen interest in the results of the 2018 Employee Engagement Survey and the actions taken as a result of the survey and bore this in mind in the course of all decisions during the year.
Foster business relationships with suppliers, customers and others	The Board is fully aware of the need to foster these relationships for the long term as without such long-term relationships the business is unlikely to be sustainable. There is an ongoing focus on high standards of customer service and the Board is regularly briefed on relationships with key customers and suppliers, both in respect of specific and general decision making.
Impact of the Company's operations on the community and the environment	The Board is briefed on the impact on the community and the environment of all major decisions. A number of the construction projects approved by the Board are targeting LEED certification, and others include solar panels to generate electricity. Read more about these projects and our community involvement in the resources and relationships section of this report.
The desirability of the company maintaining a reputation for high standards of business conduct	As with fostering relationships with suppliers, customers and others, the maintenance of high standards of ethical conduct are very important in order to run a sustainable business. Again, more information on our ethics policies and how they are implemented can be found in the resources and relationships section.
The need to act fairly between members of the company	The clearest example during 2019 was in respect of the return of capital to shareholders following the Ontic disposal. Large shareholders were canvassed for their views and these views were presented to the Board to provide context for the decision. The Board is aware that some shareholders would have preferred the Company to have commenced a buyback programme or proposed a tender offer. The Board balanced these views and concluded that a special dividend was the most appropriate way to return cash.

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 1–95. The financial position of the Group, its cash flows and liquidity position are described on pages 45–47. 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 \$400 million multi-currency revolving credit facility (RCF) dated 26 March 2018 due to expire in March 2024, \$500 million senior unsecured notes due 2026 and \$650 million senior unsecured notes due 2028. During the year the RCF was amended to reduce the facility size from \$650 million and amend certain covenant levels and related definitions. In addition, the remaining \$450 million Facility C Acquisition Financing Agreement (AFA) put in place during 2015 to fund the acquisition of Landmark Aviation, in conjunction with the rights issue, was repaid, partly from the new \$650 million unsecured senior notes due 2028 and partly from the proceeds from the disposal of Ontic.

The Group's outstanding US private placement (USPP) obligations of \$380 million senior notes were redeemed in full.

In total, the Group has debt obligations and facilities of \$1,550 million and, as at 31 December 2019, the Group has available \$400 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 are subject to two main financial covenants: maximum net debt to underlying EBITDA of 4.25x; and minimum net interest cover of 3.0x underlying EBITDA which are both tested on a pre-IFRS16 basis. 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 for 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 and 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 and engine overhaul cycles in ERO. Further details of these risks and uncertainties are provided on pages 42–44.

The directors have carried out a critical review of the Group's 2020 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, including the matters set out in the viability assessment opposite. The key assumptions used in constructing the budget were as follows:

- In Signature we anticipate growth in Signature and EPIC, driven by market outperformance and effective strategic initiatives against the backdrop of a flat B&GA market with modest medium-term market growth.
- ERO is forecast to continue to deliver robust performance and improved cash conversion in a competitive market and pricing environment. The business is held for sale.

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 the Group's 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

Long term prospects

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 Signature Aviation Group. The directors' assessment considered the three-year period to December 2022.

This assessment was based on the three-year financial forecast for the Signature Aviation Group which was prepared on a business by business basis alongside the Signature Aviation Group annual budget and strategic planning processes.

The Group's current position provides a strong foundation for future growth as outlined in the Group's strategy on pages 15-20. Signature is a market leader with an unrivalled global network of FBOs secured on long leaseholds providing sustainable competitive advantage.

Viability assessment

The directors consider the three-year period to December 2022 to be the appropriate viability assessment period based on the historic performance of the Group and its key underlying markets. The directors have given consideration to the levels of uncertainty within the global economic and political environment and to the risks faced by the Group and believe a three-year period remains 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 performance of the Group. The plausible scenarios considered are broadly aligned to the principal risks and uncertainties set out on pages 42-44 and incorporate both external factors such as a potential downturn in the B&GA market and internal factors such as possibility that our planned strategic initiatives may prove ineffective.

In their assessment of the impact of plausible scenarios on the Group, the directors have also considered the likely effectiveness of available mitigating actions such as the deferral of non-essential capital expenditure across the forecast period.

In particular, in making their statement the directors have given consideration to scenarios including the following assumptions:

- Market contraction across the B&GA, commercial and military markets;
- The impact of increasing competitive activity in the B&GA sector;
- Unfavourable changes in tax legislation in both the USA and EMEA driving increased effective tax rates and cash tax liabilities;
- Increased cost of debt as a result of unfavourable changes to the global economic and political environments.

Based on this assessment, the directors have a reasonable expectation that the Company and the Signature Aviation Group will be able to continue in operation and meet their liabilities as they fall due for the three-year period to December 2022.

This Strategic Report was approved by the Board of Directors on 2 March 2020 and is signed on its behalf by:

Mark Johnstone,
Group Chief Executive Officer
2 March 2020

David Crook,
Group Finance Director
2 March 2020

Chairman's introduction

I am pleased to introduce the Corporate Governance Statement for 2019. The Board is responsible for ensuring the long-term success of Signature Aviation and the delivery of long-term, sustainable value for all of our stakeholders.

Introduction

The Board is committed to ensuring that high standards of ethical behaviour and governance are maintained throughout the Group. The Board of Signature Aviation fully supports the Group's values which are entirely consistent with good governance and directors' duties. As you have read earlier in the Annual Report the Values will be subject to review to ensure they are relevant for the Signature Aviation business. We take pride in what we do and in the way we conduct our business and deliver our strategic objectives.

The Corporate Governance section of the report includes this summary section, a report on the Board and each of the Committees. The Committee reports are introduced by the Committee Chair.

The split of responsibilities between the Chairman and Chief Executive is documented and available on the Company website. We have also set out our expectations for our Committee chairs, our Senior Independent Director (SID) and our non-executive directors including a section covering the expectations for our designated director for the workforce. The Board has a formal schedule of matters reserved to it. Matters not reserved to the Board are delegated to the Chief Executive who manages the day to day running of the business through the Signature Leadership Team and a matrix of delegated authorities. The Signature Leadership Team was introduced on page 9.

Directors

As noted in last year's report Vicky Jarman and Stephen King joined the Board in January 2019. I was delighted that both settled into their roles quickly and both increased the level of recent and relevant financial experience on the Board and the Audit and Risk Committee.

At the AGM in May, Susan Kilsby retired from the Board resulting in some changes in responsibility. Peter Ventress became the Senior Independent Director and Chairman of the Remuneration Committee following Susan's retirement. Peter handed responsibility for chairing the Audit and Risk Committee to Stephen King.

I'd like to formally record my thanks to Susan for her support and wise counsel when she was on the Board.

I am reducing my external commitments: as has been announced elsewhere I will be stepping down from the Business Growth Fund on 30 June 2020 and retiring from the Board of Meggitt PLC following their AGM in 2021.

The Board has concluded that Amee Chande, Peter Edwards, Emma Gilthorpe, Vicky Jarman, Stephen King 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 2019.

The Board has decided that all Board members will retire and stand for re-election at the 2020 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.

Board

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. In 2019, Clare Chalmers conducted an external Board evaluation process and you can read more about that on page 57.

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.

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.

Further information is provided on the work of the Board and its Committees within the body of this Corporate Governance Report.

Governance

The Company has complied with the Provisions of the UK Corporate Governance Code (the 'Code') throughout the year. As in previous years we include a compliance section within the report and have this year reported against the provisions of the Code in a side-bar that runs throughout the Governance Report and at the end of the Remuneration Report.

We nominated Amee Chande as the designated non-executive director for workforce engagement. The role involves understanding and presenting the workforce's position to the Board, although the director is not obliged to support such a view if it is inconsistent with duties as a director of the Company.

The Company undertook an employee engagement survey towards the end of 2019 and the Board has time set aside to review the detailed results and the proposed actions. The employee engagement scores have improved in the last year and a high level summary of the results is presented on page 18. Diversity and inclusion is covered on page 32.

In 2019 the Board included a number of site visits within its meeting programme and intends to do the same during 2020 to meet a broader cross-section of the workforce.

The Board believes the employee nominated director, combined with site visits and the results of the engagement survey, will ensure the workforce voice is heard in the Boardroom.

Conclusion

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 2019 Annual Report more generally.

Sir Nigel Rudd,
Chairman



Sustainability is increasingly important and it is expected to be a key focus of the Board's activities in 2020.

Sir Nigel Rudd
Chairman

Board of Directors

Chairman and non-executive directors

Sir Nigel Rudd (73) 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.

Ameë Chande (46) A N R **Non-executive Director**

Appointed to the Board on 1 January 2018. Ameë brings significant digital and consumer experience to the Board from executive roles at Waymo (Google), Alibaba, Tesco and Walmart. Ameë began her career at McKinsey and Company in Canada after completing her MBA at Harvard and MSc at the London School of Economics, and has since lived and worked in North America, Asia and Europe. Ameë lives in California where she is working with a portfolio of start-up companies in the consumer and mobility sector.

Wayne Edmunds (64) **Non-executive Director**

(not independent within the code definition)
Appointed to the Board in August 2013 and acted as Interim Group Chief Executive from 1 July 2017 to 31 March 2018. He is also a non-executive director of MSCI, Inc. He has extensive global commercial experience. 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. He was Chairman of Dialight from 2016 until 2019 and was a non-executive director of Ashtead Group plc from 2014 to 2018.

Emma Gilthorpe (49) 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 Limited (formerly BAA), where she is Executive Director for Expansion. She started her career at Cable & Wireless plc where she worked in commercial, regulatory and policy roles before becoming Group Director, Regulatory Affairs in 2004. In 2005 she joined the Management Board of Openreach, then moved to BT as Group Director for Industry Policy and Regulation in 2007. She joined Heathrow Airport in 2009 as Regulatory Director and became Executive Director, Strategy in 2013 before taking her current position. Emma is a qualified Barrister.

Vicky Jarman (47) A N R **Non-executive Director**

Vicky Jarman was appointed to the Board on 7 January 2019. She is also a non-executive director at Great Portland Estates plc and at Knight Frank, the global commercial and residential real estate advisor. Vicky started her career with KPMG and qualified as a Chartered Accountant. Shortly after qualification she moved to Lazard & Co, working in the Corporate Finance team before becoming Chief Operating Officer for the London and Middle East operations until 2009. Vicky has previously held non-executive appointments at De La Rue, Equiniti Group and Hays.

Stephen King (59) A N R **Non-executive Director**

Stephen King was appointed to the Board on 7 January 2019 and Chairman of the Audit and Risk Committee in May 2019. He is a non-executive director at Chemring Group plc and at TT Electronics plc, where he is the Senior Independent Director and Chairman of the Audit Committee. Stephen started his career at Coopers & Lybrand and is a Chartered Accountant. He has significant experience within the industrial, engineering and manufacturing sectors, including a number of executive and non-executive roles. Until November 2018 he was Group Finance Director at Caledonia Investments plc, the FTSE 250 investment company. He has previously been a non-executive Director and Chairman of the Audit Committee at The Weir Group plc. Stephen was Finance Director at De La Rue plc from 2003 to 2009, and prior to that at Midlands Electricity plc.

Executive directors

Peter Edwards (64) 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 CEO of Jet Aviation, a global business aircraft service provider, between 2007 and 2011. Since leaving Jet Aviation, Peter founded P.G. Edwards Advisors, an aviation advisory practice focusing on business and commercial aviation. In January 2012, he established Axis Simulation Holdings, the parent company of Austria based Axis Flight Training Systems where he is Principal and Chairman.

Peter Ventress (59) A N R Non-executive Director

Appointed to the Board in January 2016 and was appointed Senior Independent Director and Chairman of the Remuneration Committee in May 2019. Peter is Chairman of Galliford Try plc and a non-executive director of Bunzl plc, where he is also Chairman-elect. He was formerly a non-executive director of Premier Farnell plc, Softcat plc and Staples Solutions N.V. From 2009 he spent six years as CEO 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.

Mark Johnstone (51) Group Chief Executive Officer

Mark was appointed Group CEO and joined the Board in April 2018. He joined the Group in 2008 as Group Corporate Development Director before becoming CFO, Signature Flight Support in 2009. In September 2012, Mark took over as Managing Director of APPH, managing the turnaround of the business ahead of its successful sale in February 2014. In March 2014, Mark became Managing Director EMEA, Flight Support with responsibility for Signature Flight Support and ASIG's operations in the EMEA region. In 2016, Mark was appointed President and COO of Engine Repair & Overhaul. Prior to joining the Group, Mark held roles in the aerospace and off-highway division of GKN plc. He is a Chartered Accountant and holds an Honours degree from Bristol University.

David Crook (51) Group Finance Director

Appointed to the Board as Group Finance Director in June 2017 having joined the Group 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

Audit and Risk Committee	A
Nomination Committee	N
Remuneration Committee	R

Compliance with the Corporate Governance Code

Reporting against the Code deals with the Principles (represented by letters) and the provisions (represented by numbers). Both the Principles and Provisions are summarised in the interests of space. The full provisions can be found on the Financial Reporting Council's website at www.frc.org.

A – Led by an effective board

Compliant with the Principle evidenced by the Board Effectiveness Review.

B – Purpose, values and strategy

The Company has a purpose and values which following the disposal of Ontic are under review. The Board approved the Strategy for 2020 and beyond in November 2019 and will revisit this following the completion of the ERO disposal.

C – Necessary resources and control framework

The CEO reports to the Board at each meeting on progress against strategic objectives and any challenges. There is an effective control framework as described in the risk section of this report on page 64. The Risk Governance Framework is set out on page 41.

D – Responsibilities and engagement with shareholders

The engagement programme with shareholders is led by the executive directors and the Chairman of the Board, the SID and the Chairmen of Committees are available to meet shareholders on request. The Head of Investor Relations prepares a report for each Board meeting.

E – Workforce policies and practices

This is a new provision for 2019 and the Remuneration Committee led on these responsibilities, receiving a presentation from the HR Director and other senior members of the team that set out the remuneration and other relevant employment policies for different levels of the workforce.

The Board

Board activity in 2019

Some of the important matters considered by the Board, together with the time allocation, are illustrated in the pie charts and table on the left hand side of the next double page spread.

At each meeting in 2019 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 (now renamed the Signature Leadership Team) attended a number of meetings in 2019 to report to the Board on their business or areas of responsibility. Opportunities also exist throughout the year for informal contact between Board members and with members of this team.

The Board spent a considerable amount of time during 2019 considering the portfolio and matters related to the disposal of the Ontic and ERO businesses. Following the sale of the Ontic business the Board considered the best way to return capital to shareholders and consulted with a number of larger shareholders before taking their decision. Throughout the year the Board monitored the FBO business and received updates on the strategic and capital expenditure projects.

In 2019, the Board held two of its scheduled six meetings in the USA. The June meeting was held in North Carolina to allow the Board to visit the FirstMark business that had been acquired by Ontic at the end of 2018 and the Board also visited the Signature FBO at Raleigh-Durham International Airport. In June, the Board received a presentation on the results of the diversity and inclusion work, the Employee Engagement survey and completed a comprehensive talent review.

In November, the Board meeting was held in Orlando – the Board met at the new head office in Lake Nona and hosted a dinner for a broad cross-section of the workforce based in the head office and FBO sites in Florida. These events 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 also conducted a comprehensive review of the Group's strategy and execution against the strategic plans.

In December, the Board reviewed the objectives it set itself for 2019 which included monitoring strategic progress, executive succession planning, workforce engagement, succession planning, capital allocation and capital structure and addressing the Board effectiveness actions from 2018. 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. A Manager in Training programme known as MiT was launched in 2019 to develop a pipeline of talent for managerial positions in the FBO business.

Inductions

Given the different experience of new non-executive directors the induction programme is based on a menu of events and the programme is agreed between the Chairman, the new NED and the Company Secretary. Both Vicky Jarman and Stephen King have undertaken site visits in the UK and held meetings with various members of the executive team and external advisers.

Compliance with the Corporate Governance Code

1 – Basis on which the company generates and preserves value

The Board reviewed and approved the Group's strategy in November. The detailed reporting against this principle is contained in the Strategic Report and in particular from page 15.

2 – The Board should assess and monitor culture

Culture is difficult to measure and the Board has tackled this through the Employee Engagement Survey and has overseen conscious inclusion training during 2019 to help support diversity and inclusion within the organisation. More can be read on the reward element of this provision in the Remuneration Report starting on page 66.

3 – Engagement with major shareholders

Engagement with shareholders is led by the executive directors. The head of investor relations prepares a report for each Board meeting. The Board received reports prepared by our corporate brokers following the roadshow events. The Board carefully reviewed the feedback from shareholders in the last quarter of 2019 before deciding to return capital to shareholders by way of a special dividend. The Chairman of the Board had a number of meetings with shareholders during the year. During the year, our Committee chairs were not asked to meet shareholders and there were no matters where the Chairs felt that engagement was necessary.

4 – Action if 20% of shareholders vote against a proposal

No action required as all votes were supported by over 88% of shareholders voting at general meetings during 2019.

5 – Views of key stakeholders and section 172 statement

The Board is made aware of the views of key stakeholders through a variety of channels. Amee Chande is the director designated as the workforce voice and the views of the workforce were additionally reported to the Board through the results of the Engagement Survey. The section 172 statement is on page 49 of the Strategic Report.

6 – Workforce concerns (known as whistleblowing)

The Company operates an anonymous whistleblowing hotline via a third party. All matters raised to the whistleblowing hotline are investigated and reported to the Audit and Risk Committee and reviewed by the Board.

7 – Conflicts of interest

Appropriate controls are in place to manage conflicts of interest at all levels of the Company. If a director declares a conflict or potential conflict it is either authorised by the Board in accordance with the articles of association, or the director would recuse him or herself from any conversations or decisions on such matters.

8 – Concerns held by a NED on resignation

Susan Kilsby stepped down at the AGM during the year. There were no resignations during the year.

Susan Kilsby provided a handover to Peter Ventress in respect of the Remuneration Committee and SID roles and Peter spent time with Stephen King to assist him in becoming Chairman of the Audit and Risk Committee. Stephen King's induction included meetings with the external audit partner, the Financial Controller and members of the risk and Internal Audit teams.

Board evaluation

The Board conducted an external review in 2019. Clare Chalmers conducted the review with support from the Company Secretary.

Clare met with all Board members, the Company Secretary and the external audit partner individually to discuss their views on the Board effectiveness. Clare provided all participants with a short briefing ahead of the meeting and had an open discussion with each of the participants. Clare produced a report that was discussed with the Chairman, and then attended a Board meeting to present the results and had a discussion with the Board to agree the actions.

Overall, the conclusion from the Board evaluation was positive and it was felt the Board and its Committees were operating effectively. The effectiveness recognised the significant changes since 2018 to both the Company's portfolio of business and the Board itself with two new NEDs and a new CEO joining the Board in 2018 and an additional two new NEDs in 2019 and the retirement of long-serving NEDs – one in 2018 and one 2019.

The Board evaluation report commented on a number of strengths including the very high-powered collection of individuals who bring a great deal of relevant experience led by a strong, experienced chairman. The Board is collegiate and both executives and non-executives show a high degree of integrity and commitment. There is a clear sense of common purpose and the Board Committees are also well led.

The Board also benefits from plentiful input from the wider executive team and interactions between the Board and management are open and issues are aired promptly and in full. The Secretariat is held in high regard and interviewees are united in their appreciation of the support it provides.

The Board has agreed to address a number of suggestions and actions arising from the review that include:

- Imaginative ways to overcome the challenges resulting from a UK listing, a largely UK based Board with the majority of the business in the USA;
- Continuing to strengthen the culture to support high-end customer service;
- Increasing the Board's visibility across the organisation;
- Strengthening employee feedback and the workforce voice to the Board; and
- Reviewing and agreeing the Company's approach to sustainability and environmental impact.

Board activity in 2020

The Board will continue to manage the Company for the long term with a view to deliver sustainable returns to all stakeholders keeping governance, strategy, talent, people and business performance under review.

Compliance with the Corporate Governance Code

F – Chairman leads the Board and is responsible for its effectiveness

9 – Chairman independent on appointment

The leadership and effectiveness of the Board is evidenced through the Board evaluation and the Chairman was independent on appointment. The roles of the Chairman and CEO are separate and their respective responsibilities are documented and available on the Company's website.

G – Appropriate combination of executive and non-executive directors

10 – Identification of independent NEDs

See page 53 and biographies on pages

11 – At least half the Board are independent

The Company complies with the elements of the Code set out above and the relevant disclosures are primarily found on pages 53 - 55.

H – Non-executives have sufficient time to meet responsibilities

Board meetings are well attended with very few absences and, in a year of significant corporate activity, there were no concerns regarding capacity, or the non-executives' combined abilities to support and provide constructive challenge to the Executive team.

I – The Board, supported by the Company Secretary, should ensure that it has resources to function

The Company is compliant as evidenced by the Board effectiveness review.

12 – Appointment of SID and review of Chairman

Susan Kilsby and Peter Ventress served as the SID during 2019. In November, as part of the Board effectiveness review, Peter Ventress met with the other NEDs and conducted a review of the Chairman's performance and provided him with a summary of the feedback.

The role of the SID is documented and available on the Company's website.

13 – Non-executives' role

The non-executive directors would have a primary role in the appointment or removal of any executive directors. The Chairman and the non-executive directors will regularly meet without the executive directors being present at the end of each face to face Board meeting and will normally have one or two longer sessions without the executive directors being present.

14 – Roles of chairman, chief executive and SID and Committee terms of reference

Fully compliant with the Code with the necessary documents published on the Company's website. The directors' attendance at meetings is shown in the table on page 58.

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. The meetings in June and November included site visits. A number of key matters considered by the Board during 2019 are shown below:

February	Annual Report and contents, AGM and dividend Refinancing and capital structure
May	Review of the Ontic business Update on the strategic review of ERO business Trading update
June	People strategy and talent review Updates on strategic transactions
August	Interim results
September	Updates on strategic transactions
November	Annual Strategy Review – presentations from all businesses and functions
December	Review of progress during 2019 and preparation/planning for year-end 2020 Budget
Additional meetings	The Board held two additional Board meetings in 2019. The first was in January to finalise the budget for the year and the second was in July to consider the Ontic sale. Additionally, there were two significant full ad-hoc Board Committee meetings during the year to give final approval for the Ontic disposal in July and the refinancing and special dividend arrangements in October.

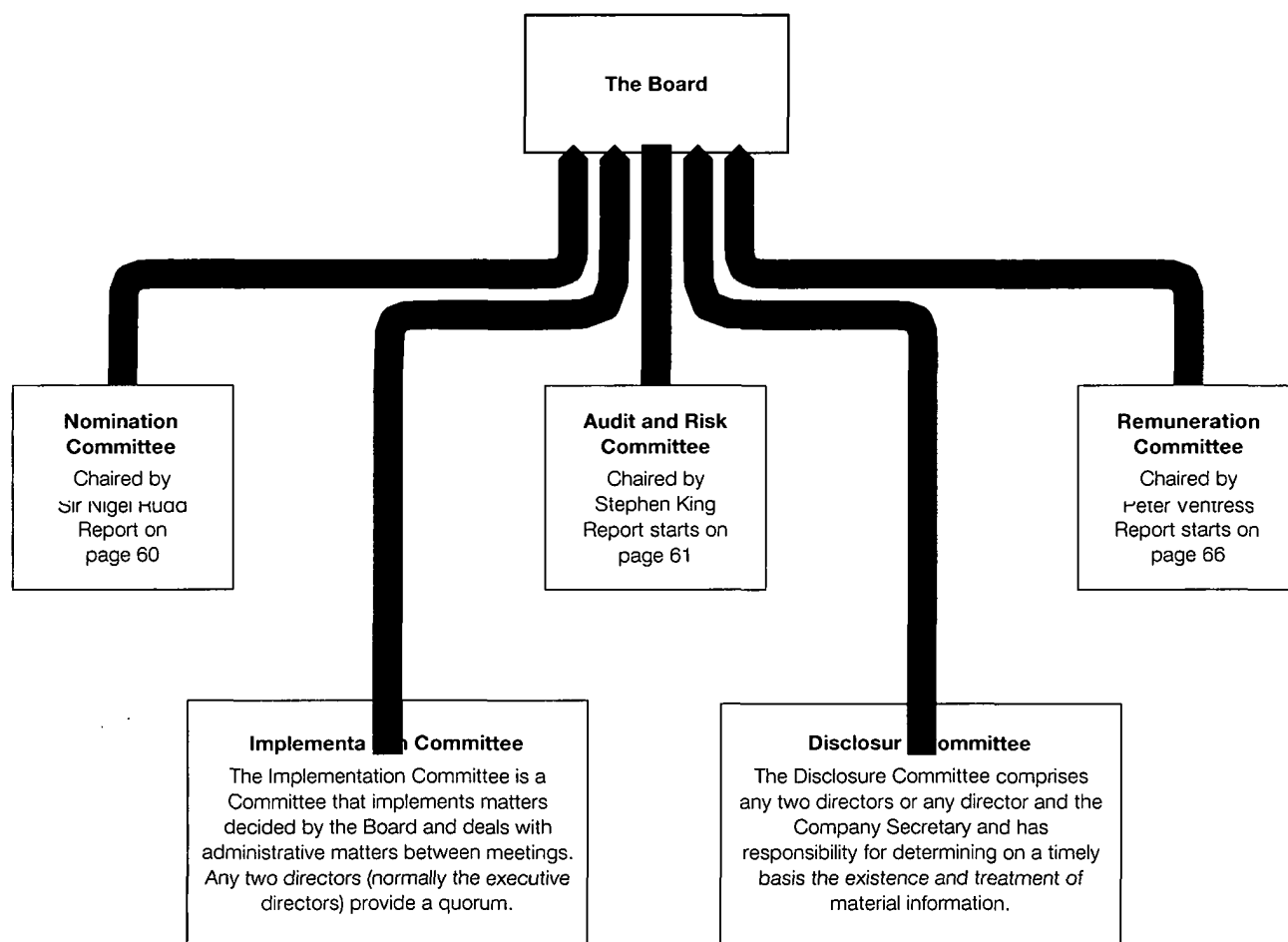
2019 Board and Board Committee meetings

The table below shows members attendance at the Board and Board Committee meetings scheduled before the start of the year. Attendance by those who are not Committee members or where they were invited to attend all or part of a meeting are not shown.

Name	Board	Audit and Risk	Remuneration	Nomination
Sir Nigel Rudd	7/7	–	5/5	1/1
Amee Chande	7/7	5/5	5/5	1/1
David Crook	7/7	–	–	–
Wayne Edmunds	6/7	–	–	–
Peter Edwards	7/7	5/5	5/5	1/1
Mark Johnstone	7/7	–	–	–
Stephen King	7/7	5/5	5/5	1/1
Emma Gilthorpe	7/7	5/5	5/5	1/1
Vicky Jarman	6/7	5/5	5/5	1/1
Susan Kilsby	2/2	2/2	2/2	–
Peter Ventress	7/7	5/5	5/5	1/1

The additional Board meetings noted above were attended by all directors and the ad-hoc committee meetings were also well attended.

Governance Structure



Board and Board Committee structure

The diagram above illustrates the Board level governance and the primary standing Committees that have been established to effectively run the business in compliance with the UK Corporate Governance Code.

Compliance with the Corporate Governance Code

15 – Time demands considered on new appointments

The Board is conscious of so-called overboarding and Peter Ventress stepped down from his role at Softcat on taking on the Chairmanship of Bunzl plc to ensure he was not overboarded. Sir Nigel Rudd is in the process of reducing his external appointments.

16 – Access to and appointment of the Company Secretary

All directors have access to the Company Secretary. The Board effectiveness review noted the effectiveness and efficiency of the secretariat and the appointment or removal of the Company Secretary is a matter reserved to the Board.

Nomination Committee

The composition of the Nomination Committee is set out in the table below. During 2019 the Nomination Committee comprised the Chairman and independent non-executive directors.

	During year				
	01/01/19	Resigned	Appointed	31/12/19	02/03/20
Sir Nigel Rudd (Chairman)	✓	–	–	✓	✓
Amees Chande	✓	–	–	✓	✓
Peter Edwards	✓	–	–	✓	✓
Emma Giltthorpe	✓	–	–	✓	✓
Vicky Jarman	–	–	7/1/19	✓	✓
Susan Kilsby	✓	10/5/19	–	–	–
Stephen King	–	–	7/1/19	✓	✓
Peter Ventress	✓	–	–	✓	✓

The Nomination Committee meets as required and other directors attend Nomination Committee meetings by invitation. There were no Board vacancies during the year and the Committee only met once, in December.

The Committee

The normal matters that would be considered by the Committee (in addition to appointments of directors) such as talent and diversity were covered by the full Board during 2019 rather than by the Committee. The Board completed a detailed review of the people strategy and talent at its meeting in June.

The Company has demonstrated effective succession planning in recent years. Both executive directors were internal appointments and over half of the Signature Leadership Team were appointed to their current roles from within the organisation. In 2019, an enhanced talent review process was introduced using a five rather than nine-box grid. The Nomination Committee and the Leadership Team recognise that succession planning is an ongoing concern that will continue to require focus to ensure there is a pipeline of talent for senior roles when opportunities arise.

Sir Nigel Rudd,
Chairman

Compliance with the Corporate Governance Code

17 Establish a Nomination Committee

The Board has established a Nomination Committee and its composition complies with the Code's requirements.

J – Appointments subject to formal, rigorous and transparent approval. An effective succession plan should be maintained for board and senior management.

The appointment process complies with the code requirements in all respects. The process to appoint Vicky Jarman and Stephen King was described in detail in last year's Annual Report.

The Company has an equal opportunities policy and applies this to all recruitment including Board appointments. The Board does not believe in quotas to address any diversity concerns that may arise and will always appoint the most appropriately qualified person for any particular role. The Nomination Committee will ensure that the long-lists of candidates are suitably diverse and through selection of the strongest candidate on each occasion this will lead to an appropriately diverse Board and workforce. The Board believes this approach is both non-discriminatory and effective.

K – Board and committees have combination of skills, experience and knowledge

The biographies of directors on pages 54 and 55 and the comments in the Board effectiveness review suggest the necessary combinations of skills, experience and knowledge are present.

18 – Annual re-election process for all directors

All directors are put up for election or re-election annually by shareholders at the AGM.

19 – Chairman's tenure less than nine years

The Chairman has been on the Board for six years and the Company is compliant with the Code requirements.

20 – Open advertising/search consultancy for NED roles

The Company has historically used a search consultancy that is accredited under the Enhanced Code of Conduct for executive search firms and expects to continue with this approach. We would not expect a search consultancy to provide other services to the Company. No search consultancies were engaged for Board appointments during the year.

L – Annual evaluation process

21 – Formal and rigorous annual evaluation

A comprehensive annual evaluation is carried out – the process adopted in 2019 is described on page 57. Clare Chalmers has no other connection with the Company or its directors other than her Board evaluation work (which has included meeting certain directors when conducting reviews of other companies).

22 – Act on results of evaluation

The Board has identified a number of issues to address following the evaluation – see page 57.

23 – Work of the Nomination Committee

Given there were no vacancies during 2019 the work of the Committee was relatively light. As noted opposite the diversity and talent work was undertaken by the full Board in 2019.

Audit and Risk Committee

Firstly, I'd like to thank Peter Ventress the previous Chairman of the Committee for his work chairing the Committee and for the supportive handover he provided. The Audit and Risk Committee discharges a number of key responsibilities on behalf of the Board and the Group. These include monitoring the Group's financial reporting processes, overseeing the work of the Internal Audit team, reporting on the independence and objectivity of the external auditor and reporting on these matters to the Board.

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 2019 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 Group'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 before they were put to the Board for approval.

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

Stephen King,
Chairman of the Audit and Risk Committee

Composition

The composition of the Audit and Risk Committee during 2019 is set out in the table below.

	During year				
	01/01/19	Resigned	Appointed	31/12/19	02/03/20
Peter Ventress	✓	–	–	✓	✓
Ameé Chande	✓	–	–	✓	✓
Peter Edwards	✓	–	–	✓	✓
Emma Gilthorpe	✓	–	–	✓	✓
Vicky Jarman	–	–	7/1/19	✓	✓
Susan Kilsby	✓	10/5/19	–	–	–
Stephen King	–	–	7/1/19	✓	✓

All members of the Audit and Risk Committee are independent non-executive directors. The Committee is well qualified with sector experience and comprehensive experience of corporate finance matters. The appointments of Vicky Jarman and Stephen King will ensure that the Committee continues to have sufficient recent and relevant financial experience to discharge its duties. From May 2019 Stephen King chaired the Committee.

During 2019, 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 are also generally invited to attend the Audit and Risk Committee meetings. In 2019, 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 2020. The Chairman of the Committee also met the US audit team and the US finance team during a trip to the US. 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 2019, briefings included the impact of the new IFRS 16 standard on accounting for leases.

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

There is a twice-yearly formal report to the Committee on business ethics and compliance, which includes such matters as the review of the Group's Disclosure of Unethical Conduct Policy, under which staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters (sometimes this is known as whistleblowing). In addition, the Committee reviews reports on any matters raised through this process.

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 formal tender process took place in 2014 for financial periods ending 31 December 2015 and beyond. 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 Andrew Bond became lead audit partner following the completion of the 2017 audit, early in 2018.

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 2019 and to date in 2020 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 significant matters raised by the Risk or Internal Audit team;
- Review of the process to confirm that the Annual Report is fair, balanced and understandable;
- Review of the going concern and viability assessments;
- Consideration of the audit fee and non-audit fees;
- Review of the Group risk profile including emerging risks and the actions management is taking to mitigate key risks;
- 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 Signature Aviation's matrix of authority levels;
- Review of the effectiveness of Internal Audit and discussion of Group Internal Audit's overall strategy;
- External auditor independence and effectiveness (see page 63); and
- Systems of internal control (see page 64).

The Committee's terms of reference were reviewed in December 2019 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 2020 financial statements and how these were addressed include:

- Recording of exceptional and other items;
- Taxation;
- Accounting for the disposal of Ontic;
- Valuation of the ERO business which is held for sale; and
- IFRS 16 'Leases'.

These issues were discussed with management and the external auditor in the meetings during the year and 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

See Note 2 →

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 and disposals, the amortisation of acquired intangibles accounted for under IFRS 3 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.

Taxation

See Note 4 →

The Group is subject to tax in multiple jurisdictions, primarily the US and the UK. As stated in our Global Tax Strategy we are committed to compliance with the tax laws and practices in the countries in which we operate and continuously monitor changes to tax legislation, ensuring that we take advice where appropriate from professional advisers.

The Group is monitoring developments in relation to the EU State Aid investigation including the EU Commission's decision in April 2019 that concluded the UK's Controlled Foreign Company regime partially represents State Aid and the UK authorities' subsequent appeal of this decision. Judgement has been applied in our consideration of the potential risk to the Group and the quantum of any potential liability which has been disclosed and not provided for.

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

Accounting for the disposal of Ontic

See Note 27 →

The Group disposed of the Ontic business on 31 October 2019 for a price of \$1,365 million which resulted in effective proceeds of \$1,321 million and a gain on disposal of \$724 million net of transaction costs. As a condition of the transaction, \$380 million of US Private Placement bonds were redeemed in full with a make-whole payment fee of \$31.5 million. This has been disclosed separately in exceptional finance costs net of related swap gains.

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

Valuation of the ERO business which is held for sale

See Note 26 →

The ERO business is presented as a discontinued operation held for sale. It has been valued at its fair value less costs to sell which has resulted in an impairment of \$124.7 million which has been recognised within exceptional and other items.

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

IFRS 16 'Leases' (IFRS 16)

See Accounting Policies →

IFRS 16 took effect from 1 January 2019 replacing both IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

The standard has significant impact on the Group's reported performance and financial position, with the recognition of a discounted lease liability on the balance sheet at 1 January 2019 being \$1.1 billion with a corresponding right of use asset and it will impact certain of the Group's alternative performance measures. Judgement has been required in determining the application of the standard including the transition options taken and the determination of the applicable discount rates.

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 the transition were appropriate.

Audit and accountability

a. Auditor independence and audit effectiveness

The Audit and Risk Committee's reviews and monitors 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 2020 had provided appropriate focus and challenge on the primary areas of audit risk. Overall, the quality of the audit was assessed as "good". Additionally, the Committee considered the findings of the FRC's 2019 Audit Quality Review of Deloitte and the actions being taken to address the matters raised.

As part of the Board evaluation review the Audit and Risk Committee 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 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 2019 are set out in note 2 to the Consolidated Financial Statements.

During 2019, 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.

Compliance with the Corporate Governance Code

M – formal transparent policies to ensure independence of audit

The Company complies with the requirements. External and Internal Audit functions are reviewed on an annual basis. The Internal Audit function is headed by a PricewaterhouseCoopers ("PwC") partner who reports into the Chairman of the Audit and Risk Committee and the Head of Risk. Additional information on the arrangements are set out in the column to the left.

The Company has adopted a robust non-audit services policy to help preserve the independence of the external auditor.

N – Fair, balanced and understandable assessment of prospects

The Board noted the assurances from the Signature Leadership Team (regarding the Annual Report being fair, balanced and understandable) in making their own judgement on the assessment of the Company's prospects where they are described in the Report.

O – Procedures to oversee internal control framework and identification of principal risks

The process to identify risks and review their mitigation is set out in the risk section on pages 40 to 44 with a description of the process used to identify principal and emerging risks. These risk are contemplated when preparing the Viability Statement.

24 – Establish an Audit Committee

The Audit and Risk Committee meets the Code requirements and its members have the necessary skills, competencies and knowledge for the Committee to discharge its duties. The appointments of Vicky Jarman and Stephen King strengthen the Committee's relevant and recent financial experience.

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. Non-audit fees are set out in Note 2 of the Group's Consolidated Financial Statements (2019: \$0.7 million, 2018: \$0.2 million) and relate to the Group's 2019 interim review (\$0.1 million) and reporting accountant services relating to the disposal of Ontic and the \$650 million 4% senior notes due 2028 (\$0.6 million).

In addition, Deloitte were appointed by CVC Capital Partners to conduct a non-statutory audit of Ontic in connection with their acquisition of the business. CVC Capital Partners are liable for the fees for this work (described in note 2) which are not included within the disclosure of non-audit fees paid to the auditor. The Committee believes that Deloitte's continued objectivity and independence was unaffected due to the nature and scale of the work undertaken.

In November 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 policy was reviewed in 2019, no significant changes were made and the policy is available on the Company's website www.signatureaviation.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 2019 and up to 2 March 2020 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'. 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 40–44, 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 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. This includes emerging risks. 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 Group's leadership team in order to validate the risk profile. The validated Group risk map is 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 key 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 Signature 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 Signature Leadership Team (formerly the Executive Management Committee). The Board also receives a summary HSE report in addition to updates on HSE activities. These reports cover all Group companies and are prepared by the internal Group HSE function. Key HSE performance metrics are reviewed and verified annually by an independent third party organisation. Senior managers' performance and related financial incentives are tied in part to their success against selected annual HSE improvement objectives. Further details about HSE matters are set out on the Signature Aviation website. The annual Control Risk Assessment questionnaire which is completed by each of the operating businesses includes a number of questions on Corporate Responsibility matters.

Compliance with the Corporate Governance Code

25 – Committee's role

The Committee's terms of reference (which are available on the Company's website) cover all necessary matters and the Committee covered these items to sufficient depth in 2019.

26 – Annual Report to describe work of the Committee

The work of the Committee is described in this report and all necessary code requirements are addressed.

27 – Annual Report is fair, balanced and understandable

The Board has confirmed that, in its opinion, the Annual Report is fair, balanced and understandable.

Each member of the Signature Leadership Team was asked to review the Annual Report in its final stages of drafting and confirm from their perspective that the report was fair, balanced and understandable.

The Annual Report was proof read and the proof readers flagged any discrepancies or sections that were not easily understandable.

The Audit and Risk Committee reviewed the Report and the process and made a recommendation to the Board that the Report is fair, balanced and understandable.

28 – Assessment of emerging and principal risks

There is a comprehensive review and risk maps are reviewed by the Signature Leadership Team in January and February before being presented to the Audit and Risk Committee for discussions. The risk section of this report covers both the principal and emerging risks.

29 – Monitor risk management and internal control

The process together with that applying to provision 28 is described on the page opposite in the section headed System of Internal Control.

30 – Going concern basis of accounting

The Going Concern statement is set out on page 50.

31 – Viability Statement

The Viability Statement is set out on page 51.

Directors' Remuneration Report

Committee Chairman's statement

Introduction

I became Chairman of the Remuneration Committee following the AGM held on 10 May 2019. I would like to thank my predecessor, Susan Kilsby. Shareholders were supportive of the policy that was introduced in 2018 and they were also supportive of the way that the policy had been implemented, with over 99% of the votes cast on the resolution to approve the report on remuneration in respect of 2018 in favour.

As you will have read earlier in the report, 2019 was a transformational year for the business making good progress against the strategic objectives together with, amongst other things, the disposal of Ontic to CVC and re-naming the business as Signature Aviation.

The work of the Committee

The Committee's work is summarised in a table on page 68.

It was the second year of operating the directors' remuneration policy that was approved at the AGM in 2018. Accordingly, there have been no changes to the policy or how it has been implemented during 2019 and there has been no need to engage with shareholders on remuneration during the year.

Throughout the year, the Committee has monitored the operation of the policy, the Company's performance and the progress being made against the remuneration targets set for the long-term and annual reward schemes. The Committee is pleased with how the policy has operated and believes the remuneration outcomes in respect of 2019 fairly reflect the overall performance of the business and the individual executive directors.

As part of the expanded remit, in May 2019, the Committee looked in detail at the remuneration structures throughout the organisation.

During 2020 the Committee will, amongst other things, continue to approve the remuneration for the Signature Leadership Team (formerly the Executive Management Committee) and will continue to review workforce remuneration and related policies throughout the Group.

The Committee considered the impact of the special dividend and the share consolidation on the reward plans, including the in-flight awards. The special dividend and share consolidation had no impact on the awards and accordingly, no adjustments or alterations were required.

Directors' Remuneration Policy

The Policy is summarised on pages 85-93 of this Annual Report. The full policy can be found on the Company's website.

Just under 85% of the bonus opportunity for the executive directors for 2019 was based on the Company's financial performance and the balance was based on personal objectives.

The Remuneration Committee set a range of challenging strategic goals for the Deferred Share Plan ("DSP") and ensured these were outcome driven. The shares awarded under the DSP will not vest to directors until three years following the grant and are then subject to an additional two-year holding period.

The Long-Term Incentive Plan ("LTIP") awards granted in 2017, 2018 and 2019 each have three, three-year performance measures: return on invested capital ("ROIC"); earnings per share ("EPS") growth; and total shareholder return ("TSR") compared to the FTSE 250. As with the DSP the LTIP awards vest after three years and are then subject to an additional two-year holding period.

These five-year periods in respect of the equity awards coupled with the shareholding requirement of 300% of salary aligns the interests of shareholders and directors.

The Committee believes this structure of reward remains appropriate for the business for 2020 and does not propose to make any significant changes – the proposed implementation of the Policy in respect of 2020 is set out on pages 82-83.

The Committee will review the approach to pension payments to the executive directors and the post-employment shareholding requirements that will be applied. The Committee will give consideration to the Code and best practice requirements when considering the policy and would anticipate engaging with shareholders on the proposals during 2020.

A new directors' remuneration policy incorporating any necessary changes will be put to shareholders for consideration at the AGM in 2021.



The Committee believes the remuneration outcomes in respect of 2019 fairly reflect the overall performance of the business and the executive directors.

Peter Ventress
Chairman of the Remuneration Committee

Targets and performance relating to 2019

The performance targets for the bonus, the DSP and the LTIP in respect of 2019 are set out in the body of the report. The Committee believes the targets were appropriately challenging. The performance and outcomes are relatively strong and fairly reflect the progress made during the year and over the performance period for the long-term reward programmes.

The executive directors and the executive team have not only delivered performance towards the targets set at the start of the year but also managed the disposal of Onlic for \$1,365 million; completed a refinancing exercise with the issue of a new \$650 million bond; a restructuring of the bank debt; returned \$833.6 million to shareholders; completed the name change and progressed the process to dispose of ERO.

The report that follows takes shareholders through each element of reward in respect of 2019 and where this is performance-related sets out in detail the targets and performance against the targets and the remuneration paid in respect of each element.

The Group has delivered a strong performance in 2019, delivering strong underlying profit and strong cash flow results reflected in the bonus payments. The performance against the strategic objectives are reflected in the DSP payments. The LTIP award granted in 2017 will vest at 31.89% with a partial vesting of the ROLC element and no vesting in respect of EPS growth and the TSR elements.

Remuneration reporting

The report this year separates the Executive Directors' remuneration from that paid to the non-executive directors.

The report starts with an introduction to the work of the Remuneration Committee and explains the various elements of the reward package in detail. The graph shows TSR performance over the last ten years relative to the Group Chief Executive's remuneration. We have published the CEO pay ratio for 2020 alongside the comparators for 2019. There are also some summaries and illustrations in an 'At a glance section' to explain the reward and to show alignment, through the equity awards, with shareholders.

2020 targets

The report continues with the single figure and an explanation of each element of reward. The report then sets out the fees paid to the non-executive directors, the interests in shares and contracts of employment/ service contracts for all directors. The sections of the report that have been subject to audit are set out on page 83.

The Committee considered all relevant factors when setting the performance targets for the bonus, DSP and the LTIPs to be awarded in respect of 2020. 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 LTIP targets for awards to be granted in 2020 are set out on page 83 with a detailed explanation around the targets. Shareholders will notice that the LTIP targets are set on the current accounting standards including IFRS 16. The Committee will normalise the targets to reflect the IFRS 16 impact of the actual lease renewals. This will ensure that the overall vesting in 2023 fairly reflects performance; directors will be judged on a fair basis and neither rewarded nor penalised for the assumptions regarding lease renewals that have been made. The bonus and DSP targets and performance against them will be set out in the 2020 Remuneration Report due to commercial sensitivity. The bonus range will also be normalised to reflect the IFRS 16 impact of the actual lease renewal profile again to ensure that directors are neither rewarded nor penalised for the assumptions regarding lease renewals.

Conclusion

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

As noted above, we will be consulting with our larger shareholders during 2020 as we prepare a new directors' remuneration policy for consideration at the 2021 AGM.

Peter Ventress,
Chairman of the Remuneration Committee
2 March 2020

£410

Hypothetical value today of £100 invested in the Company's shares in 2009

Annual Report on Remuneration for 2019

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 Peter Ventress (who chaired the Committee from 10 May 2019), Ameet Chande, Peter Edwards, Emma Gilthorpe and Sir Nigel Rudd. Susan Kilsby was the Chair of the Committee until 10 May 2019. Vicky Jarman and Stephen King joined the Committee on 7 January 2019.

In 2019, the Committee held seven meetings. All meetings were minuted by the Company Secretary. Executive directors and the Group HR Director attend all or part of the meetings by invitation.

The Committee has responsibility for the remuneration of the Chairman, executive directors and the Signature Leadership Team (formerly the Executive Management Committee). The remit includes determining remuneration strategy and this year the Committee considered the incentive structures throughout the senior management team (about 80 staff) that are consistent with and aligned to the directors' remuneration policy. The Committee also considered the pay structures and employment policies for the full workforce to comply with the new Code requirements.

The main issues considered by the Remuneration Committee during 2019 are set out below:

Meeting	Main issues considered
January	2018 Performance update 2019 Bonus plans and performance criteria
February	Update on developments in directors' remuneration Payments of bonuses in respect of 2018 and vesting levels for the long-term awards granted in 2016 Salary reviews for the Executive Management Committee (now the Signature Leadership Team) Consideration of the DSP pool approval and targets for short- and long-term awards granted in 2019 2018 Remuneration Report
March	Final DSP targets and measures agreed
May	Shareholder views ahead of the AGM Pay structures and employment policies for the wider workforce Invitation in respect of the 2019 save as you earn share option scheme
August	Progress against targets for annual and long-term awards
September	Impact of the sale of Ontic and the impact of possible capital returns on the various reward programmes – the Board considered this further when considering the special dividend and share consolidation
December	Review of progress against annual targets Discussion on the approach to targets and reward for 2020

In the course of its meetings, the Remuneration Committee also consulted the Group Chief Executive, the Group Finance Director, the Chief HR Officer 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 2020 and that they will continue to be invited to attend Committee meetings when appropriate.

The Committee's advisers throughout 2019 were PricewaterhouseCoopers LLP ("PwC") who have provided advice on market levels of remuneration, 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 matters were £66,250 which is charged on a time spent basis. PwC also provide internal audit services to the Company.

PwC were appointed as advisers by the Committee following a selection process in 2015. They 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 confirmed it was satisfied that it had received independent advice from PwC.

At a glance

Elements of remuneration for executive directors in 2019

The illustrations below show the breakdown of the single figure totals for Mark Johnstone and David Crook and their interests in shares.

Mark Johnstone – Single figure £2,241,444

Composition of single figure

David Crook – Single figure £1,255,857

Composition of single figure

Equity interests

The graph below illustrates the executive directors' equity interests in shares. The unvested DSP awards are subject to tax on vesting and the LTIP awards are subject to performance and then subject to tax on vesting.

Note: Based on average share price of 312.76 pence during the last quarter of 2019.

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 between amounts payable to directors and amounts returned to shareholders by way of dividends.

The main reason for the difference in the year on year comparison is the special dividend of 80.71 cents per share (a total of \$833.6 million) paid to shareholders on 13 December 2019.

Long-term performance over ten 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 2009. The Company believes that the FTSE 250 Index is a suitable broad-based equity index of which the Company is a constituent member.

The Company's total shareholder return performance since the end of 2009 has significantly outperformed the FTSE 250, as shown below by the value of a hypothetical £100 holding over ten years. In 2019 the Company also outperformed the index. This is illustrated in the graph below. This year we have again plotted the CEO's figure from the single figure table and that demonstrates, particularly in the more recent years, a clear correlation between CEO pay and the performance of the Company. Further detail on the CEO pay is shown in the tables on the next page.

Notes:

The data used for the above graph is based on 30 trading day average. The total single figure used in the graph above in 2018 was the annualised figure for Mark Johnstone which has been used to provide a valid comparison. The actual single figures for Mark Johnstone for 2018 can be found in the single figure table on page 73.

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

Mark Johnstone

Showing the pay received for duties as CEO plus the long-term awards granted prior to 2018 vesting in respect of performance conditions satisfied during 2019 (i.e. LTIP awards granted in 2017).

Total remuneration and variable pay payout as % of maximum	2018 and prior	2019
Total single figure £'000	1,643	2,241
Bonus total and as percentage of maximum	167 50.0%	355 75.0%
Long-term total and percentage vesting against maximum	778 75.2%	952 76.8%

The 2018 figures for Mark Johnstone are from the date of appointment on 1 April 2018 and the amounts shown in this table are not annualised. Per the single figure table, the long-term total in respect of 2019 includes the LTIP award granted in 2017 (that will vest in 2020) and the DSP in respect of performance in 2019 that will be granted in 2020.

Wayne Edmunds

Only showing the pay received for duties as CEO.

Owing to the interim nature of the role, Wayne Edmunds only received a basic salary. See page 73 of the 2018 Annual Report for more detail.

Total remuneration maximum	2017 and prior	2018	2019
Total single figure £'000	969	627	–

Simon Pryce

Only showing the pay received for duties as CEO.

Total remuneration and variable pay payout as % of maximum	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total single figure £'000	1,800	2,689	1,855	1,748	1,748	1,500	2,131	1,862	–	–
Bonus total and as percentage of maximum	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	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%	–	–

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 Signature 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 2019	Year ended 31 December 2018	Percentage change
CEO base salary	727.0	685.8	6.0%
Relevant average comparator employees' base salary	171.7	160.6	6.9%
CEO taxable benefits	62.0	55.2	12.3%
Relevant average comparator employees' taxable benefits	12.1	9.7	24.7%
CEO annual bonus	355	222.9	59.3%
Relevant average comparator employees' annual bonus	83.0	62.3	33.2%

The CEO's figures for salary and bonus for 2018 were annualised to provide meaningful comparisons. The increase in the CEO's salary in US dollar terms was 2.5% – the exchange rate fluctuation accounts for the 6% increase in sterling. Not all members of the comparator group are paid in US dollars so accordingly the exchange rate impact is reduced for those employees.

The benefits were not annualised for 2018 and reflect the actual costs. The 2018 benefits have been restated to include three return flights (that were accidentally omitted last year) for Mark's children which is a benefit linked to Mark's relocation. The healthcare component of benefits has fallen in 2019 over 2018 as a private healthcare arrangement organised at short notice was replaced with a lower cost scheme. As Mark was in role for the full year, the higher costs reflect additional flights for his children to visit him in the USA. Benefits costs rose for the comparator group due to temporary relocation costs and changes to pension contributions.

The increase in Mark Johnstone's bonus is primarily driven by a stronger business performance that is reflected in the bonuses of other members of the comparator group but has a larger impact for Mark given the larger element of variable pay. There is also an exchange rate impact as described above.

CEO pay ratio disclosures

Year		Global Data			UK Workforce Data		
		25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
2019	CEO pay ratio	80:1	59:1	39:1	80:1	60:1	50:1
2019	Total pay and benefits	28,146	37,762	57,764	27,932	37,120	44,980
2019	Salary component of total pay and benefits	26,090	28,511	44,119	21,233	28,548	39,939

Note:

1 The disclosure for 2019 is based on Method C and this has been used for both the Global and the UK Workforce data.

The structure of the remuneration packages throughout the Group means that more senior members of the workforce have a greater proportion of variable pay. Accordingly, in a year when the Company performs well the ratios are expected to be higher than in a year where Company performance is less strong. In summary we expect there to be significant volatility in this ratio year on year, and we believe that this will be caused by the following:

- Our CEO pay is made up of a higher proportion of incentive pay than that of our employees, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio. The value of long-term incentives which measure performance over three years is disclosed in pay in the year when the performance conditions are satisfied, which increases the CEO pay in that year, again impacting the ratio for that year.
- Long-term incentives are provided in shares, and therefore an increase in share price over the three years magnifies the impact of the LTIP award vesting in a year.
- We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. It is important that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce.

Executive directors – single figure total (£'000)

The table below shows the single figure total for 2019 and the comparators for 2018 for the executive directors.

Director	Year	Salary and fees	Benefits	Bonus	Value of LTIP vesting and DSP grant	Pension	Other	Overall single figure total
Mark Johnstone	2019	727	62	355	952	145	–	2,241
(From 1 April 2018)	2018	514	55	167	778	103	26	1,643
David Crook	2019	383	18	186	592	77	–	1,256
	2018	375	18	122	491	75	–	1,081

Notes:

- 1 The benefits for Mark Johnstone disclosed in respect of 2018 did not include the costs of return flights for Mark's children to visit him in the USA and has been restated.
- 2 The value of LTIPs vesting in respect of 2018 for David Crook and Mark Johnstone have been restated to reflect the share price on the vesting date of 12 March 2019 was 236.0 pence rather than 240.9 pence which was the average share price in the last quarter of 2018.
- 3 The LTIP awards granted in 2017 are expected to vest at 31.89% in March 2020. The value attributed to these awards is 312.80 pence per share which is the average share price in the last quarter of 2019. These figures will be restated in the 2020 Annual Report to reflect the actual value at the time of vest. The amounts disclosed in respect of the LTIP awards granted in 2017 are not pro-rated as to time served as a director during the performance period for Mark Johnstone or David Crook. These awards were granted at between 303.03 and 307.10 pence. The value attributable to share price growth is accordingly £3,317 and £4,314 for Mark Johnstone and David Crook respectively based on the value of 312.76 pence attributed to these shares. Having considered the share price growth the Committee decided not to apply any discretion to amend the award in anyway.
- 4 The Deferred Stock Plan awards that are expected to be granted in 2020 are disclosed in the table above because the operating profit used to calculate the pool was over the three financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 and the strategic objectives were measured at the end of 2019. The details of these awards are set out on pages 76 and 77.
- 5 Mark Johnstone and David Crook received a cash payment of 20% of basic salary in lieu of a contribution to a company pension scheme.
- 6 The disclosure in the "Other" column for 2018 represents payments made to Mark Johnstone associated with his relocation to the USA.

Component parts of the 2019 single figure

The commentary below reviews each element included in the single figure table in turn and provides additional information about that element of the reward package and in the case of variable elements provides full details on the targets that were set and evaluation of the performance.

Base salary for executive directors

The base salaries for Mark Johnstone and David Crook were set on appointment to be competitive looking at both US peers and the general FTSE 250 level. Both Mark Johnstone and David Crook received an increase of 2.5% on their base salaries that was applied on 1 March 2019 which was equal to the pay rises across the workforce for similar levels of performance.

Mark Johnstone's salary is denominated in US dollars. The average exchange rates applied were \$1.33 : £1 and \$1.28 : £1 for 2018 and 2019 respectively.

Benefits

Mark Johnstone's benefits included medical and dental insurance, death in service benefit disability insurance and life insurance. The Company also pays for up to three return flights for Mark's children to visit him in the United States.

David Crook's benefits included medical insurance, death in service benefit, a company car allowance, and an annual health check and were unchanged compared to 2018.

Bonus

The maximum bonus opportunity for 2019 is 65% of salary for the executive directors split 55% of salary for financial performance (two thirds of this is for operating profit and one third 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 2019, the Committee was comfortable that the outcome reflected performance and no upward or downward discretion was required to be exercised by the Remuneration Committee.

Mark Johnstone will receive a bonus of £355k. Part of the increase in 2019 over 2018 is that in 2018 his bonus was pro-rated to reflect the appointment date and the bonus in respect of the time prior to appointment as CEO was based on his prior role and salary. This payment is 75% of the maximum.

David Crook will receive a bonus of £186k and this is 75% of the maximum.

Both Mark Johnstone and David Crook receive 38.66% of their salaries in respect of financial performance (20.34% was for achievement against the operating profit target and 18.32% for free cash flow targets). Mark will receive 10% of his eligible salary and David will receive 9.8% of his salary for achievement against their personal strategic objectives.

The detailed financial targets and personal goals together with the achievement against these are shown on the following pages.

Targets and performance

The Board is continuing with its approach to disclose the bonus targets for the year under review. Financial measures account for nearly 85% of the maximum opportunity: operating profit represents just over 56% of the maximum opportunity and free cash flow represents just over 28% of the maximum opportunity split equally for the half-year position and full-year position. Personal objectives represents just over 15% of the maximum opportunity.

Financial objectives

The illustration below shows the targets and performance against them:

Notes:
All metrics above are pre-IFRS 16 and are total Group figures (i.e. continuing and discontinued operations, free cash flow is defined in note 23). 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. The measures are assessed on a straight-line basis between threshold and target. Between target and maximum there is a half-way inflection point where 34.85% of salary would be awarded for operating profit and 8.70% of salary would be awarded for free cash flow at half and full-year.

Personal objectives

The executive directors' personal objectives together with the Committee's assessment of achievement is set out below:

Mark Johnstone

Measure	Weighting	Performance assessment	Performance
Growth	40%		40%
Deliver commercial technology in Signature to underpin continued market out-performance		The commercial technology solutions were successfully implemented during the year with SIGNET 2.0 and Zilliant operational.	
Execute non-fuel growth plans per autumn 2018 Capital Markets Day		The specific deliverables in relation to the non-fuel growth plans have been delivered.	
Execute successful EPIC and Firstmark integrations to deliver the business case		Successful integration of both acquisitions.	
People/Culture	30%		30%
Implement revised Talent Review process ahead of Board presentation		Enhanced Talent review process was introduced in 2019 with a move from a nine to five box grid.	
Specific goals following on from 2018 all-employee survey		The engagement survey goals were delivered and the overall engagement score increased from 32% to 45%.	
Restructure safety/assurance teams to align with ICAO safety goal		The safety restructure was successfully completed and focuses on the continuing FBO business.	
Strategic Execution	20%		20%
Portfolio review and progress GES sale on terms acceptable to the Board alongside a plan to address any stranded costs post sale		ERO Sale process has progressed significantly. The stranded cost plans have been put in place through the sale of Ontic as a precursor to the ERO sale.	
Define and deliver a plan to increase non-UK shareholder base		Good progress on the shareholder base with a targeted investor relations programme.	
Maintain leverage in the 2.5-3.0x range		Leverage within range – bank and debt refinancing and capital returned to shareholders following the Ontic sale.	
Board	10%		10%
Regular interaction with NEDs outside the Board meeting timetable		Met all NEDs at least twice during the year outside the normal cadence of Board meetings.	
Complete Board effectiveness review in year		The Board effectiveness review was facilitated within the year.	
Present and achieve Strategy sign-off by Board in Q4		The Strategy was approved by the Board in November 2018.	
Overall level of satisfaction			100%

David Crook

Measure	Weighting	Performance assessment	Performance
Growth Various specific objectives relating to credit card services; deliver savings on transaction costs Maintenance of appropriate risk management solution to address credit risk	20%	Strong delivery on all key aspects of the credit card targets during the year. Credit risk solution delivered within the year.	20%
IFRS 16 Various specific objectives to support the implementation of IFRS 16	20%	All specific targets relating to IFRS 16 were delivered during the year with positive feedback on disclosures within the interim results.	20%
Organisation Structure Adoption of finance, taxation and treasury functional structure to align with the continuing Group Optimisation and maintenance of effective control environment including within the new treasury system	20%	Organisation changes made during 2019 across the relevant departments. The new treasury management system went live in November 2019.	20%
Completion of talent review, personal development plans (self and team) and engagement action plans Completion of talent review process and development plans Establish and deliver engagement programmes for relevant employee groups	20%	Talent review process completed for the Finance team and integrated with the revised talent review process. Personal and team development plans were prepared and executed during the year. Slight slippage of personal plans owing to corporate activity nudged outcome below maximum. Engagement plans delivered during the year with an increase in engagement scores for core teams.	18%
Strategic Execution Progress ERO sale on terms acceptable to the Board and plan to address costs post sale Review and propose capital structure and go forward portfolio. Make recommendation on refinancing for the \$450 million tranche C debt and a proposed timetable for execution ahead of maturity Maintain leverage in the 2.5-3.0x range, including appropriate shareholder distributions to maintain range	20%	Good delivery on all specific areas of strategic execution. The stranded cost plans have been put in place through the sale of Ontic as a precursor to the ERO sale. Leverage within range – bank and debt refinancing and capital returned to shareholders following the Ontic sale.	20%
Overall level of satisfaction			98%

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. The Group's underlying operating profit for 2017 was \$360.4 million, for 2018 was \$375.2 million and for 2019 (adjusted to remove the impact of IFRS 16) was \$383.8 million giving an average of \$373.1 million and 3.5% of this is \$13.06 million. The goals for 2019 were divided into two groups: Strategy and Growth Initiatives and Corporate Culture, with each representing one half of the pool. The performance against the strategic objectives is shown in the table below.

Goals	Points achieved	Points available
<p>Growth Initiatives within Signature: Outperforming the market by 2.0% measured by gallons; core revenue growth in fuel, handling, real estate and other non-fuel services; increase penetration of the Signature Credit Card; and new services including Elite.</p> <ul style="list-style-type: none"> Although the Group fell below the targeted outperformance measured in gallons it achieved revenue growth. Overall core revenue growth of \$19 million was achieved against a target of \$10.5 million Increase in penetration of the Signature Credit Card (delivered 8.6% against a target of 7.0% and met targets in relation to ELITE). 	13.8	20
<p>Growth Initiatives within Ontic: Deploy \$30 million in licence acquisitions at acceptable levels of return and continue to sustain pipeline of licence and M&A opportunities in 2019.</p> <ul style="list-style-type: none"> The specific growth targets and ongoing licence acquisitions were maintained throughout the Group's ownership and by the date of sale on 31 October, \$27 million of capital had been deployed against the annual target of \$30 million. The Remuneration Committee therefore deemed the target to be fully achieved. 	15	15
<p>Integration of Epic and Firstmark: Successfully integrate the Epic and Firstmark businesses in accordance with the relevant plans and deliver the business performance set out in the business case presented to the Board prior to acquisition.</p> <ul style="list-style-type: none"> Targeted cost synergies were fully achieved in respect of the Epic acquisition including the increased use of the Signature Epic credit card. EPIC also facilitated the successful fuel RFP. The 100-day plan for Firstmark was delivered, planned synergies were fully achieved and integration plans were on track at the date of sale. 	10	10
<p>Progress the disposal of the ERO business at a price acceptable to the Board and plan to address stranded costs.</p> <ul style="list-style-type: none"> The ERO sale process has progressed significantly during the year. The stranded cost plans have been put in place through the sale of Ontic as a precursor to the ERO sale. 	5	5
<p>Foster a culture where we include and engage all employees to embrace diversity, provide exceptional customer service, behave and act with integrity and make ethical decisions in a zero incident and safe environment. Build on 2018 engagement survey and collaborate with Gallup and roll out communication plans for employee engagement and ensure people-leaders in the organisation have been trained in the methodology and tools with completed focus groups and agreed action plans in 2019.</p> <ul style="list-style-type: none"> Actions following the engagement survey were completed with targets achieved in respect of the Gallup training methodology and action plans prepared. The results of the 2019 Engagement survey were positive with increased participation (up from 71% to 84%) and the overall engagement increasing from 32% to 45%. <p>Define and implement inclusion and diversity ("I&D") vision for the organisation – execute agreed actions (including training in conscious inclusion, improving staff retention and improving quality of hires).</p> <ul style="list-style-type: none"> I&D Strategy developed and approved by the Board and training rolled out to senior leaders within the organisation. Total staff turnover reduced from 40.5% to 32.4% and the voluntary staff turnover also reduced from 33.2% to 25.5%. 	23.7	25
<p>Customer Experience: Continue to provide a high-quality industry leading performance in both Signature and Ontic (goal weighting 70:30 in favour of Signature).</p> <ul style="list-style-type: none"> PeopleMetrics score measure of customer experience has improved during the year against a target to maintain performance. The Ontic objectives were on track and being delivered in accordance with plans through to the time of sale. 	10	10
<p>Safety: Implement a new training approach coupled with continued implementation and training of SMS.</p> <ul style="list-style-type: none"> The Group implemented the new training approach and is on track for the SMS to be fully implemented during 2020. The specific goals did not include an improvement obligation to avoid the risk of under-reporting however safety has improved with the RIR falling from 2.35 to 2.21 over the year. 	10	10
<p>Ethics: Deliver an effective Ethics and Competition law training programme for the organisation during 2019.</p> <ul style="list-style-type: none"> Programme and associated training was fully delivered during the year. 	5	5
Total	92.5	100

Participants are granted conditional shares which vest after the third anniversary but are not released to the executive directors until five years after the original grant.

The Remuneration Committee concluded that 92.5% of the strategic objectives had been delivered and agreed the overall pool is therefore \$12.08 million. The face value of the DSP award that will be granted to Mark Johnstone and David Crook in 2020 in respect of 2019 performance is equivalent to 92.5% of the maximum being 115.6% of 2019 base salary. 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 2020 Annual Report.

Long-Term Incentive Plan

2017 LTIP

The LTIP award to Mark Johnstone was made before he was appointed as an executive director. David Crook was appointed to the Board on 1 June 2017. The performance conditions for the LTIP awards granted in 2017 (that vest in 2020 based on the Company's performance in 2017, 2018 and 2019) are set out in the table below.

Percentage of shares vesting	EPS ¹ growth per annum (one third of the award)	Average annual ROIC (one third of the award)	TSR Performance against the FTSE 250 (one third of the award)
Nil	Less than 6.0%	Below 9.5%	Below the 50th percentile
25%	At 6.0%	At 9.5%	At 50th percentile
25% to 100% straight-line pro-rata	Between 6.0% and 12.0%	Between 9.5% and 11.5%	Between 50th and 75th percentile
100%	At or above 12.0%	At or above 11.5%	At or above 75th percentile

¹ Basic cash earnings per share – Note 6.

For the three years ended 31 December 2019 EPS growth per annum was 3.8%; the average annual ROIC was 11.4%; and the TSR performance was at the 47th percentile. This performance means that the EPS and TSR elements do not vest; the ROIC element vests at 95.7% – an overall vesting of 31.89%. These awards are expected to vest on or about the third anniversary and the value of these awards is shown in the 2019 column of the single figure table.

The share price at the time of grant was 303 pence per share. The number in the single figure table for these LTIP awards due to vest in March is £106,606 for Mark Johnstone and £148,601 for David Crook.

LTIP calculation methodology

EPS = $\frac{\text{Adjusted earnings}}{\text{Weighted average shares in issue}}$	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 and other items policy; and (2) uses underlying current tax charge.	Adjusted operating profit: In line with the formal IFRS calculation of operating profit taking into account the Company's exceptional and other items policy. (Underlying operating profit for ROIC as defined in note 30.)
Weighted average shares in issue: In line with the formal IFRS calculation.	Statutory invested capital: This is the addition of average net assets to average net debt. (Invested capital for ROIC as defined in note 30.)

¹ Basic cash earnings per share – Note 6.

Pension

The Company's pension contribution for Mark Johnstone (since his appointment to the Board) and David Crook was 20% of basic salary, which was paid in cash in lieu of a contribution to a company pension scheme.

Other

There were no payments under this element during 2019. Mark Johnstone's payment of £25,911 in 2018 is in connection with his relocation from the UK to the United States on his appointment as Chief Executive Officer and is not a recurring item.

Outside appointments

The executive directors do not hold any non-executive roles.

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. The DSP awards are in respect of performance in 2018 and the value of these awards is included in the single figure totals in respect of 2018. The LTIP awards are in respect of performance over the performance period (1 January 2019 to 31 December 2021) and will be disclosed in the single figure of remuneration in respect of 2021 although the awards will not be released to the directors until early 2024 (five years following the grant).

Director	Description	Face value of award		Percentage if minimum performance targets met	End of performance period
		Shares	£		
Mark Johnstone	LTIP – Conditional Award	454,632	1,070,203	25%	31/12/2021
	DSP – Conditional Shares	294,683	693,684	100%	Awards released in 2024
David Crook	LTIP – Conditional Award	244,928	576,561	25%	31/12/2021
	DSP – Conditional Shares	173,242	407,812	100%	Awards released in 2024

Notes:

1 The LTIP awards for the executive directors were 150% of 2019 salary; the DSP awards were 108.75% of 2018 salary.

2 The LTIP and DSP awards were made on 12 March 2019. The grant price was £2.354.

3 Mark Johnstone's salary was converted to sterling at a rate of £1:\$1.22 which was the average exchange rate during 2018.

LTIPs granted in 2019 (for 2019, 2020 and 2021 performance but not released until 2024)

The performance conditions for the LTIPs granted in 2019 are shown in the table below.

Percentage of shares vesting	EPS ¹ growth per annum (one third of each award)	Average annual ROIC (one third of each award)	TSR to FTSE 250 (one third of each award)
Nil	Less than 6.0%	Less than 10.5%	Less than 50th percentile
25%	At 6.0%	At 10.5%	50th percentile
25% to 100% straight-line pro-rata	Between 6.0% and 12.0%	Between 10.5% and 12.5%	Between 50th – 75th percentile
100%	At or above 12.0%	At or above 12.5%	At or above 75th percentile

¹ Basic cash earnings per share – Note 6.

The EPS targets for awards granted in 2019 returned to the 6%-12% range after being reduced for awards granted in 2018 to fairly reflect the impact of the US Tax Reform. In 2019 a simplified underlying EPS measure was introduced (adjusted EPS which is calculated on earnings before exceptional and other items – see Note 6). This replaced the measure adopted in 2016 following the acquisition of Landmark which excluded the underlying deferred tax charge to help drive the full benefits of the acquisition.

The average annual ROIC targets were increased by 0.5% at both the bottom and top of the range.

The EPS and ROIC targets were set and will be measured on a pre-IFRS 16 basis.

No changes were made to the TSR targets.

Chairman and non-executive directors

Chairman and non-executive directors – single figure total (£'000)

Director	Year	Salary and fees	Overall single figure total
Sir Nigel Rudd	2019	301	301
	2018	295	295
Amea Chande	2019	60	60
	2018	58	58
Wayne Edmunds	2019	60	60
	2018	666	666
Peter Edwards	2019	60	60
	2018	58	58
Emma Gilthorpe	2019	60	60
	2018	58	58
Victoria Jarman	2019	59	59
	2018	–	–
Susan Kilsby	2019	30	30
	2018	81	81
Stephen King	2019	67	67
	2018	–	–
Peter Ventress	2019	79	79
	2018	70	70

Note: Wayne Edmunds served as the interim CEO for the first part of 2018 which explains the higher fees in that period.

Fees in 2019 for the Chairman and non-executive directors

The fees for the Chairman and the non-executive directors are in the single figure table above.

The fees for the non-executive directors (including SID and Committee Chair roles) were reviewed in early 2019 and it was agreed to increase all fees by 2.5%, with effect from 1 March 2019 in line with average employee rises during this cycle.

Past directors

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

Loss of office payments

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

All directors

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 is subject to six months' notice either way. The Company may terminate the Chairman's contract immediately and pay him an amount in lieu of his fees for the notice period.

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.

Mark Johnstone was appointed to the Board on 1 April 2018 and David Crook was appointed to the Board on 1 June 2017. The unexpired terms of service contracts for the Chairman and the NEDs are shown below:

	Date of first appointment to the Board	Unexpired term as at 2 March 2020
Sir Nigel Rudd	1 December 2016	34 months
Amea Chande	1 January 2018	10 months
Wayne Edmunds	7 August 2013	28 months
Peter Edwards	1 January 2016	22 months
Emma Gilthorpe	1 January 2018	10 months
Victoria Jarman	7 January 2019	22 months
Stephen King	7 January 2019	22 months
Peter Ventress	1 January 2016	22 months

Interests in shares, options and conditional awards

The table below shows the outstanding share scheme interests at 31 December 2019 and the changes during the year.

Share scheme interests

Director	Description	Performance measures	1 January 2019	Awarded during the year	Lapsed during the year	Vested during the year	31 December 2019
Mark Johnstone	2016 Conditional LTIP	Yes	110,743	–	58,838	51,905	–
	2016 Linked Award LTIP	Yes	15,557	–	9,584	5,973	–
	2016 Conditional DSP	No	71,061	–	–	71,061	–
	2017 Conditional LTIP	Yes	107,492	–	–	–	107,492
	2017 Conditional DSP	No	67,766	–	–	–	67,766
	2018 Conditional LTIP	Yes	351,868	–	–	–	351,868
	2018 Conditional DSP	No	60,648	–	–	–	60,648
	2019 Conditional LTIP	Yes	–	454,632	–	–	454,632
David Crook	2019 Conditional DSP	No	–	294,683	–	–	294,683
	2016 Conditional LTIP	Yes	75,100	–	39,901	35,199	–
	2016 Conditional DSP	No	42,298	–	–	42,298	–
	2016 Conditional (Synergy) DSP	No	15,448	–	–	15,448	–
	2017 Conditional LTIP	Yes	149,826	–	–	–	149,826
	2017 Conditional DSP	No	77,360	–	–	–	77,360
	2018 Conditional LTIP	Yes	166,125	–	–	–	166,125
	2018 Conditional DSP	No	71,433	–	–	–	71,433
	2019 Conditional LTIP	Yes	–	244,928	–	–	244,928
	2019 Conditional DSP	No	–	173,242	–	–	173,242

A number of the vesting shares are withheld to account for tax deductions.

Share options

Director	Plan description	Performance measures	1 January 2019	Awarded/ (exercised)/ (lapsed) during the year	31 December 2019	Exercise price in pence per share	Exercisable from	Expiry date
Mark Johnstone	2015 Executive Share Option Plan	Yes	15,557	(15,557)	–	192.83	2019	2019
	2014 SAYE (2016 invitation – 3 year plan)	No	5,625	(5,625)	–	160	1/8/2019	31/1/2020
	2014 SAYE (2017 invitation – 3 year plan)	No	3,719	–	3,719	242	1/12/2020	31/5/2021
	2014 SAYE (2019 invitation – 3 year plan)	No	–	3,501	3,501	257	1/12/2022	31/5/2023
David Crook	2014 SAYE (2016 invitation – 3 year plan)	No	11,250	(11,250)	–	160	1/8/2019	31/1/2020
	2014 SAYE (2019 invitation – 3 year plan)	No	–	7,003	7,003	257	1/12/2022	31/5/2023

Mark Johnstone exercised 7,291 options in conjunction with the LTIP Plan and the balance lapsed.

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 at 31 December 2019 Mark Johnstone held 121% of his salary in shares and David Crook owned 49% of his salary in shares. These percentages are calculated using the average share price for the final quarter of 2019. The executive directors are expected to build up their holding to meet the shareholding expectation over five years from appointment. The Directors shareholdings are shown in the table below.

Directors' shareholdings and share interests (in ludes connected persons)

Director	Ordinary shares held at 31 December 2019 (or date of leaving if earlier)	Ordinary shares held at 1 January 2019 (or date of joining if later)
Mark Johnstone	283,036	226,575
David Crook	59,731	12,328
Victoria Jarman (joined 7 January 2019)	6,690	–
Susan Kilsby (left 10 May 2019)	20,000	20,000
Stephen King (joined 7 January 2019)	48,000	–
Sir Nigel Rudd	145,600	182,000
Peter Ventress	20,610	25,763

Amee Chande, Wayne Edmunds, Peter Edwards and Emma Gilthorpe did not hold any shares in the Company on 1 January 2019 or at any point during the year.

The ordinary shares were subject to a four for five consolidation on 25 November 2019. There have been no changes to the shareholdings shown in this table between the year-end and the signing of this report on 2 March 2020.

AGM voting

The most recent votes cast in respect of the resolutions relating to remuneration were:

	Votes for	% for	Votes against	% against	Votes cast	Votes withheld
2018 Directors' Remuneration Report (2019 AGM)	861,058,626	99.5	3,855,199	0.5	864,913,825	13,155
Directors' Remuneration Policy (2018 AGM)	842,743,056	99.4	4,979,608	0.6	847,722,664	36,297

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

Implementation of policy in 2020

The Committee does not propose to make any changes from 2019 to the implementation of the existing policy for 2020. Each element of remuneration is covered briefly below.

Base salary

The Remuneration Committee reviewed the base salary for Mark Johnstone and David Crook and decided to increase the salary for both Mark and David by 2.5% with effect from 1 March 2020. The increase was the same as the standard pay increase for employees of good standing across the Group. Mark's salary is denominated in US dollars and accordingly this amount may appear to fluctuate when disclosed in sterling. The impact of any exchange rate differences will be explained where necessary within the Remuneration Report.

Pension and benefits

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

Annual cash bonus

For 2020, the annual bonus opportunity for executive directors is 65% of salary and will again be contingent on meeting both financial targets and personal objectives. The targets for the year will remain appropriately stretching and relevant to the Company's strategy. In 2020, about 85% of the bonus opportunity will be based on financial performance and personal objectives will represent about 15%. The financial targets will be based on operating profit and free cash flow at the half and full year with similar weightings as in 2019.

As in recent years, the Board has decided that bonus targets for 2020 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 2020 Annual Report.

Deferred Stock Plan

In respect of 2020, Mark Johnstone and David Crook are eligible to receive an award (in early 2021) under the plan. The award will be subject to a maximum of 125% of their 2020 salary following an assessment of Group operating profit performance at the end of the 2020 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. The Committee considered the following points when setting the performance conditions and targets for the DSP:

- where strategic and operational objectives are used, the Committee will ensure that a significant component of the targets set are capable of quantifiable assessment; and
- the objectives and the performance against those objectives will be fully disclosed in the Remuneration Report in the following year.

LTIP

The LTIP award, due to be granted in 2020 for Mark Johnstone and David Crook, will be 150% of salary. The award will be announced to the market when it is made and set out in full in the 2020 Directors' Remuneration Report. The three-year performance criteria will be average ROIC, EPS growth and total shareholder return. The awards will be subject to a two-year holding period following the performance period.

The Company will continue to set the LTIP targets on the GAAP operating at the time the targets are set and has measured performance on the same basis which, for the first time, will be on a post IFRS 16 basis.

The Committee has decided to continue to use the simplified earnings per share (EPS) measure introduced in 2019. This is underlying EPS (adjusted EPS which is calculated on earnings before exceptional and other items – see Note 6).

Calculation methodology

The LTIP calculation methodology is set out below:

EPS ¹ =	Adjusted earnings	ROIC =	Adjusted operating profit
	Weighted average shares in issue		Statutory invested capital
Adjusted earnings: In line with the formal IFRS calculation of EPS with an adjustment that takes into account the Company's exceptional and other items policy.		Adjusted operating profit: In line with the formal IFRS calculation of operating profit taking into account the Company's exceptional and other items policy. (Underlying operating profit for ROIC as defined in note 30.)	
Weighted average shares in issue: In line with the formal IFRS calculation.		Statutory invested capital: This is the addition of average net assets to average net debt. (Invested capital for ROIC as defined in note 30.)	

¹ Basic adjusted earnings per share – Note 6.

2020 LTIP Performance conditions

The performance conditions have been set on the reported basis that includes IFRS 16 and are shown below:

Percentage of shares vesting	EPS growth per annum (1/3 of each award)	Average annual ROIC (1/3 of each award)	TSR to FTSE 250 (1/3 of each award)
Nil	Less than 6%	Less than 8.0%	Less than 50th percentile
25%	At 6%	At 8.0%	50th percentile
25% to 100% straight-line pro-rata	Between 6% and 12%	Between 8.0% and 10.0%	Between 50th – 75th percentile
100%	At or above 12%	At or above 10.0%	At or above 75th percentile

IFRS 16 - Lease renewals and Tax

Both the EPS and ROIC ranges above are based on assumptions regarding the profile of lease renewals over the performance period. The Committee intends to normalise the ranges to ensure that the directors are neither rewarded nor penalised for any differences between the assumed profile of lease renewals and the actual profile of renewals and any further revisions to tax legislation during the performance period to the extent they have a direct influence on the calculated outcome on these performance measures.

EPS

In setting the EPS range the Committee recognised that the 2019 underlying effective tax rate is materially lower than the natural underlying rate (see note 4) which inflates EPS in the base year. The Committee also recognised that the impact of any given earnings on the EPS calculation is magnified by the four for five share consolidation completed in November 2019. The Committee decided that to reduce the need for adjustments at the point of vesting the most appropriate solution was to adjust the opening base EPS at the start of the performance period to reflect the natural tax rate and the share consolidation. The net adjustment was an increase from 16.3¢ to 17.5¢.

ROIC

The ROIC target is set based on the Continuing Group on an IFRS 16 basis.

TSR

The TSR element and performance range is unchanged.

Chairman and NED fees

These fees will be increased by 2.5% which is in line with the fees for the wider workforce.

Audited sections of the Remuneration Report

- Deloitte LLP has audited the following items in the Directors' Remuneration Report as stipulated in the regulations:
- the directors' single figure total table and associated footnotes for executive directors on page 73 and for the Chairman and non-executive directors on page 79;
- the out-turn of the 2019 bonus on pages 74 and 75;
- the out-turn of the DSP awards in respect of 2019 and the 2017 LTIP on pages 76 and 77;
- past directors and payments for loss of office section on page 79;
- the tables of share scheme interests and options on pages 80 and 81; and
- the table of directors' shareholdings and share interests on page 81.

The Directors' Remuneration Report was approved by the Board on 2 March 2020 and signed on its behalf by:

Peter Ventress,
Chairman of the Remuneration Committee

Compliance with the Corporate Governance Code**P – Remuneration policies and practices designed to support strategy**

The Directors' Remuneration Policy was designed with the Code provisions in mind and complies with the current recommendations. The majority of variable pay is provided through conditional shares with a three-year vesting period and two-year holding period. This aligns the executive directors with shareholders and encourages long-term decision making to deliver the Group's strategic plan. Additionally, the performance metrics in the DSP are aligned to strategy to help maintain focus, and the LTIP goals are recognised metrics aligned to the shareholder experience.

Q – Formal and transparent procedure for developing policy on executive remuneration

The Policy will be developed in consultation with shareholders and giving consideration to the structure most likely to promote the long-term success of the Company for shareholders. The Committee will consult with its advisors and shareholders before proposing a policy.

R – Directors to exercise independent judgement and discretion when authorising remuneration outcomes

The policy allows directors to use judgement and discretion when authorising outcomes and as noted below under principle 37 this has been used in recent years. The Remuneration Committee will consider all relevant factors before authorising any remuneration decision.

32 – Establish Remuneration Committee

The Company has formed a Remuneration Committee compliant with the Code provisions.

33 – Delegated responsibilities and review of workforce remuneration and related policies

The Committee conducted a review of workforce remuneration and related policies at its meeting in May 2019 and anticipates continuing this review on an annual basis.

34 – Non-executive directors' remuneration

The non-executive directors are only paid a fee that reflects the time commitment required for their roles. There is a basic fee and an additional amount is paid to the Board Committee Chairs and also to the Senior Independent Director. The non-executive directors do not receive any equity awards or other form of performance-related pay. The non-executive directors may, if they wish, buy shares in the Company subject to the Company's share dealing code but there is no obligation to do so.

35 – Consultants appointed by the Committee

The Remuneration Committee's consultants, PwC, were appointed by the Committee in 2015.

36 – Remuneration schemes should promote long-term holdings by executive directors

The policy requires the executive directors to build up a shareholding of 300% of salary within five years of appointment. The variable rewards support this and, as noted above, are aligned to the Group's strategy.

37 – Use of discretion

The Committee has the power to apply discretion to ensure that the outcomes of the reward structures in place are fair to both shareholders and directors and reflect the Company's and each individual director's performance. The Committee used its discretion to reduce the quantum of the LTIP awards vesting in 2018 (reported in the 2017 Annual Report) when the impact of US tax reform would have resulted in a windfall for directors that was not reflective of performance.

38 – Only basic salary to be pensionable

The company complies with this provision.

39 – Notice and contractual periods

The notice and contractual periods for executive directors are one year and comply with the Code's provisions.

40 – Matters to be addressed by the Committee when determining remuneration

The Committee is satisfied that the current remuneration structure and its application reflects the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture. The Committee will, in 2020, consider these factors in more detail as the new Policy, to be put to shareholders in May 2021 is developed.

41 – Report on the work of the Committee and reporting requirements

We provide strategic rationale for the executive director remuneration in the Committee Chairman's Statement on pages 66 and 67. The Committee is satisfied that the remuneration outcomes are appropriate relative to performance and consistent with the wider company pay policy. The Committee is therefore satisfied that the remuneration policy operated as intended in 2019.

We have an open approach to shareholder engagement. There have been no changes to the policy or how it has been implemented during 2019 and there has been no need to engage with shareholders on remuneration during the year. We will provide a more detailed disclosure of the shareholder engagement in relation to the Remuneration Policy review that will be conducted during 2020 in next year's Directors' Remuneration Report.

As part of its extended remit, the Committee considered the incentive structures throughout the senior management team which are consistent with and aligned to the directors' remuneration policy.

The Committee also considered the pay structures and employment policies for the full workforce, including their alignment with the principles of the Directors remuneration. We welcome feedback from our workforce in relation to the company pay practices.

Policy Summary

In line with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the full Directors' remuneration policy has not been presented in this report given that the policy was approved at the 2018 AGM and it is not intended to put a similar resolution at the AGM in 2020. However, in order to provide shareholders with an overview of our policy we have presented a number of sections. Cross-references (including page numbers) have been updated for ease of reference to page numbers in this Annual Report. The full policy is on the Company's website in the 2017 Annual Report.

Introduction

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

- relevance to BBA Aviation (now Signature Aviation), the cyclicity 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 (now Signature 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 87). 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 88).	
Strategic purpose	Focuses on targets set over a 12-month period that are aligned to the delivery of the Group's strategic objectives and includes: 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 88).

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	<p>Deferred stock will be allocated from a pool.</p> <p>Annual performance conditions and targets are set at the beginning of the plan year.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Maximum opportunity	The maximum opportunity is 125% of salary.
Link to performance	<p>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.</p> <p>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.</p> <p>The current performance condition is a matrix of Group operating profit and strategic Group objectives.</p>

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 88).

Strategic purpose	Focuses executives on achievement of longer-term strategic objectives and ensures long-term alignment with shareholders' interests.
Operation	<p>Awards are granted annually to executive directors in the form of a conditional share award, nil cost option or restricted share award.</p> <p>Awards will vest at the end of a three-year period subject to:</p> <p>The executive director's continued employment at the date of vesting; and satisfaction of the performance conditions.</p> <p>Awards are subject to an additional holding period of two years following the vesting of shares.</p> <p>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.</p>
Maximum opportunity	<p>Maximum annual award is 150% of salary.</p> <p>Below threshold performance no award can be earned.</p> <p>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.</p>
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 Signature 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 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	Two years post the date of any payment under the Plan.	Two years post vesting.	Two years post vesting.

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 of appointment. 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 85. 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	<p>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 justify the provision of a buy-out, 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:</p> <ul style="list-style-type: none"> • 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"). <p>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 buy out within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.</p>
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.

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 85 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 on page 91 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	<p>Executive directors may be entitled to receive compensation for loss of office which will be a maximum of 12 months' salary.</p> <p>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.</p> <p>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.</p>	There will be no compensation for loss of office due to misconduct or normal resignation.
Pension	<p>Pension contributions or payments in lieu of pension contributions will be made during the notice period.</p> <p>The Company has discretion to make a lump sum payment in lieu regarding loss of office.</p> <p>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.</p>	There will normally be no payments or compensation.
Annual Bonus Plan ("ABP")	<p>Performance conditions will be measured at the measurement date.</p> <p>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.</p>	<p>No bonus is payable for the year of cessation.</p> <p>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.</p>
Deferred Stock Plan ("DSP")	<p>All subsisting deferred stock awards will vest.</p> <p>The Remuneration Committee has discretion:</p> <ul style="list-style-type: none"> 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 <i>circumstances of the executive</i> director's departure. <p>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.</p>	<p>Lapse of any unvested deferred stock awards.</p> <p>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.</p> <p>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.</p> <p>The Committee may determine to pay cash in lieu of shares.</p>

Element of payment	Basis of calculation	
	Permitted reason (good leaver)	Other reason
Long Term Incentive Plan ("LTIP")	<p>Normally pro-rated to time and performance in respect of each subsisting LTIP award and the performance testing is undertaken at the normal time.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The Committee may determine to pay cash in lieu of shares.</p>	<p>Any unvested LTIP awards will normally lapse.</p> <p>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.</p> <p>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.</p> <p>The Committee may determine to pay cash in lieu of shares.</p>
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.

Additional disclosures

Group results and dividends

The results for the year ended 31 December 2019 are shown in the Consolidated Statement of Comprehensive Income on page 106.

The directors recommend the payment of a final ordinary share dividend for 2019 of 10.57¢ per share on 29 May 2020 to shareholders on the register at the close of business on 17 April 2020, which together with the interim dividend paid on 1 November 2019 makes a total of 14.77¢ net per ordinary share for the year (2018: 14.07¢). 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 1 May 2020. 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.signatureaviation.com.

Acquisitions and disposals

Acquisitions and disposals in the year are described in notes 25 and 26 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 54 and 55. Susan Kilsby stepped down from the Board after the AGM on 10 May 2019. Vicky Jarman and Stephen King were appointed to the Board as non-executive directors on 7 January 2019. All other directors held office throughout the financial year under review.

Directors' interests in shares

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

Directors' indemnities

The Company has entered into deeds of indemnity in favour of each of its directors, under which the Company agrees to indemnify each director against liabilities incurred by that director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office. In addition, the Company has entered into indemnity deed polls in substantially similar terms in favour of members of the Signature Leadership Team 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 234 of the Companies Act.

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.

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 its \$400 million revolving credit facility dated 26 March 2018 (as amended), its \$500 million 5.375% senior notes due 2026 and its \$650 million 4.000% senior notes due 2028 could become repayable; (ii) the Engine Lease Agreement dated 29 June 2009 (as amended) under which \$20.5 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 business is 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 the employee benefit trust. 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 2019 the Company has used 2.1% towards the 5% limit and 2.4% towards the 10% limit.

The Company was given authority to purchase up to 14.99% of its existing ordinary share capital at the 2019 General Meeting. That authority will expire at the conclusion of the AGM in 2020 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 2020 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 2020 AGM, all directors wishing to remain in office would stand for re-election at the 2021 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 15 May 2020. The Notice of AGM 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 31/12/19	As at 2/3/20
William H Gates III	15.82%	15.82%
Aviva plc and its subsidiaries	5.74%	4.81%
APG Asset Management NV	7.01%	9.00%
BlackRock, Inc.	5.08%	5.31%

Charitable and political donations

Group donations to charities worldwide were \$896,946 (2018: \$853,008). 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:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- 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 37.

Financial risk management

Financial risk management is discussed on pages 40 to 42.

The Directors' Report was approved by the Board on 2 March 2020 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

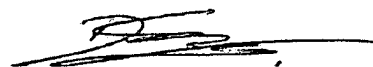
We confirm that to the best of our knowledge:

- 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 2 March 2020 and is signed on its behalf by:



Mark Johnstone,
Group Chief Executive Officer
2 March 2020



David Crook,
Group Finance Director
2 March 2020

Independent Auditor's Report

To the members of Signature Aviation plc

Report on the audit of the financial statements

In our opinion:

- the financial statements of Signature Aviation plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 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 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 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 30; and
- the related Parent Company notes 1 to 15.



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 (the '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 or 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	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Accounting for the Ontic disposal; • Valuation of the ERO business which is held for sale; • Completeness and accuracy of IFRS 16 'Leases' disclosures; • Revenue recognition relating to manual adjustments posted to Signature revenue; and • Tax contingent liabilities and provisioning relating to EU state aid and transfer pricing risk. <p>Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .</p>
Materiality	The materiality that we used for the Group financial statements was £10.0 million which was determined with reference to both profit before tax and underlying profit before tax.
Scoping	88% (2018: 98%) of revenue and 89% (2018: 95%) of total assets will be subject to full audit or specific audit procedures, with the remainder covered by central review procedures.
Significant changes in our approach	<p>Our 2019 report includes two new key audit matters, accounting for the Ontic disposal and the valuation of the ERO business which is held for sale.</p> <p>We no longer report the carrying value of Ontic and GES inventory as a key audit matter. This is because of the disposal of the Ontic business during the year reducing the level of management judgement.</p>
Conclusions relating to going concern, principal risks and viability statement	
<p>Going concern</p> <p>We have reviewed the directors' statement on page 50 of the Annual Report 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 twelve months from the date of approval of the financial statements.</p> <p>We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group and Parent Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.</p> <p>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.</p>	<p>Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.</p> <p>We confirm that we have nothing material to report, add or draw attention to in respect of these matters.</p>
<p>Principal risks and viability statement</p> <p>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:</p> <ul style="list-style-type: none"> • the disclosures on pages 42-44 that describe the principal risks, procedures to identify emerging risks, and an explanation of how they are being managed or mitigated; • the directors' confirmation on page 50 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or • the directors' explanation on page 51 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. <p>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.</p>	<p>Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.</p> <p>We confirm that we have nothing material to report, add or draw attention to in respect of these matters.</p>

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.

Accounting for the Ontic disposal

Key audit matter description



As shown in note 27, and on page 62, the Group disposed of the Ontic business on 31 October 2019, in return for consideration of \$1,321 million. As a result, a gain on disposal of \$724 million has been recognised in the current year. Determining the gain on disposal requires management judgement regarding whether costs are incremental and directly incurred as a result of the disposal transaction.

How the scope of our audit responded to the key audit matter



Our audit procedures included challenging the key management judgements around the completeness of disposal costs. Specifically:

- we tested the design and implementation of the key controls management has put in place over the accounting for disposal;
- we reviewed management's paper setting out the rationale for assumptions used in the disposal calculation;
- we verified the mechanical accuracy of the disposal calculation;
- we agreed a sample of inputs to the disposal calculation to supporting evidence;
- we reviewed records for costs which had not been included within disposal costs; and
- we calculated an independent estimate of the gain to be recognised on disposal of the Ontic business.

Key observations



The gain on disposal of the Ontic business is reasonable, and disclosed appropriately within the financial statements. The identification of disposal costs is appropriate.

Valuation of the ERO held for sale business

Key audit matter description



The ERO business has been held for sale since July 2018. Negotiations for the sale of the business are ongoing. As shown in note 26, as the business is held for sale, it must be held at the lower of carrying value and fair value less costs to sell. Determining the fair value less costs to sell of the ERO business requires management judgement particularly around the level of the change of control fees that are payable to original equipment manufacturers on the sale of the business. The ERO business was held at a value of \$177.6 million at year-end (2018: \$260.8 million). An impairment of \$124.7 million has been recognised during the year against the ERO business.

How the scope of our audit responded to the key audit matter











Our audit procedures included challenging the key management judgements around the valuation of the ERO held for sale business. Specifically:

- we tested the design and implementation of the key controls management has put in place over the calculating the fair value less costs to sell of the ERO business;
- we verified the mechanical accuracy of the fair value less costs to sell calculation;
- we agreed a sample of inputs into the fair value less costs to sell calculation to supporting evidence; and
- we reviewed evidence of discussions with original equipment manufacturers to support the estimated change of control fees.

Key observations



The valuation of the ERO held for sale business is appropriate and the impairment recognised during the year is reasonable.

Completeness and accuracy of IFRS 16 Leases disclosures 	
Key audit matter description 	<p>As detailed within the Accounting Policies of the Group, and the report of the Audit and Risk Committee (page 62) and note 30, the Group adopted a new accounting standard, IFRS 16 'Leases', effective from 1 January 2019.</p> <p><i>This standard has a significant impact upon the Group's financial statements; the Group leases a significant number of assets and has a large number of arrangements which were previously classified as operating leases under IAS 17 'Leases' and held off balance sheet. These are recognised within assets and liabilities under IFRS 16.</i></p> <p>The completeness and accuracy of the disclosures relating to the transition to IFRS 16 was a key audit matter in our 2018 audit report.</p> <p>Upon transition to IFRS 16, the Group recognised an additional lease liability of \$1,198.5 million, and the adoption of the new standard has had a significant impact upon all aspects of the Group's financial statements and key metrics and ratios. Ensuring that all the leases subject to IFRS 16 are appropriately reflected in the financial statements is complex, primarily due to the large number of leases held by the Group, and the significant variation seen in the terms of individual lease contracts. There is therefore a risk that the lease data which underpin the IFRS 16 calculation are incomplete or inaccurate.</p> <p>The Group has entered into a number of material new leases during the period. The lease liability in each case needs to be discounted using an appropriate rate, the determination of which requires a high level of management judgement.</p>
How the scope of our audit responded to the key audit matter 	<p>Our audit procedures included understanding management's IFRS 16 transition approach. Specifically:</p> <ul style="list-style-type: none"> • we assessed the design and implementation of the key controls relating to the implementation of IFRS 16; • we worked with a specialist to review management's methodology for determining the discount rates used to calculate lease liabilities; • we assessed the discount rates used to calculate the lease obligation for a sample of new leases in the period with the involvement of our valuation specialists; • we assessed the accuracy of the lease data by testing the lease data captured by management for a sample of leases through the inspection of lease documentation; • we recalculated the lease liability and right of use assets for a sample of leases using our own lease model; and • we tested the completeness of the lease data by reconciling the Group's opening lease commitments to the lease data underpinning the IFRS 16 model.
Key observations 	The lease liabilities and right of use assets recognised under IFRS 16 are appropriate. The discount rates used by the Group to determine the IFRS 16 lease liability are reasonable.
Revenue recognition relating to manual adjustments posted to Signature revenue 	
Key audit matter description 	<p>As detailed within the Accounting Policies of the Group and note 1, revenue relating to the Signature FBO business is recognised at the fair value of the consideration receivable. The total value of revenue within the Signature FBO business was \$2,261 million (2018: \$2,128 million) and represents approximately 75% (2018: 74%) of total revenue and 100% of revenue from continuing operations.</p> <p>ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.</p> <p>Since Signature FBO revenue consists of high volume, low-value, non-complex transactions we have focussed our work on manual adjustments made to Signature FBO revenue, which could be an area subject to management manipulation and an area where controls could be overridden.</p>
How the scope of our audit responded to the key audit matter 	<p>Our audit procedures included challenging the rationale for significant manual adjustments to revenue. Specifically:</p> <ul style="list-style-type: none"> • we assessed the design and implementation of the key controls over the posting of revenue adjustments; • we selected a sample of manual adjustments posted to revenue in the period, and compared these to relevant documentation; and • we performed analytical procedures on the revenue balance to identify any unusual fluctuations or trends which could be indicative of the posting of inappropriate adjustments.
Key observations 	We did not identify any evidence of inappropriate or fraudulent journals being posted in the revenue ledgers.

Tax contingent liabilities and provisions relating to EU state aid and transfer pricing risk		
<div>Key audit matter description</div> <div></div>	<p>As detailed within the Accounting Policies of the Group, note 4 and significant financial reporting issues considered by the Audit and Risk Committee on page 62, management judgement is required to determine whether tax matters represent contingent liabilities or require provisions.</p> <p>Due to the continuing evolution of the regulatory environment in the EU, as well as the European Commission's (EC) investigation into the UK's Controlled Foreign Company (CFC) regime, we continued to identify this as a Key Audit Matter. The Group undertakes activities which leads to tax uncertainties, including transfer pricing under the application of transfer pricing principles and the deductibility of interest payable resulting from the Group's financing arrangements. Management have engaged with external experts to assess the Group's exposure.</p> <p>In relation to the EC investigation into the UK's CFC regime the Group has estimated the maximum potential liability to be \$117.9 million as disclosed within note 4 (2018: \$110.0 million). No provision has been recognised in relation to this matter. The Group assesses the probability of economic outflow in determining the extent to which provisions are held for transfer pricing exposures.</p>	
<div>How the scope of our audit responded to the key audit matter</div> <div></div>	<p>Our audit procedures included understanding and challenging the key assumptions determined by management to assess whether contingent liability disclosure or provisions should be recognised. Specifically:</p> <ul style="list-style-type: none">• we evaluated whether management's controls relating to the estimation of the likelihood of material outflow are appropriately designed and implemented;• we challenged the documentation and opinions provided by management's experts as to whether they sufficiently support management's judgement;• we assessed the competence of management's experts; and• we worked with our tax audit specialists, to understand and challenge the judgements made by management around provisioning and contingent liabilities with reference to current investigations by tax authorities.	
<div>Key observations</div> <div></div>	<p>We conclude management's judgements are reasonable, and specifically the contingent liability disclosure in note 4 relating to the Group's potential exposure to the EC's investigation into the UK CFC regime to be appropriate.</p> <p>In relation to this key audit matter, we are satisfied with the accounting conclusions reached by the Group.</p>	
<div>Our application of materiality</div>		
<p>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:</p>		
	<div>Group financial statements</div>	<div>Parent Company financial statements</div>
<div>Materiality</div>	\$10.0 million (2018: \$13.0 million)	\$9.0 million (2018: \$7.0 million)
<div>Basis for determining materiality</div>	Materiality was determined by reference to both profit before tax and underlying profit before tax.	Materiality represents less than 1% (2018: less than 1%) of net assets.
<div>Rationale for the benchmark applied</div>	Profit before tax and underlying profit before tax are considered to be key performance metrics of the business. Materiality of \$10.0 million represents approximately 3.4% (2018: 4%) of Underlying Profit before Tax and 1.1% (2018: 7%) of Profit before Tax.	The Parent Company does not generate significant revenue but instead incurs costs and as such the net assets are considered appropriate when determining materiality.
<p>We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the quality of the control environment, whether significant changes in the business might affect our ability to forecast misstatements, and the number and quantum of adjustments in the prior period.</p> <p>We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £500,000 (2018: £650,000), 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.</p>		

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 eight (2018: 14) components.

- Consistent with 2018 full audit procedures were completed on the Signature US business.
- Four (2018: seven) locations were subsidiaries subject to a full scope audit in accordance with statutory reporting requirements in the UK and USA.
- Three (2018: six) were subject to specific audit procedures, focused on the significant audit risk areas.

These eight (2018: 14) components represent the principal operating locations of the Group and account for approximately 88% (2018: 98%) of revenue and 89% (2018: 95%) of the Group's total assets. The reduction in the number of locations at which full scope or specified audit procedures were performed reflects the disposal of the Ontic business during the year, the proposed disposal of the ERO business and an associated reduction in statutory audit requirements.

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 95% (2018: 85%) of Group materiality, spanning the range \$4.0 million-\$9.5 million (2018: \$5.2 million-\$11.0 million).

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 visits each of the locations where the Group audit scope was focused. Visits were made to four of the eight components during the year (2018: eight out of 14). The visits enabled the Group Audit Team to update their understanding of the operations, risks and control environments of each component. The visits were also 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.

We elected not to rely on IT controls as part of our audit, as the Group is currently considering a number of potential system changes. We did not rely on controls in our work, and instead performed a fully substantive audit for all components.

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 company'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. Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 26 February 2019;
- results of our enquiries of management, internal audit, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: manual adjustments to Signature revenue and presentation of earnings for alternative performance measures. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation and aviation industry regulatory requirements.

Audit response to risks identified

As a result of performing the above, we identified manual adjustments to Signature revenue as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing and challenging the calculation of the alternative performance measures reported by the Group by recalculating the alternative performance measures and comparing the Group's practice to its immediate peer group;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 on 1 August 2002 to audit the financial statements for the year ending 31 December 2002 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor for the period ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, covering the years ending 31 December 2002 to 31 December 2019.

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).

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).

Use of our report

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

Andrew Bond, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
2 March 2020

Consolidated Income Statement

Financial statements		2019					Restated ⁵ 2018	
		Notes	Underlying ¹ \$m	Exceptional and other items ² \$m	Total \$m	Underlying ¹ \$m	Exceptional and other items ² \$m	Total \$m
105 Consolidated Income Statement	For the year ended 31 December							
106 Consolidated Statement of Comprehensive Income	Continuing operations							
107 Consolidated Balance Sheet	Revenue	1	2,260.5	–	2,260.5	2,131.3	–	2,131.3
108 Consolidated Cash Flow Statement	Cost of sales		(1,807.6)	–	(1,807.6)	(1,716.3)	–	(1,716.3)
109 Consolidated Statement of Changes in Equity	Gross profit		452.9	–	452.9	415.0	–	415.0
110 Accounting Policies of the Group	Distribution costs		(11.9)	–	(11.9)	(12.1)	–	(12.1)
120 Notes to the Consolidated Financial Statements	Administrative expenses		(127.8)	(73.8)	(201.6)	(128.1)	(74.5)	(202.6)
	Other operating income		6.2	–	6.2	1.3	–	1.3
186 Company Balance Sheet	Share of profit of associates and joint ventures	11	4.1	–	4.1	4.0	–	4.0
187 Company Statement of Changes in Equity	Other operating expenses		(2.7)	(36.5)	(39.2)	(2.8)	(13.5)	(16.3)
	Restructuring costs	2	–	(5.6)	(5.6)	–	(8.9)	(8.9)
188 Accounting Policies of the Company	Operating profit/(loss)	1, 2	320.8	(115.9)	204.9	277.3	(96.9)	180.4
191 Notes to the Company Financial Statements	Impairment of assets	8, 9, 11	–	(12.5)	(12.5)	–	(14.1)	(14.1)
	Investment income	3	3.7	7.5	11.2	0.7	–	0.7
199 Subsidiaries and Related Undertakings	Finance costs	3	(147.3)	(32.9)	(180.2)	(66.4)	–	(66.4)
205 Five Year Summary	Profit/(loss) before tax		177.2	(153.8)	23.4	211.6	(111.0)	100.6
207 Shareholder Information	Tax (charge)/credit	4	(12.1)	29.7	17.6	(43.6)	26.1	(17.5)
	Profit/(loss) from continuing operations		165.1	(124.1)	41.0	168.0	(84.9)	83.1
	Discontinued operations							
	Profit/(loss) from ERO discontinued operations, net of tax	26	40.0	(104.2)	(64.2)	24.2	(5.0)	19.2
	Profit/(loss) from Ontic discontinued operations, net of tax	26	54.4	628.3	682.7	48.3	(12.7)	35.6
	Profit/(loss) for the year		259.5	400.0	659.5	240.5	(102.6)	137.9
	Attributable to:							
	Equity holders of Signature Aviation plc		259.1	400.0	659.1	240.2	(102.6)	137.6
	Non-controlling interest		0.4	–	0.4	0.3	–	0.3
			259.5	400.0	659.5	240.5	(102.6)	137.9
	Earnings per share							
			Adjusted ¹		Unadjusted	Adjusted ¹		Unadjusted
	Total Group							
	Basic	6	25.6¢		65.2¢	23.3¢		13.4¢
	Diluted	6	25.4¢		64.7¢	23.1¢		13.2¢
	Continuing operations							
	Basic	6	16.3¢		4.0¢	16.3¢		8.0¢
	Diluted	6	16.2¢		4.0¢	16.1¢		8.0¢
	Discontinued operations							
	Basic	26	9.3¢		61.2¢	7.0¢		5.4¢
	Diluted	26	9.2¢		60.7¢	7.0¢		5.2¢

1 Underlying profit and adjusted earnings per share are stated before exceptional and other items and include the impact of IFRS 16 which was adopted on 1 January 2019. The Group has applied the modified-retrospective transition method approach and consequently the comparatives have not been restated.

2 Exceptional and other items are defined in note 2. All Alternative Performance Measures are reconciled to IFRS measures and explained in note 29.

3 The Group has presented Ontic discontinued operations in the current year, and accordingly the prior period has been restated as required by IFRS, see note 26. In addition, ERO discontinued operations is presented in the current year and in the comparative period.

Consolidated Statement of Comprehensive Income

Financial statements			2019 \$m	2018 \$m
105 Consolidated Income Statement	For the year ended 31 December	Notes		
106 Consolidated Statement of Comprehensive Income	Profit for the year		659.5	137.9
107 Consolidated Balance Sheet	Other comprehensive income			
108 Consolidated Cash Flow Statement	Items that will not be reclassified subsequently to profit or loss			
109 Consolidated Statement of Changes in Equity	Actuarial (losses)/gains on defined benefit pension schemes	19	(56.1)	51.2
110 Accounting Policies of the Group	Fair value movements in assets classified as financial instruments through other comprehensive income	13, 21	(3.3)	(1.8)
120 Notes to the Consolidated Financial Statements	Tax credit/(charge) relating to components of other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	4	7.2	(9.0)
186 Company Balance Sheet			(52.2)	40.4
187 Company Statement of Changes in Equity	Items that may be reclassified subsequently to profit or loss			
188 Accounting Policies of the Company	Exchange difference on translation of foreign operations	21	2.2	(27.5)
191 Notes to the Company Financial Statements	Recycling of translational exchange differences accumulated in equity upon disposal of subsidiary	21	24.2	–
199 Subsidiaries and Related Undertakings	Fair value movements in foreign exchange cash flow hedges	17, 21	2.3	(2.9)
206 Five Year Summary	Transfer to profit or loss from other comprehensive income on foreign exchange cash flow hedges	17, 21	(0.6)	(1.0)
207 Shareholder Information	Fair value movement in interest rate cash flow hedges	17, 21	(2.4)	5.9
	Transfer to profit or loss from other comprehensive income on interest rate cash flow hedges	17, 21	(2.2)	(6.3)
	Tax relating to components of other comprehensive income that may be subsequently reclassified to profit or loss	4	1.3	1.7
			24.8	(30.1)
	Other comprehensive (loss)/income for the year		(27.4)	10.3
	Total comprehensive income for the year		632.1	148.2
	Attributable to:			
	Equity holders of Signature Aviation plc		631.7	147.9
	Non-controlling interests		0.4	0.3
			632.1	148.2

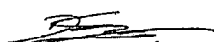
Consolidated Balance Sheet

As at 31 December	Notes	2019 \$m	2018 \$m
Non-current assets			
Goodwill	8	1,111.1	1,191.1
Other intangible assets	8	966.1	1,329.4
Property, plant and equipment	9	749.4	779.9
Right of use assets	10	1,099.5	–
Interests in associates and joint ventures	11	41.9	53.5
Trade and other receivables	13	45.8	18.8
Deferred tax asset	20	9.1	–
		4,022.9	3,372.7
Current assets			
Inventories	12	44.0	120.3
Trade and other receivables	13	205.4	260.2
Cash and cash equivalents	13	113.2	109.3
Tax recoverable		1.2	1.1
Assets held for sale	26	358.1	407.6
		721.9	898.5
Total assets		4,744.8	4,271.2
Current liabilities			
Trade and other payables	14	(354.6)	(439.2)
Tax liabilities		(108.7)	(39.8)
Borrowings	16	–	(1.5)
Lease liabilities	15	(53.0)	(1.1)
Provisions	18	(17.5)	(23.0)
Liabilities held for sale	26	(180.5)	(146.8)
		(714.3)	(651.4)
Net current assets		7.6	247.1
Non-current liabilities			
Borrowings	16	(1,141.0)	(1,436.6)
Lease liabilities	15	(1,128.8)	(3.2)
Trade and other payables due after one year	14	(3.9)	(7.6)
Pensions and other post-retirement benefits	19	(38.0)	(28.2)
Deferred tax liabilities	20	(82.4)	(162.8)
Provisions	18	(30.3)	(37.2)
		(2,424.4)	(1,675.6)
Total liabilities		(3,138.7)	(2,327.0)
Net assets		1,606.1	1,944.2
Equity			
Share capital	21	510.1	509.3
Share premium account	21	1,594.5	1,594.5
Other reserve	21	(10.5)	(7.2)
Treasury reserve	21	(95.7)	(95.3)
Capital reserve	21	56.6	56.2
Hedging and translation reserves	21	(82.2)	(105.7)
Retained earnings	21	(369.1)	(9.9)
Equity attributable to equity holders of Signature Aviation plc		1,603.7	1,941.9
Non-controlling interest		2.4	2.3
Total equity		1,606.1	1,944.2

Details of the restatement made to the opening retained earnings as at 1 January 2019 arising from the adoption of IFRS 16 can be found in the accounting policies and note 30.
These financial statements were approved by the Board of Directors on 2 March 2020 and signed on its behalf by:



Mark Johnstone,
Group Chief Executive Officer



David Crook,
Group Finance Director

Consolidated Cash Flow Statement

Financial statements				
105 Consolidated Income Statement	For the year ended 31 December	Notes	2019 \$m	2018 \$m
Operating activities				
106 Consolidated Statement of Comprehensive Income	Net cash flow from operating activities	23	467.0	368.3
Investing activities				
107 Consolidated Balance Sheet	Interest received		4.4	12.7
108 Consolidated Cash Flow Statement	Interest received on sublease assets		1.8	–
109 Consolidated Statement of Changes in Equity	Receipt of capital element of sublease assets		2.7	–
	Dividends received from joint ventures and associates		3.2	2.0
110 Accounting Policies of the Group	Purchase of property, plant and equipment		(68.4)	(85.3)
	Purchase of intangible assets ¹		(12.2)	(7.8)
120 Notes to the Consolidated Financial Statements	Proceeds from disposal of property, plant and equipment		5.1	4.7
	Acquisition of businesses, net of cash acquired	25	(65.3)	(210.6)
186 Company Balance Sheet	Investment in assets classified as financial instruments measured through other comprehensive income (FVTOCI)		–	(5.0)
187 Company Statement of Changes in Equity	Investment in joint venture and associates		–	(10.0)
188 Accounting Policies of the Company	Proceeds from disposal of subsidiaries and associates, net of cash disposed	27	1,224.3	–
	Net cash inflow/(outflow) from investing activities		1,095.6	(299.3)
Financing activities				
191 Notes to the Company Financial Statements	Interest paid		(71.5)	(70.9)
199 Subsidiaries and Related Undertakings	Interest paid on lease liabilities		(76.4)	(0.1)
206 Five Year Summary	USPP make-whole, net		(25.5)	–
207 Shareholder Information	Dividends paid	5	(980.9)	(140.7)
	(Outflows)/inflows from realised foreign exchange contracts		(8.5)	4.5
	Proceeds from issue of ordinary shares net of issue costs		0.8	0.3
	Purchase of own shares ²		(4.9)	(5.5)
	(Decrease)/increase in loans	24	(313.3)	117.1
	Payments of lease liabilities	30	(71.0)	(0.4)
	Decrease in overdrafts	24	(1.5)	(2.3)
	Net cash outflow from financing activities		(1,552.7)	(98.0)
	Increase/(decrease) in cash and cash equivalents		9.9	(29.0)
	Cash and cash equivalents at beginning of year		111.3	153.5
	Exchange adjustments on cash and cash equivalents		1.2	(13.2)
	Cash and cash equivalents at end of year	13	122.4	111.3
	Comprised of:			
	Cash and cash equivalents at end of the year	13	113.2	109.3
	Cash included in Assets held for sale at end of the year	26	9.2	2.0

1 Purchase of intangible assets includes \$1.1 million (2018: \$1.2 million) paid in relation to Ontic licences and \$5.3 million paid in relation to the ERO discontinued operations (2018: \$0.2 million) not accounted for as acquisitions under IFRS 3.

2 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.

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 2018		509.0	1,594.5	(50.1)	(121.7)	1,931.7	1.5	1,933.2
Profit for the year		–	–	137.6	–	137.6	0.3	137.9
Other comprehensive income for the year		–	–	43.9	(33.6)	10.3	–	10.3
Total comprehensive income/(loss) for the year		–	–	181.5	(33.6)	147.9	0.3	148.2
Dividends	5	–	–	(140.7)	–	(140.7)	(0.3)	(141.0)
Issue of share capital	21	0.3	–	–	–	0.3	–	0.3
Movement on treasury reserve	21	–	–	–	(5.5)	(5.5)	–	(5.5)
Credit to equity for equity-settled share-based payments	21	–	–	–	8.2	8.2	–	8.2
Tax on share-based payment transactions	4	–	–	0.5	–	0.5	–	0.5
Change in non-controlling interests		–	–	(0.5)	–	(0.5)	0.8	0.3
Transfer (from)/to retained earnings	21	–	–	(0.6)	0.6	–	–	–
Balance at 31 December 2018		509.3	1,594.5	(9.9)	(152.0)	1,941.9	2.3	1,944.2
Balance at 1 January 2019 pre IFRS 16		509.3	1,594.5	(9.9)	(152.0)	1,941.9	2.3	1,944.2
Adoption of IFRS 16 ¹	30	–	–	5.3	–	5.3	–	5.3
Balance at 1 January 2019 after adoption		509.3	1,594.5	(4.6)	(152.0)	1,947.2	2.3	1,949.5
Profit for the year		–	–	659.1	–	659.1	0.4	659.5
Other comprehensive (loss)/income for the year		–	–	(47.6)	20.2	(27.4)	–	(27.4)
Total comprehensive income for the year		–	–	611.5	20.2	631.7	0.4	632.1
Dividends	5	–	–	(980.9)	–	(980.9)	(0.3)	(981.2)
Issue of share capital	21	0.8	–	–	–	0.8	–	0.8
Movement on treasury reserve	21	–	–	–	(4.9)	(4.9)	–	(4.9)
Credit to equity for equity-settled share-based payments	21	–	–	–	8.6	8.6	–	8.6
Tax on share-based payment transactions	4	–	–	1.2	–	1.2	–	1.2
Change in non-controlling interests		–	–	–	–	–	–	–
Transfer to/(from) retained earnings	21	–	–	3.7	(3.7)	–	–	–
Balance at 31 December 2019		510.1	1,594.5	(369.1)	(131.8)	1,603.7	2.4	1,606.1

¹ Further information on the restatement of opening retained earnings as at 1 January 2019 due to the impact of adopting IFRS 16 is outlined in the accounting policies and in note 30.

Accounting Policies of the Group

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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.

For comparability with prior periods, the financial information disclosed in Note 30 is presented excluding the impact of adoption of IFRS 16. Note 29 presents APMs on a pre and post IFRS 16 basis with a reconciliation to the equivalent statutory measure.

New financial reporting requirements

IFRS 16 Leases

The Group adopted IFRS 16 Leases from 1 January 2019. IFRS 16 replaced IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

IFRS 16 requires lessees to account for most contracts under an on-balance sheet model, with the distinction between operating and finance leases removed. 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.

The Group has applied the modified-retrospective transition method approach and consequently the comparatives have not been restated. A one-off transitional impact on reserves has been recorded as a result of recognising finance lease subcontracts under the standard. The impact on reserves is set out in the unaudited condensed consolidated statement of changes in equity.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 January 2019 was 6.7%.

Practical expedients adopted on transition

On initial adoption, the Group has elected to use the following practical expedients permitted under the standard:

- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics
- IFRS 16 has been applied to contracts that were previously classified as leases under IAS 17 and IFRIC 4
- Right of use assets have been adjusted by the carrying amount of onerous lease provisions at 31 December 2018 instead of performing impairment reviews under IAS 36

Practical expedients also exist to not recognise lease liabilities for short-term or low value leases, however on transition the Group has elected not to adopt these expedients.

Significant judgements applied in the adoption of IFRS 16 included determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

Impact on lessee accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, the Group now recognises right of use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of the future lease payments.

Lease incentives are recognised as part of the measurement of the right of use asset whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right of use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Under IFRS 16 the Group recognises depreciation of right of use assets and interest on lease liabilities in the consolidated income statement, whereas under IAS 17 operating leases previously gave rise to a straight-line expense in the income statement.

Under IFRS 16 the Group separates the total amount of cash paid for leases that are on balance sheet into the principal portion (presented within financing activities) and interest in the consolidated cash flow statement. Under IAS 17 operating lease payments were presented as operating cash outflows. Under both IFRS 16 and IAS 17 there is no difference to net cash flow.

Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change does not have an effect on the Group's consolidated financial statements. Former finance leases are presented together with new leases taken on balance sheet as part of the transition to IFRS 16.

The impact of adopting IFRS 16 is summarised in Note 30 which details the Group's Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Statement of Cash Flows.

Finance leases and operating leases for the comparative year ended 31 December 2018 were recognised and measured in accordance with IAS 17 Leases. The accounting policies set out below are those applied to the current period, in accordance with IFRS 16.

Accounting policy for leases

When a contractual arrangement contains a lease, the Group recognises a lease liability and a corresponding right of use asset at the commencement of the lease.

At the commencement date the lease liability is measured at the lease liabilities present value of the future lease payments, discounted using the Group's incremental borrowing rate where the interest rate in the lease is not readily determined.

Lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including in substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

In general, where extension options exist, the Group recognises these as part of the lease liability as invariably these are exercised.

The lease liability is presented as a separate line in the consolidated statement of financial position.

Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the discount rate appropriate at that point in time
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in the floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs.

In addition, on transition, the right of use asset is adjusted for:

- The value of any lease incentives on the Balance Sheet at 31 December 2018
- The value of any onerous lease provisions on the Balance Sheet at 31 December 2018

The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms of the lease, a provision is recognised and measured under IAS 37 and included in the related right of use asset.

Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. With the exception of certain engine leases within our ERO discontinued operations, the Group does not have any leases that include purchase or transfer options of the underlying asset.

The right of use assets are presented as a separate line item on the consolidated statement of financial position, however the categories used in the Note 10 to the Consolidated Financial Statements are the same as those used for owned tangible assets – namely Land and buildings and Fixtures and equipment.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are generally included within cost of sales in the consolidated income statement.

Subleasing

The Group has several contracts in place to rent space or assets to third parties, predominantly across its FBO portfolio.

The Group assesses these contracts to determine firstly whether they constitute leases under IFRS 16, and secondly, where they do, to assess whether these should be accounted for as a finance sublease.

Where such contracts constitute leases, the assessment considers both the term of the master lease against any subcontract; and the present value of the master lease liability against the present value of the subcontract rental income stream.

Where finance subleases exist the associated right of use asset is derecognised and instead a receivable recognised from the lessee (also referred to as "net investment in the sublease"). The lease liability pertaining to the master lease remains unaffected.

Accounting Policies of the Group – continued

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105 Consolidated Income Statement	Financial Instruments In September 2019, the IASB issued 'Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7'. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.
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Basis of consolidation The Group financial statements incorporate the financial statements of the Company, Signature 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:	<ul style="list-style-type: none">• 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.	
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 50 of the Directors' Report.	

IFRIC 23 Uncertainty over income tax treatments
The Group has adopted IFRIC 23 'Uncertainty over Income Tax Treatments' for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The methodology for establishing provisions for tax uncertainties has been consistently applied with the prior year and consistent with IFRIC 23.

Financial reporting standards applicable for future financial periods
Certain new EU-endorsed standards and amendments to existing standards and interpretations, are effective for annual periods beginning on or after 1 January 2020 and have not been early adopted in preparing the Consolidated Financial Statements of the Group, with the exception of the early adoption of 'Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7'. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

Business combinations

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

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

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

When a business combination is achieved in stages, the Group's previously held interest 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 IFRS 9 Financial Instruments, 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

IFRS 15 addresses the recognition of revenue from customer contracts and impacts on the amounts and timing of the recognition of such revenue. The standard is based on 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.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service or service to a customer.

Accounting Policies of the Group – continued**Financial statements**

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Revenue recognition – continued

IFRS 15 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision maker (CODM) in order to evaluate the financial performance of the entity.

Signature

Signature recognises revenue from the following major income streams:

- Fuelling
- Property management
- Ground handling
- Technical services

Fuelling revenue is recognised as a sale of goods when all of the performance obligations are completed, typically upon delivery. Property management revenue is recognised over a period of time based on the performance obligations of the contract. Ground handling revenue is recognised as the service is completed. Technical service revenue is recognised at a point in time upon satisfaction of the performance obligation in the contract.

Additionally, the Group acts as an agent when collecting certain fees from customers on behalf of airport authorities.

Ontic

Ontic recognises revenue from the following major income streams:

- System and sub-system support and maintenance
- Repair and overhaul
- Engine and part sales

Ontic revenue is recognised on engine and part sales once all of the performance conditions are met, generally including delivery. The revenue is recognised net of any discounts including an estimate for volume rebates.

Engine Repair and Overhaul

Engine Repair and Overhaul revenue and associated profit on engine overhauls are recognised over time 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 recognition over time is based on hours incurred compared with management's best estimate of the total hours of production as this is the most faithful depiction of the progress of services. Payment is typically received after an engine is shipped. As a result a contract receivable is recognised on the Balance Sheet.

Within the Engine Repair and Overhaul business, revenue and associated profit are recognised on engine sales. Where the engine sold is subsequently leased back, the revenue and associated 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 or non-recurring in nature, and include costs relating to acquisitions which are material to the associated business segment, costs related to strategic disposals (including those previously completed) and significant restructuring programmes some of which span multiple years. 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 Signature Leadership Team, 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).

Alternative Performance Measures (APMs)

In the reporting of financial information, the directors have adopted various Alternative Performance Measures (APMs). The Group's results are principally discussed on an 'adjusted' and/or 'underlying' basis. Results on an adjusted basis are presented before exceptional and other items. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

All APMs have been defined, explained and reconciled to the nearest IFRS measure as set out in note 29.

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.

Right of use assets

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs.

The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms of the lease, a provision is recognised and measured under IAS 37 and included in the related right of use asset.

Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. With the exception of certain engine leases within our ERO discontinued operations, the Group does not have any leases that include purchase or transfer options of the underlying asset.

Impairment of goodwill, intangible assets, property, plant and equipment, and right of use assets

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 Signature segment, and weighted average method in the discontinued operations. 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 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 venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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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.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

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 offset by changes in fair value of the underlying borrowing. Any ineffectiveness on fair value hedges is recognised immediately in the Income Statement.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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 loss allowances for estimated irrecoverable amounts having considered expected losses as required by IFRS 9. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, the days past due and anticipated changes in economic conditions.

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.

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

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.

Financial instruments measured through other comprehensive income (FVTOCI)

Financial instruments measured through other comprehensive income (FVTOCI) are non-derivatives that are either designated as FVTOCI or are not classified as 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 FVTOCI 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 investment's 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 investment's revaluation reserve is reclassified to profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and trade receivables, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Lease liabilities

When a contractual arrangement contains a lease, the Group recognises a lease liability and a corresponding right of use asset at the commencement of the lease.

At the commencement date the lease liability is measured at the lease liabilities present value of the future lease payments, discounted using the Group's incremental borrowing rate where the interest rate in the lease is not readily determined.

Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

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.

Discontinued operations

Provisions for environmental and other liabilities relating to businesses that have been disposed of by the Group in prior years are classed as discontinued.

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Provisions – continued**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.

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 10 years.

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.

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 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 2 April 2019 that a UK tax scheme unduly exempted certain multinational groups from UK rules targeting tax avoidance through the UK Controlled Foreign Company regime (see note 4).

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 and consistent with IFRIC 23 'Uncertainty over Income Tax Treatments'.

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 2019 there are no critical accounting judgements. A key source of estimation uncertainty is referred to within Income Tax (note 4), where a contingent liability has been identified in relation to the European Commission's ongoing State Aid investigation into the UK's Controlled Foreign Company regime.

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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 segment of the Group identified in accordance with IFRS 8 is Signature, which comprises Signature FBO, TechnicAir and EPIC Fuels. The discontinued operations segment results show the effect of the ERO business which is held for sale at year end and the Ontic business which was sold in October 2019.

The businesses within the Signature segment provide refuelling, ground handling, line maintenance and other services to the Business and General Aviation (B&GA) and commercial aviation markets.

Sales between segments are immaterial.

All Alternative Performance Measures are reconciled to IFRS measures and explained in Note 29.

Business segments

2019

External revenue

External revenue from continuing and discontinued operations	2,260.5	756.9	3,017.4	–	3,017.4
Less external revenue from ERO discontinued operations, note 26	–	(538.3)	(538.3)	–	(538.3)
Less external revenue from Ontic discontinued operations, note 26	–	(218.6)	(218.6)	–	(218.6)

External revenue from continuing operations	2,260.5	–	2,260.5	–	2,260.5
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Underlying operating profit

Underlying operating profit from continuing and discontinued operations	361.0	106.0	467.0	(25.9)	441.1
Less underlying operating profit from ERO discontinued operations	–	(52.8)	(52.8)	–	(52.8)
Adjusted for intergroup charges for ERO discontinued operations ³	–	11.4	11.4	(11.4)	–
Less underlying operating profit from Ontic discontinued operations	–	(67.5)	(67.5)	–	(67.5)
Adjusted for intergroup charges for Ontic discontinued operations ³	–	2.9	2.9	(2.9)	–

Underlying operating profit/(loss) from continuing operations	361.0	–	361.0	(40.2)	320.8
Underlying operating margin from continuing operations	16.0%	–	16.0%	–	14.2%

Exceptional and other items

Exceptional and other items from continuing and discontinued operations	(76.3)	(12.7)	(89.0)	(39.4)	(128.4)
Less exceptional and other items from ERO discontinued operations	–	–	–	–	–
Less exceptional and other items from Ontic discontinued operations	–	12.5	12.5	–	12.5

Exceptional and other items from continuing operations	(76.3)	(0.2)	(76.5)	(39.4)	(115.9)
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Operating profit/(loss) from continuing operations	284.7	(0.2)	284.5	(79.6)	204.9
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Impairment of fixed assets ⁶	–	–	–	–	(12.5)
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Underlying net finance costs	–	–	–	–	(143.6)
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Exceptional net finance costs - USPP make-whole, net	–	–	–	–	(25.4)
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Profit before tax from continuing operations	–	–	–	–	23.4
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Other information

Capital additions ⁴	63.9	15.1	79.0	1.6	80.6
Less capital additions from ERO discontinued operations	–	(11.0)	(11.0)	–	(11.0)
Less capital additions from Ontic discontinued operations	–	(4.1)	(4.1)	–	(4.1)
Capital additions from continuing operations	63.9	–	63.9	1.6	65.5
Depreciation and amortisation	234.0	17.8	251.8	1.0	252.8
Less depreciation and amortisation from ERO discontinued operations	–	–	–	–	–
Less depreciation and amortisation from Ontic discontinued operations	–	(17.8)	(17.8)	–	(17.8)
Depreciation and amortisation from continuing operations	234.0	–	234.0	1.0	235.0

Balance sheet

Total assets	4,253.3	360.2	4,613.5	131.3	4,744.8
Total liabilities	(1,458.6)	(180.5)	(1,639.1)	(1,499.6)	(3,138.7)
Net assets/(liabilities)	2,794.7	179.7	2,974.4	(1,368.3)	1,606.1
Less net assets/(liabilities) from ERO discontinued operations	–	(177.6)	(177.6)	–	(177.6)
Net assets/(liabilities) from continuing operations ⁵	2,794.7	2.1	2,796.8	(1,368.3)	1,428.5

1. Segmental information – continued

Business segments	Signature ¹ \$m	Discontinued operation ⁵ \$m	Total \$m	Unallocated corporate ² \$m	Total \$m
2018 restated					
External revenue					
External revenue from continuing and discontinued operations	2,127.6	753.3	2,880.9	–	2,880.9
Less external revenue from ERO discontinued operations, note 26	–	(533.6)	(533.6)	–	(533.6)
Less external revenue from Ontic discontinued operations, note 26	–	(216.0)	(216.0)	–	(216.0)
External revenue from continuing operations	2,127.6	3.7	2,131.3	–	2,131.3
Underlying operating profit					
Underlying operating profit from continuing and discontinued operations	320.6	82.9	403.5	(28.3)	375.2
Less underlying operating profit from ERO discontinued operations	–	(35.0)	(35.0)	–	(35.0)
Adjusted for intergroup charges for ERO discontinued operations	–	10.7	10.7	(10.7)	–
Less underlying operating profit from Ontic discontinued operations	–	(62.9)	(62.9)	–	(62.9)
Adjusted for intergroup charges for Ontic discontinued operations ³	–	3.6	3.6	(3.6)	–
Underlying operating profit/(loss) from continuing operations	320.6	(0.7)	319.9	(42.6)	277.3
Underlying operating margin from continuing operations	15.1%	–	15.0%	–	13.0%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(76.0)	(21.7)	(97.7)	(16.0)	(113.7)
Less exceptional and other items from ERO discontinued operations	–	1.1	1.1	–	1.1
Less exceptional and other items from Ontic discontinued operations	–	15.7	15.7	–	15.7
Exceptional and other items from continuing operations	(76.0)	(4.9)	(80.9)	(16.0)	(96.9)
Operating profit/(loss) from continuing operations	244.6	(5.6)	239.0	(58.6)	180.4
Impairment of fixed assets ⁴					(14.1)
Net finance costs					(65.7)
Profit before tax from continuing operations					100.6
Other information					
Capital additions ⁴	66.1	22.5	88.6	4.5	93.1
Less capital additions from ERO discontinued operations	–	(18.2)	(18.2)	–	(18.2)
Less capital additions from Ontic discontinued operations	–	(4.3)	(4.3)	–	(4.3)
Capital additions from continuing operations	66.1	–	66.1	4.5	70.6
Depreciation and amortisation	143.0	26.6	169.6	0.4	170.0
Less depreciation and amortisation from ERO discontinued operations	–	(3.7)	(3.7)	–	(3.7)
Less depreciation and amortisation from Ontic discontinued operations	–	(22.9)	(22.9)	–	(22.9)
Depreciation and amortisation from continuing operations	143.0	–	143.0	0.4	143.4
Balance sheet					
Total assets	3,198.8	984.2	4,183.0	88.2	4,271.2
Total liabilities	(354.5)	(221.8)	(576.3)	(1,750.7)	(2,327.0)
Net assets/(liabilities)	2,844.3	762.4	3,606.7	(1,662.5)	1,944.2
Less net assets/(liabilities) from ERO discontinued operations	–	(260.8)	(260.8)	–	(260.8)
Net assets/(liabilities) from continuing operations	2,844.3	501.6	3,345.9	(1,662.5)	1,683.4

1 Operating profit/(loss) from continuing operations includes \$4.1 million profit (2018: \$4.0 million profit) relating to profits of associates and joint ventures.

2 Unallocated corporate balances include debt, tax, provisions, pensions, insurance captives and trading balances from central activities.

3 Costs previously allocated to ERO and Ontic which has now been classified as discontinued operations.

4 Capital additions represent cash expenditures in the year. Capital additions include additions to property, plant and equipment, and intangible assets including Ontic licences not accounted for as acquisitions under IFRS 3.

5 The Discontinued operations results include the former ERO (Middle East) business which is not part of the ERO discontinued operations. This business did not trade in 2019, however, in 2019 it incurred \$0.2 million of exceptional and other items (2018: revenue of \$3.7 million, an underlying operating loss of \$0.7 million, exceptional and other items \$4.9 million; statutory loss of \$5.6 million) and its net asset position at the end of 2019 was \$2.1 million (2018: \$11.2 million).

6 The impairment of fixed assets of \$12.5 million (2018: \$14.1 million) relates to the Signature segment.

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105 Consolidated Income Statement	Geographical segments				
106 Consolidated Statement of Comprehensive Income	2019				
107 Consolidated Balance Sheet	United Kingdom	84.0	288.5	6.2	209.2
108 Consolidated Cash Flow Statement	Mainland Europe	217.0	56.3	0.9	85.7
109 Consolidated Statement of Changes in Equity	North America	2,580.2	2,650.2	73.5	3,699.3
110 Accounting Policies of the Group	Rest of World	136.2	22.4	–	1.9
120 Notes to the Consolidated Financial Statements	Total from continuing and discontinued operations	3,017.4	3,017.4	80.6	3,996.1
186 Company Balance Sheet	Less ERO discontinued operations	(538.3)	(538.3)	(11.0)	–
187 Company Statement of Changes in Equity	Less Ontic discontinued operations	(218.6)	(218.6)	(4.1)	
188 Accounting Policies of the Company	Total from continuing operations	2,260.5	2,260.5	65.5	3,996.1
191 Notes to the Company Financial Statements	2018 restated				
199 Subsidiaries and Related Undertakings	United Kingdom	62.7	288.6	3.8	269.7
206 Five Year Summary	Mainland Europe	237.8	64.7	0.5	60.8
207 Shareholder Information	North America	2,465.4	2,500.8	88.4	3,027.9
	Rest of World	115.0	26.8	0.4	1.8
	Total from continuing and discontinued operations	2,880.9	2,880.9	93.1	3,360.2
	Less ERO discontinued operations	(533.6)	(533.6)	(18.2)	–
	Less Ontic discontinued operations	(216.0)	(216.0)	(4.3)	
	Total from continuing operations	2,131.3	2,131.3	70.6	3,360.2
	1 Capital additions represent cash expenditures in the year. Capital additions include additions to property, plant and equipment, and intangible assets including Ontic licences not accounted for as acquisitions under IFRS 3.				
	2 The disclosure of non-current assets by geographical segment has been amended to exclude deferred tax of \$9.1 million (2018: \$nil) and financial instrument balances of \$17.7 million (2018: \$12.5 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	
	2019 \$m	Restated 2018 \$m	2019 \$m	Restated 2018 \$m
Signature	1,685.2	1,591.5	575.3	536.1
Discontinued operations	223.4	233.8	533.5	519.5
Total from continuing and discontinued operations	1,908.6	1,825.3	1,108.8	1,055.6
Less ERO discontinued operations	(34.3)	(31.0)	(504.0)	(502.6)
Less Ontic discontinued operations	(189.1)	(199.1)	(29.5)	(16.9)
Total from continuing operations	1,685.2	1,595.2	575.3	536.1

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 \$1,908.6 million (2018: \$1,825.3 million) includes a gain of \$0.6 million (2018: gain of \$1.0 million) in respect of the recycling of the effective amount of foreign currency derivatives used to hedge foreign currency revenue.

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 items are items which are material or non-recurring in nature, and include costs relating to acquisitions which are material to the associated business segment, costs related to strategic disposals (including those previously completed) and significant restructuring programmes some of which span multiple years. This is consistent with the way that financial performance is measured by management and reported to the Board and the Signature Leadership Team, and assists in providing a meaningful analysis of the trading results of the Group.

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. 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.

All Alternative Performance Measures are reconciled to IFRS measures and explained in note 29.

Exceptional and other items on discontinued operations are presented in note 26. Exceptional and other items on continuing operations are as follows:

Note	Administrative expenses 2019 \$m	Other operating expenses 2019 \$m	Restructuring costs 2019 \$m	Total 2019 \$m	Administrative expenses 2018 Restated \$m	Other operating expenses 2018 Restated \$m	Restructuring costs 2018 Restated \$m	Total 2018 Restated \$m
Restructuring expenses								
ERO Middle East	–	–	0.2	0.2	–	–	4.9	4.9
Costs rationalisation	–	–	5.4	5.4	–	–	4.0	4.0
Other								
Pension GMP equalisation	19	–	–	–	–	11.1	–	11.1
Amounts related to previously disposed businesses	–	36.5	–	36.5	–	–	–	–
Other exceptional items	–	–	–	–	–	2.4	–	2.4
Acquisition-related								
Amortisation of intangible assets arising on acquisition and valued in accordance with IFRS 3	73.8	–	–	73.8	74.5	–	–	74.5
Operating loss on continuing operations	73.8	36.5	5.6	115.9	74.5	13.5	8.9	96.9
Impairment loss	8, 9, 11			12.5				14.1
USPP make-whole, net	3, 16			25.4				–
Loss before tax on continuing operations				153.8				111.0
Tax on exceptional and other items				(29.7)				(26.1)
Loss for the year on continuing operations, net of tax				124.1				84.9
Loss from ERO discontinued operations, net of tax	26			104.2				5.0
(Profit)/loss from Ontic discontinued operations, net of tax	26			(628.3)				12.7
Total exceptional and other items				(400.0)				102.6

Net free cash flow from exceptional items was an outflow of \$16.4 million (2018: outflow of \$19.5 million). Net cash flow from other items was \$nil (2018: \$nil). Net cash flow from exceptional items including completed disposals was an inflow of \$1,182.4 million (2018: outflow of \$19.5 million). Net cash flow from other items was \$nil (2018: \$nil).

The impairment loss of \$12.5 million (2018: \$14.1 million) relates to fixed assets in the Signature segment.

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		2. Profit for the year – continued	
		2019 \$m	Restated 2018 \$m
105 Consolidated Income Statement	Other		
106 Consolidated Statement of Comprehensive Income	Expenses relating to variable lease payments not included in the measurement of lease liabilities	24.5	
107 Consolidated Balance Sheet	Net foreign exchange losses	0.1	1.4
108 Consolidated Cash Flow Statement	Depreciation of property, plant and equipment	67.8	69.0
	Depreciation of right of use assets	89.7	–
109 Consolidated Statement of Changes in Equity	Amortisation of intangible assets (included in cost of sales)	–	1.2
	Amortisation of intangible assets (included in administrative expenses)	95.3	99.8
110 Accounting Policies of the Group	Total depreciation and amortisation expense	252.8	170.0
120 Notes to the Consolidated Financial Statements	Total employee costs from continuing operations (note 7)	331.2	329.5
	Cost of inventories recognised as an expense within cost of sales	1,674.2	1,408.4
186 Company Balance Sheet	The analysis of auditor's remuneration is as follows:	2019 \$m	2018 \$m
187 Company Statement of Changes in Equity	Fees payable to the Company's auditor for the audit of the Group's annual accounts	1.6	1.8
	The audit of the Company's subsidiaries pursuant to legislation	0.4	0.5
188 Accounting Policies of the Company	Total audit fees	2.0	2.3
191 Notes to the Company Financial Statements	Audit-related assurance services	0.1	0.1
	Reporting accountant services	0.6	0.1
199 Subsidiaries and Related Undertakings	Total fees payable to the Company's auditor	2.7	2.5
206 Five Year Summary	During the year fees of \$0.8 million were paid to the auditor by CVC Fund VII (CVC) in relation to the non-statutory audit of the Ontic business. These fees were paid by CVC so are not included in the above analysis.		
207 Shareholder Information	3. Investment income and finance costs	2019 \$m	Restated 2018 \$m
	Interest on bank deposits	1.9	0.7
	Interest on sublease assets	1.8	–
	Underlying investment income	3.7	0.7
	Exceptional interest	7.5	–
	Total investment income	11.2	0.7
	Total investment income from continuing operations	11.2	0.7
	Interest on bank loans and overdrafts	(34.4)	(38.0)
	Interest on US private placement senior notes	(13.5)	(21.2)
	Interest on US senior notes	(31.2)	(18.1)
	Interest on lease liabilities	(76.4)	(0.1)
	Net finance expense from pension schemes	(1.2)	(1.8)
	Other finance costs	(0.1)	(0.3)
	Total borrowing costs	(156.8)	(79.5)
	Less amounts included in the cost of qualifying assets	1.4	2.5
	Fair value gains on interest rate swaps designated as cash flow hedges transferred from equity	2.2	6.3
	Fair value gains on interest rate swaps designated as fair value hedges	0.4	2.8
	Underlying finance costs	(152.8)	(67.9)
	Exceptional interest costs	(32.9)	–
	Total finance costs	(185.7)	(67.9)

3. Investment income and finance costs – continued

	2019 \$m	2018 \$m
Total finance costs	(185.7)	(67.9)
Finance costs from ERO discontinued operations	(4.6)	(0.9)
Finance costs from Ontic discontinued operations	(0.9)	(0.6)
Finance costs from continuing operations	(180.2)	(66.4)
Net underlying finance costs	(149.1)	(67.2)
Net exceptional finance costs	(25.4)	–
Net finance costs	(174.5)	(67.2)
Net finance costs from ERO discontinued operations	(4.6)	(0.9)
Net finance costs from Ontic discontinued operations	(0.9)	(0.6)
Net finance costs from continuing operations	(169.0)	(65.7)

Included within underlying investment income and finance costs from continuing operations are amounts of \$1.8 million and \$72.0 million respectively relating to interest following the adoption of IFRS 16. Finance costs from discontinued operations include \$4.4 million with respect to interest on lease liabilities under IFRS 16.

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 4.54% (2018: 4.84%) 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 \$0.1 million (2018: \$0.6 million).

Exceptional interest income relates to the close-out of interest rate swaps that were hedging the US private placement (USPP) senior notes which occurred prior to the sale of Ontic.

Exceptional finance costs relate to the \$31.5 million payment required to redeem the USPP debt, as well as \$1.4 million USPP-related finance costs.

4. Income tax

	2019 \$m	Restated 2018 \$m
Recognised in the Income Statement		
Current tax expense	132.5	41.5
Adjustments in respect of prior years - current tax	(1.7)	(4.6)
Current tax	130.8	36.9
Deferred tax (note 20)	(66.1)	2.8
Adjustments in respect of prior years - deferred tax (note 20)	(2.0)	(3.3)
Deferred tax	(68.1)	(0.5)
Income tax expense for the year from continuing and discontinued operations	62.7	36.4
Less: ERO discontinued operations	15.1	(7.9)
Less: Ontic discontinued operations	(95.4)	(11.0)
Income tax (credit)/expense for the year from continuing operations	(17.6)	17.5

UK income tax is calculated at 19.0% (2018: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

EU State Aid

The Group continues to monitor developments in relation to the EU State Aid investigation including the European Commission's decision in April that concluded the UK's Controlled Foreign Company regime partially represents State Aid and the UK authorities' subsequent appeal of this decision. In common with many other UK-based multinational groups whose arrangements were in line with UK CFC legislation, the Group may be affected by this decision. We have calculated our maximum potential liability to be approximately \$117.9 million. We do not consider that any provision is required, based on our current assessment of the issue. On 6 November 2019, the Group filed an appeal with the EU General Court seeking to annul the EU State Aid decision.

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4. Income tax – continued

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

	2019 \$m	Restated 2018 \$m
Profit before tax on continuing operations	23.4	100.6
Tax at the rates prevailing in the relevant tax jurisdictions 24.3% (2018: 24.3%)	5.7	24.4
Tax effect of offshore financing net of UK CFC charge	(2.3)	(14.8)
Tax effect of expenses that are not deductible in determining taxable profit	11.4	12.8
Items on which deferred tax has not been recognised	(3.9)	0.4
Recognition of previously unrecognised tax attributes	(20.5)	–
Tax rate changes	0.1	(0.2)
Difference in tax rates on overseas earnings	(4.4)	2.8
Adjustments in respect of prior years	(3.7)	(7.9)
Tax expense for the year on continuing operations	(17.6)	17.5

The applicable tax rate of 24.3% (2018: 24.3%) represents a blend of the tax rates of the jurisdictions in which taxable profits have arisen.

In 2017 the Group derecognised deferred tax assets associated with interest relief following the implementation of new US interest limitations rules introduced with US tax reform. In 2019 the Group issued new senior unsecured notes and used the proceeds together with some of the Ontic disposal proceeds to prepay existing external debt and unwind various intra group financing structures supporting the US businesses. Management believes that it is probable that the revised intra group debt profile together with the US projected taxable profits that the Group will benefit from access to the previously limited interest deductions. Accordingly the Group has recognised a deferred tax asset for the interest available to the continuing group and taken the associated credit of \$20.5 million in the continuing tax charge.

Tax credited/(expensed) to other comprehensive income and equity is as follows:

	2019 \$m	2018 \$m
Recognised in other comprehensive income		
Tax on items that will not be reclassified subsequently to profit or loss		
Current tax other	0.1	0.7
Deferred tax credit/(charge) on actuarial gains	7.1	(9.7)
	7.2	(9.0)
Tax on items that may be reclassified subsequently to profit or loss		
Current tax credit on foreign exchange movements	0.9	0.8
Deferred tax credit on derivative instruments	0.4	0.9
	1.3	1.7
Total tax credit/(charge) within other comprehensive income	8.5	(7.3)
Recognised in equity		
Current tax (charge)/credit on share-based payments movements	(0.2)	0.8
Deferred tax credit/(charge) on share-based payments movements	1.4	(0.3)
Total tax credit within equity	1.2	0.5
Total tax credit/(charge) within other comprehensive income and equity	9.7	(6.8)

5. Dividends

On 24 May 2019, the 2018 final dividend of 10.07¢ per share (total dividend \$103.9 million) was paid to shareholders (2018: the 2017 final dividend of 9.59¢ per share (total dividend \$99.3 million) was paid on 25 May 2018).

On 1 November 2019, the 2019 interim dividend of 4.20¢ per share (total dividend \$43.4 million) was paid to shareholders (2018: the 2018 interim dividend of 4.00¢ per share (total dividend \$41.4 million) was paid on 2 November 2018).

On 13 December 2019, the 2019 special dividend of 80.71¢ per share (total dividend \$833.6 million) was paid to shareholders (2018: \$nil).

In respect of the current year, the directors propose that a final dividend of 10.57¢ per share will be paid to shareholders on 29 May 2020. The proposed dividend is payable to all shareholders on the register of members on 17 April 2020. The total estimated dividend to be paid is \$88.5 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.

6. Earnings per share

All Alternative Performance Measures are reconciled to IFRS measures and explained in note 29.

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

	Continuing		Total	
	2019 \$m	Restated 2018 \$m	2019 \$m	2018 \$m
Basic and diluted				
Earnings:				
Profit for the year	41.0	83.1	659.5	137.9
Non-controlling interests	(0.4)	(0.3)	(0.4)	(0.3)
Basic earnings attributable to ordinary shareholders	40.6	82.8	659.1	137.6
Exceptional and other items (net of tax)	124.1	84.9	(400.0)	102.6
Adjusted earnings for adjusted earnings per share	164.7	167.7	259.1	240.2
Impact of adopting IFRS 16 on basic earnings (note 29, 30)	19.1	–	30.3	–
Impact of adopting IFRS 16 on exceptional and other items	–	–	(17.6)	–
Adjusted earnings for adjusted pre IFRS 16 earnings per share	183.8	167.7	271.8	240.2
Underlying deferred tax pre IFRS 16	(1.6)	21.0	5.7	26.1
Adjusted earnings for pre IFRS 16 tax adjusted earnings per share ¹	182.2	188.7	277.5	266.3

Number of shares

Weighted average number of 37¹⁷/₆₄p ordinary shares (2018: 29¹⁹/₂₁p ordinary shares)²:

For basic earnings per share	1,011.5	1,030.1	1,011.5	1,030.1
Dilutive potential ordinary shares from share options	7.8	8.9	7.8	8.9
For diluted earnings per share	1,019.3	1,039.0	1,019.3	1,039.0
For diluted losses per share	1,011.5	1,030.1	1,011.5	1,030.1

Earnings per share

Basic:

Adjusted pre IFRS 16	18.2¢	16.3¢	26.9¢	23.3¢
Adjusted	16.3¢	–	25.6¢	–
Cash pre IFRS 16 ¹	18.0¢	18.3¢	27.4¢	25.9¢
Unadjusted pre IFRS 16	5.9¢	8.0¢	68.2¢	13.4¢
Unadjusted	4.0¢	–	65.2¢	–

Diluted:

Adjusted pre IFRS 16	18.0¢	16.1¢	26.7¢	23.1¢
Adjusted	16.2¢	–	25.4¢	–
Cash pre IFRS 16 ¹	17.9¢	18.2¢	27.2¢	25.6¢
Unadjusted pre IFRS 16	5.9¢	8.0¢	67.6¢	13.2¢
Unadjusted	4.0¢	–	64.7¢	–

¹ The cash EPS is presented for the LTIP issued in 2017 and 2018. As disclosed in the 2018 Annual Report, the Remuneration Committee decided to simplify the earnings per share measure used for the LTIP and use underlying earnings per share. For more information refer to the "Implementation of policy in 2019" on page 82 of the 2018 Annual Report.

² On 22 November 2019, the Company undertook a consolidation of shares on the basis of four new shares with nominal value of 37¹⁷/₆₄pence for every five shares held on that date.

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6. Earnings per share – continued

Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase the loss per share.

Cash earnings per share pre IFRS 16 is presented for LTIP 2017 and 2018, 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 pre IFRS 16, and calculated on earnings before exceptional and other items (note 2) for the purposes of the LTIP awards. 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 26.

7. Employees**Average monthly number (including executive directors)****By segment**

	2019 number	Restated 2018 number
Signature	5,126	5,410
Discontinued operations	1,564	1,552

Total employment numbers by segment from continuing and discontinued operations**By region**

United Kingdom	894	928
Mainland Europe	227	243
North America	5,531	5,739
Rest of World	38	52

Total average employees by region from continuing and discontinued operations

Total average employees from continuing operations	5,126	5,410
Total average employees from ERO discontinued operations	1,073	989
Total average employees from Ontic discontinued operations ¹	491	563

	2019 \$m	Restated 2018 \$m
Employment costs		
Wages and salaries	450.5	435.4
Social security costs	28.8	29.9
Pension costs (note 19)	11.1	10.1
Total employment costs from continuing and discontinued operations	490.4	475.4
Total employment costs from continuing operations	331.2	329.5
Total employment costs from ERO discontinued operations	102.2	92.6
Total employment costs from Ontic discontinued operations	57.0	53.3

¹ The average employees for Ontic is calculated for the period up to 31 October 2019.

8. Intangible assets

	Licences				Computer software				Total
	Goodwill 2019 \$m	contracts and 2019 \$m	Computer software 2019 \$m	2019 \$m	Goodwill 2018 \$m	contracts and 2018 \$m	Computer software 2018 \$m	2018 \$m	
Beginning of year	1,191.1	1,675.5	47.5	2,914.1	1,266.8	1,613.8	53.2	2,933.8	
Exchange adjustments	3.3	2.3	–	5.6	(10.7)	(10.2)	(0.1)	(21.0)	
Acquisition of businesses	16.2	37.5	–	53.7	73.5	147.7	0.4	221.6	
Additions	–	0.2	5.6	5.8	–	0.4	6.2	6.6	
Impairments and write downs	–	–	(0.2)	(0.2)	–	(14.9)	(8.1)	(23.0)	
Disposal of business	(9.5)	(414.2)	(1.2)	(514.9)	–	(61.6)	(6.2)	(206.3)	
Transfer to assets held for sale	–	–	–	–	(138.5)	(61.6)	–	–	
Transfers from other asset categories	–	–	0.9	0.9	–	0.3	2.1	2.4	
End of year	1,111.1	1,301.3	52.6	2,465.0	1,191.1	1,675.5	47.5	2,914.1	
Accumulated amortisation and impairment	–	(371.1)	(22.5)	(393.6)	(140.2)	(322.6)	(33.1)	(495.9)	
Beginning of year	–	–	–	–	–	–	–	–	
Exchange adjustments	–	(0.1)	0.2	0.1	1.7	2.6	0.2	4.5	
Amortisation charge for the year	–	(90.1)	(5.2)	(95.3)	–	(97.1)	(3.9)	(101.0)	
Impairments and write downs	–	–	0.1	0.1	–	2.1	8.1	10.2	
Disposal of business	–	99.7	1.2	100.9	–	43.9	6.2	188.6	
Transfer to assets held for sale	–	–	–	–	138.5	43.9	–	–	
End of year	–	(361.6)	(26.2)	(387.8)	–	(371.1)	(22.5)	(393.6)	
Carrying amount	1,111.1	939.7	26.4	2,072.2	1,191.1	1,304.4	25.0	2,520.5	
End of year	1,191.1	1,304.4	25.0	2,520.5	1,126.6	1,291.2	20.1	2,437.9	
Beginning of year	1,191.1	1,304.4	25.0	2,520.5	1,126.6	1,291.2	20.1	2,437.9	

At 31 December 2019, included within assets classified as held for sale is a further \$1.9 million, net of impairment (2018: \$17.7 million) of intangible assets related to the ERO discontinued operations (see note 26).

Included within the amortisation charge for intangible assets of \$95.3 million (2018: \$101.0 million) is amortisation of \$86.3 million (2018: \$88.8 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 acquisitions of \$53.7 million (2018: \$221.6 million) is \$0.1 million (2018: \$1.8 million) of Onco licence acquisitions which are not accounted for as a business combination under IFRS 3 and hence not presented under note 25.

Licences and contracts are amortised over the period to which they relate, which is on average 16 years (2018: 16 years) but with a wider range, with some up to 50 years in duration. Computer software is amortised over its estimated useful life, which is on average five years (2018: five years).

The cumulative impairment at 31 December 2019 was \$0.1 million (2018: nil).

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8. Intangible assets – continued**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 for the purposes of allocating goodwill:

	2019 \$m	Restated 2018 \$m
Signature	1,111.1	1,083.6
Iscontinued operations - Ontic	–	107.5
Total goodwill	1,111.1	1,191.1

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 five years, as approved by management, with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate for the relevant CGU.

Key assumptions

The key assumptions for the value-in-use calculations are as follows:

Sales volumes, selling prices and cost increases over the five years covered by management's detailed plans

Sales volumes are based on industry forecasts and management estimates for the businesses in which each CGU operates, including forecasts for Business & General Aviation (B&GA) flying hours, aircraft engine cycles and military spending. Selling prices and cost increases are based on past experience and management expectations of future changes in the market. Cost inflation of 3% has been applied to administration costs. The extent to which these assumptions affect each principal CGU with a significant level of goodwill are described below.

Signature operates in the B&GA market. Signature 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. 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.

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 long-term growth rate of 1.9% (2018: 1.9%) has been used for Signature which reflects forecast long-term US GDP growth.

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 for the impairment review of Signature was 8.0% (2018: 9.0%).

Sensitivity analysis

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.

9. Property, plant and equipment

	Land and buildings 2019 \$m	Fixtures and equipment 2019 \$m	Total 2019 \$m	Land and buildings 2018 \$m	Fixtures and equipment 2018 \$m	Total 2018 \$m
Cost or valuation						
Beginning of year	1,129.6	152.2	1,281.8	1,128.5	265.5	1,394.0
Exchange adjustments	3.5	0.7	4.2	(6.6)	(3.0)	(9.6)
Acquisition of businesses	4.1	0.1	4.2	0.3	4.4	4.7
Additions	38.7	17.9	56.6	63.1	39.8	102.9
Disposals	(3.1)	(7.1)	(10.2)	(12.2)	(10.5)	(22.7)
Impairment	–	–	–	–	(1.3)	(1.3)
Asset write downs	(6.8)	(5.0)	(11.8)	(4.3)	(21.2)	(25.5)
Transfers (to)/from other asset categories	(1.0)	(1.7)	(2.7)	1.0	(15.5)	(14.5)
Disposal of business	(13.9)	(15.2)	(29.1)	–	–	–
Transfer to assets held for sale	–	–	–	(40.2)	(106.0)	(146.2)
End of year	1,151.1	141.9	1,293.0	1,129.6	152.2	1,281.8
Accumulated depreciation and impairment						
Beginning of year	(410.2)	(91.7)	(501.9)	(377.7)	(170.8)	(548.5)
Exchange adjustments	(0.5)	(0.6)	(1.1)	4.6	4.7	9.3
Depreciation charge for the year	(55.0)	(12.8)	(67.8)	(54.4)	(14.6)	(69.0)
Disposals	0.8	3.5	4.3	5.0	5.4	10.4
Asset write downs	4.6	5.0	9.6	3.4	20.1	23.5
Transfers to other asset categories	1.0	0.9	1.9	–	7.0	7.0
Disposal of business	4.6	6.8	11.4	–	–	–
Transfer to assets held for sale	–	–	–	8.9	56.5	65.4
End of year	(454.7)	(88.9)	(543.6)	(410.2)	(91.7)	(501.9)
Carrying amount						
End of year	696.4	53.0	749.4	719.4	60.5	779.9
Beginning of year	719.4	60.5	779.9	750.8	94.7	845.5
					2019 \$m	2018 \$m
Capital commitments						
Capital expenditure contracted for but not provided for continuing and discontinued operations					123.9	106.5
Capital expenditure contracted for but not provided for continuing operations					123.9	106.5
Capital expenditure contracted for but not provided for ERO discontinued operations					–	–
Capital expenditure contracted for but not provided for Ontic discontinued operations					–	–

At 31 December 2019 included within assets classified as held for sale is a further \$6.5 million, net of impairment (2018: \$80.8 million) of net property, plant and equipment related to the ERO discontinued operations (see note 26).

Where assets have been written down or impaired, the recoverable amount has been determined by reference to the higher of fair value or value in use. Where applicable, the value in use has been estimated using the forecast cash flows over the remaining life of the asset, discounted using a rate of 8.1% (31 December 2018: 9.0%).

The amounts disclosed above for asset write downs are attributable to \$2.2 million (2018: \$2.0 million) in Signature, \$nil (2018: \$0.9 million) in Ontic and \$nil (2018: \$nil) in unallocated corporate.

The cumulative impairment at 31 December 2019 was \$nil (2018: \$nil).

Notes to the Consolidated Financial Statements – continued**Financial statements**

105 Consolidated Income Statement	10 . Right of use assets			
	Information presented in this note is in respect of the financial year ended 31 December 2019 in accordance with IFRS 16.			
106 Consolidated Statement of Comprehensive Income	Signature Aviation holds property and equipment under leasing arrangement that are recognised as right of use assets and lease liabilities, with remaining lease terms ranging up to 89 years in duration. The majority of the lease liability relates to long-term leases on Signature's FBO network.			
107 Consolidated Balance Sheet	Information in respect of maturity analysis of lease liabilities is set out in note 15. The amounts recognised for right of use assets, including the carrying amount, additions and depreciation for continuing operations are set out below:			
108 Consolidated Cash Flow Statement		Land and buildings \$m	Fixtures and equipment \$m	Total \$m
109 Consolidated Statement of Changes in Equity				
110 Accounting Policies of the Group	Cost or valuation			
	Recognised on adoption of IFRS 16	1,048.6	39.6	1,088.2
120 Notes to the Consolidated Financial Statements	Exchange adjustments	3.3	–	3.3
	Acquisition of businesses	9.8	–	9.8
186 Company Balance Sheet	Additions and renewals	85.9	14.7	100.6
187 Company Statement of Changes in Equity	Disposal of business	(13.0)	(0.1)	(13.1)
	End of year	1,134.6	54.2	1,188.8
188 Accounting Policies of the Company				
	Accumulated depreciation and impairment			
191 Notes to the Company Financial Statements	Depreciation charge for the year	(75.9)	(13.8)	(89.7)
	Exchange adjustments	(0.4)	–	(0.4)
199 Subsidiaries and Related Undertakings	Disposal of business	0.8	–	0.8
206 Five Year Summary	End of year	(75.5)	(13.8)	(89.3)
207 Shareholder Information				
	Carrying amount			
	End of year	1,059.1	40.4	1,099.5
	Recognised on adoption of IFRS 16	1,048.6	39.6	1,088.2

The carrying value of right of use assets classified separately as ERO assets held for sale is \$48.6 million (see note 26); the right of use asset recognised on adoption of IFRS 16 and classified separately as ERO held for sale was \$61.8 million.

On transition the right of use asset has been adjusted for the impact of lease incentives and onerous lease provisions recognised on the balance sheet as at 31 December 2018 (\$24.9 million and \$3.7 million respectively).

11. Interests in associates and joint ventures

Details of associates and joint ventures

Details of each of the Group's associates and joint venture at the end of the reporting period are as follows:

Name of associate or joint ventures	Nature of relationship	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Group	
				2019	2018
Hong Kong Business Aviation Centre Limited	Associate	Aviation	Hong Kong	10%	10%
Hong Kong Business Aviation Centre (China) Limited	Associate	Aviation	Hong Kong	10%	10%
Page Avjet Fuel Co LLC	Associate	Aviation	United States	50%	50%
Signature STT LLC	Associate	Aviation	United States	49%	49%
Aviation Occupant Safety, LLC	Associate	Aviation	United States	35%	35%
Jacksonville Jetport LLC	Joint venture	Aviation	United States	50%	50%
Signature Canada FBO Services, Inc	Joint venture	Aviation	United States	75%	75%
GB Aviation Holdings LLC	Joint venture	Aviation	United States	50%	50%
Long Beach Fuel Consortium LLC	Joint venture	Aviation	United States	50%	50%
FBOASE, LLC	Joint venture	Aviation	United States	53%	53%

All of the above associates and joint ventures are accounted for using the equity method in these Consolidated Financial Statements as set out in the Group's accounting policies. The management accounts of these entities are used to consolidate the results to 31 December 2019 within these financial statements.

Dividends received from the associates and joint ventures below represent the actual amounts attributable and hence received by the Group. The other summary information represents amounts included in the IFRS financial statements of the associate, not the entity's share of these amounts, although they are adjusted to reflect fair value adjustments upon acquisition or accounting policy alignments.

During the year the Group commenced negotiations to sell its share of GAMA Aviation LLC, in which GB Aviation Holdings LLC holds a 49% interest. As a result, the Group has recognised an impairment loss of \$12.5 million in its investment in GB Aviation Holdings LLC.

Summary of results	2019 \$m	2018 \$m
Associates		
Group's share of profits of associates	3.1	2.4
Less: Dividends received	(2.2)	(1.4)
	0.9	1.0
Joint ventures		
Group's share of profits of joint ventures	1.0	1.6
Less: Dividends received	(1.0)	(0.6)
	-	1.0
Total		
Group's share of profits of associates and joint ventures	4.1	4.0
Less: Dividends received	(3.2)	(2.0)
Total	0.9	2.0

Notes to the Consolidated Financial Statements – continued**Financial statements**

105	Consolidated Income Statement
106	Consolidated Statement of Comprehensive Income
107	Consolidated Balance Sheet
108	Consolidated Cash Flow Statement
109	Consolidated Statement of Changes in Equity
110	Accounting Policies of the Group
120	Notes to the Consolidated Financial Statements
186	Company Balance Sheet
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188	Accounting Policies of the Company
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199	Subsidiaries and Related Undertakings
206	Five Year Summary
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11. Interests in associates and joint ventures – continued**Summarised financial information for joint ventures and associates**

The summarised financial information in respect of the Group's material associates and joint ventures presented in the below tables reflects amounts presented in the financial statements of the relevant joint ventures and associates, and not the Group's share of those amounts. These amounts have been adjusted to conform to the Group's accounting policies where required.

	Hong Kong Business Aviation Centre Limited		Page Avjet Fuel Co LLC		Signature STT LCC	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Associates						
Summarised balance sheet						
Current assets	49.2	28.1	107.6	61.3	3.6	6.3
Non-current assets	26.6	43.2	–	–	1.2	–
Total assets	75.8	71.3	107.6	61.3	4.8	6.3
Current liabilities	(18.8)	(10.4)	(110.3)	(60.7)	(0.4)	(0.5)
Non-current liabilities	(3.1)	(4.5)	–	–	–	–
Total liabilities	(21.9)	(14.9)	(110.3)	(60.7)	(0.4)	(0.5)
Net assets/(liabilities)	53.9	56.4	(2.7)	0.6	4.4	5.8
Group's share of ownership	10%	10%	50%	50%	49%	49%
Group's share of net assets/(liabilities)	5.4	5.6	(1.4)	0.3	2.2	2.8
Net assets/(liabilities) attributable to other interests	48.5	50.8	(1.3)	0.3	2.2	3.0
Summarised income statement						
Revenue	58.3	67.5	621.2	674.0	5.7	2.1
Profit for the year	22.5	19.7	1.6	0.7	1.2	0.3
Investment						
Opening carrying value of investment	5.7	5.1	0.6	0.4	10.2	–
Additions	–	–	–	–	–	10.0
Group's share of profit for the year	2.3	2.0	0.2	0.2	0.6	0.2
Dividend received from the associate during the year	(2.2)	(1.4)	–	–	–	–
Closing carrying value of investment	5.8	5.7	0.8	0.6	10.8	10.2

In 2018 the Group acquired 49% of Signature STT LLC, an FBO operation in St Thomas, for \$10.0 million. The Group holds a 50% investment in Page Avjet Fuel Co LLC in which it is entitled to 20% of profits.

11. Interests in associates and joint ventures – continued

	Jacksonville Jetport LLC		Signature Canada FBO Services, Inc		GB Aviation Holdings LLC		Long Beach Fuel Consortium LLC	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Joint ventures								
Summarised balance sheet								
Current assets	5.1	2.5	1.4	1.7	36.3	36.9	0.2	–
Non-current assets	7.0	7.4	2.8	2.6	1.9	27.7	0.1	0.1
Total assets	12.1	9.9	4.2	4.3	38.2	64.6	0.3	0.1
Current liabilities	(2.9)	(1.4)	(0.5)	(0.4)	(26.5)	(28.8)	–	–
Non-current liabilities	(2.5)	(2.6)	(0.5)	(0.4)	(0.3)	(0.6)	–	–
Total liabilities	(5.4)	(4.0)	(1.0)	(0.8)	(26.8)	(29.4)	–	–
Net assets	6.7	5.9	3.2	3.5	11.4	35.2	0.3	0.1
 Group's share of ownership	 50%	 50%	 75%	 75%	 50%	 50%	 50%	 50%
Group's share of net assets	3.3	2.9	2.4	2.6	5.7	17.6	0.1	0.1
Net assets attributable to other interests	3.4	2.9	0.8	0.9	5.7	17.6	0.2	0.1
 Summarised income statement								
Revenue	22.3	18.2	4.7	5.1	432.7	392.4	0.6	0.8
Profit for the year	3.0	1.5	0.3	0.1	2.0	1.4	0.2	0.2
 Investment								
Opening carrying value of investment	3.4	3.3	4.3	4.2	29.1	28.4	0.2	–
Additions and prior year adjustments	(0.5)	–	–	–	0.5	–	–	0.1
Impairment of investment	–	–	–	–	(12.5)	–	–	–
Group's share of profit for the year	0.7	0.7	0.2	0.1	–	0.7	0.1	0.1
Dividend received from the joint venture during the year	(0.7)	(0.6)	(0.1)	–	–	–	(0.2)	–
Closing carrying value of investment	2.9	3.4	4.4	4.3	17.1	29.1	0.1	0.2

1 The Group holds a 50% investment in Jacksonville Jetport LLC but is entitled to profits based on a tiered breakup of profits. In the current year this equated to 25% of profits.

2 The Group's share of profit for GB Aviation Holdings LLC reflects that company's 49% share of Gama Aviation LLC. The current year share of profit from the joint venture is \$0.5 million, however this has been reduced to \$nil to reflect the correction of the 24.5% share of profits and true up to the entity's final 2018 year results.

	2019 \$m	2018 \$m
Summary of investments		
Associates		
Cost of investment in associates	10.0	10.0
Share of associates' post acquisition profits, net of dividends received	7.4	6.5
	17.4	16.5
Joint ventures		
Cost of investment in joint ventures	30.9	30.9
Share of joint ventures' post acquisition profits, net of dividends received	6.1	6.1
Impairment of joint ventures during the year	(12.5)	–
	24.5	37.0
Total	41.9	53.5

Notes to the Consolidated Financial Statements – continued

Financial statements				
105 Consolidated Income Statement	12. Inventories		2019 \$m	2018 \$m
106 Consolidated Statement of Comprehensive Income	Raw materials		–	4.7
107 Consolidated Balance Sheet	Work in progress		7.9	20.4
108 Consolidated Cash Flow Statement	Finished goods		36.1	95.2
109 Consolidated Statement of Changes in Equity			44.0	120.3
110 Accounting Policies of the Group	As at 31 December 2019, included within assets classified as held for sale is a further \$167.0 million (2018: \$168.2 million) of inventories (see note 26).			
120 Notes to the Consolidated Financial Statements	13. Other financial assets		2019 \$m	2018 \$m
186 Company Balance Sheet	Trade and other receivables	Note		
187 Company Statement of Changes in Equity	Amounts due within one year			
188 Accounting Policies of the Company	Trade receivables		130.1	178.6
191 Notes to the Company Financial Statements	Other receivables, prepayments and accrued income		72.1	80.1
199 Subsidiaries and Related Undertakings	Lease related receivables		2.9	–
206 Five Year Summary	Derivative financial instruments	17	0.3	1.5
207 Shareholder Information	Trade and other receivables due within one year		205.4	260.2
	Amounts due after one year			
	Lease related receivables		23.4	–
	Trade and other receivables		4.7	6.3
	Assets classified as financial instruments fair valued through other comprehensive income		–	3.7
	Derivative financial instruments	17	17.7	8.8
	Trade and other receivables due after one year		45.8	18.8
			251.2	279.0
	As at 31 December 2019, included within Assets classified as held for sale is a further \$124.9 million (2018: \$138.9 million) of trade and other receivables (see note 26).			
	As at 31 December 2019 the Group held a 3.19% equity stake in Alyssum Group Limited, which owns 100% of Fly Victor Limited, and a 1.45% equity stake in Líder Taxi Aéreo S.A Air Brazil. These are included within Assets classified as financial instruments fair valued through other comprehensive income. The carrying value of these investments at year end was \$nil (2018: \$3.7 million). The Group sold its 5% equity stake in Santa Rosa Jet Centre LLC during the year.			
	Trade receivables			
	An expected credit loss reserve has been recognised for estimated irrecoverable amounts from the sale of goods and services of \$3.1 million (2018: \$4.2 million). This allowance has been determined by reference to past default experience and expectations of future collection problems, taking into account credit risk characteristics and days past due.			
	Included in the Group's trade receivables balances are debtors with a carrying amount of \$9.6 million (2018: \$26.2 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 71 days (2018: 72 days).			
			2019 \$m	2018 \$m
	Ageing of past due but not included in expected credit loss reserve			
	30-60 days		4.9	15.3
	60-90 days		2.8	3.9
	90-120 days		0.3	1.5
	Over 120 days		1.6	5.5
			9.6	26.2

13. Other financial assets – continued

	2019 \$m	2018 \$m
Movement in the expected credit loss reserve		
Beginning of year	(4.2)	(6.6)
Exchange adjustments	–	0.1
Amounts written off as uncollectable	–	1.0
Charged in the year	1.0	(0.7)
Disposal of subsidiary	0.1	–
Loss allowance for doubtful debts transferred to assets held for sale	–	2.0
End of year	(3.1)	(4.2)

In determining the recoverability of a trade receivable, the Group considers any change in the expected recovery 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 expected credit loss reserve. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2019 \$m	2018 \$m
Ageing of expected credit loss reserve		
30–60 days	–	–
60–90 days	0.3	0.4
90–120 days	1.2	1.1
Over 120 days	1.6	2.7
	3.1	4.2

	2019 \$m	2018 \$m
Cash and cash equivalents		
Cash at bank and in hand	57.6	87.4
Short-term bank deposits	55.6	21.9
Cash and cash equivalents for continuing operations	113.2	109.3
Cash and cash equivalents held for sale - ERO	9.2	2.0
Cash and cash equivalents in the statement of cash flows	122.4	111.3

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 expected credit losses. An expected credit loss reserve is recognised where there is an identified loss event based on a lifetime loss expectation using credit risk characteristics, days past due and anticipated changes in economic conditions.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Notes to the Consolidated Financial Statements – continued**Financial statements**

	14. Trade and other payables		2019 \$m	2018 \$m
105 Consolidated Income Statement		Note		
106 Consolidated Statement of Comprehensive Income	Amounts due within one year			
107 Consolidated Balance Sheet	Trade payables		182.7	226.8
108 Consolidated Cash Flow Statement	Other taxation and social security		13.6	14.0
109 Consolidated Statement of Changes in Equity	Other payables		29.3	55.3
110 Accounting Policies of the Group	Accruals and deferred income		124.7	140.0
120 Notes to the Consolidated Financial Statements	Derivative financial instruments	17	4.3	3.1
186 Company Balance Sheet			354.6	439.2
187 Company Statement of Changes in Equity	Amounts due after one year			
188 Accounting Policies of the Company	Trade and other payables		–	3.1
191 Notes to the Company Financial Statements	Derivative financial instruments	17	3.9	4.5
199 Subsidiaries and Related Undertakings			3.9	7.6
206 Five Year Summary	Total trade and other payables		358.5	446.8
207 Shareholder Information				

As at 31 December 2019, included within liabilities classified as held for sale is a further \$115.1 million (2018: \$142.0 million) of trade and other payables (see note 26).

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

The average age of trade creditors was 36 days (2018: 45 days).

15. Lease liabilities

Information presented in this note is in respect of the financial year ended 31 December 2019 in accordance with IFRS 16.

Signature Aviation holds property and equipment under leasing arrangements that are recognised as right of use assets and lease liabilities, with remaining lease terms ranging up to 89 years in duration. The majority of the lease liability relates to long-term leases on Signature's FBO network.

Information in respect of the amounts recognised for right of use assets, including the carrying amount, additions and depreciation, are set out in note 10. A maturity analysis of lease liabilities for continuing operations is set out below:

	Minimum lease payments		Present value of minimum lease payments	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Amounts payable under lease liabilities				
Within one year	126.2	1.5	53.0	1.1
In the second to fifth years inclusive	445.7	3.2	180.0	2.9
More than five years	1,818.5	0.4	948.8	0.3
	2,390.4	5.1	1,181.8	4.3
Less: Future finance charges	(1,208.6)	(0.8)	–	–
Present value of lease obligations	1,181.8	4.3	1,181.8	4.3
Less: Amount due for settlement within 12 months (shown under current liabilities)	(53.0)	(1.1)	(53.0)	(1.1)
Amount due for settlement after 12 months	1,128.8	3.2	1,128.8	3.2

As at 31 December 2019, included within liabilities classified as held for sale is \$63.7 million (2018: \$nil) of lease liabilities (see note 26).

The average lease term was 18 years (2018: 18 years) for FBO leasehold improvements and six years (2018: five years) for equipment. In 2019 the average effective borrowing rate for the Group was 6.5% (2018: 6.3%). Interest rates were fixed at the contract date or varied based on prevailing interest rates.

The fair value of the Group's lease liabilities approximates their carrying amount.

The Group's lease liabilities are secured by the lessors' charges over the leased assets.

15. Lease liabilities – continued

The Group as lessee

	2019 \$m
Expense relating to variable lease payments not included in the measurement of lease liabilities for continuing and discontinued operations	24.5
Continuing operations	24.5
ERO discontinued operations	–
Ontic discontinued operations	–

As detailed in the Accounting Policies of the Group, the new leasing accounting standard, IFRS 16, came into effect from 1 January 2019.

	Recognised on adoption of IFRS 16 \$m
Operating lease commitments as disclosed at 31 December 2018	2,679.9
Reconciling items:	
– Effect of discounting (at incremental borrowing rate at 1 January 2019)	(1,254.3)
– Adjustments for commitments outside the scope of IFRS 16	(300.4)
– Other adjustments to undiscounted future minimum lease payments ¹	74.8
– Finance lease liabilities recognised at 31 December 2018 under IAS 17	4.3
Lease liabilities at 1 January 2019	1,204.3
Continuing operations ¹	1,127.1
ERO discontinued operations	63.3
Ontic discontinued operations	13.9
Total from continuing and discontinued operations	1,204.3

¹ Adjustments include certain amendments to base data following completion the review of the lease portfolio and embedding variable CPI uplifts applied on the transition date (1 January 2019) into the opening lease liability.

Notes to the Consolidated Financial Statements – continued**Financial statements**

105 Consolidated Income Statement							2019 \$m	2018 \$m	
106 Consolidated Statement of Comprehensive Income	Bank overdrafts						–	1.5	
107 Consolidated Balance Sheet	Bank loans ¹						(5.0)	565.3	
	US private placement senior notes						–	376.8	
108 Consolidated Cash Flow Statement	US senior notes						1,145.7	494.2	
	Other loans						0.3	0.3	
109 Consolidated Statement of Changes in Equity							1,141.0	1,438.1	
110 Accounting Policies of the Group	The borrowings are repayable as follows:								
	On demand or within one year						–	1.5	
120 Notes to the Consolidated Financial Statements	In the second year						–	448.2	
	In the third to fifth years inclusive						(5.0)	345.8	
	After five years						1,146.0	642.6	
186 Company Balance Sheet							1,141.0	1,438.1	
187 Company Statement of Changes in Equity	Less: Amount due for settlement within 12 months (shown within current liabilities)						–	(1.5)	
188 Accounting Policies of the Company	Amount due for settlement after 12 months						1,141.0	1,436.6	
191 Notes to the Company Financial Statements	1 \$5.0 million issue costs have been capitalised and are being amortised over the life of this facility. There were no drawn amounts of the multicurrency revolving bank credit facility as at 31 December 2019.								
199 Subsidiaries and Related Undertakings	Current year bank loans and US senior notes are stated after their respective transaction costs and related amortisation.								
206 Five Year Summary	2019								
207 Shareholder Information	Type	Facility amount \$m	Headroom \$m	Principal \$m	Amortisation costs \$m	Fair value adjustment ¹ \$m	Drawn \$m	Facility date	Maturity date
	Multicurrency revolving bank credit facility	400.0	400.0	–	(5.0)	–	(5.0)	Mar 2018	Mar 2024
	Total bank loans	400.0	400.0	–	(5.0)	–	(5.0)		
	\$500m US senior notes	500.0	–	500.0	(8.5)	17.4	508.9	Apr 2018	May 2026
	\$650m US senior notes	650.0	–	650.0	(9.2)	(4.0)	636.8	Nov 2019	Mar 2028
	Total US senior notes	1,150.0	–	1,150.0	(17.7)	13.4	1,145.7		
	Total bank and loan notes	1,550.0	400.0	1,150.0	(22.7)	13.4	1,140.7		
	Bank overdraft – UK cash pool						–		
	Other loans						0.3		
							1,141.0		

¹ The fair value adjustment relates to the change in fair value of hedged risk for notes which are subject to fair value hedging.

As at 31 December 2019, included within liabilities classified as held for sale is \$nil (2018: \$3.0 million) of Other loans (see note 26).

16. Borrowings – continued

Type	2018							
	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	528.0	122.0	(4.9)	–	117.1	Mar 2018	Mar 2023
Acquisition facility bank term loan – Facility C	450.0	–	450.0	(1.8)	–	448.2	Sep 2015	Sep 2020
Total bank loans	1,100.0	528.0	572.0	(6.7)	–	565.3		
\$300m US private placement senior notes – Series B	120.0	–	120.0	(0.3)	0.2	119.9	May 2011	May 2021
\$300m US private placement senior notes – Series C	60.0	–	60.0	(0.2)	(1.2)	58.6	May 2011	May 2023
\$200m US private placement senior notes – Series A	50.0	–	50.0	(0.2)	0.1	49.9	Dec 2014	Dec 2021
\$200m US private placement senior notes – Series B	100.0	–	100.0	(0.3)	(0.8)	98.9	Dec 2014	Dec 2024
\$200m US private placement senior notes – Series C	50.0	–	50.0	(0.1)	(0.4)	49.5	Dec 2014	Dec 2026
Total US private placement senior notes	380.0	–	380.0	(1.1)	(2.1)	376.8		
\$500m US senior notes	500.0	–	500.0	(9.8)	4.0	494.2	Apr 2018	May 2026
Total US senior notes	500.0	–	500.0	(9.8)	4.0	494.2		
Total bank and loan notes	1,980.0	528.0	1,452.0	(17.6)	1.9	1,436.3		
Bank overdraft – UK cash pool						1.5		
Other loans						0.3		
						1,438.1		

During the first half of 2019, on the first anniversary of the \$650 million multicurrency revolving credit facility (RCF), the lenders approved an extension to the facility for an additional year which extended the RCF maturity date to March 2024. The RCF includes a second option, which is at the lenders' option, to extend the maturity date for a further year at the second anniversary.

As part of the refinancing undertaken in October, the RCF was amended to reduce the facility size to \$400 million and amended certain covenant levels and related definitions. Signature Aviation plc (formerly known as BBA Aviation plc) and Signature Aviation US Holdings Inc. (formerly known as BBA US Holdings Inc.) continue to be borrowers under the RCF.

As at 31 December 2019, the RCF was undrawn (2018: \$122 million in the name of Signature Aviation US Holdings Inc.).

During Q3, the Group redeemed its outstanding US private placement (USPP) senior notes for an aggregate redemption price of \$417.0 million (comprising \$380 million of outstanding notes, \$5.5 million interest expense and \$31.5 million make-whole payment). The redemption of the USPP notes was funded principally by a new \$400 million two-year term debt facility dated August 2019.

On 1 November 2019, Signature Aviation US Holdings Inc. issued \$650 million 4.00% senior notes due 2028 with the proceeds being used to repay the drawings under the new \$400 million term debt and \$250 million of the Facility C acquisition debt which was due to mature in September 2020. The remaining \$200 million of the Facility C acquisition debt was repaid from the proceeds of the Ontic disposal.

As at 31 December 2019, the Group had \$1,150 million (2018: \$500 million) of US senior notes outstanding with \$575 million (2018: \$250 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. These notes were issued by Signature Aviation US Holdings Inc.

The Group excludes the fair value movement on its loan notes from its definition of net debt (refer to Alternative Performance Measures in note 29), as this movement is offset by the change in fair value of the underlying interest rate swaps. The fair value loss on its US senior notes at 31 December 2019 was \$13.4 million (2018: \$4.0 million loss). More information is included in note 17.

All other borrowings are held at amortised cost.

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105 Consolidated Income Statement	16. Borrowings – continued			
	The carrying amounts of the Group's borrowings are denominated in the following currencies:			
106 Consolidated Statement of Comprehensive Income		<i>Sterling \$m</i>	<i>US dollar \$m</i>	<i>Total \$m</i>
107 Consolidated Balance Sheet	31 December 2019			
	Bank loans	–	(5.0)	(5.0)
108 Consolidated Cash Flow Statement	US senior notes	–	1,145.7	1,145.7
	Other loans	0.3	–	0.3
109 Consolidated Statement of Changes in Equity		0.3	1,140.7	1,141.0
110 Accounting Policies of the Group	31 December 2018			
120 Notes to the Consolidated Financial Statements	Bank overdrafts	1.5	–	1.5
186 Company Balance Sheet	Bank loans	–	565.3	565.3
	US private placement senior notes	–	376.8	376.8
187 Company Statement of Changes in Equity	US senior notes	–	494.2	494.2
	ther loans	0.3	–	0.3
188 Accounting Policies of the Company		1.8	1,436.3	1,438.1
191 Notes to the Company Financial Statements	The average floating interest rates on borrowings are as follows:		2019	2018
199 Subsidiaries and Related Undertakings	Sterling		1.8%	1.6%
	S dollar		4.0%	3.9%
206 Five Year Summary	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 senior notes expose 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 2019, 51% (2018: 44%) of the Group's borrowings are fixed at a weighted average interest rate of 4.6% (2018: 4.2%) for a weighted average period of seven years (2018: five years).			
207 Shareholder Information	Bank overdrafts are repayable on demand. All bank loans and loan notes are unsecured.			

17. Financial instruments

Categories of financial instruments

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

	2019 Carrying value \$m	2018 Carrying value \$m
Financial assets		
Fair value through profit or loss – foreign exchange contracts ¹	0.1	0.2
Derivative instruments held in fair value hedges ²	17.6	4.1
Derivative instruments in cash flow hedges	0.3	6.0
Assets classified as financial instruments fair valued through other comprehensive income	–	3.7
Financial assets at amortised cost ^{3,4,5}	269.7	287.8
	287.7	301.8
Financial liabilities		
Fair value through profit or loss – foreign exchange contracts ¹	(4.3)	(1.0)
Derivative instruments held in fair value hedges ²	(3.9)	(3.6)
Derivative instruments held in cash flow hedges	–	(3.0)
Financial liabilities at amortised cost ^{4,6}	(1,943.2)	(1,193.0)
Financial liabilities at fair value	(579.6)	(526.2)
	(2,531.0)	(1,726.8)

1 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 Signature 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.

2 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.

3 Recoveries from third parties in respect of environmental and other liabilities totalling \$4.4 million (2018: \$5.7 million) are included within trade and other receivables.

4 The carrying value of trade and other receivables, and other payables approximates their fair value.

5 Financial assets at amortised cost consist of cash and cash equivalents, trade receivables and other financial assets.

6 Financial liabilities at amortised cost consist of borrowings, lease liabilities and trade payables.

Fair value of financial assets and financial liabilities

Materially all of the Group's financial assets and financial liabilities represent level 1 and level 2 of the fair value hierarchy.

Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are as at the balance sheet date, and will not necessarily be the amount that are realised. Non-interest bearing financial instruments, which included amounts receivable from customers and accounts payable, are measured at amortised cost which, due to the short-term maturity, approximate to fair value.

The carrying values and fair values of the Group's non-derivative financial assets and financial liabilities (excluding current assets and current liabilities) approximate to fair values due to their short-term nature.

The fair value of the US senior notes is determined by reference to quoted prices for each of the instruments. The fair value of the bank loans and senior loan notes are considered to be materially the same as the amortised cost of the instruments.

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17. Financial instruments – continued**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	2019		2018	
	Notional amount \$m	Fair value \$m	Notional amount \$m	Fair value \$m
Cash flow hedges				
Interest rate swaps	–	–	(284.9)	4.6
Foreign exchange forward contracts	(12.9)	0.3	18.4	1.4
Fair value hedges				
Interest rate swaps	(250.0)	17.6	(250.0)	4.1
Derivatives not in a formal hedge relationship				
Foreign exchange forward contracts	17.5	0.1	3.3	0.2
	(245.4)	18.0	(513.2)	10.3
Derivative financial liabilities measured at fair value	2019		2018	
	Notional amount \$m	Fair value \$m	Notional amount \$m	Fair value \$m
Cash flow hedges				
Foreign exchange forward contracts	(2.4)	–	(81.2)	(3.0)
Fair value hedges				
Interest rate swaps	(325.0)	(3.9)	(280.0)	(3.6)
Derivatives not in a formal hedge relationship				
Foreign exchange forward contracts	258.2	(4.3)	188.9	(1.0)
	(69.2)	(8.2)	(172.3)	(7.6)

Adjustments relating to the credit risk of Signature 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:

	2019		2018	
	Asset fair value \$m	Liability fair value \$m	Asset fair value \$m	Liability fair value \$m
Current				
Less than one year	0.3	(4.3)	1.5	(3.1)
Total current	0.3	(4.3)	1.5	(3.1)
Non-current				
One to two years	0.1	–	4.7	(0.8)
Two to three years	–	–	–	(1.6)
Three to four years	–	–	–	–
Four to five years	–	–	–	(1.0)
More than five years	17.6	(3.9)	4.1	(1.1)
Total non-current	17.7	(3.9)	8.8	(4.5)
	18.0	(8.2)	10.3	(7.6)

17. Financial instruments – continued

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:

	2019			2018		
	US dollar \$m	Sterling \$m	Total \$m	US dollar \$m	Sterling \$m	Total \$m
BBA Aviation Insurances Limited	0.4	0.7	1.1	0.7	0.7	1.4
BBA Aviation Insurances (Vermont) Inc	8.6	–	8.6	7.4	–	7.4
Total	9.0	0.7	9.7	8.1	0.7	8.8

The standby letters of credit have been issued via bank facilities and the amount of these facilities corresponds to the amounts pledged as detailed in the table above. The amounts pledged are usually for less than one year, and are secured by a legal charge to the bank providing the letters of credit over the cash balances of these companies corresponding to the amount of the standby letters of credit.

Financial risk factors

Our activities expose us to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Overall our 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 Signature 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 47.

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.

As detailed in note 16, during Q4 2019 the Group amended the RCF to reduce the facility size to \$400 million, amended the net debt to EBITDA financial covenant to 4.25 times and amended certain other definitions. The interest cover covenant of 3.0 times, based on EBITDA, remains unchanged. The financial covenants are tested on a pre IFRS 16 basis and the Group complied with its covenants during the year. The RCF still includes the use of an 'acquisition spike' which allows for the net debt to EBITDA covenant to be 4.75 times for two test periods following the activation of the 'acquisition spike'.

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

(a) Foreign exchange transaction risk

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 using 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.

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17. Financial instruments – continued

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.

For the hedges of highly probable forecast sales and purchases, as the critical terms of the foreign exchange contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the foreign exchange forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

The main sources of ineffectiveness in these hedging relationships is the impact on the fair value of the foreign exchange contracts from a change in timing of the receipt of the hedged items compared to the timing of the hedging instruments, changes in the notional amount of the hedged items compared to the notional amount of the hedging instruments, a change in the credit risk of the relevant subsidiary entering into the foreign exchange contracts and changes in fair value of the hedged item and the hedging instrument attributable to changes in the interest differential within the forward foreign exchange rate.

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items.

Hedging instruments		2019		
	Average exchange rate	Notional value: US dollars \$m	Carrying amount of the hedging instrument assets/ (liabilities) \$m	Change in fair value for recognising ineffectiveness \$m
Cash flow hedges				
Buy US dollars				
Less than 6 months	–	–	–	–
6 to 12 months	–	–	–	–
1 to 2 years	–	–	–	–
	–	–	–	–
Sell US dollars				
Less than 6 months	1.31	(9.3)	0.1	0.1
6 to 12 months	1.30	(3.7)	0.1	0.1
1 to 2 years	1.29	(2.3)	0.1	0.1
		(15.3)	0.3	0.3
Hedging instruments				
	Average exchange rate	Notional value: US dollars \$m	Carrying amount of the hedging instrument assets/ (liabilities) \$m	Change in fair value for recognising ineffectiveness \$m
Cash flow hedges				
Buy US dollars				
Less than 6 months	1.37	12.8	0.8	0.7
6 to 12 months	1.52	1.4	0.2	0.1
1 to 2 years	1.45	3.6	0.4	0.3
2 to 3 years	1.36	0.6	–	–
		18.4	1.4	1.1
Sell US dollars				
Less than 6 months	1.34	(35.1)	(1.4)	(1.9)
6 to 12 months	1.34	(19.1)	(0.6)	(0.7)
1 to 2 years	1.36	(22.4)	(0.8)	(0.8)
2 to 3 years	1.38	(4.6)	(0.2)	(0.1)
		(81.2)	(3.0)	(3.5)

17. Financial instruments – continued

Hedged item	2019		
	US dollar \$m	Euros \$m	Total \$m
Forecast sales (post policy margin)	77.1	0.8	77.9
Forecast purchases (post policy margin)	(58.1)	(1.2)	(59.3)
Net foreign exchange transaction cash flow exposure	19.0	(0.4)	18.6
Hedging instrument – foreign exchange derivative contracts	(14.8)	–	(14.8)
Net asset position excluding inter-company debt post hedging effect	4.2	(0.4)	3.8

Hedged item	2018		
	US dollar \$m	Euros \$m	Total \$m
Forecast sales (post policy margin)	163.3	–	163.3
Forecast purchases (post policy margin)	(83.9)	(1.0)	(84.9)
Net foreign exchange transaction cash flow exposure	79.4	(1.0)	78.4
Hedging instrument – foreign exchange derivative contracts	(63.6)	–	(63.6)
Net asset position excluding inter-company debt post hedging effect	15.8	(1.0)	14.8

The following table details the hedge effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to the income statement.

2019						
	Current year hedging gains/ (losses) recognised in Other Comprehensive Income \$m	Amount of hedge ineffectiveness recognised in the Income Statement	Line item in Income Statement in which hedge ineffectiveness is included	Amount reclassified to Income Statement due to hedged future cash flows being no longer expected to occur	Amount reclassified to Income Statement due to hedged item affecting Income Statement \$m	Line item in Income Statement in which reclassification adjustment is included
Foreign exchange contracts						
US dollars	2.3	–	Other operating income/(expense)	–	0.6	Revenue

2018						
	Current year hedging gains/ (losses) recognised in Other Comprehensive Income \$m	Amount of hedge ineffectiveness recognised in the Income Statement	Line item in Income Statement in which hedge ineffectiveness is included	Amount reclassified to Income Statement due to hedged future cash flows being no longer expected to occur	Amount reclassified to Income Statement due to hedged item affecting Income Statement \$m	Line item in Income Statement in which reclassification adjustment is included
Foreign exchange contracts						
US dollars	(2.9)	–	Other operating income/(expense)	–	1.0	Revenue

The fair value gain/(loss) of currency derivatives that are designated and effective as cash flow hedges amounting to \$2.3 million gain (2018: \$2.9 million loss) has been recognised in other comprehensive income. A gain of \$0.6 million (2018: gain of \$1.0 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 Signature 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 \$1.2 million (2018: \$2.3 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.

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17. Financial instruments – continued**(b) Foreign exchange translation 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. The Group does not undertake derivative transactions to hedge foreign exchange translation exposures.

The US dollar borrowings in the parent company, Signature Aviation plc, are designated as net investment hedges, as the parent company's functional currency is GBP. The Group does not undertake derivative transactions to hedge the foreign currency translation exposures. The Group analyses the US dollar net assets by subsidiary and the foreign currency borrowings in the name of Signature Aviation plc are allocated against certain tranches of net assets for a specific subsidiary. Therefore, the critical terms of the US dollar borrowings and their corresponding hedged items are the same.

The Group performs a qualitative assessment of effectiveness and it is expected that the value of the US dollar borrowings in GBP and the value of the corresponding hedged items in GBP will systematically change in opposite direction in response to movements in the underlying exchange rates.

The main source of ineffectiveness in these hedging relationships is the impact of a decline in the carrying value of the hedged item compared to the US dollar borrowings with the result that the value of the hedged item is less than the value of hedging instrument.

Foreign currency revaluation on the US dollar borrowings in the name of Signature Aviation plc are recorded in other comprehensive income and deferred in the foreign currency translation reserve on the Balance Sheet as long as the hedge is effective. Any ineffectiveness is recognised in the Income Statement for that year.

As part of the refinancing undertaken in October 2019, the RCF was amended to reduce the facility size to \$400 million and amended certain covenant levels and related definitions. Signature Aviation plc (formerly known as BBA Aviation plc) and Signature Aviation US Holdings Inc. (formerly known as BBA US Holdings Inc.) continue to be borrowers under the RCF. As at 31 December 2019, \$nil (2018: \$122 million in the name of Signature Aviation US Holdings Inc.) was drawn under the Group's RCF.

During 2019, Signature Aviation US Holdings Inc. issued \$650.0 million 4.000% US senior notes due 2028. In the prior year, Signature Aviation US Holdings Inc. issued \$500.0 million 5.375% US Senior notes due 2026.

As at 31 December 2019, the majority of the Group's net borrowings were denominated in US dollars as set out below:

	2019				
	US dollar \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
Cash and cash equivalents	80.9	11.2	15.6	5.5	113.2
Borrowings	(1,140.7)	–	(0.3)	–	(1,141.0)
Leases	(1,058.7)	(29.4)	(74.0)	(19.7)	(1,181.8)
	(2,118.5)	(18.2)	(58.7)	(14.2)	(2,209.6)
	2018				
	US dollar \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
Cash and cash equivalents	63.2	11.8	17.7	16.6	109.3
Borrowings	(1,436.3)	–	(1.8)	–	(1,438.1)
Leases	(4.3)	–	–	–	(4.3)
	(1,377.4)	11.8	15.9	16.6	(1,333.1)

During Q3, the Group redeemed its outstanding US private placement (USPP) senior notes for an aggregate redemption price of \$417.0 million (comprising \$380 million of outstanding notes, \$5.5 million interest expense and \$31.5 million make-whole payment). The redemption of the USPP notes was funded principally by a new \$400 million two-year term debt facility dated August 2019.

Within the Group's definition of net debt, the US senior notes are included at their face value of \$1,150 million (2018: \$500 million) reflecting the fact that the liabilities will be in place until maturity. This is \$13.4 million lower (2018: \$4.0 million lower) than the carrying value, adjusted for the deduction of debt issuance costs. The net carrying value as at 2019 was \$1,145.7 million (2018: \$494.2 million).

17. Financial instruments – continued

(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 senior notes 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, in order to protect the interest cover covenant.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates.

As part of the Group's management of interest rate risk, the Group has several outstanding interest rate swaps which are in fair value hedge relationships. These interest rate swaps are hedging part of the Group's fixed rate debt and under the terms of the swaps we receive fixed interest and pay floating rate interest. The floating interest rates are based on US dollar LIBOR which is subject to interest rate benchmark reform with the Financial Conduct Authority (FCA) stating that, from the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR.

The Group is currently identifying where IBOR exposures are within the Group and is planning to transition to alternative benchmark rates within the necessary timeframe.

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

	2019		
	Cash and cash equivalents \$m	Book value of borrowings \$m	Fair value of borrowings \$m
Fixed interest rate (adjusted for interest rate hedging)			
Less than one year	–	–	–
Between two and five years	–	–	–
After five years	–	(566.2)	(579.4)
Total fixed interest rate (adjusted for interest rate hedging)	–	(566.2)	(579.4)
Floating interest rate	113.2	(574.8)	(574.8)
Total interest-bearing assets/(liabilities) within borrowings	113.2	(1,141.0)	(1,154.2)
	2018		
	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	–	(45.5)	(45.2)
Between two and five years	–	(257.8)	(254.3)
After five years	–	(321.4)	(341.3)
Total fixed interest rate (adjusted for interest rate hedging)	–	(624.7)	(640.8)
Floating interest rate	109.3	(813.4)	(813.4)
Total interest-bearing assets/(liabilities) within borrowings	109.3	(1,438.1)	(1,454.2)

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.

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17. Financial instruments – continued

(a) Cash flow hedges

Hedging instruments – receive floating, pay fixed

2019				
	Average contracted fixed interest rate %	Notional value: US dollars \$m	Carrying amount of the hedging instrument assets/ (liabilities) \$m	Change in fair value for calculating ineffectiveness \$m
Cash flow hedges				
Less than 1 year	–	–	–	–
1 to 2 years	–	–	–	–
2 to 5 years	–	–	–	–
	–	–	–	–
2018				
Hedging instruments – receive floating, pay fixed				
Cash flow hedges				
Less than 1 year	1.77%	(50.0)	0.3	(4.9)
1 to 2 years	1.47%	(234.9)	4.3	(16.0)
2 to 5 years	–	–	–	–
		(284.9)	4.6	(20.9)
Hedged item				
2019				
	Notional value: US dollars \$m	Change in fair value used for calculating ineffectiveness \$m	Balance in cash flow hedge reserve for continuing hedges \$m	Balance in cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied \$m
US dollars				
Variable rate borrowings	n/a	n/a	n/a	n/a
Hedged item				
2018				
	Notional value: US dollars \$m	Change in fair value used for calculating ineffectiveness \$m	Balance in cash flow hedge reserve for continuing hedges \$m	Balance in cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied \$m
US dollars				
Variable rate borrowings	(284.9)	n/a	n/a	n/a

17. Financial instruments – continued

The following table details the hedge effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to the Income Statement.

2019						
	Current year hedging gains/ (losses) recognised in OCI \$m	Amount of hedge ineffectiveness recognised in the Income Statement \$m	Line item in Income Statement in which hedge ineffectiveness is included	Amount reclassified to Income Statement due to hedged future cash flows being no longer expected to occur \$m	Amount reclassified to Income Statement due to hedged item affecting Income Statement \$m	Line item in Income Statement in which reclassification adjustment is included
Cash flow hedges						
Variable rate borrowings						
US dollars	(2.4)	–	Finance costs	–	2.2	Finance costs
2018						
	Current year hedging gains/ (losses) recognised in OCI \$m	Amount of hedge ineffectiveness recognised in the Income Statement \$m	Line item in Income Statement in which hedge ineffectiveness is included	Amount reclassified to Income Statement due to hedged future cash flows being no longer expected to occur \$m	Amount reclassified to Income Statement due to hedged item affecting Income Statement \$m	Line item in Income Statement in which reclassification adjustment is included
Cash flow hedges						
Variable rate borrowings						
US dollars	5.9	–	Finance costs	–	6.3	Finance costs

The Group has designated \$nil (2018: \$284.9 million) interest rate swaps as cash flow hedges and the fair value loss of \$2.4 million (2018: gain of \$5.9 million) has been recognised in other comprehensive income. An income of \$2.2 million (2018: income \$6.3 million) has been booked against hedged interest payments made in the year.

(b) Fair value hedges

Hedging instruments – receive fixed, pay floating

2019				
	Average contracted fixed interest rate %	Notional value: US dollars \$m	Carrying amount of the hedging instrument assets/(liabilities) \$m	Change in fair value for calculating ineffectiveness \$m
Fair value hedges				
2 to 5 years	–	–	–	–
More than 5 years	4.60%	(575.0)	13.7	(5.4)
		(575.0)	13.7	(5.4)
2018				
	Average contracted fixed interest rate %	Notional value: US dollars \$m	Carrying amount of the hedging instrument assets/(liabilities) \$m	Change in fair value for calculating ineffectiveness \$m
Fair value hedges				
2 to 5 years	5.59%	(205.0)	(2.5)	(0.6)
More than 5 years	5.08%	(325.0)	3.0	6.7
		(530.0)	0.5	6.1

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105 Consolidated Income Statement	17. Financial instruments – continued				
	2019				
106 Consolidated Statement of Comprehensive Income					Accumulated amount of fair value hedge adjustments in the Consolidated Financial Statements for hedged items that have ceased to be adjusted for hedging gains and losses
107 Consolidated Balance Sheet		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item:	Line item in the Consolidated Financial Statements in which the hedged item is included		
108 Consolidated Cash Flow Statement	Carrying amount of hedged item: asset/(liabilities)	debit/(credit)		Change in fair value used for recognising hedge ineffectiveness	
109 Consolidated Statement of Changes in Equity	\$m	\$m		\$m	\$m
110 Accounting Policies of the Group	US dollars				
	Fixed rate borrowings	(579.6)	13.4	Finance costs	5.2
120 Notes to the Consolidated Financial Statements	Hedged item				
	2018				
186 Company Balance Sheet					Accumulated amount of fair value hedge adjustments in the Consolidated Financial Statements for hedged items that have ceased to be adjusted for hedging gains and losses
187 Company Statement of Changes in Equity		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item:	Line item in the Consolidated Financial Statements in which the hedged item is included		
188 Accounting Policies of the Company	Carrying amount of hedged item: asset/(liabilities)	debit/(credit)		Change in fair value used for recognising hedge ineffectiveness	
191 Notes to the Company Financial Statements	\$m	\$m		\$m	\$m
199 Subsidiaries and Related Undertakings	US dollars				
206 Five Year Summary	Fixed rate borrowings	(524.8)	0.4	Finance costs	6.2
207 Shareholder Information	The following table details the hedge ineffectiveness arising from the hedging relationship and the line item in the Income Statement in which the hedge ineffectiveness is included.				
	2019				
				Amount of hedge ineffectiveness recognised in the Income Statement	Line item in Income Statement in which the hedge ineffectiveness is included
	Fair value hedges			\$m	
	Fixed rate borrowings				
	US private placement senior notes			–	Finance costs
	US senior notes			0.2	Finance costs
				0.2	
	2018				
				Amount of hedge ineffectiveness recognised in the Income Statement	Line item in Income Statement in which the hedge ineffectiveness is included
	Fair value hedges			\$m	
	Fixed rate borrowings				
	US private placement senior notes			–	Finance costs
	US senior notes			0.1	Finance costs
				0.1	

During Q3, the Group redeemed its outstanding US private placement (USPP) senior notes for an aggregate redemption price of \$417.0 million (comprising \$380.0 million of outstanding notes, \$5.5 million interest expense and \$31.5 million make-whole payment).

17. Financial instruments – continued

As detailed in note 16, \$500 million US senior notes included within borrowings 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 gain of \$17.6 million on the swaps has been recognised in the Income Statement (2018: gain of \$4.1 million) which has been offset by the fair value loss on the related fixed rate debt of \$17.4 million (2018: loss of \$4.0 million). This has also been booked to the Income Statement and the net impact is immaterial.

Also detailed in note 16, the \$650 million US senior notes included within borrowings have been adjusted by fair value changes due to interest rate risk, as this has been hedged using interest rate swaps converting fixed interest to floating interest rates. The fair value loss of \$3.9 million on the swaps has been recognised in the Income Statement which has been offset by the fair value gain on the related fixed rate debt of \$4.0 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 2019 and 31 December 2018, the Group had several 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 several 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 13.

Liquidity risk

The Group manages its liquidity requirements using short-term and long-term cash flow forecasts. 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.

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17. Financial instruments – continued

The following table provides an analysis of the contractual undiscounted cash flows payable under the financial liabilities as at the balance sheet date:

		2019								
		US senior notes \$m	Bank loans and overdrafts \$m	Leases \$m	Other loans \$m	Trade payables \$m	Non-derivative financial liabilities \$m	Derivative financial liabilities \$m	Total \$m	
	Due within one year	53.6	–	126.2	–	200.1	379.9	6.4	386.3	
	Due between one and two years	53.6	–	120.1	–	–	173.7	(0.1)	173.6	
	Due between two and three years	53.6	–	114.1	–	–	167.7	(0.2)	167.5	
	Due between three and four years	53.6	–	107.3	–	–	160.9	0.2	161.1	
	Due between four and five years	53.6	–	104.2	–	–	157.8	0.5	158.3	
	Due in more than five years	1,323.5	–	1,818.5	0.3	–	3,142.3	0.3	3,142.6	
	Total	1,591.5	–	2,390.4	0.3	200.1	4,182.3	7.1	4,189.4	
		2018								
		US private placement senior notes \$m	US senior notes \$m	Bank loans and overdrafts \$m	Leases \$m	Other loans \$m	Trade payables \$m	Non-derivative financial liabilities \$m	Derivative financial liabilities \$m	Total \$m
	Due within one year	18.8	27.2	29.3	1.5	–	272.1	348.9	5.3	354.2
	Due between one and two years	18.8	27.2	471.8	1.3	0.3	–	519.4	2.2	521.6
	Due between two and three years	184.3	27.2	5.5	0.7	–	–	217.7	0.5	218.2
	Due between three and four years	9.8	27.2	5.5	0.6	–	–	43.1	0.2	43.3
	Due between four and five years	67.6	27.2	123.3	0.6	–	–	218.7	0.2	218.9
	Due in more than five years	160.2	563.6	–	0.4	–	–	724.2	0.4	724.6
	Total	459.5	699.6	635.4	5.1	0.3	272.1	2,072.0	8.8	2,080.8

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

	2019		2018	
	Payable \$m	Receivable \$m	Payable \$m	Receivable \$m
Due within one year	(332.8)	329.4	(472.3)	474.2
Due between one and two years	(27.8)	31.2	(86.1)	87.5
Due between two and three years	(23.0)	26.4	(34.2)	35.1
Due between three and four years	(23.7)	26.4	(19.2)	20.1
Due between four and five years	(24.4)	26.5	(17.6)	18.3
Due in more than five years	(62.2)	65.6	(38.0)	38.7
Total	(493.9)	505.5	(667.4)	673.9

17. Financial instruments – continued

Sensitivity analysis as at 31 December 2019

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 2019 and 2018 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.

	2019		2018	
	Income Statement \$m	Other Comprehensive Income \$m	Income Statement \$m	Other Comprehensive Income \$m
£/\$ FX rates – £ strengthens 10%	–	1.3	–	5.8
£/\$ FX rates – £ weakens 10%	–	(1.6)	–	(7.1)
Interest rates +1.00%	(9.2)	–	(7.6)	6.6
Interest rates –1.00%	9.2	–	8.0	(6.8)

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 \$1.4 million (2018: \$0.2 million) for each 1% movement in the £/\$ exchange rate.

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	18. Provisions										
	Beginning of year \$m	Impact of adopting IFRS 16 \$m	Exchange rate adjustments \$m	Reallocation to/from other assets/liabilities \$m	From acquisitions \$m	Charged in year \$m	Utilised in year \$m	Disposals/Transfer to Liabilities held for sale ¹ \$m	Unwind \$m	Released in year \$m	End of year \$m
105 Consolidated Income Statement	31 December 2019										
106 Consolidated Statement of Comprehensive Income	Insurance	20.8	–	–	–	8.6	(8.4)	–	1.2	–	22.2
107 Consolidated Balance Sheet	Discontinued operations	12.4	(2.9)	0.1	(1.3)	–	4.2	(1.9)	–	0.3	10.9
108 Consolidated Cash Flow Statement	Environmental	9.0	–	–	0.1	–	1.0	(2.0)	–	0.1	8.2
109 Consolidated Statement of Changes in Equity	Warranty	10.3	–	(0.2)	–	2.6	3.1	(1.5)	(9.7)	0.4	–
110 Accounting Policies of the Group	Other	7.7	(0.7)	0.1	(0.1)	0.6	–	(0.6)	(0.5)	–	6.5
120 Notes to the Consolidated Financial Statements		60.2	(3.6)	–	(1.3)	3.2	16.9	(14.4)	(10.2)	2.0	47.8
186 Company Balance Sheet	31 December 2018										
187 Company Statement of Changes in Equity	Insurance	29.8	–	(0.9)	–	–	6.6	(8.5)	–	–	20.8
188 Accounting Policies of the Company	Discontinued operations	12.0	–	(0.1)	–	–	2.2	(2.0)	–	0.3	12.4
191 Notes to the Company Financial Statements	Environmental	9.0	–	–	0.3	0.1	0.6	(1.1)	–	0.1	9.0
199 Subsidiaries and Related Undertakings	Warranty	13.5	–	(0.3)	–	2.8	3.7	(5.5)	(1.8)	–	10.3
206 Five Year Summary	Other	4.5	–	(0.3)	–	3.6	–	(0.1)	–	–	7.7
207 Shareholder Information		68.8	–	(1.6)	0.3	6.5	13.1	(17.2)	(1.8)	0.4	60.2

¹ As at 31 December 2019, included within liabilities classified as held for sale is a further \$1.7 million (2018: \$1.8 million) of provisions (see note 26).

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 (2018: ten years).

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 \$10.9 million (2018: \$12.4 million) is partially offset by expected recoveries from third parties of \$4.4 million (2018: \$5.7 million), which are included within trade and other receivables due after one year of \$3.9 million, (2018: \$5.0 million) and trade and other receivables due within one year of \$0.5 million (2018: \$0.7 million) in note 13. The liabilities have an expected life of up to 50 years (2018: 50 years). Also in relation to discontinued operations that have been disposed of by the Group there are open matters with regard to warranties and indemnities for which we have no specific provision as we do not consider we have a present obligation or material exposure in respect of such matters.

Environmental provisions relate to environmental liabilities within continuing operations of the Group. The liabilities have an expected life of up to ten years (2018: ten years).

Warranty provisions in 2018 related to warranties issued in the Ontic division, which was sold on 31 October 2019. In 2018 these liabilities had an expected life of up to ten years.

Other provisions relate to other trading matters from the acquisition of EPIC and Firstmark in 2018, and acquisitions including IAM Centre in 2019. The trading matters included liabilities for indirect taxes and property dilapidation provisions. The liabilities have an expected life of up to ten years (2018: ten years).

Analysed as:	2019 \$m	2018 \$m
Current liabilities	17.5	23.0
Non-current liabilities	30.3	37.2
	47.8	60.2

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 was \$12.7 million (2018: \$10.1 million) of which \$8.3 million (2018: \$7.9 million) was in respect of schemes outside of the United Kingdom. This includes \$10.3 million (2018: \$9.9 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 Trustee that, together with the Group, is responsible for governance of the IPP.

During 2008, the Trustee of the UK IPP 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 bulk tranches purchased during 2019. The annuity is an investment of the IPP, and all pension made to the pensioner members it covers and removes financial and demographic risk (e.g. mortality risk) in relation to those members which are the subject of the annuity purchase.

The Group closed the IPP to future accrual with effect from 31 May 2016 after consultation with members.

The US Minimum Funding Actuation valuation for the Signature Aviation retirement plan as at 1 January 2019 indicated a funding deficit of \$6.3 million (2018: \$4.9 million). As required by US law, Signature Aviation will make contribution payments that are in excess of the minimum required contribution amounts. The next actuarial valuation is due as at 1 January 2020.

The actuarial valuation of the UK IPP as at 31 March 2018, finalised on 27 June 2019, indicated a funding deficit of £49.6 million (\$69.4 million at rate as at 31 March 2018) excluding the Asset-Backed Funding arrangement. The Group and the Trustee agreed a schedule of deficit contributions to recover the valuation deficit that was subsequently revised later in 2019 as explained below.

During 2014, the Group agreed a new long-term funding package with the Trustee of the IPP, following the sale of APFH 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. In October 2019 Signature Aviation completed the sale of the Onic business to CVC Fund VII. In order for the sale to proceed the Trustee agreed to release a charge they held over the Asset-Backed Funding arrangement in exchange for an acceleration of the deficit contribution schedule. As a result the Group made a one-off deficit contribution payment of £30 million in October 2019 and agreed to make further deficit contributions payments to the IPP of £2.7 million per annum (paid quarterly) until March 2030 if required. The Asset-Backed Funding arrangement was unwound as part of this transaction and as such all further payments to the IPP will be made directly by the Group.

The Onic transaction also included the disposal of the Firstmark Plan operated in the US. This plan was in deficit so there was a corresponding balance sheet gain as a result of the disposal.

The split of the defined benefit obligation at 31 December 2019 is approximately 39% in respect of deferred members and 61% in respect of pensioner members. The weighted average duration of the IPP's liabilities is approximately 15 years.

In accordance with IAS 19, and subject to materiality, the latest actuarial valuations of the Group's defined benefit pension plans and healthcare plan have been reviewed and updated as at 31 December 2019. The following weighted average financial assumptions have been adopted:

	United Kingdom		North America	
	2019	2018	2019	2018
Per annum (%)				
Discount rate	1.95	2.75	3.05	4.16
Price inflation	2.95	3.15	2.30	2.30
Rate of increase to pensions in payment	2.90	3.05	2.30	2.30

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 has 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 IPP allows for the shape of the inflation spot curve and the duration of the IPP liabilities. A deduction on average of 30 basis points has been made to the breakeven inflation assumption to allow for an inflation risk premium.

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19. Pensions and other post-retirement benefits – continued

For the IPP, the mortality assumptions are based on the outcome of a recent mortality investigation undertaken for the 2018 actuarial valuation, and a best estimate view of future mortality improvements. The life expectancy assumptions applying to the IPP as at 31 December 2019 are as follows:

	2019		2018	
	Male	Female	Male	Female
Life expectancy for a current 65-year-old (years)	21.5	23.5	22.0	24.0
Life expectancy for a 65-year-old in 15 years (years)	21.7	24.7	22.3	25.2

For the US post-retirement medical plan, the immediate trend rate for medical benefits was 7.50% which is assumed to reduce by 0.5% per annum to 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	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Assets						
Equities	135.0	132.6	13.7	15.0	148.7	147.6
Government bonds	123.7	106.0	5.8	5.5	129.5	111.5
Corporate bonds	49.9	42.8	11.0	13.1	60.9	55.9
Property	30.8	36.8	3.8	1.9	34.6	38.7
Insurance policies	302.2	307.6	–	–	302.2	307.6
Cash	20.7	5.0	1.0	1.8	21.7	6.8
Total fair value of scheme assets	662.3	630.8	35.3	37.3	697.6	668.1

For the IPP, at 31 December 2019, a total of \$400.8 million of assets were not quoted on an active investment market (comprising \$56.7 million equities, \$30.8 million property, \$302.2 million of insurance policies and \$11.1 million of other assets). All of the assets in respect of the US plans were quoted on an active investment market.

	United Kingdom		North America		Total	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Present value of defined benefit obligations	(681.6)	(637.9)	(54.0)	(58.4)	(735.6)	(696.3)
Liability recognised on the Balance Sheet	(19.3)	(7.1)	(18.7)	(21.1)	(38.0)	(28.2)

In accordance with IAS 19 and IFRIC 14 a minimum funding liability arises where the statutory funding requirements are such that future contributions in respect of past service would result in an unrecognisable surplus in future. Under the Rules of the IPP, a minimum funding liability does not need to be recognised as at 31 December 2019, as the Group can offset a surplus against future contributions to the defined contribution section.

The funding policy for the IPP and majority of the North American plans is reviewed on a systematic basis in consultation with the independent scheme actuaries in order to ensure that the funding contributions from sponsoring employers are appropriate to meet the liabilities of the plans over the long term.

Included within other receivables in the Balance Sheet are \$2.4 million (2018: \$2.4 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	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Analysis of Income Statement charge						
Net interest on the net defined benefit liability	0.3	1.1	0.9	0.7	1.2	1.8
Administration expenses	1.8	0.9	0.9	0.7	2.7	1.6
Recognition of past service cost	–	–	–	–	–	–
Recognition of past service cost - GMP equalisation ¹	–	11.1	–	–	–	11.1
Expense recognised in Income Statement	2.1	13.1	1.8	1.4	3.9	14.5

¹ In the prior year recognition of past services cost of \$11.1 million represents GMP equalisation which was recognised within exceptional and other items (see note 2).

19. Pensions and other post-retirement benefits – continued

	United Kingdom		North America		Total	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Changes to the present value of the defined benefit obligation during the year						
Defined benefit obligation at beginning of year	637.9	784.2	58.4	56.3	696.3	840.5
Interest cost	17.0	17.7	2.3	1.9	19.3	19.6
Past service cost – GMP equalisation	–	11.1	–	–	–	11.1
Actuarial losses/(gains) due to change in financial assumptions	54.1	(43.6)	6.6	(3.3)	60.7	(48.9)
Net decrease in liabilities from disposals	–	–	(8.9)	8.2	(8.9)	8.2
Actuarial gains due to change in demographic assumptions	(9.3)	(2.0)	(0.8)	(0.2)	(10.1)	(2.2)
Experience (gains)/losses on scheme liabilities	(1.9)	(53.1)	0.5	(0.6)	(1.4)	(53.7)
Net benefits paid out	(41.9)	(39.8)	(4.1)	(3.9)	(46.0)	(43.7)
Foreign currency exchange rate changes	25.7	(36.6)	–	–	25.7	(36.6)
Defined benefit obligation at end of year	681.6	637.9	54.0	58.4	735.6	696.3
	United Kingdom		North America		Total	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Changes to the fair value of scheme assets during the year						
Fair value of scheme assets at beginning of year	630.8	733.0	37.3	35.8	668.1	768.8
Interest income on scheme assets	16.7	16.6	1.4	1.2	18.1	17.8
Actual employer contributions	7.0	5.7	3.2	1.7	10.2	7.4
One-off employer deficit contribution ¹	39.0	–	–	–	39.0	–
Net benefits paid out	(41.9)	(39.8)	(4.1)	(3.9)	(46.0)	(43.7)
Actuarial (losses)/gains on assets	(12.4)	(48.3)	5.5	(3.3)	(6.9)	(51.6)
Net decrease/(increase) in assets from disposals	–	–	(7.1)	6.5	(7.1)	6.5
Administration expenses	(1.8)	(0.9)	(0.9)	(0.7)	(2.7)	(1.6)
Foreign currency exchange rate changes	24.9	(35.5)	–	–	24.9	(35.5)
Fair value of plan assets at end of year	662.3	630.8	35.3	37.3	697.6	668.1
Assets less obligation	(19.3)	(7.1)	(18.7)	(21.1)	(38.0)	(28.2)

¹ A one-off employer deficit contribution took place upon the unwinding of the Asset-Backed Funding (ABF) arrangement.

At 31 December 2019, the largest single category of investment held by the IPP are annuities purchased from Legal and General which match the liabilities associated with pensioner members, with a value of \$302.3 million (45.6% of the UK asset holding at 31 December 2019). 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 defined benefit obligation. The purpose of the annuities is to help reduce asset/liability mismatch risk.

The remainder of the assets of the IPP 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 IPP 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 contributions required 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 risks 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 IPP, albeit they are smaller in magnitude given the size of the US Plans relative to the IPP.

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	19. Pensions and other post-retirement benefits – continued					
	United Kingdom		North America		Total	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
105 Consolidated Income Statement						
106 Consolidated Statement of Comprehensive Income						
107 Consolidated Balance Sheet						
108 Consolidated Cash Flow Statement						
109 Consolidated Statement of Changes in Equity						
110 Accounting Policies of the Group						
120 Notes to the Consolidated Financial Statements						
186 Company Balance Sheet						
187 Company Statement of Changes in Equity						
188 Accounting Policies of the Company						
191 Notes to the Company Financial Statements						
199 Subsidiaries and Related Undertakings						
206 Five Year Summary						
207 Shareholder Information						

19. Pensions and other post-retirement benefits – continued

	United Kingdom		North America		Total	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Actual return on scheme assets	4.3	(31.7)	6.9	(2.1)	11.2	(33.8)
Analysis of amounts recognised in the statement of comprehensive income						
Liability (losses)/gains due to changes in financial assumptions	(54.1)	43.6	(6.6)	3.3	(60.7)	46.9
Liability gains due to changes in demographic assumptions	9.3	2.0	0.8	0.2	10.1	2.2
Asset (losses)/gains arising during the year	(12.4)	(48.3)	5.5	(3.3)	(6.9)	(51.6)
Experience gains on scheme liabilities	1.9	53.1	(0.5)	0.6	1.4	53.7
Total gains before exchange (losses)/gains	(55.3)	50.4	(0.8)	0.8	(56.1)	51.2
Exchange (losses)/gains	(0.8)	1.1	–	–	(0.8)	1.1
Total (losses)/gains recognised in the statement of comprehensive income	(56.1)	51.5	(0.8)	0.8	(56.9)	52.3

The IPP is exposed to inflation risk as a result of the plan rules granting inflation-linked increases to pensions in payment and deferment. There is also a longevity risk to the IPP 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	(24.4)	(1.4)
Decrease of 0.25% in discount rate	25.8	1.4
Increase of 0.25% in inflation	25.4	0.2
Decrease of 0.25% in inflation	(20.9)	(0.2)
Increase of 0.25% in pension increase rate	20.5	0.2
Decrease of 0.25% in pension increase rate	(20.4)	(0.2)
Increase of one year in life expectancy	33.5	2.2
Decrease of one year in life expectancy	(32.7)	(2.2)

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 the 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 2020 are estimated to be as follows:	3.9	2.4	6.3

20. Deferred tax

	Property, plant and equipment \$m	Other assets/ (liabilities) \$m	Goodwill and intangibles \$m	Tax credits/ (losses) \$m	Retirement benefits \$m	Share-based payments \$m	Total \$m
Balance as at 1 January 2018	2.1	(1.0)	(156.5)	1.1	14.9	1.7	(137.7)
Expense/(credit) for the year from continuing operations	(1.5)	1.9	4.5	(0.5)	1.3	2.9	8.6
(Credit)/expense for the year from ERO discontinued operations	(5.7)	0.6	(1.0)	(0.1)	–	–	(6.2)
(Credit)/expense for the year from Ontic discontinued operations	0.3	0.1	(2.3)	–	–	–	(1.9)
(Credit)/expense to other comprehensive income and equity	–	0.9	–	–	(9.7)	(0.3)	(9.1)
Acquisitions ²	(0.8)	4.7	(26.5)	4.2	0.4	–	(18.0)
Exchange adjustments	0.3	0.1	1.5	–	(0.2)	(0.2)	1.5
Balance as at 31 December 2018	(5.3)	7.3	(180.3)	4.7	6.7	4.1	(162.8)
Adoption of IFRS 16 on 1 January 2019	–	(1.8)	–	–	–	–	(1.8)
Expense/(credit) for the year from continuing operations	(0.7)	34.3	(2.5)	(0.5)	(0.4)	–	30.2
(Credit)/expense for the year from ERO discontinued operations	(2.6)	21.6	(1.1)	–	–	–	17.9
(Credit)/expense for the year from Ontic discontinued operations ³	0.2	(12.3)	31.6	1.0	(0.5)	–	20.0
Expense/(credit) to other comprehensive income and equity	–	0.4	–	–	7.1	1.4	8.9
Acquisitions ²	(0.2)	–	(1.8)	–	–	–	(2.0)
Disposal of business ²	0.3	–	13.4	–	–	–	13.7
Exchange adjustments	(0.1)	1.1	0.7	–	0.6	0.3	2.6
Balance as at 31 December 2019	(8.4)	50.6	(140.0)	5.2	13.5	5.8	(73.3)

1 The disclosure of the deferred tax movement for 2018 has been restated to show the appropriate split between continuing and discontinued operations following the classification of ERO and Ontic as discontinued operations.

2 Included within the acquisitions of \$2.0 million (2018: \$18.0 million) is \$nil (2018: \$0.4 million) deferred tax asset that was acquired and not accounted for as a business combination under IFRS 3 and hence not presented under note 25.

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:

	2019 \$m	2018 \$m
Deferred tax liabilities	(82.4)	(162.8)
Deferred tax assets	9.1	–
	(73.3)	(162.8)

At the balance sheet date, the Group has gross temporary differences and tax losses of \$1.2 billion (2018: \$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. There are no unrecognised gross temporary differences relating to losses that will expire by 2023. Other losses may be carried forward indefinitely under current tax legislation.

In 2019 the Group recognised additional deferred tax assets for interest deductions that Management believes the Group will be able to utilise in future periods based on the restructure of its debt and projected taxable profits.

At 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 \$41.1 million (2018: \$40.8 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.

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		Allotted, called up and fully paid	
		2019 millions	2018 millions
105 Consolidated Income Statement	21. Share capital and reserves		
106 Consolidated Statement of Comprehensive Income	Share capital		
107 Consolidated Balance Sheet	Number of shares		
	Ordinary 37 ¹ / ₆₄ p shares (2018: 29 ¹ / ₂₁ p shares)		
108 Consolidated Cash Flow Statement	At the start of the year	1,046.3	1,045.3
	Issued during the year	1.9	1.0
109 Consolidated Statement of Changes in Equity	Share consolidation during the year	(209.7)	–
110 Accounting Policies of the Group	At the end of the year	838.5	1,046.3
	5% cumulative preference £1 shares at the start and end of the year	0.2	0.2
120 Notes to the Consolidated Financial Statements	Nominal value of shares	2019 \$m	2018 \$m
166 Company Balance Sheet	Equity shares		
167 Company Statement of Changes in Equity	Ordinary 37 ¹ / ₆₄ p shares (2018: 29 ¹ / ₂₁ p shares)	510.1	509.3
168 Accounting Policies of the Company	Non-equity shares		
	5% cumulative preference £1 shares	0.2	0.2
191 Notes to the Company Financial Statements	Issue of share capital		
199 Subsidiaries and Related Undertakings	During the year, the Group issued 1.9 million ordinary 29 ¹ / ₂₁ p shares (2018: 1.0 million ordinary 29 ¹ / ₂₁ p shares) to satisfy the vesting of share awards under the Signature Aviation plc share option schemes. The consideration for shares issued in respect of share options was \$0.8 million (2018: \$0.3 million).		
206 Five Year Summary	Share consolidation		
207 Shareholder Information	On 22 November 2019, the Company undertook a consolidation of existing ordinary shares on the basis of 4 ordinary shares with nominal value of 37 ¹ / ₆₄ pence for every 5 existing ordinary shares.		
		2019 \$m	2018 \$m
	Reserves attributable to equity interests:		
	Share premium account		
	Beginning of year	1,594.5	1,594.5
	Issue of share capital	–	–
	End of year	1,594.5	1,594.5
	Other reserve		
	Beginning of year	(7.2)	(5.4)
	Fair value movements in assets classified as financial instruments through other comprehensive income	(3.3)	(1.8)
	End of year	(10.5)	(7.2)
	Treasury reserve		
	Beginning of year	(95.3)	(92.8)
	Purchase of own shares	(7.3)	(5.6)
	Sale/transfer of own shares	2.4	0.1
	Transfer to retained earnings	4.5	3.0
	End of year	(95.7)	(95.3)
	Capital reserve		
	Beginning of year	56.2	50.4
	Credit to equity for equity-settled share-based payments	8.6	8.2
	Transfer to retained earnings on exercise of equity-settled share-based payments	(8.2)	(2.4)
	End of year	56.6	56.2

21. Share capital and reserves – continued

	2019 \$m	2018 \$m
Hedging reserve		
Beginning of year	(4.6)	(0.3)
(Decrease)/increase in fair value of interest rate cash flow hedges	(2.4)	5.9
Transfer fair value relating to interest rate cash flow hedges to Income Statement	(2.2)	(6.3)
Increase/(decrease) in fair value of foreign exchange cash flow hedges	2.3	(2.9)
Transfer fair value relating to foreign exchange cash flow hedges to Income Statement	(0.6)	(1.0)
End of year	(7.5)	(4.6)
Translation reserve		
Beginning of year	(101.1)	(73.6)
Exchange differences on translation of foreign operations	2.2	(27.5)
Recycling of translational exchange differences accumulated in equity upon disposal of subsidiary	24.2	–
End of year	(74.7)	(101.1)
Retained earnings		
Beginning of year	(9.9)	(50.1)
Adoption of IFRS 16 ¹	5.3	–
Balance at 1 January 2019 after adoption of IFRS 16	(4.6)	(50.1)
Profit for the year attributable to equity holders of Signature Aviation plc	659.1	137.6
Actuarial (losses)/gains	(56.1)	51.2
Deferred tax on items taken directly to reserves	9.7	(6.8)
Dividends paid	(980.9)	(140.7)
Transfer from capital reserve on exercise of equity-settled share-based payments	8.2	2.4
Transfer from treasury reserve	(4.5)	(3.0)
Change in non-controlling interests	–	(0.5)
End of year	(369.1)	(9.9)

¹ Further information on the restatement of opening retained earnings as at 1 January 2019 due to the impact of adopting IFRS 16 is outlined in the accounting policies and in note 30.

At 31 December 2019, 1,305,558 ordinary 37¹/₂p shares (2018: 2,379,641 ordinary 29⁵/₂p shares) with a nominal value of £0.5 million (2018: £0.7 million) and a market value of \$5.5 million (2018: \$6.9 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:

- 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;
- 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
- 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 37¹/₂p ordinary shares (2018: 29⁵/₂p ordinary shares)

The rights of equity interests in 37¹/₂p shares (2018: 29⁵/₂p ordinary shares):

- each share has equal rights to dividends;
- carry no right to fixed income;
- 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
- carry the right to attend and vote at a meeting of the Company.

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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 Signature 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:

	2019		2018	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	3,169,994	205p	3,017,313	195p
Granted during the year	816,339	257p	690,041	248p
Exercised during the year	(1,265,947)	168p	(140,570)	189p
Lapsed during the year	(329,718)	226p	(396,790)	213p
Outstanding at the end of the year	2,390,668	239p	3,169,994	205p

The weighted average share price at the date of exercise for share options exercised during the period was 316p (2018: 319p). The options outstanding at 31 December 2019 had a weighted average remaining contractual life of 33 months (2018: 29 months), and an exercise price range of 160p to 303p (2018: 160p to 303p). Nil (2018: 3,700) options for shares were granted under the BBA UK Share Option Plan during the year. 816,339 (2018: 686,341) options over 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 September 2019	Issued in September 2018
Weighted average share price (pence)	312	296
Weighted average exercise price (pence)	257	248
Expected volatility (%)	23.8%	23.3%
Expected life (months)	41.8	48.0
Risk-free rate (%)	0.37%	0.97%
Expected dividend yield (%)	3.60%	3.40%

22. Share-based payments – continued

Expected volatility was determined by calculating the historical volatility of the Group's share price over the period of time equivalent to the remaining contractual life of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(ii) Share awards

Details of the conditional share awards outstanding during the year are as follows:

	Number of shares 2019	Number of shares 2018
Outstanding at the beginning of the year	10,092,360	13,203,674
Granted during the year	3,921,220	2,136,259
Exercised during the year	(3,401,509)	(1,896,057)
Lapsed during the year	(1,413,733)	(3,351,516)
Outstanding at the end of the year	9,198,338	10,092,360

The awards outstanding at 31 December 2019 had a weighted average remaining contractual life of 27 months (2018: 23 months). The weighted average fair value of conditional shares granted in the year was 193p (2018: 238p).

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 2019	Issued in August 2018	Issued in March 2018
Weighted average share price (pence)	236	299	335
Expected volatility (%)	23.2%	21.7%	24.4%
Expected life (months)	36	36	36
Risk-free rate (%)	0.75%	0.73%	0.85%
Expected dividend yield (%)	4.60%	3.36%	2.90%

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 \$8.6 million (2018: \$8.2 million) related to equity-settled share-based payment transactions and \$nil (2018: \$nil) related to cash-settled share-based payment transactions during the year. \$0.5 million (2018: \$0.2 million) of that expense was classified as exceptional and other items in relation to restructuring and the disposal of Ontic.

(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 Signature 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.

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105 Consolidated Income Statement	23. Cash flow from operating activities		
	All Alternative Performance Measures are reconciled to IFRS measures and explained in note 29.		
106 Consolidated Statement of Comprehensive Income		2019 \$m	2018 \$m
107 Consolidated Balance Sheet	Operating profit	204.9	180.4
108 Consolidated Cash Flow Statement	Operating profit from ERO discontinued operations	52.8	33.9
	Operating profit from Ontic discontinued operations	55.0	47.2
109 Consolidated Statement of Changes in Equity	Less: share of profit from associates and joint ventures	(4.1)	(4.0)
110 Accounting Policies of the Group	Profit from operations	308.6	257.5
	Depreciation of property, plant and equipment	67.8	69.0
120 Notes to the Consolidated Financial Statements	Depreciation of right of use asset	89.7	–
186 Company Balance Sheet	Amortisation of intangible assets	95.3	101.0
187 Company Statement of Changes in Equity	Profit on sale of property, plant and equipment	0.7	3.4
	Share-based payment expense	8.6	8.2
188 Accounting Policies of the Company	Decrease in provisions	(2.5)	(12.4)
	Pension scheme payments	(8.0)	(5.9)
191 Notes to the Company Financial Statements	Other non-cash items	19.2	1.8
199 Subsidiaries and Related Undertakings	Unrealised foreign exchange movements	(0.4)	(1.0)
206 Five Year Summary	Operating cash inflows before movements in working capital	579.0	421.6
207 Shareholder Information	Increase in working capital	(70.3)	(26.2)
	Cash generated by operations	508.7	395.4
	Net income taxes paid	(41.7)	(27.1)
	Net cash inflow from operating activities	467.0	368.3
	Dividends received from associates and joint ventures	3.2	2.0
	Purchase of property, plant and equipment	(68.4)	(85.3)
	Purchase of intangible assets ¹	(11.1)	(6.6)
	Proceeds from disposal of property, plant and equipment	5.1	4.7
	Interest received	4.4	12.7
	Interest received on sublease assets	1.8	–
	Receipt of capital element of sublease assets	2.7	–
	Interest paid	(71.5)	(70.9)
	Interest paid on lease liabilities	(76.2)	(0.1)
	Payments of lease liabilities	(69.8)	–
	Free cash flow	187.2	224.8

¹ Purchase of intangible assets excludes \$1.1 million (2018: \$1.2 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.

² There is no IFRS 16 impact on free cash flow as a result of adopting IFRS 16.

24. Analysis of changes in net debt

	At 1 January 2019 \$m	Adoption of IFRS 16 \$m	Cash inflow/ (outflow) ¹ \$m	Fair value adjustments \$m	Foreign exchange movements \$m	Amortisation costs \$m	New lease liabilities \$m	Net acquisitions and disposals \$m	Reclassify between categories \$m	At 31 December 2019 \$m
Bank loans	(565.3)	-	572.0	-	-	(1.7)	-	-	-	5.0
US private placement senior notes ²	(376.8)	-	380.0	(2.1)	-	(1.1)	-	-	-	-
US senior notes ³	(494.2)	-	(641.7)	(9.4)	-	(0.4)	-	-	-	(1,145.7)
Other loans	(0.3)	-	-	-	-	-	-	-	-	(0.3)
Bank overdraft	(1.5)	-	1.5	-	-	-	-	-	-	-
Lease liabilities for covenants ⁵	(4.3)	-	-	-	-	-	-	-	4.3	-
Arising from financing activities	(1,442.4)	-	311.8	(11.5)	-	(3.2)	-	-	4.3	(1,141.0)
Cash and cash equivalents	109.3	-	9.9	-	1.2	-	-	-	(7.2)	113.2
Net debt per Balance Sheet excluding lease liabilities ⁴	(1,333.1)	-	321.7	(11.5)	1.2	(3.2)	-	-	(2.9)	(1,027.8)
Lease liabilities	-	(1,122.8)	59.6	-	(3.8)	-	(99.9)	(10.6)	(4.3)	(1,181.8)
Net debt per Balance Sheet including lease liabilities ^{2,3,5}	(1,333.1)	(1,122.8)	381.3	(11.5)	(2.6)	(3.2)	(99.9)	(10.6)	(7.2)	(2,209.6)
Less fair value adjustments	1.9	-	-	11.5	-	-	-	-	-	13.4
Net debt classified as held for sale ⁶	(1.0)	(63.3)	13.5	-	(0.6)	-	(10.3)	-	7.2	(54.5)
Net debt related to disposal business ⁶	-	(13.9)	0.9	-	-	-	-	13.0	-	-
Net debt per Cash Flow ^{2,3,4}	(1,332.2)	(1,200.0)	395.7	-	(3.2)	(3.2)	(110.2)	2.4	-	(2,250.7)

	At 1 January 2018 \$m	Cash inflow/ (outflow) ¹ \$m	Fair value adjustments \$m	Foreign exchange movements \$m	Amortisation costs \$m	Acquisitions from third parties \$m	Transfer to assets/ liabilities held for sale \$m	At 31 December 2018 \$m
Bank loans	(813.3)	252.0	-	-	(4.0)	-	-	(565.3)
US private placement senior notes	(502.2)	120.0	5.6	-	(0.2)	-	-	(376.8)
US senior notes	-	(489.1)	(4.0)	-	(1.1)	-	-	(494.2)
Other loans	(3.3)	-	-	-	-	-	3.0	(0.3)
Bank overdraft	(4.0)	2.3	-	0.2	-	-	-	(1.5)
Lease liabilities for covenants ⁵	(1.3)	0.4	-	-	-	(3.4)	-	(4.3)
Arising from financing activities	(1,324.1)	(114.4)	1.6	0.2	(5.3)	(3.4)	3.0	(1,442.4)
Cash and cash equivalents	153.5	(35.4)	-	(13.2)	-	6.4	(2.0)	109.3
Net debt per Balance Sheet	(1,170.6)	(149.8)	1.6	(13.0)	(5.3)	3.0	1.0	(1,333.1)
Less fair value adjustment	3.5	-	(1.6)	-	-	-	-	1.9
Net debt classified as held for sale ⁶	-	-	-	-	-	-	(1.0)	(1.0)
Net debt per Cash Flow ^{2,3,4}	(1,167.1)	(149.8)	-	(13.0)	(5.3)	3.0	-	(1,332.2)

1 The cash flows from bank loans, US private placement senior notes, US senior notes and other loans make up the net increase/(decrease) in loans in the cash flow statement, net of transaction costs.

2 The US private placement debt was redeemed during 2019. In 2018 the debt was shown at face value of \$380 million, reflecting the intention to hold the debt until maturity. This was \$2.1 million higher than its carrying value.

3 Within the Group's definition of net debt the senior notes are included at their face value of \$1,150 million (2018: \$500 million) reflecting the fact that the liabilities will be in place until maturity. This is \$13.4 million lower (2018: \$4.0 million lower) than its carrying value.

4 All Alternative Performance Measures are reconciled to IFRS measures and explained in note 29.

5 In 2018 net debt for covenant purposes includes lease liabilities previously accounted for as finance leases under IAS 17. In 2019 the net debt definition changed to exclude all lease liabilities including the original IAS 17 leases. The incremental impact of adopting IFRS 16 in the year on the Group's total Net debt is an increase of \$1,242.4 million.

6 Cash outflows within net debt classified as held for sale for the year ended 31 December 2019 includes \$3.0 million repayment of borrowings and \$10.5 million payment of lease liabilities. Net debt movements related to the disposal business reflect Ontic business's lease values on adoption of IFRS 16, repayments and the value at disposal.

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25. Acquisition of businesses

During the year the Group made the following acquisitions:

On 1 October 2019, the Group's Signature business purchased aviation services provider IAM Jet Centre and its affiliated companies for a total consideration of \$33.5 million, supporting our strategy to upgrade the quality and reach of our global network by significantly expanding our footprint and service offerings in the Caribbean.

On 24 June 2019, the Group's Ontic business acquired an exclusive licence agreement for signal conditioners, military chip detectors, cockpit indicators and connector harnesses from Meggit for a total consideration of \$12.0 million. Ontic paid \$11.5 million upfront and the remaining \$0.5 million was deferred consideration.

On 5 July 2019, the Group's Ontic business acquired an exclusive licence agreement for Doppler Radar product line (including associated drift indicator and hover meter units) from Thales UK Limited for a total consideration of \$1.7 million.

On 27 September 2019, the Group's Ontic business acquired an exclusive licence agreement for brake assembly, wind flap and winch retrieving for the C-130 platform from GE Aviation Systems LLC for a total consideration of \$4.2 million.

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

	IAM Jet Centre \$m	Signature \$m	Meggit \$m	C-130 platform \$m	Doppler Radar \$m	Ontic \$m	Total 2019 \$m
Intangible assets	17.5	17.5	13.0	4.5	2.5	20.0	37.5
Property, plant and equipment	4.2	4.2	–	–	–	–	4.2
Right of use assets	9.8	9.8	–	–	–	–	9.8
Non-current receivables	–	–	–	–	–	–	–
Inventories	–	–	–	–	0.3	0.3	0.3
Receivables	0.8	0.8	–	–	–	–	0.8
Cash	0.4	0.4	–	–	–	–	0.4
Payables	(0.8)	(0.8)	–	–	–	–	(0.8)
Provisions	(0.6)	(0.6)	(1.0)	(0.3)	(0.7)	(2.0)	(2.6)
Lease liabilities	(10.6)	(10.6)	–	–	–	–	(10.6)
Tax liabilities	(0.1)	(0.1)	–	–	–	–	(0.1)
Deferred tax liabilities	(1.6)	(1.6)	–	–	(0.4)	(0.4)	(2.0)
Net assets	19.0	19.0	12.0	4.2	1.7	17.9	36.9
Goodwill	14.5	14.5	–	–	–	–	14.5
Total consideration	33.5	33.5	12.0	4.2	1.7	17.9	51.4
Satisfied by:							
Cash consideration	33.5	33.5	11.5	4.2	1.7	17.4	50.9
Deferred consideration	–	–	0.5	–	–	0.5	0.5
Contingent consideration	–	–	–	–	–	–	–
Net cash consideration	33.5	33.5	12.0	4.2	1.7	17.9	51.4
Net cash flow arising on acquisition:							
Cash consideration							50.9
Cash acquired on acquisition of businesses							(0.4)
Deferred and contingent consideration paid in relation to prior and current year acquisitions							14.8
Acquisition of businesses, net of cash acquired							65.3

In 2019, \$2.9 million of final working capital adjustment was paid in relation to the prior year acquisitions EPIC and \$0.4 million of final working capital adjustment was paid in relation to the prior year acquisition of Firstmark.

In 2019, \$11.5 million (2018: \$3.7 million) of deferred and contingent consideration was paid in relation to prior year and current year acquisitions in Ontic.

25. Acquisition of businesses – continued

Prior period acquisitions

As disclosed in the 2018 Annual Report, Signature completed the acquisition of EPIC Aviation LLC doing business as EPIC Fuels ("EPIC"). The purchase price accounting was finalised during 2019, the measurement period adjustments resulting in an increase in goodwill of \$0.5 million. Further consideration of \$2.9 million was paid in January 2019 representing the final working capital adjustment.

As disclosed in the 2018 Annual Report, Ontic completed the acquisition of Firstmark Corp ("Firstmark") on 26 November 2018. The purchase price accounting was finalised during 2019, the measurement period adjustments resulting in an increase in goodwill of \$1.2 million. Further consideration of \$0.4 million was paid in April 2019 representing the final working capital adjustment.

As a significant transaction, IAM Jet Centre is presented separately below:

IAM Jet Centre

On 1 October 2019 Signature purchased aviation services provider IAM Jet Centre and its affiliated companies, supporting our strategy to upgrade the quality and reach of our global network by significantly expanding our footprint and service offer in the Caribbean.

The acquisition includes IAM Jet Centre's locations at Barbados' Grantley Adams Int'l Airport (BGI), Maurice Bishop Int'l Airport (GND) in Grenada, Terrance B. Lettsome Int'l Airport (EIS) in Tortola, BVI, and Sangster Int'l Airport (MBJ) in Montego Bay, Jamaica. Included in the transaction was a further FBO under construction at Hewanorra Int'l Airport (UVF) in St. Lucia, which opened in the fourth quarter of 2019.

Signature will also assume management of IAM Jet Centre's VIP suite services, including the Trident Suite in Barbados and the St. George's Suite in Grenada. The addition of these lounges expands our Signature ELITE Class™ VIP passenger services programme to five airports in the Caribbean and United Kingdom.

IAM has an established reputation for excellence in aviation passenger and ground handling throughout the region, making it a good fit with the Signature brand offer and a valuable addition to our growing network of Caribbean FBOs.

	Net book value on the opening balance sheet \$m	Fair value adjustment \$m	IAM Jet Centre 2019 \$m
Intangible assets	–	17.5	17.5
Property, plant and equipment	3.1	1.1	4.2
Right of use assets	–	9.8	9.8
Non-current receivables	0.9	(0.9)	–
Receivables	0.9	(0.1)	0.8
Cash	0.4	–	0.4
Payables	(0.8)	–	(0.8)
Provisions	–	(0.6)	(0.6)
Lease liabilities	–	(10.6)	(10.6)
Tax liabilities	(0.1)	–	(0.1)
Deferred tax liabilities	–	(1.6)	(1.6)
Net assets	4.4	14.6	19.0
Goodwill			14.5
Total consideration			33.5

In the period since acquisition, the operations acquired during 2019 have contributed \$5.3 million and \$0.9 million to revenue and operating profit respectively. If the acquisition had occurred on the first day of the financial year, it is estimated that the total revenue and operating profit from this acquisition would have been \$22.0 million and \$1.7 million respectively.

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26. Disposals and assets and associated liabilities classified as held for sale**ERO divestiture**

It was announced in March 2018 that ERO was under strategic review. At the end of May 2018, management committed to a plan to sell substantially all of the ERO 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 ERO operations were also classified as a discontinued operation. ERO Middle East was not classified as a discontinued operation as it has been closed.

Following its classification as held for sale the asset group is held at the lower of fair value less costs to sell and net book value.

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 ERO discontinued operations

	Notes	2019			2018		
		Underlying ¹ \$m	Exceptional and other items \$m	Total \$m	Underlying ¹ \$m	Exceptional and other items \$m	Total \$m
Revenue	1	538.3	–	538.3	533.6	–	533.6
Cost of sales		(440.9)	–	(440.9)	(449.8)	–	(449.8)
Gross profit		97.4	–	97.4	83.8	–	83.8
Distribution costs		(33.1)	–	(33.1)	(29.3)	–	(29.3)
Administrative expenses		(22.9)	–	(22.9)	(30.3)	–	(30.3)
Other operating income		–	–	–	0.1	–	0.1
Restructuring costs		–	–	–	–	(1.1)	(1.1)
Operating profit/(loss) including Group charges		41.4	–	41.4	24.3	(1.1)	23.2
Elimination of internal Group charges		11.4	–	11.4	10.7	–	10.7
Operating profit/(loss)	1, 2	52.8	–	52.8	35.0	(1.1)	33.9
Transaction costs ²		–	(2.8)	(2.8)	–	(5.9)	(5.9)
Finance costs	3	(4.6)	–	(4.6)	(0.9)	–	(0.9)
Impairment and other charges on classification as held for sale		–	(124.7)	(124.7)	–	–	–
Profit/(loss) before tax		48.2	(127.5)	(79.3)	34.1	(7.0)	27.1
Tax (charge)/credit	4	(8.2)	23.3	15.1	(9.9)	2.0	(7.9)
Profit/(loss) for the year		40.0	(104.2)	(64.2)	24.2	(5.0)	19.2
Attributable to:							
Equity holders of Signature Aviation plc		40.0	(104.2)	(64.2)	24.2	(5.0)	19.2
Non-controlling interests		–	–	–	–	–	–
Profit/(loss) for the year		40.0	(104.2)	(64.2)	24.2	(5.0)	19.2
Earnings per share	Note	Adjusted ¹		Unadjusted	Adjusted ¹		Unadjusted
Basic	6	3.9¢		(6.3)¢	2.3¢		1.9¢
Diluted	6	3.9¢		(6.3)¢	2.3¢		1.8¢

¹ Underlying profit and adjusted earnings per share is stated before exceptional and other items.

² Transaction costs of \$2.8 million (2018: \$5.9 million) comprise costs to sell incurred to date.

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

Cash flows from ERO discontinued operations

	2019 \$m	2018 \$m
Net cash inflow/(outflow) from operating activities	51.8	(7.2)
Net cash outflow from investing activities	(10.8)	(16.1)
Net cash (outflow)/inflow from financing activities	(20.0)	23.6
Net cash inflow for the year ¹	21.0	0.3

¹ Net cash flows in the year comprise \$52.8 million (2018: \$33.9 million) operating profit, \$2.6 million (2018: \$5.9 million) transaction costs, \$2.6 million (2018: \$44.2 million) inflow working capital movement, \$0.6 million (2018: \$0.6 million) non-cash items and \$0.2 million (2018: \$0.2 million) tax received in relation to ERO discontinued operations.

Effect of the disposal group on financial position of the Group

	Notes	2019 \$m	2018 \$m
Assets held for sale			
Non-current assets			
Other intangible assets	8	1.9	17.7
Property, plant and equipment	9	6.5	80.8
Right of use assets		48.6	–
		57.0	98.5
Current assets			
Inventories	12	167.0	168.2
Trade receivables	13	120.5	133.1
Other receivables	13	4.4	5.8
Cash and cash equivalents	13	9.2	2.0
		301.1	309.1
Total assets held for sale		358.1	407.6
Liabilities held for sale			
Current liabilities			
Trade payables	14	(75.4)	(92.2)
Other payables	14	(38.9)	(49.8)
Borrowings	16	–	(3.0)
Lease liabilities		(9.3)	–
Provisions	18	(0.8)	(0.9)
		(124.4)	(145.9)
Non-current liabilities			
Other payables	14	(0.8)	–
Lease liabilities		(54.4)	–
Provisions	18	(0.9)	(0.9)
		(56.1)	(0.9)
Total liabilities held for sale		(180.5)	(146.8)
Net assets held for sale¹		177.6	260.8

¹ The net assets of the ERO business held for sale as at 31 December 2019 exclude deferred tax assets of \$18.7 million (2018: \$15.3 million deferred tax liabilities) and tax liabilities of \$3.8 million (2018: \$0.2 million) which remain within the Group tax position.

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26. Disposals and assets and associated liabilities classified as held for sale – continued**Ontic divestiture**

It was announced in July 2019 that, following significant inbound interest, management was assessing value maximising options for the Group's investment in the Ontic business, part of the then Ontic segment.

On 30 July 2019, the Group announced that it had entered into an agreement to sell the Ontic business to Bleriot US Bidco Inc, an entity controlled by CVC Fund VII for cash consideration of \$1,365 million on a cash-free and debt-free basis. The transaction completed on 31 October 2019.

Results of Ontic discontinued operations

	Notes	2019			2018		
		Underlying ¹ \$m	Exceptional and other items \$m	Total \$m	Underlying ¹ \$m	Exceptional and other items \$m	Total \$m
Revenue	1	218.6	–	218.6	216.0	–	216.0
Cost of sales		(111.5)	–	(111.5)	(109.0)	–	(109.0)
Gross profit		107.1	–	107.1	107.0	–	107.0
Distribution costs		(0.6)	–	(0.6)	(1.6)	–	(1.6)
Administrative expenses		(41.9)	(12.5)	(54.4)	(46.1)	(14.3)	(60.4)
Other operating expenses		–	–	–	–	(1.4)	(1.4)
Operating profit/(loss) including Group charges	1, 2	64.6	(12.5)	52.1	59.3	(15.7)	43.6
Elimination of internal Group charges		2.9	–	2.9	3.6	–	3.6
Operating profit/(loss)	1, 2	67.5	(12.5)	55.0	62.9	(15.7)	47.2
Finance costs	3	(0.9)	–	(0.9)	(0.6)	–	(0.6)
Gain on disposal ²	27	–	724.0	724.0	–	–	–
Profit/(loss) before tax		66.6	711.5	778.1	62.3	(15.7)	46.6
Tax (charge)/credit	4	(12.2)	(83.2)	(95.4)	(14.0)	3.0	(11.0)
Profit/(loss) for the year		54.4	628.3	682.7	48.3	(12.7)	35.6
Attributable to:							
Equity holders of Signature Aviation plc		54.4	628.3	682.7	48.3	(12.7)	35.6
Non-controlling interests		–	–	–	–	–	–
Profit for the year		54.4	628.3	682.7	48.3	(12.7)	35.6
Earnings per share	Note	Adjusted ¹		Unadjusted	Adjusted ¹		Unadjusted
Basic	6	5.4¢		67.5¢	4.7¢		3.5¢
Diluted	6	5.3¢		67.0¢	4.7¢		3.4¢

1 Underlying profit and adjusted earnings per share is stated before exceptional and other items.

2 The gain on disposal of \$724.0 million reported in exceptional and other items includes \$40.0 million of transaction costs, \$24.2 million recycling of translational differences accumulated in equity, and the gain/(loss) on disposal.

Cash flows from/(used in) Ontic discontinued operations

	2019 \$m	2018 \$m
Net cash inflow from operating activities	37.8	56.5
Net cash outflow from investing activities	(33.4)	(128.8)
Net cash (outflow)/inflow from financing activities	(2.3)	1.7
Net cash inflow/(outflow) for the year ¹	2.1	(70.6)

1 Net cash flows in the year comprise \$55.0 million (2018: \$47.2 million) operating profit, \$31.7 million (2018: \$4.8 million) outflow working capital movement, \$1.1 million (2018: \$5.1 million) non-cash items and \$0.1 million (2018: \$0.2 million) tax paid in relation to Ontic discontinued operations.

27. Disposal of subsidiary

The net assets of Ontic at the date of disposal, 31 October 2019, were as follows:

	31 October 2019 \$m
Goodwill	99.5
Intangible assets	314.5
Property, plant and equipment	17.7
Right of use asset	12.3
Inventories	112.1
Receivables	52.2
Cash	3.8
Payables	(40.8)
Provisions	(10.2)
Lease liabilities	(12.9)
Pension	(1.9)
Deferred tax liabilities	(13.7)
Net assets	532.6
Transaction costs	40.0
Recycling of translational differences accumulated in equity	24.2
Gain on disposal	724.0
Total consideration	1,320.8
Satisfied by:	
Cash consideration	1,320.8
Net cash flow arising on disposal:	
Consideration received in cash and cash equivalents	1,320.8
Transaction costs	(33.3)
Pension scheme payments	(39.0)
Directly attributable income taxes paid	(20.4)
Cash and cash equivalents disposed of	(3.8)
Proceeds from disposal of businesses, net of cash disposed of	1,224.3

There were no disposals of subsidiaries in 2018.

The gain on disposal is included in the profit for the year from Ontic discontinued operations.

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28. 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 Signature Leadership Team. The remuneration of directors and other members of key management during the year was as follows:

	2019 \$m	2018 \$m
Short-term benefits	10.5	8.0
Post-employment benefits	0.7	0.7
Share-based payments	2.8	1.1
	14.0	9.8

Post-employment benefits include contributions of \$0.7 million (2018: \$0.7 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 66–93.

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	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Associates	151.2	14.4	673.1	738.8	26.4	0.6	23.3	82.1

Purchases of goods principally relates to the purchase of aviation fuel including excise taxes. Purchases were made at market price discounted to reflect the quantity of goods purchased. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

At the balance sheet date, Group companies had loan receivables from associates and joint ventures of \$26.4 million (2018: \$0.6 million). The loans are unsecured and will be settled in cash, and were made on terms which reflect the relationships between the parties.

The Group operates various pension and other post-retirement benefit schemes for its employees. Details are set out in note 19.

29. 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 underlying or 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.

As set out in Note 1 Basis of preparation the Group adopted IFRS 16 on 1 January 2019. Under the transition option adopted by the Group comparatives are not restated. For comparability and where applicable, a reconciliation has been presented below to a pre IFRS 16 basis.

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.

29. Alternative Performance Measures – continued

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 Signature Leadership Team 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 acquisitions which are material to the associated business segment, costs related to strategic disposals (including those previously completed), significant restructuring programmes some of which span multiple years asset and impairment charges. 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.

	2019 \$m	Restated 2018 \$m
Revenue prior year (continuing operations)	2,131.3	1,648.5
Revenue prior year (ERO discontinued operations)	533.6	513.3
Revenue prior year (Ontic discontinued operations)	216.0	208.8
Revenue prior year (ASIG discontinued operations)	–	38.4
Reported revenue prior year (continuing and discontinued operations)	2,880.9	2,409.0
Rebase for foreign exchange movements ¹	(9.6)	6.0
Rebase for fuel price movements ²	(71.8)	138.2
Rebase for disposals and discontinued operations ³	(754.3)	(760.5)
Rebased comparative revenue	2,045.2	1,792.7
Reported revenue current year (continuing and discontinued operations)	3,017.4	2,880.9
Add: Impact of adopting IFRS 16 (continuing)	4.5	–
Less: Contribution from ERO discontinued operations (note 26)	(538.3)	(533.6)
Less: Contribution from Ontic discontinued operations (note 26)	(218.6)	(216.0)
Less: Contributions from acquisitions	(235.5)	(292.5)
Organic revenue ⁴	2,029.5	1,838.8
Organic revenue growth from continuing operations	(0.8%)	2.6%

¹ Impact from foreign exchange is calculated based on the prior year revenue translated at the current year exchange rates.

² Impact from fuel price fluctuations is calculated based on the prior year revenue recognised at the current year fuel prices.

³ Included within the rebase for disposals and discontinued operations is \$4.7 million relating to closures of FBOs (2018: \$nil).

⁴ Organic revenue includes the former ERO (Middle East) business, this business did not trade in 2019 (2018: \$3.7 million).

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29. Alternative Performance Measures – continued**Underlying operating profit and margin**

Underlying operating profit and margin are measures which seek to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. As such, they exclude the impact of exceptional and other items. We focus on the trends in underlying operating profit and margins.

A reconciliation from operating profit, the most directly comparable IFRS measure, to the underlying operating profit and margin is set out below.

	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m	2018 Total \$m	Restated 2018 Continuing \$m	Restated 2018 Discontinued \$m
Operating profit	312.7	204.9	107.8	261.5	180.4	81.1
Add: Exceptional and other items						
Amortisation of intangible assets arising on acquisition and valued in accordance with IFRS 3	86.3	73.8	12.5	88.8	74.5	14.3
Acquisition-related transaction costs	–	–	–	1.4	–	1.4
Amounts related to previously disposed businesses	36.5	36.5	–	–	–	–
Restructuring costs	5.6	5.6	–	10.0	8.9	1.1
Other exceptional items	–	–	–	13.5	13.5	–
Exceptional and other items	128.4	115.9	12.5	113.7	96.9	16.8
Underlying operating profit	441.1	320.8	120.3	375.2	277.3	97.9
Underlying operating margin	14.6%	14.2%	15.9%	13.0%	13.0%	13.0%
IFRS 16 impact on operating profit						
Operating profit	312.7	204.9	107.8			
Impact of IFRS 16	(57.3)	(44.4)	(12.9)			
Operating profit pre IFRS 16	255.4	160.5	94.9			
Operating profit pre IFRS 16 margin	8.5%	7.1%	12.5%			
IFRS 16 impact on underlying operating profit						
Underlying operating profit	441.1	320.8	120.3			
Impact of IFRS 16	(57.3)	(44.4)	(12.9)			
Underlying operating profit pre IFRS 16	383.8	276.4	107.4			
Underlying operating profit pre IFRS 16 margin	12.7%	12.2%	14.2%			

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.

29. Alternative Performance Measures – continued

A reconciliation from Group profit to EBITDA and underlying EBITDA, is set out below.

	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m	2018 Total \$m	Restated 2018 Continuing \$m	Restated 2018 Discontinued \$m
Profit for the year	659.5	41.0	618.5	137.9	83.1	54.8
Add: Finance costs	185.7	180.2	5.5	67.9	66.4	1.5
Less: Investment income	(11.2)	(11.2)	–	(0.7)	(0.7)	–
Add: Tax charge/(credit)	62.7	(17.6)	80.3	36.4	17.5	18.9
Add: Depreciation and amortisation	252.8	235.0	17.8	170.0	143.4	26.6
Add: Impairment and other charges	140.0	12.5	127.5	20.0	14.1	5.9
Less: Gain on disposal	(724.0)	–	(724.0)	–	–	–
EBITDA	565.5	439.9	125.6	431.5	323.8	107.7
Acquisition-related transaction costs	–	–	–	1.4	–	1.4
Restructuring costs	5.6	5.6	–	10.0	8.9	1.1
Other exceptional items	36.5	36.5	–	13.5	13.5	–
Underlying EBITDA	607.6	482.0	125.6	456.4	346.2	110.2

The following tables summarise the impact of adopting IFRS 16 on the Group's profit for the year, EBITDA and underlying EBITDA for the year ended 31 December 2019.

	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
IFRS 16 impact on profit for the year			
Profit for the year	659.5	41.0	618.5
Impact of IFRS 16	30.3	19.1	11.2
Profit for the year pre IFRS 16	689.8	60.1	629.7

IFRS 16 impact on EBITDA

EBITDA	565.5	439.9	125.6
Impact of IFRS 16	(147.0)	(133.3)	(13.7)
EBITDA pre IFRS 16	418.5	306.6	111.9

IFRS 16 impact on underlying EBITDA

Underlying EBITDA	607.6	482.0	125.6
Impact of IFRS 16	(147.0)	(133.3)	(13.7)
Underlying EBITDA pre IFRS 16	460.6	348.7	111.9

Underlying profit before tax

Underlying profit before tax is a measure which seeks to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. As such, underlying profit before tax excludes the impact of exceptional and other items. We focus on the trends in underlying profit before tax.

A reconciliation from profit before tax, the most directly comparable IFRS measure, to the underlying profit before tax is set out below.

	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m	2018 Total \$m	Restated 2018 Continuing \$m	Restated 2018 Discontinued \$m
Profit before tax	722.2	23.4	698.8	174.3	100.6	73.7
Exceptional and other items excluding tax effect	(430.2)	153.8	(584.0)	133.7	111.0	22.7
Underlying profit before tax	292.0	177.2	114.8	308.0	211.6	96.4

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29. Alternative Performance Measures – continued

The following tables summarise the impact of adopting IFRS 16 on the Group's profit before tax and underlying profit before tax.

	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
IFRS 16 impact on profit before tax			
Profit before tax	722.2	23.4	698.8
Impact of IFRS 16 ¹	17.3	25.8	(8.5)
Profit before tax pre IFRS 16 ¹	739.5	49.2	690.3

¹ In addition to the application of IFRS 16 which has an impact of \$(8.5) million we have recognised \$22.7 million for the impairment of the right of use asset as part of our ERO discontinued operations.

	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
IFRS 16 impact on underlying profit before tax			
Underlying profit before tax	292.0	177.2	114.8
Impact of IFRS 16	17.3	25.8	(8.5)
Underlying profit before tax pre IFRS 16	309.3	203.0	106.3

Underlying deferred tax

Cash adjusted basic and diluted earnings per ordinary share set out in note 6 to the Consolidated Financial Statements are calculated by removing exceptional and other items and underlying deferred tax to better reflect the underlying basic and diluted earnings per share.

A reconciliation from deferred tax, the most directly comparable IFRS measure, to the underlying deferred tax is set out below:

	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m	2018 Total \$m	Restated 2018 Continuing \$m	Restated 2018 Discontinued \$m
Total deferred tax (credit)/charge	(68.1)	(30.2)	(37.9)	(0.5)	(8.6)	8.1
Adjust for exceptional deferred tax credit/(charge)	64.4	22.2	42.2	26.6	29.6	(3.0)
Impact of IFRS 16	9.4	6.4	3.0	–	–	–
Underlying deferred tax charge/(credit) pre IFRS 16	5.7	(1.6)	7.3	26.1	21.0	5.1

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.

	2019 Total €	2019 Continuing €	2019 Discontinued €	2018 Total €	Restated 2018 Continuing €	Restated 2018 Discontinued €
Unadjusted basic earnings per share pre IFRS 16	68.2	5.9	62.3	13.4	8.0	5.4
Adjustments for adjusted measure	(40.8)	12.1	(52.9)	12.5	10.3	2.2
Cash basic earnings per share pre IFRS 16	27.4	18.0	9.4	25.9	18.3	7.6
Unadjusted diluted earnings per share pre IFRS 16	67.6	5.9	61.7	13.2	8.0	5.2
Adjustments for adjusted measure	(40.4)	12.0	(52.4)	12.4	10.2	2.2
Cash diluted earnings per share pre IFRS 16	27.2	17.9	9.3	25.6	18.2	7.4

29. Alternative Performance Measures – continued

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 the last twelve months underlying operating profit for ROIC by invested capital for ROIC, both of which are at the same exchange rate which is the average of the last 13 months' spot rate. The invested capital for ROIC is calculated by adding net assets for ROIC and net debt for ROIC, both of which are calculated by averaging their respective balance 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.

	2019 Total \$m	2019 Continuing \$m	2019 Discontinued ¹ \$m	2018 Total \$m	Restated 2018 Continuing \$m	Restated 2018 Discontinued ¹ \$m
Underlying operating profit	441.1	320.8	120.3	375.2	277.3	97.9
Adjustments for FX	0.3	0.1	0.2	–	–	–
Underlying OP for ROIC	441.4	320.9	120.5	375.2	277.3	97.9
Impact of IFRS 16	(57.3)	(44.4)	(12.9)			
Adjustments for FX	0.1	0.1	–			
Underlying operating profit for ROIC pre IFRS 16	384.2	276.6	107.6			
Net assets ²	1,606.1	1,428.5	177.6	1,944.2	1,193.0	751.2
Adjustments for FX and averaging ²	405.0	(55.9)	460.9	(0.1)	103.9	(104.0)
Net assets for ROIC	2,011.1	1,372.6	638.5	1,944.1	1,296.9	647.2
Add back impact of IFRS 16	25.4	11.2	14.2			
Adjustments for FX and averaging	(20.7)	(4.3)	(16.4)			
Net assets for ROIC pre IFRS 16	2,015.8	1,379.5	636.3			
Borrowings	(1,141.0)	(1,141.0)	–	(1,441.1)	(1,438.1)	(3.0)
Lease liabilities	(1,245.5)	(1,181.8)	(63.7)	(4.3)	(4.3)	–
Cash and cash equivalents	122.4	113.2	9.2	111.3	102.2	9.1
Adjustments for FX and averaging	(178.9)	(169.6)	(9.3)	(3.0)	(1.8)	(1.2)
Less net debt for ROIC	(2,443.0)	(2,379.2)	(63.8)	(1,337.1)	(1,342.0)	4.9
Add back lease liabilities recognised under IFRS 16	1,242.3	1,178.6	63.7			
Adjustments for FX and averaging	(48.9)	(59.3)	10.4			
Less net debt for ROIC pre IFRS 16	(1,249.6)	(1,259.9)	10.3			
Invested capital for ROIC	4,454.1	3,751.8	702.3			
ROIC (%)	9.9%	8.6%	17.2%			
Invested capital for ROIC pre IFRS 16	3,265.4	2,639.4	626.0	3,281.2	2,638.9	642.3
ROIC pre IFRS 16 (%)	11.8%	10.5%	17.2%	11.4%	10.5%	15.2%

¹ ROIC from discontinued operations has been calculated excluding \$14.3 million (2018: \$14.3 million) of support costs borne by the continuing Group. For the purposes of the ROIC calculation only, the 2018 Balance Sheet has been presented to show ERO and Ontic Discontinued Operations separately.

² Averaging adjustments are calculated on average net assets which included Ontic up to 31 October 2019. Closing net assets of \$177.6 million for discontinued do not include Ontic.

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29. 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.

A reconciliation from Group net cash flow from operating activities, the most directly comparable IFRS measure, to adjusted operating cash flow, is set out below.

	2019 Total \$m	2018 Total \$m
Net cash flow from operating activities (note 23)	467.0	368.3
Less reported purchase of property, plant and equipment (note 23)	(68.4)	(85.3)
Less reported purchase of intangible assets (note 23)	(12.2)	(7.8)
Add income tax paid	41.7	27.1
Add Ontic licences not accounted for under IFRS 3 (note 23)	1.1	1.2
Add reported proceeds from disposal of property, plant and equipment (note 23)	5.1	4.7
Operating cash flow	434.3	308.2
Impact on Net cash flow from operating activities pre IFRS 16		
Net cash flow from operating activities	467.0	
IFRS 16 impact	(141.6)	
Net cash flow from operating activities pre IFRS 16	325.4	
Impact on operating cash flow pre IFRS 16		
Operating cash flow	434.3	
IFRS 16 impact	(141.6)	
Operating cash flow pre IFRS 16	292.7	

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.

	2019 Total %	2018 Total %
Cash conversion	139%	
Cash conversion (pre IFRS 16)	115%	118%

29. Alternative Performance Measures – continued

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, the fair value adjustment on the US private placement senior notes and the fair value adjustment on the US senior notes.

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.

	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m	2018 Total \$m	2018 Continuing \$m	2018 Discontinued \$m
Reported borrowings (note 16)	1,141.0	1,141.0	–	1,441.1	1,438.1	3.0
Amortisation costs (note 16)	22.7	22.7	–	17.6	17.6	–
Fair value adjustment on US private placement senior notes	–	–	–	2.1	2.1	–
Fair value adjustment on US senior notes	(13.4)	(13.4)	–	(4.0)	(4.0)	–
Total principal of borrowings	1,150.3	1,150.3	–	1,456.8	1,453.8	3.0
Reported cash and cash equivalents (note 13)	(122.4)	(113.2)	(9.2)	(111.3)	(109.3)	(2.0)
Total net principal of borrowings	1,027.9	1,037.1	(9.2)	1,345.5	1,344.5	1.0
Amortisation costs	(22.7)	(22.7)	–	(17.6)	(17.6)	–
Lease liabilities for covenants ¹	–	–	–	4.3	4.3	–
Net debt for covenants purposes	1,005.2	1,014.4	(9.2)	1,332.2	1,331.2	1.0
Lease liabilities	1,245.5	1,181.8	63.7	–	–	–
Net debt per Cash flow ¹	2,250.7	2,196.2	54.5	1,332.2	1,331.2	1.0

¹ In 2018 net debt for covenant purposes includes lease liabilities previously accounted for as finance leases under IAS 17. In 2019 the net debt definition changed to exclude all lease liabilities including the original IAS 17 leases of \$3.1 million. The incremental impact of adopting IFRS 16 in the year on the Group's total Net debt is an increase of \$1,242.4 million.

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106	Consolidated Statement of Comprehensive Income	The following table summarises the impact of adopting IFRS 16 on the Group's condensed Consolidated Balance Sheet as at 1 January 2019.		
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108	Consolidated Cash Flow Statement	As at 31 December 2018 \$m	IFRS 16 impact \$m	As at 1 January 2019 \$m
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	Non-current assets			
	Goodwill	1,191.1	–	1,191.1
	Other intangible assets	1,329.4	–	1,329.4
	Property, plant and equipment	779.9	–	779.9
	Right of use assets	–	1,088.2	1,088.2
	Interests in associates and joint ventures	53.5	–	53.5
	Trade and other receivables	18.8	24.4	43.2
		3,372.7	1,112.6	4,485.3
	Current assets			
	Inventories	120.3	–	120.3
	Trade and other receivables	260.2	2.6	262.8
	Cash and cash equivalents	109.3	–	109.3
	Tax recoverable	1.1	–	1.1
	Assets held for sale	407.6	61.8	469.4
		898.5	64.4	962.9
	Total assets	4,271.2	1,177.0	5,448.2
	Current liabilities			
	Trade and other payables	(439.2)	24.9	(414.3)
	Tax liabilities	(39.8)	–	(39.8)
	Lease liabilities	(1.1)	(52.9)	(54.0)
	Borrowings	(1.5)	–	(1.5)
	Provisions	(23.0)	0.5	(22.5)
	Liabilities held for sale	(146.8)	(61.8)	(208.6)
		(651.4)	(89.3)	(740.7)
	Net current assets	247.1	(24.9)	222.2
	Non-current liabilities			
	Borrowings	(1,436.6)	–	(1,436.6)
	Trade and other payables due after one year	(7.6)	–	(7.6)
	Pensions and other post-retirement benefits	(28.2)	–	(28.2)
	Deferred tax liabilities	(162.8)	(1.8)	(164.6)
	Lease liabilities	(3.2)	(1,083.8)	(1,087.0)
	Provisions	(37.2)	3.2	(34.0)
		(1,675.6)	(1,082.4)	(2,758.0)
	Total liabilities	(2,327.0)	(1,171.7)	(3,498.7)
	Net assets	1,944.2	5.3	1,949.5
	Equity			
	Share capital	509.3	–	509.3
	Share premium account	1,594.5	–	1,594.5
	Other reserve	(7.2)	–	(7.2)
	Treasury reserve	(95.3)	–	(95.3)
	Capital reserve	56.2	–	56.2
	Hedging and translation reserves	(105.7)	–	(105.7)
	Retained earnings	(9.9)	5.3	(4.6)
	Equity attributable to equity holders of Signature Aviation plc	1,941.9	5.3	1,947.2
	Non-controlling interest	2.3	–	2.3
	Total equity	1,944.2	5.3	1,949.5

30. Impact of IFRS 16 – continued

The following tables summarise the impact of adopting IFRS 16 on the Group's Consolidated Income Statement and Consolidated Statement of Cash Flows for the year ended 31 December 2019 and the Consolidated Balance Sheet as at 31 December 2019.

Impact on the Consolidated Income Statement

	Year ended 31 December 2019 as reported \$m	IFRS 16 impact \$m	Year ended 31 December 2019 pre IFRS 16 \$m	Year ended 31 December 2018 restated \$m
Continuing operations				
Revenue	2,260.5	4.5	2,265.0	2,131.3
Cost of sales	(1,807.6)	(46.0)	(1,853.6)	(1,716.3)
Gross profit/(loss)	452.9	(41.5)	411.4	415.0
Distribution costs	(11.9)	–	(11.9)	(12.1)
Administrative expenses	(201.6)	(0.9)	(202.5)	(202.6)
Other operating income	6.2	(2.0)	4.2	1.3
Share of profit of associates and joint ventures	4.1	–	4.1	4.0
Other operating expenses	(39.2)	–	(39.2)	(16.3)
Restructuring costs	(5.6)	–	(5.6)	(8.9)
Operating profit/(loss)	204.9	(44.4)	160.5	180.4
Impairment of assets	(12.5)	–	(12.5)	(14.1)
Investment income	11.2	(1.8)	9.4	0.7
Finance costs	(180.2)	72.0	(108.2)	(66.4)
Profit before tax	23.4	25.8	49.2	100.6
Tax credit/(charge)	17.6	(6.7)	10.9	(17.5)
Profit from continuing operations	41.0	19.1	60.1	83.1
(Loss)/profit from ERO discontinued operations, net of tax ¹	(64.2)	11.2	(53.0)	19.2
Profit/(loss) from Ontic discontinued operations, net of tax ¹	682.7	–	682.7	35.6
Profit for the year	659.5	30.3	689.8	137.9
Attributable to:				
Equity holders of Signature Aviation plc	659.1	30.3	689.4	137.6
Non-controlling interests	0.4	–	0.4	0.3
Profit for the year	659.5	30.3	689.8	137.9

¹ (Loss)/profit from ERO and Ontic discontinued operations includes \$5.7 million of finance costs of which \$4.4 million represents finance costs relating to the adoption of IFRS 16.

Notes to the Consolidated Financial Statements – continued**Financial statements**

		30. Impact of IFRS 16 – continued			
		Impact on the Consolidated Balance Sheet			
		31 December 2019 as reported \$m	IFRS 16 impact \$m	31 December 2019 pre IFRS 16 \$m	31 December 2018 as reported \$m
105 Consolidated Income Statement					
106 Consolidated Statement of Comprehensive Income					
107 Consolidated Balance Sheet	Non-current assets				
	Goodwill	1,111.1	(0.8)	1,110.3	1,191.1
108 Consolidated Cash Flow Statement	Other intangible assets	966.1	–	966.1	1,329.4
	Property, plant and equipment	749.4	–	749.4	779.9
109 Consolidated Statement of Changes in Equity	Right of use assets	1,099.5	(1,099.5)	–	–
	Interests in associates and joint ventures	41.9	–	41.9	53.5
110 Accounting Policies of the Group	Trade and other receivables	45.8	(23.4)	22.4	18.8
	Deferred tax asset	9.1	–	9.1	–
120 Notes to the Consolidated Financial Statements		4,022.9	(1,123.7)	2,899.2	3,372.7
186 Company Balance Sheet	Current assets				
	Inventories	44.0	–	44.0	120.3
187 Company Statement of Changes in Equity	Trade and other receivables	205.4	(3.0)	202.4	260.2
	Cash and cash equivalents	113.2	–	113.2	109.3
188 Accounting Policies of the Company	Tax recoverable	1.2	–	1.2	1.1
	Assets held for sale	358.1	(48.6)	309.5	407.6
191 Notes to the Company Financial Statements		721.9	(51.6)	670.3	898.5
199 Subsidiaries and Related Undertakings	Total assets	4,744.8	(1,181.3)	3,569.5	4,271.2
206 Five Year Summary	Current liabilities				
	Trade and other payables	(354.6)	(30.1)	(384.7)	(439.2)
207 Shareholder Information	Tax liabilities	(108.7)	(0.2)	(108.9)	(39.8)
	Borrowings	–	–	–	(1.5)
	Lease liabilities	(53.0)	52.0	(1.0)	(1.1)
	Provisions	(17.5)	–	(17.5)	(23.0)
	Liabilities held for sale	(180.5)	62.8	(117.7)	(146.8)
		(714.3)	84.5	(629.8)	(651.4)
	Net current assets	7.6	32.9	40.5	247.1
	Non-current liabilities				
	Borrowings	(1,141.0)	–	(1,141.0)	(1,436.6)
	Lease liabilities	(1,128.8)	1,126.7	(2.1)	(3.2)
	Trade and other payables due after one year	(3.9)	–	(3.9)	(7.6)
	Pensions and other post-retirement benefits	(38.0)	–	(38.0)	(28.2)
	Deferred tax liabilities	(82.4)	(7.5)	(89.9)	(162.8)
	Provisions	(30.3)	(3.0)	(33.3)	(37.2)
		(2,424.4)	1,116.2	(1,308.2)	(1,675.6)
	Total liabilities	(3,138.7)	1,200.7	(1,938.0)	(2,327.0)
	Net assets	1,606.1	25.4	1,631.5	1,944.2
	Equity				
	Share capital	510.1	–	510.1	509.3
	Share premium account	1,594.5	–	1,594.5	1,594.5
	Other reserve	(10.5)	–	(10.5)	(7.2)
	Treasury reserve	(95.7)	–	(95.7)	(95.3)
	Capital reserve	56.6	–	56.6	56.2
	Hedging and translation reserves	(82.2)	–	(82.2)	(105.7)
	Retained earnings	(369.1)	25.4	(343.7)	(9.9)
	Equity attributable to equity holders of Signature Aviation plc	1,603.7	25.4	1,629.1	1,941.9
	Non-controlling interest	2.4	–	2.4	2.3
	Total equity	1,606.1	25.4	1,631.5	1,944.2

30. Impact of IFRS 16 – continued

Impact on the consolidated cash flow statement

	31 December 2019 as reported \$m	IFRS 16 impact \$m	31 December 2019 pre IFRS 16 \$m	31 December 2018 as reported \$m
Operating activities	467.0	(141.6)	325.4	368.3
Net cash flow from operating activities				
Investing activities				
Interest received	4.4	–	4.4	12.7
Interest received on sublease assets	1.8	(1.8)	–	–
Receipt of capital element of sublease assets	2.7	(2.7)	–	–
Dividends received from associates	3.2	–	3.2	2.0
Purchase of property, plant and equipment	(68.4)	–	(68.4)	(85.3)
Purchase of intangible assets	(12.2)	–	(12.2)	(7.8)
Proceeds from disposal of property, plant and equipment	5.1	–	5.1	4.7
Acquisition of businesses, net of cash/(debt) acquired	(65.3)	–	(65.3)	(210.6)
Investment in assets classified as financial instruments measured through other comprehensive income (FVTOCI)	–	–	–	(5.0)
Investment in joint venture and associates	–	–	–	(10.0)
Proceeds from disposal of subsidiaries and associates, net of cash disposed	1,224.3	–	1,224.3	–
Net cash inflow/(outflow) from investing activities	1,095.6	(4.5)	1,091.1	(299.3)
Financing activities				
Interest paid	(71.5)	–	(71.5)	(70.9)
Interest paid on lease liabilities	(76.4)	76.3	(0.1)	(0.1)
USPP make-whole, net	(25.5)	–	(25.5)	–
Dividends paid	(980.9)	–	(980.9)	(140.7)
Gains/(losses) from realised foreign exchange contracts	(8.5)	–	(8.5)	4.5
Proceeds from issue of ordinary shares net of issue costs	0.8	–	0.8	0.3
(Purchase)/sale of own shares	(4.9)	–	(4.9)	(5.5)
(Decrease)/increase in loans	(313.3)	–	(313.3)	117.1
Payments of lease liabilities	(71.0)	69.8	(1.2)	(0.4)
(Decrease)/increase in overdrafts	(1.5)	–	(1.5)	(2.3)
Net cash outflow from financing activities	(1,552.7)	146.1	(1,406.6)	(98.0)
Increase/(decrease) in cash and cash equivalents	9.9	–	9.9	(29.0)
Cash and cash equivalents at beginning of the year	111.3	–	111.3	153.5
Exchange adjustments	1.2	–	1.2	(13.2)
Cash and cash equivalents at end of the year	122.4	–	122.4	111.3

Company Balance Sheet**Financial statements**

	Notes	2019 £m	2018 £m
105 Consolidated Income Statement			
106 Consolidated Statement of Comprehensive Income			
107 Consolidated Balance Sheet			
108 Consolidated Cash Flow Statement			
109 Consolidated Statement of Changes in Equity			
110 Accounting Policies of the Group			
120 Notes to the Consolidated Financial Statements			
186 Company Balance Sheet			
187 Company Statement of Changes in Equity			
188 Accounting Policies of the Company			
191 Notes to the Company Financial Statements			
199 Subsidiaries and Related Undertakings			
206 Five Year Summary			
207 Shareholder Information			
Non-current assets			
Tangible fixed assets	3	0.3	0.5
Right of use assets	3	2.4	–
Fixed asset investments	4	3,592.8	3,704.8
Derivative financial instruments	5	0.1	4.4
Other non-current assets	6	–	27.0
Deferred tax asset	11	8.8	1.7
		3,604.4	3,738.4
Current assets			
Derivative financial instruments	5	0.3	2.6
Other debtors	6	2,205.0	2,310.3
Corporation tax receivable		5.0	4.3
Cash at bank and in hand	8	41.4	14.6
		2,251.7	2,331.8
Current liabilities			
Creditors: amounts falling due within one year			
Lease liabilities	9	(0.6)	–
Derivative financial instruments	5	(3.4)	(3.2)
Other payables	7	(2,162.2)	(2,834.1)
Provisions	10	(0.3)	(0.2)
		(2,166.5)	(2,837.5)
Net current liabilities		85.2	(505.7)
Total assets less current liabilities		3,689.6	3,232.7
Creditors: amounts falling due after more than one year			
Borrowings	7, 8	0.6	(644.7)
Lease liabilities	9	(4.1)	–
Derivative financial instruments	5	(0.1)	(3.6)
Retirement benefit obligations	14	(14.5)	(5.6)
Provisions	10	(0.3)	(2.6)
		(18.4)	(656.5)
Total net assets		3,671.2	2,576.2
Capital and reserves			
Called up share capital	12	311.9	311.4
Share premium account	12	978.7	978.7
Other reserves	12	205.8	209.1
Profit and loss account	12	2,174.8	1,077.0
Equity shareholders' funds		3,671.2	2,576.2

The financial statements of Signature Aviation plc (registered number 00053688) were approved by the Board of Directors on 2 March 2020 and signed on its behalf by:



Mark Johnstone,
Group Chief Executive Officer



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 £1,918.1 million profit (2018: £758.3 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 2018		311.1	978.7	391.3	207.1	1,888.2
Profit for the year		–	–	758.3	–	758.3
Other comprehensive income/(loss) for the year		–	–	32.0	(0.5)	31.5
Total comprehensive income/(loss) for the year		–	–	790.3	(0.5)	789.8
Dividends	1	–	–	(104.1)	–	(104.1)
Issue of share capital		0.3	–	–	–	0.3
Movement on treasury reserve	12	–	–	–	(4.1)	(4.1)
Credit to equity for equity-settled share-based payments	12	–	–	–	6.1	6.1
Transfer (from)/to profit and loss account		–	–	(0.5)	0.5	–
Balance at 31 December 2018		311.4	978.7	1,077.0	209.1	2,576.2
Profit for the year		–	–	1,918.1	–	1,918.1
Other comprehensive loss for the year		–	–	(62.2)	(3.6)	(65.8)
Total comprehensive income/(loss) for the year		–	–	1,855.9	(3.6)	1,852.3
Dividends	1	–	–	(760.9)	–	(760.9)
Issue of share capital		0.5	–	–	–	0.5
Movement on treasury reserve	12	–	–	–	(3.7)	(3.7)
Credit to equity for equity-settled share-based payments	12	–	–	–	6.8	6.8
Transfer to/(from) profit and loss account		–	–	2.8	(2.8)	–
Balance at 31 December 2019		311.9	978.7	2,174.8	205.8	3,671.2

Accounting Policies of the Company

Financial statements

105 Consolidated Income Statement	<p>Basis of accounting</p> <p>Signature Aviation plc (formerly known as BBA Aviation plc) is a company incorporated and domiciled in the UK.</p>
106 Consolidated Statement of Comprehensive Income	<p>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).</p>
107 Consolidated Balance Sheet	
108 Consolidated Cash Flow Statement	<p>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 51.</p>
109 Consolidated Statement of Changes in Equity	<p>In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:</p>
110 Accounting Policies of the Group	<ul style="list-style-type: none"> • A Cash Flow Statement and related notes;
120 Notes to the Consolidated Financial Statements	<ul style="list-style-type: none"> • Disclosures in respect of transactions with wholly owned subsidiaries;
186 Company Balance Sheet	<ul style="list-style-type: none"> • Disclosures in respect of capital management;
187 Company Statement of Changes in Equity	<ul style="list-style-type: none"> • The effects of new but not yet effective IFRSs;
188 Accounting Policies of the Company	<ul style="list-style-type: none"> • Disclosures in respect of the compensation of Key Management Personnel; and,
191 Notes to the Company Financial Statements	<ul style="list-style-type: none"> • Presentation of comparative information in respect of certain items. <p>As the Consolidated Financial Statements of Signature Aviation plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:</p>
199 Subsidiaries and Related Undertakings	<ul style="list-style-type: none"> • IFRS 2: Share-Based Payments in respect of Group-settled share-based payments;
206 Five Year Summary	<ul style="list-style-type: none"> • Certain disclosures required by IAS 36: Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets;
207 Shareholder Information	<ul style="list-style-type: none"> • 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; • Certain disclosures required by IFRS 13: Fair Value Measurement and the disclosures required by IFRS 7: Financial Instrument Disclosures; and, • Certain disclosures required by IFRS 16: Leases provided that the disclosure of indebtedness is presented separately for lease liabilities and other liabilities. <p>The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.</p>

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

New financial reporting requirements

IFRS 16 leases

The Company adopted IFRS 16 leases from 1 January 2019. IFRS 16 replaced IAS 17 'leases' and IFRIC 4 'determining whether an arrangement contains a lease'.

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.

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.

Accounting Policies of the Company – continued**Financial statements**

105 Consolidated Income Statement	Share-based payments	
106 Consolidated Statement of Comprehensive Income	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.	
107 Consolidated Balance Sheet		
108 Consolidated Cash Flow Statement	Tangible fixed assets	
109 Consolidated Statement of Changes in Equity	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:	
110 Accounting Policies of the Group	Land	Not depreciated
120 Notes to the Consolidated Financial Statements	Buildings	40 years maximum
186 Company Balance Sheet	Plant and machinery (including essential commissioning costs)	3–5 years
187 Company Statement of Changes in Equity	Computer and office equipment are categorised within plant and machinery in note 3 to these accounts.	
188 Accounting Policies of the Company	Right of use assets	
191 Notes to the Company Financial Statements	The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs.	
199 Subsidiaries and Related Undertakings	The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms of the lease, a provision is recognised and measured under IAS 37 and included in the related right of use asset.	
206 Five Year Summary	Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase or transfer options of the underlying asset.	
207 Shareholder Information		
	Leases liabilities	
	When a contractual arrangement contains a lease, the Group recognises a lease liability and a corresponding right of use asset at the commencement of the lease.	
	At the commencement date the lease liability is measured at the lease liabilities present value of the future lease payments, discounted using the Group's incremental borrowing rate where the interest rate in the lease is not readily determined.	
	Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.	
	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 2019 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 within the next financial year, with the exception of the cash flow forecasts used in assessing investments in subsidiary undertakings for impairment.

Impairment of investments in subsidiary undertakings

The carrying value of the investment in subsidiary undertakings is reviewed for impairment on an annual basis. The recoverable amount is determined based on the value in use which requires the determination of appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flows over the strategic plan period, the long-term growth rate to be applied beyond this and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value.

Estimation uncertainty arises due to changing economic and market factors. The Company's financial risk is managed as part of the Group's strategy and policies discussed in note 17 of the Group financial statements.

Notes to the Company Financial Statements – continued**Financial statements**

105	Consolidated Income Statement
106	Consolidated Statement of Comprehensive Income
107	Consolidated Balance Sheet
108	Consolidated Cash Flow Statement
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207	Shareholder Information

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 66–93.

Employees

	2019	2018
Average monthly number	40	45
	2019 £m	2018 £m
Salaries	3.7	5.1
Social security	0.5	1.0
Contributions to defined contribution plans	0.1	0.2
Expenses related to defined benefit plan	1.6	1.5
Expenses related to defined benefit plan – GMP equalisation (note 14)	–	8.4
	5.9	16.2

3. Tangible fixed assets

	Leasehold improvements 2019 £m	Plant and machinery 2019 £m	Right of use assets Land and Buildings 2019 £m	Total 2019 £m	Leasehold improvements 2018 £m	Plant and machinery 2018 £m	Total 2018 £m
Cost or valuation							
Beginning of year	0.8	1.2	–	2.0	0.8	1.2	2.0
Additions	–	–	3.0	3.0	–	–	–
End of year	0.8	1.2	3.0	5.0	0.8	1.2	2.0
Accumulated depreciation							
Beginning of year	0.7	0.8	–	1.5	0.6	0.7	1.3
Depreciation charge for the year	0.1	0.1	0.6	0.8	0.1	0.1	0.2
End of year	0.8	0.9	0.6	2.3	0.7	0.8	1.5
Net book value end of year							
Owned assets	–	0.3	2.4	2.7	–	0.4	0.4
Leased assets	–	–	–	–	–	–	–
Leasehold improvements	–	–	–	–	0.1	–	0.1
	–	0.3	2.4	2.7	0.1	0.4	0.5
					2019 £m	2018 £m	
Land and buildings							
Short leasehold					–	0.1	

4. Fixed asset investments

	2019 £m	2018 £m
Subsidiary undertakings		
Cost of shares		
Beginning and end of year	3,733.2	3,733.2
Provisions for impairments		
At beginning of year	(28.4)	(28.4)
Impairments during the year	(112.0)	–
End of year	(140.4)	(28.4)
Net book value end of year	3,592.8	3,704.8

The subsidiaries and related undertakings of Signature Aviation plc are listed on pages 195–201.

The Company reviewed the carrying value of its investment in subsidiary undertakings to determine whether there is any indication that those assets have suffered impairment losses. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss.

The recoverable amount of the investments is determined from value in use calculations (see note 8 of the Group financial statements).

Current year impairment

An impairment charge of £112.0 million has been recognised in the year related to one of the Group's investments, following the revision of the assumptions in light of the changes within the Group, specifically the refinancing and cash repatriation following the disposal of Ontic.

Sensitivity analysis

For the remaining investments, management has concluded that 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, with the exception of the investment in Balderton Aviation Holdings Limited.

The outcome of the value in use calculation for Balderton Aviation Holdings Limited supports the carrying value of the investment with a headroom of £184.9 million.

The following key assumptions would have to change as follows in order to eliminate the headroom within the impairment test:

- The cash flow forecasts in each of the years covered by the five year forecast would have to be 4.2% below forecast;
- The pre-tax discount rate would have to increase by 0.3% to 8.3%.

5. Derivative financial instruments

	2019 Current £m	2019 Non-current £m	2019 Total £m	2018 Current £m	2018 Non-current £m	2018 Total £m
Derivative financial assets						
Foreign exchange forward contracts	0.3	0.1	0.4	2.6	1.0	3.6
Interest rate swaps	–	–	–	–	3.4	3.4
	0.3	0.1	0.4	2.6	4.4	7.0
Derivative financial liabilities						
Foreign exchange forward contracts	(3.4)	(0.1)	(3.5)	(3.2)	(0.8)	(4.0)
Interest rate swaps	–	–	–	–	(2.8)	(2.8)
	(3.4)	(0.1)	(3.5)	(3.2)	(3.6)	(6.8)

Details of the foreign exchange forward contracts and interest rate swaps are provided in note 17 to the Consolidated Financial Statements.

Notes to the Company Financial Statements – continued**Financial statements**

105 Consolidated Income Statement	6. Debtors	2019 £m	2018 £m
106 Consolidated Statement of Comprehensive Income	Prepayments relating to the Company's pension scheme (note 14)	–	27.0
107 Consolidated Balance Sheet	Debtors due after one year	–	27.0
108 Consolidated Cash Flow Statement	Amounts owed by subsidiary undertakings	2,198.5	2,305.7
109 Consolidated Statement of Changes in Equity	Other debtors, prepayments and accrued income	6.5	4.6
110 Accounting Policies of the Group	Debtors due within one year	2,205.0	2,310.3
120 Notes to the Consolidated Financial Statements	7. Creditors: amounts falling due within one year	2019 £m	2018 £m
186 Company Balance Sheet	Borrowings (note 8)		
187 Company Statement of Changes in Equity	Bank loans and overdrafts	–	–
188 Accounting Policies of the Company	Other		
191 Notes to the Company Financial Statements	Amounts owed to subsidiary undertakings	2,154.3	2,826.7
199 Subsidiaries and Related Undertakings	Other taxation and social security	0.2	0.2
206 Five Year Summary	Other creditors	1.5	1.3
207 Shareholder Information	Accruals and deferred income	6.2	5.9
		2,162.2	2,834.1
	8. Cash and borrowings	2019 £m	2018 £m
	Borrowings summary		
	Medium-term loans		
	Repayable between one and two years	–	350.2
	Repayable between two and five years ¹	(0.8)	178.5
	Repayable in more than five years	0.2	116.0
	Borrowings: due after more than one year	(0.6)	644.7
	Short-term		
	Overdrafts and borrowings repayable within one year (note 7)	–	–
	Total borrowings	(0.6)	644.7
	Cash at bank and in hand	(41.4)	(14.6)
	Net (cash)/borrowings	(42.0)	630.1
	Borrowings analysis	2019 £m	2018 £m
	Unsecured		
	Bank loans and overdrafts		
	Sterling	0.2	0.2
	US dollar ¹	(0.8)	644.5
	Other currencies	–	–
	Total borrowings	(0.6)	644.7
	Cash at bank and in hand	(41.4)	(14.6)
	Net (cash)/borrowings	(42.0)	630.1

¹ £0.8 million issue costs have been capitalised and are being amortised over the life of this facility. There were no drawn amounts of the multicurrency revolving bank credit facility as at 31 December 2019.

The interest rates on unsecured loans range from 4.0% to 5.0% per annum (2018: 3.7% to 5.9%) and repayments are due at varying dates up to 2026.

9. Lease liabilities

At the balance sheet date, the maturity analysis of lease liabilities for the Company is set out below:

	Minimum lease payments		Present value of minimum lease payments	
	2019 £m	2018 £m	2019 £m	2018 £m
Amounts payable under lease liabilities				
Within one year	(0.8)	–	(0.6)	–
In the second to fifth years inclusive	(1.6)	–	(0.7)	–
More than five years	(10.4)	–	(3.4)	–
	(12.8)	–	(4.7)	–
Less: Future finance charges	8.1	–	–	–
Present value of lease obligations	(4.7)	–	(4.7)	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	0.6	–	0.6	–
Amount due for settlement after 12 months	(4.1)	–	(4.1)	–

As detailed in the Accounting Policies of the Group, the new leasing accounting standard, IFRS 16, came into effect from 1 January 2019. The lease liabilities recognised at 1 January 2019 comprise the operating commitments disclosed at 31 December 2018 adjusted to incorporate the effect of discounting at the incremental borrowing rate at 1 January 2019.

In 2019 the average effective borrowing rate for the Company was 5.9% (1 January 2019: 5.9%). Interest rates were fixed at the contract date or varied based on prevailing interest rates. Expenses relating to variable lease payments are not included in the measurement of lease liabilities (2018: minimum lease payments under operating leases).

Notes to the Company Financial Statements – continued**Financial statements**

	10. Provisions						
		Beginning of year £m	Charged in year £m	Utilised in year £m	Released in year £m	IFRS 16 Onerous lease adjustment £m	End of year £m
105 Consolidated Income Statement	31 December 2019						
106 Consolidated Statement of Comprehensive Income	Discontinued operations	2.8	0.3	(0.3)	–	(2.2)	0.6
107 Consolidated Balance Sheet	31 December 2018						
108 Consolidated Cash Flow Statement	Discontinued operations	1.4	1.6	(0.2)	–	–	2.8
109 Consolidated Statement of Changes in Equity							
110 Accounting Policies of the Group	Analysed as:					2019 £m	2018 £m
120 Notes to the Consolidated Financial Statements	Current liabilities					0.3	0.2
	Non-current liabilities					0.3	2.6
186 Company Balance Sheet						0.6	2.8
187 Company Statement of Changes in Equity	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.						
188 Accounting Policies of the Company	11. Deferred tax						
191 Notes to the Company Financial Statements	The following is the deferred tax asset recognised by the Company and movements thereon during the current and prior reporting period.						
199 Subsidiaries and Related Undertakings							£m
206 Five Year Summary	At 1 January 2018						7.8
207 Shareholder Information	Charge to profit and loss account						1.4
	Charge to equity						(7.4)
	Effect of change in tax rate						
	– profit and loss account						(0.1)
	– equity						–
	As at 31 December 2018						1.7
	At 1 January 2019						1.7
	Charge to profit and loss account						0.8
	Charge to equity						6.3
	Effect of change in tax rate						
	– profit and loss account						–
	– equity						–
	As at 31 December 2019						8.8

No deferred tax assets have been offset against deferred tax liabilities. At the balance sheet date the Company has no unused tax losses (2018: £nil) available for offset against future profits.

12. 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.

	2019 £m	2018 £m
Reserves attributable to equity interests		
Share premium account		
Beginning and end of year	978.7	978.7
Merger reserve		
Beginning and end of year	99.3	99.3
Capital reserve		
Beginning of year	167.6	163.3
Credit to equity for equity-settled share-based payments	6.8	6.1
Transfer to retained earnings on exercise of equity-settled share-based payments	(6.3)	(1.8)
End of year	168.1	167.6
Treasury reserve		
Beginning of year	(61.4)	(59.6)
Purchase of own shares	(3.7)	(4.1)
Transfer to profit and loss account	3.5	2.3
End of year	(61.6)	(61.4)
Hedging reserve		
Beginning of year	3.6	4.1
Fair value movements in interest rate cash flow hedges	(2.1)	4.2
Transfer to profit or loss from other comprehensive income on interest rate cash flow hedges	(1.5)	(4.7)
End of year	-	3.6
Profit and loss account		
Beginning of year	1,077.0	391.3
Transfer from capital reserve on exercise of equity-settled share-based payments	6.3	1.8
Transferred from treasury reserve	(3.5)	(2.3)
Tax on items taken directly from reserves	7.1	(6.9)
Actuarial (losses)/gains	(43.2)	37.9
Other items taken directly from reserves	(26.1)	1.0
Profit for the year	1,918.1	758.3
Equity dividends	(760.9)	(104.1)
End of year	2,174.8	1,077.0

At 31 December 2019, 1,305,558 ordinary 37¹/₄%p shares (2018: 2,379,641 ordinary 29¹/₄%p shares) with a nominal value of £0.5 million (2018: £0.7 million) and a market value of £4.1 million (2018: £5.2 million) were held in the BBA Employee Benefit Trust, a trust set up in 2006. EES Trustees International Limited, the Trustees of the BBA Employee Benefit Trust, has agreed to waive its dividend entitlement in certain circumstances.

Following the closure of the Company's Asset-Backed Funding structure (see note 14) in 2019 the profit and loss account is now fully distributable (2018: £28.1 million was not distributable).

Notes to the Company Financial Statements – continued**Financial statements**

105	Consolidated Income Statement
108	Consolidated Statement of Comprehensive Income
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13. Share-based payments

Details of share-based payments are provided within note 22 to the Consolidated Financial Statements.

14. 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 was classified as a prepayment following the adoption of FRS 101 and was being unwound through regular contributions.

In October 2019 Signature Aviation completed the sale of the Ontic business to CVC Fund VII. In order for the sale to proceed the Trustee agreed to release a charge they held over the Asset-Backed Funding arrangement in exchange for an acceleration of the deficit contribution schedule. As a result the Group made a one-off deficit contribution payment of £30 million in October 2019 and agreed to make further deficit contributions payments to the IPP of £2.7 million per annum (paid quarterly) until March 2030 if required. The Asset-Backed Funding arrangement was unwound as part of this transaction and as such all further payments to the IPP will be made directly by the Group.

Further details of the UK scheme are provided within note 19 to the Consolidated Financial Statements.

The High Court ruled on 26 October 2018 in the landmark Lloyds Banking Group case on Guaranteed Minimum Pensions (GMPs). The judgment requires equalisation between men and women for the effect of unequal GMPs accrued between 1990 and 1997 (i.e. for defined benefit pension schemes that were "contracted out" between May 1990 and April 1997) and describes the applicable ways in which the benefit entitlements should be equalised. The ruling meant the IPP recognised a £8.4 million increase to the defined benefit obligation through the profit and loss account in the prior year.

15. 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:	2019 £m	2018 £m
Guarantees of subsidiary undertakings, overdrafts or loans and other guarantees	1.6	2.5

Subsidiaries and Related Undertakings

The following is a list of the Group's subsidiary and associated undertakings as at 31 December 2019.

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%
Suite 1, Ground Floor, The Financial Services Centre, Bishop's Court Hill, St Michael, Barbados		
I.A.M. Caribbean, Inc.	Aviation	100%
International Aircraft Management, Inc.	Aviation	100%
Brazil		
Av. Jamaris, 100, 12º 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%
British Virgin Islands		
30 de Castro Street, Wickhams Cay 1, P.O. Box 4519 Road Town, Tortola, British Virgin Islands		
I.A.M. Jet Centre Tortola Limited	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%
2700-700 West Georgia Street, Vancouver, BC V7Y 1B8		
EPIC Aviation Canada Inc.	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	Holding	100%
BBA Aviation Business Support Centre – EMEA Limited	Support Services	100%
BBA Aviation Europe Limited	Liquidation	100%
BBA Aviation Finance	Holding	100%
BBA Aviation Life Benefits Trustee Limited	Dormant	100%
BBA Aviation Limited	Dormant	100%
BBA China Holdings No 1 Limited	Dormant	100%
BBA Finance	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	Dormant	100%
BBA Financial Services (UK) Limited	Holding	100%
BBA Five Limited	Dormant	100%
BBA Four Limited	Dormant	100%

Subsidiaries and Related Undertakings – continued

Financial statements	Subsidiaries	Principal activity	% Holding
105 Consolidated Income Statement	BBA Group Leasing Limited	Dormant	100%
106 Consolidated Statement of Comprehensive Income	BBA Holdings Limited	Holding	100%
	BBA Hydraulic Brake Company Limited	Dormant	100%
107 Consolidated Balance Sheet	BBA Nominees Limited	Dormant	100%
	BBA One Limited	Dormant	100%
108 Consolidated Cash Flow Statement	BBA Overseas Holdings Limited	Holding	100%
109 Consolidated Statement of Changes in Equity	BBA Properties Limited	Holding	100%
	BBA Six Limited	Dormant	100%
110 Accounting Policies of the Group	BBA Three Limited	Dormant	100%
	BBA Two Limited	Dormant	100%
120 Notes to the Consolidated Financial Statements	Bonetights Limited	Dormant	100%
	British Belting & Asbestos Limited	Dormant	100%
186 Company Balance Sheet	CBS (Automotive & Industrial) Limited	Dormant	100%
187 Company Statement of Changes in Equity	Cresswells Asbestos Company Limited	Dormant	100%
	CSE Aviation Limited	Dormant	100%
188 Accounting Policies of the Company	Dallas Airmotive (UK) Limited	Dormant	100%
	Falcon Aviation Training (UK) Limited	Dormant	100%
191 Notes to the Company Financial Statements	Falcon Aviation Training Limited	Dormant	100%
	Frothgun (SA) Limited	Dormant	100%
199 Subsidiaries and Related Undertakings	Guthrie & Company (UK) Limited	Dormant	100%
	Guthrie Overseas Holdings Limited	Dormant	100%
206 Five Year Summary	Guthrie Overseas Investments Limited	Holding	100%
207 Shareholder Information	Guthrie Trading (UK) Limited	Dormant	100%
	Guthrie Trustees Limited	Dormant	100%
	Guthrint Limited	Dormant	100%
	Hamsigh Limited	Dormant	100%
	Hants and Sussex Aviation Limited	Dormant	100%
	Husbang Limited	Dormant	100%
	Lintafarm (Manchester) Limited	Dormant	100%
	Nonehay Limited	Dormant	100%
	Notiontoken Limited	Dormant	100%
	Oilark Limited	Dormant	100%
	Okefab Limited	Dormant	100%
	Oxford Aviation Holdings Limited	Dormant	100%
	Oxford Aviation Properties Limited	Dormant	100%
	PCCN 1997 Limited	Dormant	100%
	Salprep Limited	Dormant	100%
	Signature Aviation Pension Trustees Limited	Holding	100%
	Synterials Limited	Dormant	100%
	Texidwarf Limited	Dormant	100%
	Texstar Limited	Dormant	100%
	The Guthrie Corporation Limited	Holding	100%
	Valcove Limited	Dormant	100%
	Versil Limited	Dormant	100%
	Airport Service Road, Portsmouth, Hampshire, PO3 5PJ		
	H+S Aviation Limited	Aviation	100%
	Hangar 100, Aviation Park West, Bournemouth Airport, Christchurch, Dorset, BH23 6NW		
	CSE Bournemouth Limited	Aviation	100%

Subsidiaries	Principal activity	% Holding
Voyager House, 142 Prospect Way, Luton, Bedfordshire, LU2 9QH		
Air Hanson Limited	Dormant	100%
BBA Aviation Lynton Group Limited	Liquidation	100%
Dollar Air Services Limited	Dormant	100%
European Helicopters Limited	Dormant	100%
Execair (East Midlands) Limited	Dormant	100%
Execair (Scotland) Limited	Dormant	100%
Landmark Aviation (UK) Limited	Finance	100%
Lynton Aviation Aircraft Sales Limited	Dormant	100%
Lynton Aviation Limited	Dormant	100%
Lynton Corporate Jet Limited	Dormant	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 Rosière, 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%
Greece		
59 Attikis & Ydras Str., Koropi 19400		
Signature Flight Support Athens SA	Aviation	100%
Grenada		
Maurice Bishop International Airport, Point Salines, St. George, Grenada		
I.A.M. Jet Centre Grenada Limited	Aviation	100%
Ireland		
70/71 O'Connell Street, Limerick		
Signature Flight Support Irish Holdings Ltd	Holding	100%
Signature Flight Support Shannon Ltd	Aviation	100%
57 Herbert Lane, Dublin 2, Ireland		
BBA Aviation LM Finance Ltd	Finance	100%
BBA Finance Ireland No 1 Ltd	Liquidation	100%
BBA Investment Aviation Limited	Holding	100%
BBA Luxembourg Finance No 2 Limited	Finance	100%
T1X, Terminal 1, Dublin Airport, Co. Dublin		
Signature Flight Support Dublin Ltd	Aviation	100%

Subsidiaries and Related Undertakings – continued

Financial statements	Subsidiaries	Principal activity	% Holding
105 Consolidated Income Statement	Isle of Man		
106 Consolidated Statement of Comprehensive Income	Third Floor, St George's Court, Upper Church Street, Douglas, Isle of Man		
107 Consolidated Balance Sheet	BBA Aviation Insurances Limited	Finance	100%
108 Consolidated Cash Flow Statement	Italy		
109 Consolidated Statement of Changes in Equity	Viale dell' Aviazione 65, 20138 Milano		
110 Accounting Policies of the Group	Signature Flight Support Italy Srl	Aviation	60%
120 Notes to the Consolidated Financial Statements	Jamaica		
186 Company Balance Sheet	Sangster International Airport, Domestic Terminal, Montego Bay, St. James, Jamaica		
187 Company Statement of Changes in Equity	I.A.M. Jet Centre Limited	Aviation	100%
188 Accounting Policies of the Company	Jersey		
191 Notes to the Company Financial Statements	47 Esplanade, St Helier, Jersey, JE1 0BD		
199 Subsidiaries and Related Undertakings	BBA Financial Services (Jersey) Limited	Finance	100%
206 Five Year Summary	Guthrie Estates Holdings Limited	Dormant	100%
207 Shareholder Information	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 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, P.O. Box 812, Willemstad, Curaçao		
	Guthrie Investments NV	Dormant	100%
	Panama		
	PH ARIFA, 10th Floor, West Boulevard, Santa Maria Business District, PO BOX 0816-01098, Panama, 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.	Dormant	100%
	Scotland		
	c/o Dentons UKMEA LLP, Quartermile One, 15 Lauriston Place, Edinburgh, EH3 9EP		
	BBA Aviation Pensions (GP) Limited	Finance	100%
	BBA Aviation Pensions (Initial LP) Limited	Finance	100%
	BBA Aviation Scottish Limited Partnership	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) Ltd	Dormant	100%
	Guthrie Scottish Nominees (No 3) Ltd	Dormant	100%
	Signature Flight Support UK Regions Limited	Aviation	100%
	Signature Refuelers Limited	Aviation	100%

Subsidiaries	Principal activity	% Holding
Singapore		
1075 West Camp Road, Seletar Airport, Singapore 797800		
BBA Aviation Singapore Holdings Pte Limited	Holding	100%
Dallas Airmotive Asia-Pacific Pte Limited	Aviation	100%
690 West Camp Road, #09-12 JTC Aviation Two, Singapore 797523		
BBA Aviation 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, South Africa		
Dallas Airmotive South Africa Pty Limited	Aviation	100%
Beechcraft 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 Lucia		
McNamara Corporate Services , Inc., 20 Micoud Street, Castries, St Lucia		
I.A.M. Holdings Limited	Holding	100%
Cnr. Brazil & Mongiraud Streets, Castries, St Lucia		
I.A.M. Jet Centre St. Lucia Limited	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	Dormant	100%
United States		
13485 Veterans Way, Suite 600, Orlando, Florida, 32827		
Signature Aviation USA LLC	Aviation	100%
BBA Diagnostics LLC	Dormant	90.6%
Bradley Pacific Aviation LLC	Aviation	100%
Burke Lakefront Services, Inc	Aviation	100%
Business Aircraft Center, Inc.	Aviation	100%
Daedalus LLC	Aviation	100%
Ellington Partners LLC	Aviation	100%
Encore ACQ LLC	Aviation	100%
Encore FBO Acquisition LLC	Aviation	100%
Encore FBO LLC	Aviation	100%
Endzone, Inc.	Dormant	100%
Executive Beechcraft LLC	Aviation	100%

Subsidiaries and Related Undertakings – continued

Financial statements	Subsidiaries	Principal activity	% Holding
105 Consolidated Income Statement	First Aviation Services, Inc.	Aviation	100%
106 Consolidated Statement of Comprehensive Income	Galvin Aviation LLC	Aviation	100%
	Galvin Flying LLC	Aviation	100%
107 Consolidated Balance Sheet	Global FBO Holdings LLC	Holding	100%
	Landmark Aviation Aircraft Sales LLC	Aviation	100%
108 Consolidated Cash Flow Statement	Landmark Aviation FBO Holdings LLC	Holding	100%
	Landmark Aviation GSO-SAN LLC	Aviation	100%
109 Consolidated Statement of Changes in Equity	Landmark Aviation Miami LLC	Aviation	100%
110 Accounting Policies of the Group	Landmark Aviation Scottsdale, Inc.	Aviation	100%
	Landmark FBO LLC	Aviation	100%
120 Notes to the Consolidated Financial Statements	Laredo Aero Center LLC	Aviation	100%
	LM RA Holdings LLC	Holding	100%
186 Company Balance Sheet	LM US Member LLC	Holding	100%
187 Company Statement of Changes in Equity	Miami Executive Aviation LLC	Aviation	100%
	Midlantic Jet Aviation, Inc.	Aviation	100%
188 Accounting Policies of the Company	Page Avjet Corporation	Aviation	100%
	Piedmont Hawthorne Aviation LLC	Aviation	100%
191 Notes to the Company Financial Statements	Ross Baton Rouge LLC	Aviation	100%
	Ross Chester County LLC	Aviation	100%
199 Subsidiaries and Related Undertakings	Ross Denver Air LLC	Aviation	100%
206 Five Year Summary	Ross Fresno LLC	Aviation	100%
207 Shareholder Information	Ross Midland LLC	Aviation	100%
	Ross Pilot Drive LLC	Aviation	100%
	Ross Scottsdale, LLC	Aviation	100%
	Ross Spokane LLC	Aviation	100%
	Ross Trenton 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 Aviation US Holdings, Inc	Holding	100%
	Signature Flight Support Acquisition Co LLC	Aviation	100%
	Signature Flight Support LLC	Aviation	100%
	Signature Flight Support Holdings Co, LLC	Holding	100%
	Signature Flight Support of Nevada Inc	Aviation	100%
	Signature Select FBO LLC	Aviation	100%
	Signature VNY LLC	Aviation	100%
	Southwest Airport Services LLC	Aviation	100%
	Topeka Aircraft LLC	Holding	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%

Subsidiaries	Principal activity	% Holding
2988 W. Walnut Hill Lane, DFW Airport, Texas, 75261		
Dallas Airmotive Inc.	Aviation	100%
International Airmotive Holding Co.	Holding	100%
7290 West 118th Place, Broomfield, Colorado, 80020		
International Governor Services LLC	Aviation	100%
General Aviation Terminal, Washington Nat'l Airport, Washington, District of Columbia, 20001		
Signature Flight Support – Washington National LLC	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%
222 West Las Colinas Boulevard, Suite 1425N, Irving, Texas, 75039		
Downstream Aviation LLC	Aviation	100%
Downstream Management LLC	Aviation	100%
EPIC Aviation LLC	Aviation	100%
EPIC International LLC	Aviation	100%
EPIC Card Services LLC	Aviation	100%
EPIC Jet Cards LLC	Aviation	100%
EPIC AvGas Cards LLC	Aviation	100%
4909 Nautilus Court North, Boulder, Colorado, 80301-3692		
QT Petroleum on Demand LLC	Aviation	100%
Joint Ventures	Principal activity	% Holding
FBOASE LLC	Aviation	53%
GB Aviation Holdings LLC	Aviation	50%
Signature Canada FBO Services, Inc.	Aviation	75%
Jacksonville Jetport LLC	Aviation	50%
Long Beach Fuel Consortium LLC	Aviation	50%
Associated Undertakings	Principal activity	% Holding
Gama Aviation, LLC	Aviation	24.5%
Hong Kong Business Aviation Centre Limited	Aviation	10%
Hong Kong Business Aviation Centre (China) Limited	Aviation	10%
Signature STT LLC	Aviation	49%
Page Avjet Fuel Co., LLC (500 shares divided into 450 Class A voting shares and 50 Class B non-voting shares)	Aviation	50%
Investments in assets classified as financial instruments fair valued through other comprehensive income	Principal activity	% Holding
Alyssum Group Limited	Aviation	3.19%
Líder Taxi Aéreo S.A Air Brasil	Aviation	1.45%

Five Year Summary

Financial statements

	Continuing Group 2019 ¹ \$m	Continuing Group Restated 2018 ¹ \$m	Restated 2017 ² \$m	2016 ³ \$m	Restated 2015 ³ \$m
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106 Consolidated Statement of Comprehensive Income					
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188 Accounting Policies of the Company					
191 Notes to the Company Financial Statements					
199 Subsidiaries and Related Undertakings					
206 Five Year Summary					
207 Shareholder Information					
Income statement					
Revenue	2,260.5	2,131.3	1,857.3	2,149.1	1,714.0
Underlying operating profit	320.8	277.3	336.5	302.6	181.5
Exceptional and other items	(115.9)	(96.9)	(117.4)	(136.5)	(68.8)
Impairment of assets	(12.5)	(14.1)	–	(184.4)	–
Net interest	(169.0)	(65.7)	(61.5)	(63.9)	(35.3)
Profit/(loss) before tax	23.4	100.6	157.6	(82.2)	77.4
Tax credit/(charge)	17.6	(17.5)	(39.1)	62.9	(7.7)
Profit/(loss) for the year on continuing operations	41.0	83.1	118.5	(19.3)	69.7
Profit/(loss) on discontinued operations, net of tax	618.5	54.8	(0.8)	(79.6)	13.4
Profit/(loss) for the year	659.5	137.9	119.3	(98.9)	83.1
Attributable to:					
Equity holders of Signature Aviation plc	659.1	137.6	119.4	(98.9)	83.0
Non-controlling interests	0.4	0.3	(0.1)	–	0.1
	659.5	137.9	119.3	(98.9)	83.1
Earnings per share on continuing operations⁴					
Basic: Adjusted	16.3¢	16.3¢	21.8¢	19.4¢	18.0¢
Basic: Unadjusted	4.0¢	8.0¢	11.5¢	(1.9)¢	9.8¢
Diluted: Adjusted	16.2¢	16.1¢	21.5¢	19.2¢	17.9¢
Diluted: Unadjusted	4.0¢	8.0¢	11.4¢	(1.9)¢	9.7¢
Dividends					
Dividends per ordinary share ⁵	14.77¢	14.07¢	13.40¢	12.75¢	13.53¢
Balance sheet					
Non-current assets	4,022.9	3,372.7	3,345.0	3,427.5	1,843.1
Net current assets	7.6	247.1	34.9	286.1	1,013.2
Total assets less current liabilities	4,030.5	3,619.8	3,379.9	3,713.6	2,856.3
Non-current liabilities	(2,311.7)	(1,475.6)	(1,272.3)	(1,635.0)	(574.3)
Non-current provisions and deferred tax liabilities	(112.7)	(200.0)	(174.4)	(160.0)	(113.6)
Net assets	1,606.1	1,944.2	1,933.2	1,918.6	2,168.4
Capital employed					
Called up share capital	510.1	509.3	509.0	508.7	508.5
Reserves	1,096.6	1,432.6	1,422.7	1,408.3	1,664.7
Shareholders' funds	1,603.7	1,941.9	1,931.7	1,917.0	2,173.2
Non-controlling interests	2.4	2.3	1.5	1.6	(4.8)
	1,606.1	1,944.2	1,933.2	1,918.6	2,168.4
Capital expenditure	80.6	93.1	85.3	113.0	104.2
Average number of employees	6,690	6,962	6,745	6,848	4,349

1 The five year summary is prepared with 2018 and 2019 presented as the Continuing Group as reported. Underlying profit and adjusted earnings per share are stated before exceptional and other items. Significant changes in the Group in 2019 included the disposal of the Ontic business and the adoption of IFRS 16 on 1 January 2019. The Group has applied the modified-retrospective transition method approach on adoption of IFRS16 and consequently other years have not been restated.

2 In 2018 the Group planned the sale of its ERO business so the results for this business are excluded from the Continuing Group results for the years 2017 to 2019 years.

3 In 2016 there were significant changes in the Group as a result of the rights issue and the acquisition of Landmark so the financials presented above are not comparable with other years.

4 Earnings per share for 2019 is presented on a post IFRS 16 basis which means it is not comparable with other years.

5 2019 dividends per ordinary share does not include the special dividend that was paid to shareholders on 13 December 2019 (see note 5 of the Consolidated Financial Statements).

Shareholder Information

Shareholdings

As at 31 December 2019, there were about 3,510 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 1 May 2020.

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 4 May 2020 and this exchange rate will be announced shortly thereafter.

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 0371 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 email: 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 Signature Aviation plc shares. For further information on this service, please visit www.linksharedeal.com (online 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 2019	May 2020
interim 2020	November 2020
5% cumulative preference shares	February 2020 and August 2020
	Date announced
Announcement of Group results	
Half-year result	August
Annual results	March
Report and accounts	Posted April

Share price information

The price of the Company's shares is available at www.signatureaviation.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.

All ordinary shares in issue and outstanding as at 6pm on 22 November 2019 of 29³⁷/₆₄ pence each in the capital of the Company were subdivided into ordinary shares of 7³⁷/₆₄ pence each in the capital of the Company.

Immediately thereafter, all such shares of 7³⁷/₆₄ were consolidated into new ordinary shares of 37¹⁷/₆₄ in the capital of the Company.

Company registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
BR3 4TU
Telephone: 0371 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
Email: 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**Financial statements**

105 Consolidated Income Statement	<p>Warning to shareholders – boiler room share scams</p> <p>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. Signature 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.</p> <p>Callers can be very persistent and extremely persuasive. Shareholders are advised not to give details of their email 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.signatureaviation.com under investors and shareholder information.</p>	
106 Consolidated Statement of Comprehensive Income		
107 Consolidated Balance Sheet		
108 Consolidated Cash Flow Statement		
109 Consolidated Statement of Changes in Equity	Table of information in compliance with Listing Rule 9.8.4C	
110 Accounting Policies of the Group	Clauses	Reference
120 Notes to the Consolidated Financial Statements	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
186 Company Balance Sheet	Details of any contract of significance subsisting during the period under review:	Note 28 to the Consolidated Financial Statements
187 Company Statement of Changes in Equity	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	
188 Accounting Policies of the Company	b) between the listed Company, or one of its subsidiary undertakings, and a controlling shareholder.	
191 Notes to the Company 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
199 Subsidiaries and Related Undertakings	Any matters not listed above are not applicable.	
206 Five Year Summary	Registered office	
207 Shareholder Information	105 Wigmore Street London W1U 1QY Telephone: +44 (0)20 7514 3999 www.signatureaviation.com Email: info@signatureaviation.com Registered in England Company number: 53688	

This Annual Report is addressed solely to members of Signature Aviation plc as a body. Neither the Company nor its directors, employees, agents and advisers accept or assume responsibility to any person for this Annual Report beyond the responsibilities arising from the production of this Annual Report under the requirements of applicable English company law. Sections of this Annual Report, including but not limited to the Strategic Report, Directors' Report and Directors' Remuneration Report may contain 'forward-looking statements' about certain of Signature Aviation plc's current plans, goals and expectations relating to future financial condition, performance, results, strategy and objectives including, without limitation, statements relating to: future demand and markets of the Group's products and services; research and development relating to new products and services; liquidity and capital; and implementation of restructuring plans and efficiencies. Statements containing the words "believes", "intends", "targets", "estimates", "expects", "plans", "seeks" and "anticipates" and any other words of similar meaning are forward-looking. These 'forward-looking statements' involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future which may be beyond Signature Aviation plc's control.

Accordingly, actual results may differ materially from those set out in the forward-looking statements as a result of a variety of factors including, without limitation: changes in interest and exchange rates, commodity prices and other economic conditions; negotiations with customers relating to renewals of contracts and future volumes and prices; events affecting international security, including global health issues and terrorism; changes in regulatory environment; and the outcome of litigation. The Company undertakes no obligation to update or revise any forward-looking statement in this document or any other forward-looking statements it may make, whether as a result of new information, future events or otherwise. Consequently, such forward-looking statements should be treated with caution due to the inherent uncertainties (including, without limitation, both economic and business risk factors) underlying such forward-looking statements or information.

Pages 1 to 96 inclusive consist of a Strategic Report and Directors' Report including the Directors' Remuneration Report that have been drawn up and presented in accordance with and in reliance upon applicable English company law. The liability of the directors in connection with such reports shall be subject to the limitations and restrictions provided by, and shall be no greater than is required by, applicable English company law.

Nothing in this Annual Report should be construed as a profit forecast.

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Photography by Martin Adolfsson

Board and SLT photography by Anna Batchelor, Jo Hanley, The Headshot Guy, David Woolfall and Charles LeRette

Printed by PureprintGroup