

BBA Aviation plc
2019 Interim Financial Report
Unaudited results for the half year ended
30 June 2019

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A video with Mark Johnstone, Group Chief Executive, and David Crook, Group Finance Director, is now available on www.bbaaviation.com

A live audio webcast of the analyst presentation will be available from 08:30 today on www.bbaaviation.com

INTERIM FINANCIAL REPORT FOR PERIOD ENDED 30 JUNE 2019

Highlights¹

- Total Group underlying operating profit, on a pre IFRS 16 basis, grew 5.3% to \$190.0 million (H1 2018: \$180.5 million); Signature FBO network outperformed the US B&GA market
- Proposed sale of Ontic to CVC for \$1,365 million announced on 30 July 2019
- Continuing operations:
 - Signature
 - Organic revenue up 0.4% (Signature FBO up 1.0%) with new commercial initiatives contributing to outperformance against a strong prior year comparative
 - US B&GA market growth of 0.3% in the six months to June 2019
 - Underlying Signature FBO operating profit on a pre-IFRS 16 basis reduced 2.6% to \$156.4 million (H1 2018: \$160.5 million) in a flat H1 US B&GA market with reduced heavy jet traffic in our network
 - EPIC acquisition delivered \$2.9 million operating profit for six months as expected, with card and network fuel benefits to come from H2 19 onwards
 - Ontic
 - Underlying operating profit growth on a pre IFRS 16 basis increased to \$31.7 million (H1 2018: \$24.5 million), driven by good organic growth and the Firstmark acquisition
 - Further licence signed with Meggitt in the period
 - Firstmark acquisition integrating well and proceeding to plan
- Discontinued operations:
 - Engine Repair and Overhaul (ERO) delivered underlying operating profit performance of \$18.8 million on a pre IFRS 16 basis (H1 2018: \$13.4 million) through robust trading with the benefit of depreciation and amortisation suspension
- Group statutory operating profit is up 21.7% at \$156.0 million (H1 2018: \$128.2 million) due to the adoption of IFRS 16 on 1 January 2019
- Total Group free cashflow up 12.8% to \$129.2 m (H1 2018: \$114.5 million) highlighting inherently strong free cash flow generation
- Leverage stable at 2.8x net debt/underlying EBITDA on a covenant basis, well within our target range of 2.5-3.0x, reflecting continued strong free cash flow generation funding Ontic licence investment in the period and our progressive dividend
- Total Group ROIC on a pre IFRS 16 basis is flat at 11.4% (Dec 2018: 11.4%)
- Underlying Total Group adjusted basic EPS (pre IFRS 16) decreased by 3% to 11.3¢ (2018: 11.7¢). Total Group basic EPS (pre IFRS 16) decreased by 43.1% to 3.7¢ (2018: 6.5¢) reflecting higher exceptional and other item charges
- Interim dividend increased by 5% to 4.2¢ reflecting continued confidence in the Group's future growth prospects and free cash generation.

Mark Johnstone, BBA Aviation Group Chief Executive, commented:

"The first half of 2019 has been broadly in line with our expectations for BBA Aviation, with a solid Signature performance, in a flat B&GA market. Our Ontic legacy business has delivered a strong performance.

We are pleased to have advanced our new commercial initiatives in Signature including a successful fuel RFP and increasing the EPIC fuel card penetration within the Signature owned network.

Ontic's first half performance was ahead of expectations, with strong organic growth driven primarily by our GE licence portfolios. Ontic continues to see a strong pipeline of licence opportunities and we invested \$23.6 million during the period.

On 30 July we were delighted to announce the proposed sale of Ontic to CVC for a consideration of \$1,365 million which represents a compelling transaction multiple which we believe fully recognises the strategic value and strong growth track record for the business.

Looking forward, Signature is focused on maintaining its level of performance against the US B&GA market in the second half. Post the proposed disposals, BBA Aviation will be focused on the cash generative Signature business which will enable us to maintain our progressive dividend policy, coupled with the prospect of returns to shareholders as we maintain our target leverage range. The Board is confident of delivering market outperformance through our Signature strategic growth initiatives."

Underlying results¹

\$m	H1 2019 Total Group	Continuing ⁵	H1 2018 Total Group	Continuing	% Change ²
Revenue	1,528.1	1,262.7	1,281.9	1,024.3	19%
EBITDA (Pre IFRS 16)	229.8	211.0	222.0	204.9	4%
Operating profit (Pre IFRS 16)	190.0	171.2	180.5	167.1	5%
Profit before tax (Pre IFRS 16)	150.2	132.0	153.1	140.2	(2)%
Basic adjusted EPS (Pre IFRS 16)	11.3¢	10.0¢	11.7¢	10.7¢	(3)%
Return on invested capital ^{4,6} (Pre IFRS 16)	11.4%		11.4%		-
Free cash flow	129.2	107.2	114.5	159.8	13%
Net debt (Pre IFRS 16 basis) ⁶	(1,341.1)		(1,332.2)		7%

Statutory results

\$m	H1 2019 Total Group	Continuing ⁵	H1 2018 Total Group	Continuing	% Change ²
Revenue	1,528.1	1,262.7	1,281.9	1,024.3	19%
EBITDA	287.9	263.0			
IFRS 16 impact	(70.9)	(64.8)			
EBITDA (Pre IFRS 16)	217.0	198.2	213.2	197.2	2%
Operating profit	156.0	131.1			
IFRS 16 impact	(26.7)	(20.6)			
Operating profit (Pre IFRS 16)	129.3	110.5	128.2	115.9	1%
Profit before tax	47.3	57.5			
IFRS 16 impact	9.5	13.8			
Profit before tax (Pre IFRS 16)	56.8	71.3	83.0	76.2	(32)%
Basic unadjusted EPS ³	3.0¢	4.5¢			
IFRS 16 impact	0.7¢	1.0¢			
Basic unadjusted EPS ³ (Pre IFRS 16)	3.7¢	5.5¢	6.5¢	6.0¢	(43)%
Dividend per share	4.20¢		4.00¢		5%
Net debt	(2,537.3)				
IFRS 16 impact	1,196.2				
Net debt (Pre IFRS 16) ⁶	(1,341.1)		(1,332.2)	-	7%

¹ Underlying results represent alternative performance measures (APM), see APM section in note 19 outlining all such measures. Where applicable and for comparability these are presented on a pre IFRS 16 basis

² % change based on total (including discontinued operations)

³ Statutory measure is basic earnings per share (EPS)

⁴ ROIC is calculated on a pre IFRS 16 basis as there is no full 12 months of operating profit on an IFRS 16 basis

⁵ Ontic's performance is presented as a continuing operation, consistent with its position at the balance sheet date

⁶ 2018 return on invested capital and net debt is shown for the full year ended 31 December 2018

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. The statutory results have been split out to show the IFRS 16 impact to aid comparison period on period.

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

At adoption on 1 January 2019, and for this interim period, IFRS16 does significantly impact 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 metric) 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 tested under our banking covenants, plus monitor performance, KPIs and remuneration targets.

INTERIM RESULTS 2019

Overview

Overall BBA Aviation performed broadly in line with our expectations, with Signature growing ahead of a flat US B&GA market and strong organic and inorganic growth in our Ontic business. We have made further progress with the implementation of our strategy and delivered as expected from our recent acquisitions of EPIC, Firstmark and from the Ontic licence acquisitions acquired in 2018.

Continuing Group revenue increased by 23.3% to \$1,262.7 million (H1 2018: \$1,024.3 million) including a \$230.2 million contribution from the acquisition of EPIC and a \$21.4 million contribution from Ontic licence acquisitions and Firstmark.

- Signature revenue increased 23.3%, reflecting the six-month contribution from EPIC, partially offset by the impact of lower fuel prices (\$10.7 million) and foreign exchange movements (\$6.6 million). Organic growth in the Signature FBO business was 1.0%.
- Ontic revenue increased by 28.2% with organic revenue growth of 8.0% supplemented by the contribution from the 2018 licence acquisitions and Firstmark (H1 2019: \$16.4 million) contributing as expected.

Continuing Group underlying operating profit (on a pre IFRS 16 basis) was \$171.2 million (H1 2018: \$167.1 million).

- Underlying operating profit performance in Signature, on a pre IFRS 16 basis, was \$160.0 million (H1 2018: \$163.7 million) which includes a \$2.9 million contribution from EPIC.
- Ontic delivered strong underlying operating profit, on a pre IFRS 16 basis, of \$31.7 million (H1 2018: \$24.5 million) which includes a \$5.3 million contribution from the Firstmark acquisition and \$1.4m from new licences
- Total central costs were broadly flat at \$20.5 million (H1 2018: \$20.5 million).

Continuing group statutory operating profit increased 13.1% to \$131.1 million (H1 2018: \$115.9 million) primarily due to the adoption of IFRS 16 on 1st January 2019.

Our Engine Repair and Overhaul (ERO) business performed well, delivering strong underlying operating profit performance of \$18.8 million on a pre IFRS 16 basis, a 40.3% increase on the \$13.4 million in H1 2018, through robust trading with the benefit of \$5.9 million depreciation and amortisation suspension.

Net interest for the continuing operations, including the impact of IFRS 16, was \$73.6 million (H1 2018: \$26.9 million). The increase of \$46.7 million results primarily from the adoption of IFRS 16, with the introduction of net interest on lease liabilities of \$34.4 million. The increase in underlying net interest on a pre IFRS 16 basis is as expected and primarily reflects the revised debt structure implemented in April 2018.

Net debt on a reported basis increased to \$2,537.3 million (FY 2018: \$1,332.2 million) following the adoption of IFRS 16 which results in the recognition of additional \$1,196.2 million in lease liabilities within the definition of net debt. Our banking covenants are tested on the accounting standards in force at the time the debt financing was secured, consequently they are not impacted by the adoption of IFRS 16. Net debt to underlying EBITDA on a covenant basis was flat at 2.8x on a covenant basis (FY 2018: 2.8x). Interest cover on a covenant basis decreased to 6.5x for the 12 months to June 2019 (FY 2018: 7.9x).

Continuing underlying profit before tax (on a pre IFRS 16 basis) was \$132.0 million (H1 2018: \$140.2 million). The decrease primarily results from the additional net interest costs following the revision to our debt structure in April 2018.

Statutory profit before tax for the continuing Group was \$57.5 million (H1 2018: \$76.2 million). The decrease arose principally from the adoption of IFRS 16 and the increased net interest on debt partially offset by lower levels of exceptional and other items charged.

The **Group's underlying tax rate** for continuing operations was 21.5% (H1 2018: 21.0%). Cash taxes paid increased in line with expectations to \$23.0 million (H1 2018: \$10.2 million). This increase largely represents timing of payments between 2018 and 2019.

Adjusted earnings per share (on a pre IFRS 16 basis) for continuing operations was 10.0¢ (H1 2018: 10.7¢).

Statutory earnings per share for continuing operations decreased to 4.5¢ (H1 2018: 6.0¢) principally as a result of the impairment recognised on ERO and the adoption of IFRS 16.

Exceptional and other items after tax, for continuing and discontinued operations, totalled \$78.5 million (H1 2018: \$54.3 million) of which \$32.5 million (H1 2018: \$5.0 million) related to discontinued operations. Key components of this for continuing operations are the non-cash amortisation of acquired intangibles accounted for under IFRS 3 (\$47.9 million), restructuring expenses (\$1.4 million), and provisions in respect of previously disposed businesses of (\$10.4 million). Exceptional and other items on discontinued operations of \$32.5 million, net of tax, relate to the impairment of ERO net assets, to fair value less costs to sell, and transaction costs relating to the disposal process of the ERO business.

Total Group free cash flow increased 13% to \$129.2 million (H1 2018: \$114.5 million). This improvement resulted from a partial turnaround in working capital within our ERO business following the significant working capital outflows in H1 2018. Free cash flow for the continuing Group reduced to \$107.2 million (H1 2018: \$159.8 million), primarily as a result of the expected payment of additional interest (\$16.9 million) and additional tax payments (\$12.8 million) and a working capital inflow in the prior year.

Gross capital expenditure for the total Group amounted to \$41.1 million (H1 2018: \$43.1 million). Principal capital expenditure items include investment in Signature's FBO developments at Teterboro, and Palm Beach.

Cash flows on exceptional and other items were an outflow of \$1.8 million (H1 2018: \$12.2 million outflow) and are largely a result of restructuring expenses and costs associated with the disposal process for our ERO discontinued operations.

The Group made \$2.3 million of pension scheme payments (H1 2018: \$2.2 million). During H1 2019 the Group completed and signed off the 2018 actuarial review of its UK defined benefit pension scheme. Net interest payments were \$38.4 million (H1 2018: \$21.5 million) and dividend payments amounted to \$103.9 million (H1 2018: \$99.3 million).

Total spend on acquisitions and licences completed during the period was \$26.5 million (H1 2018: \$27.7 million), which included deferred consideration on a Meggitt licence acquired in December 2018, the acquisition of a new licence from Meggitt in June and the final working capital settlements in respect of EPIC and Firstmark.

Total Group Return on Invested Capital (ROIC) on a pre IFRS 16 basis was flat at 11.4% (FY 2018: 11.4%).

Business Review – Continuing Operations

Signature (83% of continuing operations' underlying operating profit, pre IFRS 16)

Signature ("Signature FBO", "TechnicAir" and "EPIC") provides specialist on-airport services including refuelling, ground handling and line maintenance to the business & general aviation (B&GA) market.

H1 2019	Signature FBO	TechnicAir	EPIC	Total
\$m				
Revenue ²	879.1	33.2	230.2	1,142.5
Organic revenue growth	1.0%	(13.8)%	-	0.4%
Underlying operating profit	176.7	0.7	2.9	180.3
<i>Underlying operating profit (Pre IFRS 16)</i>	156.4	0.7	2.9	160.0
Constant fuel margin	20.1 %	2.1 %	1.3 %	15.8 %
<i>Constant fuel margin (Pre IFRS 16)</i>	17.8 %	2.1 %	1.3 %	14.0 %
Statutory operating profit				142.7
EBITDA				256.2
<i>EBITDA (Pre IFRS 16)</i>				193.1
Operating cash flow				234.9
<i>Operating cash flow (Pre IFRS 16)</i>				174.1
Divisional return on invested capital				11.7%

H1 2018	Signature FBO	TechnicAir	EPIC³	Total
\$m				
Revenue	887.5	38.8	-	926.3
Organic revenue growth	4.8%	10.8%	-	5.0%
Underlying operating profit				
<i>Underlying operating profit (Pre IFRS 16)</i>	160.5	3.2	-	163.7
Constant fuel margin				
<i>Constant fuel margin (Pre IFRS 16)</i>	18.3%	8.1%	-	17.7%
Statutory operating profit				126.0
EBITDA				
<i>EBITDA (Pre IFRS 16)</i>				194.8
Operating cash flow				
<i>Operating cash flow (Pre IFRS 16)</i>				197.8
Divisional return on invested capital ¹				11.8%

Period on period change	Signature FBO	TechnicAir	EPIC	Total
\$m				
Revenue	(0.9)%	(14.4)%	-	23.3%
Organic revenue growth	(3.8)%	(24.6)%	-	(4.6)%
Underlying operating profit				
<i>Underlying operating profit (Pre IFRS 16)</i>	(2.6)%	(78.1)%	-	(2.3)%
Constant fuel margin				
<i>Constant fuel margin (Pre IFRS 16)</i>	(50)bps	(600)bps	-	(390)bps
Statutory operating profit				13.3%
EBITDA				
<i>EBITDA (Pre IFRS 16)</i>				(0.9)%
Operating cash flow				
<i>Operating cash flow (Pre IFRS 16)</i>				(12.0)%
Divisional return on invested capital				(10) bps

¹ Return on invested capital for full year 2018

² Revenue is stated pre IFRS 16, Signature revenue post IFRS 16 was \$1,140.4 million (H1 2018: \$926.3 million)

³ EPIC acquired 1 July 2018

Signature FBO revenue increased 1.0% on an organic basis against a strong prior year comparator. On a reported basis revenue was down 0.9% to \$879.1 million (H1 2018: \$887.5 million) as a result of lower fuel prices of \$10.7 million and foreign exchange movements of \$6.2 million. This was delivered against a backdrop of US B&GA movements (source: FAA) which were up 0.3% for the six months to June 2019, representing outperformance of 70 basis points. Heavy jet traffic (over 5k gallon uplifts) was down within our Signature network, which has limited our ability to outperform the overall US B&GA market at our usual levels.

We continue to believe the US B&GA market is a long-term structural growth market, correlated with US GDP growth. Uncertainty around the US trade tariffs, Gulf tensions and a slowdown in China continues to impact business confidence, and the reduction in discretionary flying, which has been most notable in our charter customer segment, continues. Furthermore, we have experienced challenges, in what has been a low growth market, as the long tail value behaviours become more pronounced.

European B&GA movements were down 4.7% in H1 2019 (source: WingX) and while Europe is a small part of Signature, this has clearly impacted overall performance, although encouragingly we saw a much-improved performance in June.

The underlying operating profit in our Signature FBO business for the six months ended June 2019 (on a pre IFRS 16 basis) was down 2.6% to \$156.4 million (H1 2018: \$160.5 million) as the positive 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 a flat market. We remain confident in Signature's ability to deliver significant longer-term value creation across our enlarged network, supported by the commercial growth investments made during 2018 and the phased implementation of the strategic growth initiatives presented at the Capital Markets Day in November 2018.

The underlying operating margin, on a pre IFRS 16 basis, in Signature FBO was 17.8% (2018 on a constant fuel price basis: 18.3%) and reflects the wage inflation experienced in a tight US labour market.

TECHNICAir continued to face challenges in the first half of 2019 with organic revenue decline of 14.4% to \$33.2 million (H1 2018: \$38.8 million) as we rationalised the footprint from 15 locations down to 8. Underlying operating profit on a pre IFRS 16 basis decreased to \$0.7 million (H1 2018: \$3.2 million) albeit when compared to H2 2018 the performance was broadly flat. Going forward, TECHNICAir is a smaller but lower risk business given the actions being taken on the fixed cost base.

EPIC contributed revenues of \$230.2 million and underlying operating profit of \$2.9 million, on a pre IFRS 16 basis, for the first six months of 2019. The integration of EPIC is progressing in line with expectations and in the period, we have made good progress on the fuel card penetration within the Signature network.

Signature's overall revenue, which includes our Signature FBO business, our line maintenance business TECHNICAir and EPIC, increased by 23.3% to \$1,142.5 million (H1 2018: \$926.3 million) on a pre IFRS 16 basis. The EPIC acquisition contribution was \$230.2 million and Signature's organic revenue increased by 0.4%.

Statutory operating profit of \$142.7 million increased by 13.3% (H1 2018: \$126.0 million) primarily due to the adoption of IFRS 16.

Operating cash flow for Signature, on a pre IFRS 16 basis, decreased to \$174.1 million (H1 2018: \$197.8 million), principally due to working capital outflows. Return on invested capital decreased to 11.7% (FY 2018: 11.8%).

Our FBO network

There are 193 locations in Signature's global network, including 16 Signature Select® franchise locations. The acquisition of EPIC added 202 privately owned, EPIC branded independent FBOs and a further 121 unbranded locations. This creates a total network of over 400 FBO locations, which has significantly extended Signature's network relevance and the range of services it can offer.

Signature Strategic growth initiatives

In the current low growth US B&GA market we have continued to invest in our Signature FBO network and have started to capture benefits from the recent investments in new technology, designed to enhance our fuel and non-fuel revenue management capabilities through enhanced EPoS and revenue optimisation tools.

EPIC acquisition

EPIC was acquired on 1 July 2018 and provides fuel and fuel related services at 202 EPIC branded, privately owned independent FBO locations, and 121 unbranded locations. Our existing Signature Select® branded locations are complementary to EPIC's FBO locations and have now been incorporated/folded into the EPIC network to operate alongside our market-leading owned FBO network.

Pre-acquisition, EPIC was our Signature FBO fuel card partner and the acquisition has given Signature full end-to-end management of this card programme, associated transaction processing and data capture, as a platform for an enhanced service offering across our entire owned and non-owned network. As communicated at the Capital Markets Day we believe

that deeper penetration of this branded fuel card, within our Signature network, represents a \$4-8 million underlying operating profit opportunity over time. We are pleased to have made good initial progress on increasing own card usage in the first six months of 2019, which has now grown to over 5% in the Signature FBO network.

EPIC's proprietary QTPod technology for self-fuelling AvGas services is performing very well. We have made good progress as QTPod expands its footprint in the aviation industry, with a new generation proprietary and cloud based self-serve fuelling systems.

Fuel RFP

We have recently concluded our biennial fuel RFP on the combined Signature and EPIC gallons, which total over 500 million gallons per annum. This new agreement took effect on 1 July 2019. We are pleased to announce that the new deal 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 will be used to mitigate some of the impact of the higher wage costs.

Leveraging our network

In the current low growth B&GA market, we will continue to drive value through leveraging Signature's unique network of FBOs by a combination of organic growth, core revenue optimisation, non-fuel revenue growth incorporating new services and improved asset utilisation. We are focused on delivering improved yield management of both fuel and non-fuel revenues from our real estate footprint through first-class customer experience, customer segmentation and technology. On the cost side we are about to roll out labour efficiency benchmarking across the US network.

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™ (our commercial passenger interconnect service). We believe this is further evidence of Signature redefining the market reach for B&GA infrastructure.

Over time, we will look to leverage the increased opportunity in advertising throughout our real estate, which builds on our unique customer group that controls significant wealth. Through this range of growth opportunities, over the medium term we will target enhanced market outperformance of some 250 basis points above US B&GA FAA movement growth.

We continue to evaluate a number of investment opportunities that we believe will further enhance and fortify Signature's unique real estate network as we continue to lead the development of the B&GA market.

Uber Elevate partnership

With a view to remaining at the forefront of industry developments, we have recently 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 will also be the ground-based operator of choice for Uber's helicopter services in Manhattan.

Ontic (17% of continuing operations' underlying operating profit, pre IFRS 16)

Ontic, the Group's legacy support business is focused on the support of maturing aerospace platforms.

\$m	H1 2019	H1 2018	% Change
Revenue ²	122.3	95.4	28.2%
Underlying operating profit	31.7	-	-
<i>Underlying operating profit (Pre IFRS 16)</i>	31.7	24.5	29.4%
Underlying operating margin	25.9%	-	-
<i>Underlying operating margin (Pre IFRS 16)</i>	25.9%	25.7%	20 bps
Statutory operating profit	21.0	17.8	18.0%
EBITDA	36.5	-	-
<i>EBITDA (Pre IFRS 16)</i>	35.6	28.7	24.0%
Operating cash flow	28.5	-	-
<i>Operating cash flow (Pre IFRS 16)</i>	27.7	25.5	8.6%
Divisional ROIC ³	15.4%	15.6%	(20) bps

¹ Note: Our former Aftermarket Services business ERO (Middle East) is included under Ontic for H1 2018 in Note 2 Segmental Analysis but is excluded from the table above to provide a directly comparable analysis of the Ontic business only. In H1 2018 the ERO (Middle East) business contributed revenue of \$2.7 million and an underlying operating loss of \$0.6 million.

² No IFRS 16 impact

³ Return on invested capital for full year 2018

Ontic revenue increased by 28.2% to \$122.3 million (H1 2018: \$95.4 million). On an organic basis, which adjusts for FX of \$(2.0) million and the contribution from Ontic licence acquisitions acquired within the last twelve months and Firstmark of \$21.4 million, revenue increased by 8.0% driven by a strong performance from our GE license portfolio.

Underlying operating profit on a pre IFRS 16 basis of \$31.7 million increased by 29.4% (H1 2018: \$24.5 million) driven by the contribution from the Firstmark acquisition, which added \$5.3 million, and Ontic licence acquisitions acquired within the last 12 months of \$1.4 million. On an organic basis, excluding FX of \$0.8 million and acquisitions of \$6.7 million, Ontic's underlying operating profit increased 5.5%. Underlying operating margins improved to 25.9% (H1 2018: 25.7%).

Statutory operating profit of \$21.0 million was up 18.0% (H1 2018: \$17.8 million).

There was an operating cash inflow for the division of \$27.7 million (H1 2018: \$25.5 million) on a pre IFRS 16 basis, driven by working capital performance. Return on invested capital was 15.4 % (FY 2018: 15.6%).

Ontic Strategic growth initiatives

New licence acquisitions

In June 2019 we were pleased to sign a new licence with Meggitt Sensors, part of Meggitt plc, for signal conditioners, military chip detectors, cockpit indicators and connector harnesses. These products are used on a range of commercial, B&GA and military platforms.

This licence agreement follows on from the Meggitt licence signed in December 2018 for legacy support on engine pressure transmitters, fuel flow transmitters and fluid monitoring chip detectors fitted to a range of commercial/military rotorcraft and fixed wing platforms. Under the terms of both agreements Ontic, out of its Chatsworth facility in California, will be responsible for all ongoing new build production and repairs and spares support for the global customers for the large installed base. This further enhances our relationship with Meggitt and highlights our capability to strategically assist OEM partners with ongoing support of their non-core products.

Furthermore, in late June we signed a small licence with a new relationship OEM, Thales UK Limited, to acquire manufacturing and aftermarket rights for the complete family of doppler velocity sensors. This licence will transition into our Cheltenham facility during the second half of 2019.

Our total cash spend on licence acquisitions was \$23.6 million (H1 2018: \$22.5 million) which includes deferred consideration of \$10.0 million paid in January 2019 for the December 2018 licence acquisition from Meggitt.

Firstmark Corp acquisition

We completed the acquisition of Firstmark Corp, an aerospace focused aftermarket service provider, in November 2018. Firstmark is a leading provider of highly engineered, proprietary components and subsystems for the aerospace and defence industries. The company employs over 70 people and has locations at Creedmoor, North Carolina and Plainview, New York and expands Ontic's US footprint to the East Coast. It is highly complementary to Ontic's existing sites in Chatsworth (California), Cheltenham (UK), and Singapore.

Firstmark has enhanced Ontic's exposure to the commercial and military aerospace markets, providing access to a range of growth opportunities across various established strategic platforms, with a significant installed base, high utilisation rates and extended in-service lives.

Post Balance Sheet Event

BBA is pleased to announce that it has entered into an agreement to sell Ontic, a leading provider of high-quality, OEM-licensed parts for legacy aerospace platforms, to CVC Fund VII, for a cash consideration of \$1,365 million on a cash-free and debt-free basis.

The Transaction is a Class 1 transaction for BBA under the Listing Rules and is therefore conditional upon the approval of shareholders. A circular containing further details of the Transaction, together with a notice to convene a general meeting expected to be in late August 2019 (General Meeting), will be sent to shareholders as soon as is practicable.

The Board believes the price agreed for Ontic fully recognises the strategic value of Ontic's strong brand, attractive returns and significant growth potential. The Board intends to use some of the disposal proceeds to reduce the Group's financial indebtedness to help ensure that the net debt of the Retained Group remains near the lower end of the stated target range of net debt to underlying adjusted EBITDA of 2.5 to 3.0 times on a covenant basis at 31 December 2019, following Completion. After taking into account these deployments of the disposal proceeds, the Board expects to return between \$750m and \$850m to the Company's shareholders. Further details on the Board's current expectations regarding the use of proceeds and the proposed return of capital to the Company's shareholders will be set out in the Circular.

The Company will also work with the Group's Pension Trustee to obtain its consent to release applicable security.

Central costs

Total central costs, which includes support costs relating to the discontinued ERO business, on a pre IFRS 16 basis are flat at \$20.5 million (H1 2018: \$20.5 million). Underlying central costs were broadly flat in H1 2019 (excluding support costs of discontinued operations) at \$15.1 million (H1 2018: \$14.8 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 period, as appropriate.

Business Review – Discontinued Operations

As previously announced, at the end of May 2018 management committed to a plan to sell substantially all 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. The ERO (Middle East) business has now ceased trading and is not part of the disposal process.

In the six months to 30 June 2019 ERO's revenue increased by 9.6% to \$282.4 million (H1 2018: \$257.6 million) on a pre IFRS 16 basis. In stable markets, ERO's underlying operating profit on a pre IFRS 16 basis was \$18.8 million (H1 2018: \$13.4 million). ERO's underlying operating profit improvement includes the \$5.9 million benefit from the suspension of depreciation and amortisation for the six months to 30 June 2019 compared to a benefit of \$0.7 million for H1 2018, this being the required accounting treatment while the business is held for sale. In the period an impairment charge of \$32.5 million, net of tax, was taken on the net assets of ERO, to reflect fair value less costs to sell and transaction costs, relating to the disposal process.

The ERO disposal process is ongoing and we expect to update the market in due course. Disposal proceeds would provide an opportunity to further enhance our proposed return on capital.

Pensions

The Group's net defined benefit pension and other post-retirement benefits liabilities increased by \$4.5 million in the first half from \$28.2 million at 31 December 2018 to \$32.7 million at 30 June 2019. The increase in the net deficit of \$4.5 million since 31 December 2018 is primarily due to lower discount rate assumptions.

During H1 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 have agreed to make additional payments of £8.5 million in total between July 2019 and September 2021.

Dividend

The Board is declaring an increased interim dividend of 4.20¢ (H1 2018: 4.00¢) up 5% reflecting the Board's progressive dividend policy and its continued confidence in the Group's future growth prospects.

A dividend reinvestment plan is in operation. Those shareholders who have not elected to participate in this plan, and who would like to participate, please register via the share portal www.signalshares.com. The deadline for elections is 5:30pm on 7 October 2019.

Board Changes

As previously announced, in January 2019 we welcomed two new non-executive Directors, Vicky Jarman and Stephen King, to the Board. Vicky started her career with KPMG where she qualified as a Chartered Accountant. Shortly after qualification Ms Jarman moved to Lazard & Co working in the Corporate Finance team before becoming Chief Operating Officer for the London and Middle East operations until 2009. Ms Jarman is currently a non-executive director at Knight Frank, the global commercial and residential real estate advisor, and previously held non-executive appointments at De La Rue, Equiniti Group and Hays.

Stephen qualified as a Chartered Accountant with Coopers & Lybrand and has held a number of finance roles in blue chip organisations including Lucas Industries plc, Seeboard plc, De La Rue plc and Caledonia Investments plc, where he was Group Finance Director for nine years. Mr King is currently a non-executive director of Chemring Group plc and TT Electronics where he is the Senior Independent Director and also chairs the Audit Committee.

Susan Kilsby, Chairman of the Remuneration Committee, retired from the Board at the AGM in May. Peter Ventress has taken over from Susan as Chairman of the Remuneration Committee and as our Senior Independent Director. Stephen King has replaced Peter Ventress as the Chairman of the Audit and Risk Committee.

Outlook

In 2019, we are pleased with the progress we have made on our strategic initiatives, against a largely flat US B&GA market which we had anticipated. In Signature, our ongoing investments in commercial decision making and technology, and the EPIC acquisition, will help underpin the future growth and longer-term market outperformance of our business.

We remain focused on improving both our efficiency and also our level of performance against the US B&GA market in the second half of 2019.

The Group is focused on high quality, high ROIC and strongly cash generative businesses which will enable us to grow and deliver shareholder value within our target leverage range of 2.5x to 3.0x. The strong cash generative nature of the core Signature business supports both a progressive dividend policy and the prospect of further returns to shareholders. Additionally the Group has planned capital returns from both the proposed sales of Ontic and ERO.

Going concern

The Directors have carried out a review of the Group's trading outlook and borrowing facilities, with due regard to the risks and uncertainties to which the Group is exposed, the uncertain economic climate, including Brexit (the impact of which is not expected to be significant) and the impact that this could have on trading performance. Based on this review, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Directors' responsibilities

The Directors confirm that to the best of their knowledge:

- a) the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- b) the interim financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and,
- c) the interim financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Signed on behalf of the Board,

Mark Johnstone
Group Chief Executive Officer

2 August 2019

David Crook
Group Finance Director

2 August 2019

This interim financial report contains forward-looking statements 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. 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. 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, in tax rates or tax legislation, commodity prices and other economic conditions; negotiations with customers relating to renewal of contracts and future volumes and prices; events affecting international security, including global health issues and terrorism; changes in regulatory environment; the introduction or variation of tariffs or duties; and the outcome of litigation. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. This interim financial report has been drawn up and presented in accordance with and in reliance on applicable English company law and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law

This report is available in electronic format from the Company's website www.bbaaviation.com

Unaudited condensed consolidated income statement

Six months ended 30 June 2019				Six months ended 30 June 2018			Year ended 31 December 2018			
		Underlying ¹	Exceptional and other items	Total	Underlying ¹	Exceptional and other items	Total	Underlying ¹	Exceptional and other items	Total
Note		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Continuing operations										
Revenue	2	1,262.7	-	1,262.7	1,024.3	-	1,024.3	2,347.3	-	2,347.3
Cost of sales		(978.0)	-	(978.0)	(770.2)	-	(770.2)	(1,825.3)	-	(1,825.3)
Gross profit		284.7	-	284.7	254.1	-	254.1	522.0	-	522.0
Distribution costs		(4.9)	-	(4.9)	(5.1)	-	(5.1)	(13.7)	-	(13.7)
Administrative expenses	3	(91.0)	(47.9)	(138.9)	(84.1)	(43.5)	(127.6)	(170.6)	(88.8)	(259.4)
Other operating income		2.1	-	2.1	1.3	-	1.3	1.3	-	1.3
Share of profit of associates and joint ventures		1.6	-	1.6	1.7	-	1.7	4.0	-	4.0
Other operating expenses	3	(0.7)	(11.4)	(12.1)	(0.8)	-	(0.8)	(2.8)	(14.9)	(17.7)
Restructuring costs	3	-	(1.4)	(1.4)	-	(7.7)	(7.7)	-	(8.9)	(8.9)
Operating profit/(loss)	2, 3	191.8	(60.7)	131.1	167.1	(51.2)	115.9	340.2	(112.6)	227.6
Impairment of assets		-	-	-	-	(12.8)	(12.8)	-	(14.1)	(14.1)
Investment income		1.2	-	1.2	0.3	-	0.3	0.7	-	0.7
Finance costs		(74.8)	-	(74.8)	(27.2)	-	(27.2)	(67.0)	-	(67.0)
Profit/(loss) before tax		118.2	(60.7)	57.5	140.2	(64.0)	76.2	273.9	(126.7)	147.2
Tax (expense)/credit	3, 4	(25.4)	14.7	(10.7)	(29.5)	14.7	(14.8)	(57.6)	29.1	(28.5)
Profit/(loss) from continuing operations		92.8	(46.0)	46.8	110.7	(49.3)	61.4	216.3	(97.6)	118.7
Discontinued operations										
Profit/(loss) from ERO discontinued operations, net of tax	3, 16	17.1	(32.5)	(15.4)	10.3	(5.0)	5.3	24.2	(5.0)	19.2
Profit/(loss) for the period		109.9	(78.5)	31.4	121.0	(54.3)	66.7	240.5	(102.6)	137.9
Attributable to:										
Equity holders of BBA Aviation plc		109.7	(78.5)	31.2	121.0	(54.3)	66.7	240.2	(102.6)	137.6
Non-controlling interests		0.2	-	0.2	-	-	-	0.3	-	0.3
Profit/(loss) for the period		109.9	(78.5)	31.4	121.0	(54.3)	66.7	240.5	(102.6)	137.9

		Six months ended 30 June 2019		Six months ended 30 June 2018		Year ended 31 December 2018	
Earnings/(loss) per share	Note	Adjusted ¹	Unadjusted	Adjusted ¹	Unadjusted	Adjusted ¹	Unadjusted
Total Group							
Basic	6	10.7¢	3.0¢	11.7¢	6.5¢	23.3¢	13.4¢
Diluted	6	10.5¢	3.0¢	11.6¢	6.4¢	23.1¢	13.2¢
Continuing operations							
Basic	6	9.0¢	4.5¢	10.7¢	6.0¢	21.0¢	11.5¢
Diluted	6	8.9¢	4.5¢	10.6¢	5.9¢	20.8¢	11.4¢
Discontinued operations							
Basic	16	1.7¢	(1.5¢)	1.0¢	0.5¢	2.3¢	1.9¢
Diluted	16	1.6¢	(1.5¢)	1.0¢	0.5¢	2.3¢	1.8¢

¹ Underlying results 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. Exceptional and other items are disclosed in note 3.

Alternative performance measures are reconciled to IFRS measures and are explained in note 19, the Alternative Performance Measures section. For comparability and where applicable, this also includes a reconciliation to a pre IFRS 16 basis.

Unaudited condensed consolidated statement of comprehensive income

	Note	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Profit for the period		31.4	66.7	137.9
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss				
Actuarial (losses)/gains on defined benefit pension schemes		(6.2)	25.2	51.2
Tax charge relating to components of other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	4	0.9	(5.4)	(9.0)
		(5.3)	19.8	42.2
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translation of foreign operations		(12.4)	(24.4)	(27.5)
Fair value movements in assets classified as financial instruments through other comprehensive income		-	-	(1.8)
Fair value movements in foreign exchange cash flow hedges		(0.5)	(3.8)	(2.9)
Transfer to profit or loss from other comprehensive income on foreign exchange cash flow hedges		0.3	0.9	(1.0)
Fair value movement in interest rate cash flow hedges		5.2	(4.1)	5.9
Transfer to profit or loss from other comprehensive income on interest rate cash flow hedges		(1.7)	4.9	(6.3)
Tax relating to components of other comprehensive income that may be subsequently reclassified to profit or loss	4	0.6	0.4	1.7
		(8.5)	(26.1)	(31.9)
Other comprehensive (loss)/income for the period		(13.8)	(6.3)	10.3
Total comprehensive income for the period		17.6	60.4	148.2
Attributable to:				
Equity holders of BBA Aviation plc		17.4	60.4	147.9
Non-controlling interests		0.2	-	0.3
		17.6	60.4	148.2

Unaudited condensed consolidated balance sheet

	Note	As at 30 June 2019 \$m	As at 30 June 2018 \$m	As at 31 December 2018 \$m
Non-current assets				
Goodwill		1,193.1	1,120.6	1,191.1
Other intangible assets		1,293.0	1,263.2	1,329.4
Property, plant and equipment		765.4	779.7	779.9
Right of use assets	7	1,065.1	-	-
Interests in associates and joint ventures		52.2	41.4	53.5
Trade and other receivables		55.3	18.0	18.8
		4,424.1	3,222.9	3,372.7
Current assets				
Inventories		137.8	110.7	120.3
Trade and other receivables		257.0	208.2	260.2
Cash and cash equivalents	8	116.7	147.6	109.3
Tax recoverable		0.9	0.3	1.1
Assets held for sale	16	430.8	369.0	407.6
		943.2	835.8	898.5
Total assets	2	5,367.3	4,058.7	4,271.2
Current liabilities				
Trade and other payables		(406.7)	(415.4)	(439.2)
Tax liabilities		(35.2)	(38.5)	(39.8)
Lease liabilities	9	(57.9)	(0.2)	(1.1)
Borrowings	8	-	(0.7)	(1.5)
Provisions		(24.2)	(27.9)	(23.0)
Liabilities held for sale	16	(188.0)	(109.5)	(146.8)
		(712.0)	(592.2)	(651.4)
Net current assets		231.2	243.6	247.1
Non-current liabilities				
Borrowings	8	(1,486.2)	(1,337.7)	(1,436.6)
Trade and other payables due after one year		(1.4)	(7.8)	(7.6)
Pensions and other post-retirement benefits	15	(32.7)	(44.5)	(28.2)
Deferred tax liabilities		(161.1)	(141.8)	(162.8)
Lease liabilities	9	(1,073.9)	(1.1)	(3.2)
Provisions		(34.3)	(38.4)	(37.2)
		(2,789.6)	(1,571.3)	(1,675.6)
Total liabilities	2	(3,501.6)	(2,163.5)	(2,327.0)
Net assets	2	1,865.7	1,895.2	1,944.2
Equity				
Share capital	17	510.0	509.3	509.3
Share premium account		1,594.5	1,594.5	1,594.5
Other reserve		(7.2)	(5.4)	(7.2)
Treasury reserve		(102.5)	(95.2)	(95.3)
Capital reserve		61.1	53.6	56.2
Hedging and translation reserves		(104.8)	(100.4)	(105.7)
Retained earnings		(87.6)	(62.9)	(9.9)
Equity attributable to equity holders of BBA Aviation plc		1,863.5	1,893.5	1,941.9
Non-controlling interest		2.2	1.7	2.3
Total equity		1,865.7	1,895.2	1,944.2

Details of the restatement made to the opening retained earnings as at 1 January 2019 due to the adjustment arising on the adoption of IFRS 16 can be found in note 1 and note 20.

Unaudited condensed consolidated cash flow statement

		Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	Note	\$m	\$m	\$m
Operating activities				
Net cash flow from operating activities	11	273.3	177.1	368.3
Investing activities				
Interest received		0.3	0.3	12.7
Interest received on sublease assets		0.9	-	-
Receipt of capital element of sublease assets		1.3	-	-
Dividends received from joint ventures and associates		2.9	1.7	2.0
Purchase of property, plant and equipment		(34.9)	(40.1)	(85.3)
Purchase of intangible assets ¹		(7.2)	(4.2)	(7.8)
Proceeds from disposal of property, plant and equipment		3.6	0.3	4.7
Acquisition of businesses, net of cash/(debt) acquired	13	(25.5)	(21.3)	(210.6)
Investment in joint ventures and associates		-	-	(10.0)
Investment in assets classified as financial instruments measured through other comprehensive income (FVTOCI)		-	(5.2)	(5.0)
Net cash (outflow)/inflow from investing activities		(58.6)	(68.5)	(299.3)
Financing activities				
Interest paid		(38.7)	(21.8)	(70.9)
Interest element of lease liabilities paid		(37.2)	-	(0.1)
Dividends paid	5	(103.9)	(99.3)	(140.7)
Gains/(losses) from realised foreign exchange contracts		5.5	(2.7)	4.5
Proceeds from issue of ordinary shares net of issue costs		0.7	0.3	0.3
(Purchase)/sale of own shares ²		(2.8)	(5.4)	(5.5)
Increase/(decrease) in loans		23.3	26.8	117.1
Payments of lease liabilities		(36.1)	-	(0.4)
Decrease in overdrafts		(1.5)	(3.3)	(2.3)
Net cash outflow from financing activities		(190.7)	(105.4)	(98.0)
Increase/(decrease) in cash and cash equivalents		24.0	3.2	(29.0)
Cash and cash equivalents at beginning of the period		111.3	153.5	153.5
Exchange adjustments		(9.5)	(6.7)	(13.2)
Cash and cash equivalents at end of the period		125.8	150.0	111.3
Comprised of:				
Cash and cash equivalents at end of the period		116.7	147.6	109.3
Cash included in Assets held for sale at end of the period (note 16)		9.1	2.4	2.0

¹ Purchase of intangible assets includes \$1.0 million (30 June 2018: \$1.2 million; 31 December 2018: \$1.2 million) paid in relation to Ontic licences not accounted for as acquisitions under IFRS 3.

²(Purchase)/sale 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.

Unaudited condensed consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Other reserves	Total	Non- controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
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	-	-	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 period	-	-	31.2	-	31.2	0.2	31.4
Other comprehensive loss for the period	-	-	(10.0)	(3.8)	(13.8)	-	(13.8)
Total comprehensive income/(loss) for the period	-	-	21.2	(3.8)	17.4	0.2	17.6
Dividends	-	-	(103.9)	-	(103.9)	-	(103.9)
Issue of share capital	0.7	-	-	-	0.7	-	0.7
Movement on treasury reserve	-	-	-	(2.8)	(2.8)	-	(2.8)
Credit to equity for equity-settled share-based payments	-	-	-	4.8	4.8	-	4.8
Changes in non-controlling interest	-	-	-	-	-	(0.3)	(0.3)
Tax on share-based payment transactions	-	-	0.1	-	0.1	-	0.1
Transfer to retained earnings	-	-	(0.4)	0.4	-	-	-
Balance at 30 June 2019	510.0	1,594.5	(87.6)	(153.4)	1,863.5	2.2	1,865.7
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 period	-	-	66.7	-	66.7	-	66.7
Other comprehensive income/(loss) for the period	-	-	20.2	(26.5)	(6.3)	-	(6.3)
Total comprehensive income/(loss) for the period	-	-	86.9	(26.5)	60.4	-	60.4
Dividends	-	-	(99.3)	-	(99.3)	-	(99.3)
Issue of share capital	0.3	-	-	-	0.3	-	0.3
Movement on treasury reserve	-	-	-	(5.4)	(5.4)	-	(5.4)
Credit to equity for equity-settled share-based payments	-	-	-	5.7	5.7	-	5.7
Changes in non-controlling interest	-	-	-	-	-	0.2	0.2
Tax on share-based payment transactions	-	-	0.1	-	0.1	-	0.1
Transfer to retained earnings	-	-	(0.5)	0.5	-	-	-
Balance at 30 June 2018	509.3	1,594.5	(62.9)	(147.4)	1,893.5	1.7	1,895.2
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 period	-	-	137.6	-	137.6	0.3	137.9
Other comprehensive income/(loss) for the period	-	-	43.9	(33.6)	10.3	-	10.3
Total comprehensive income (loss) for the period	-	-	181.5	(33.6)	147.9	0.3	148.2
Dividends	-	-	(140.7)	-	(140.7)	(0.3)	(141.0)
Issue of share capital	0.3	-	-	-	0.3	-	0.3
Movement on treasury reserve	-	-	-	(5.5)	(5.5)	-	(5.5)
Credit to equity for equity-settled share-based payments	-	-	-	8.2	8.2	-	8.2
Tax on share-based payment transactions	-	-	0.5	-	0.5	-	0.5
Change in non-controlling interests	-	-	(0.5)	-	(0.5)	0.8	0.3
Transfer to retained earnings	-	-	(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

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 note 1 and note 20.

Notes to the condensed consolidated half yearly financial statements

1. Basis of preparation

The unaudited condensed consolidated financial statements of BBA Aviation plc (the "Group"), for the six months ended 30 June 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the UK's Financial Conduct Authority and International Accounting Standard IAS 34: *Interim Financial Reporting* (IAS 34) which permits the presentation of the financial information on a condensed basis. These condensed consolidated half yearly financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006, and therefore should be read in conjunction with the Group's Annual Report for the year ended 31 December 2018.

The Group's annual financial statements for the year ended 31 December 2018 have been reported upon by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006.

These condensed consolidated half yearly financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) endorsed for use in the European Union and the Companies Act 2006 and comply with Article 4 of the EU IAS Regulation. There is a new standard effective in the period which has had a material impact on the condensed consolidated interim financial statements. The Group adopted IFRS 16 from 1 January 2019 and further details of the impact of the accounting standards is referred to below.

Going concern

The directors are satisfied that, at the time of approving the condensed consolidated financial statements, it is appropriate to continue to adopt the going concern basis of accounting. Further information is given on page 10 of the interim statement.

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.

Alternative Performance Measures are reconciled to IFRS measures and explained in Note 19, the Alternative Performance Measures section.

For comparability with prior periods, the financial information disclosed in Note 20 is presented excluding the impact of adoption of IFRS 16. Note 19 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.

1. Basis of preparation - continued

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 cashflow.

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 Groups 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 20 which details the Group's condensed consolidation income statement, condensed consolidated balance sheet and condensed consolidated interim statement of cash flows.

Finance leases and operating leases for the comparative periods ended 30 June 2018 and the 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 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.

1. Basis of preparation

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 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. 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 condensed consolidated statement of financial position, however the categories used in the Note 7 to the consolidated financial statements are the same as those used for owned tangible assets – namely Land & 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, predominately 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 finance leases.

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.

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 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.

2. Segmental analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive to allocate resources to the segments and to assess their performance.

The Group provides information to the Chief Executive on the basis of components that are substantially similar within the segments in the following aspects:

- the nature of the long-term financial performance;
- the nature of the products and services;
- the nature of the production processes;
- the type of class of customer for the products and services; and
- the nature of the regulatory environment.

Based on the above, the operating segments of the Group identified in accordance with IFRS 8 are Signature (formerly known as Flight Support), which comprises Signature Flight Support and EPIC Fuels, and Ontic (formerly known as Aftermarket Services). The Ontic segment results show the effect of the ERO discontinued operations being removed.

The businesses within the Signature segment provide refuelling, ground handling, line maintenance and other services to the Business & General Aviation (B&GA) and commercial aviation markets. The Ontic segment maintains and supports aerospace components, sub-systems and systems.

Sales between segments are immaterial.

Alternative Performance Measures are reconciled to IFRS measures and explained in Note 19, the Alternative Performance Measures section.

As at, and for the six months ended 30 June 2019	Signature ¹	Ontic ⁵	Total	Unallocated Corporate ²	Total
Business segments	\$m	\$m	\$m	\$m	\$m
External revenue					
External revenue from continuing and discontinued operations	1,140.4	387.7	1,528.1	-	1,528.1
Less external revenue from ERO discontinued operations, note 16	-	(265.4)	(265.4)	-	(265.4)
External revenue from continuing operations	1,140.4	122.3	1,262.7	-	1,262.7
Underlying operating profit					
Underlying operating profit/(loss) from continuing and discontinued operations	180.3	51.2	231.5	(14.8)	216.7
Less underlying operating profit from ERO discontinued operations	-	(24.9)	(24.9)	-	(24.9)
Adjusted for intergroup charges for ERO discontinued operations ³	-	5.4	5.4	(5.4)	-
Underlying operating profit/(loss) from continuing operations	180.3	31.7	212.0	(20.2)	191.8
Underlying operating margin from continuing operations	15.8%	25.9%	16.8%	-	15.2%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(37.6)	(10.7)	(48.3)	(12.4)	(60.7)
Less exceptional and other items from ERO discontinued operations	-	-	-	-	-
Exceptional and other items from continuing operations	(37.6)	(10.7)	(48.3)	(12.4)	(60.7)
Operating profit/(loss) from continuing operations	142.7	21.0	163.7	(32.6)	131.1
Impairment of fixed assets					-
Net finance costs					(73.6)
Profit before tax from continuing operations					57.5
Other information					
Capital additions ⁴	32.9	8.4	41.3	0.8	42.1
Less capital additions from ERO discontinued operations	-	(6.3)	(6.3)	-	(6.3)
Capital additions from continuing operations	32.9	2.1	35.0	0.8	35.8
Depreciation and amortisation	116.2	15.2	131.4	0.5	131.9
Depreciation and amortisation from continuing operations	116.2	15.2	131.4	0.5	131.9

2. Segmental analysis – continued

As at, and for the six months ended 30 June 2019	Signature ¹	Ontic ⁵	Total	Unallocated Corporate ²	Total
Business segments	\$m	\$m	\$m	\$m	\$m
Balance sheet					
Total assets	4,225.9	1,048.7	5,274.6	92.7	5,367.3
Total liabilities	(1,441.6)	(267.0)	(1,708.6)	(1,793.0)	(3,501.6)
Net assets/(liabilities)	2,784.3	781.7	3,566.0	(1,700.3)	1,865.7
Less net (assets)/liabilities from ERO discontinued operations	-	(242.8)	(242.8)	-	(242.8)
Net assets/(liabilities) from continuing operations	2,784.3	538.9	3,323.2	(1,700.3)	1,622.9
As at, and for the six months ended 30 June 2018					
Business segments	\$m	\$m	\$m	\$m	\$m
30 June 2018 restated					
External revenue					
External revenue from continuing and discontinued operations	926.3	355.6	1,281.9	-	1,281.9
Less external revenue from ERO discontinued operations	-	(257.6)	(257.6)	-	(257.6)
External revenue from continuing operations	926.3	98.0	1,024.3	-	1,024.3
Underlying operating profit					
Underlying operating profit/(loss) from continuing and discontinued operations	163.7	31.6	195.3	(14.8)	180.5
Less underlying operating profit from ERO discontinued operations	-	(13.4)	(13.4)	-	(13.4)
Adjusted for intergroup charges for ERO discontinued operations ³	-	5.7	5.7	(5.7)	-
Underlying operating profit/(loss) from continuing operations	163.7	23.9	187.6	(20.5)	167.1
Underlying operating margin from continuing operations	17.7%	24.4%	18.3%	-	16.3%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(37.7)	(13.8)	(51.5)	(0.8)	(52.3)
Less exceptional and other items from ERO discontinued operations	-	1.1	1.1	-	1.1
Exceptional and other items from continuing operations	(37.7)	(12.7)	(50.4)	(0.8)	(51.2)
Operating profit/(loss) from continuing operations	126.0	11.2	137.2	(21.3)	115.9
Impairment of fixed assets					(12.8)
Net finance costs					(26.9)
Profit before tax from continuing operations					76.2
Other information					
Capital additions ⁴	29.7	14.6	44.3	-	44.3
Less capital additions from ERO discontinued operations	-	(13.0)	(13.0)	-	(13.0)
Capital additions from continuing operations	29.7	1.6	31.3	-	31.3
Depreciation and amortisation	70.1	14.7	84.8	0.2	85.0
Less depreciation and amortisation from ERO discontinued operations	-	(3.7)	(3.7)	-	(3.7)
Depreciation and amortisation from continuing operations	70.1	11.0	81.1	0.2	81.3
Balance Sheet					
Total assets	3,156.0	834.8	3,990.8	67.9	4,058.7
Total liabilities	(339.7)	(176.1)	(515.8)	(1,647.7)	(2,163.5)
Net assets/(liabilities)	2,816.3	658.7	3,475.0	(1,579.8)	1,895.2
Less net (assets)/liabilities from ERO discontinued operations	-	(259.5)	(259.5)	-	(259.5)
Net assets/(liabilities) from continuing operations	2,816.3	399.2	3,215.5	(1,579.8)	1,635.7

2. Segmental analysis - continued

As at, and for the year ended 31 December 2018	Signature ¹	Ontic ⁵	Total	Unallocated Corporate ²	Total
Business segments	\$m	\$m	\$m	\$m	\$m
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	-	(533.6)	(533.6)	-	(533.6)
External revenue from continuing operations	2,127.6	219.7	2,347.3	-	2,347.3
Underlying operating profit					
Underlying operating profit/(loss) 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 ³	-	10.7	10.7	(10.7)	-
Underlying operating profit/(loss) from continuing operations	320.6	58.6	379.2	(39.0)	340.2
<i>Underlying operating margin from continuing operations</i>	<i>15.1%</i>	<i>26.7%</i>	<i>16.2%</i>	-	<i>14.5%</i>
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
Exceptional and other items from continuing operations	(76.0)	(20.6)	(96.6)	(16.0)	(112.6)
Operating profit/(loss) from continuing operations	244.6	38.0	282.6	(55.0)	227.6
Impairment of fixed assets					(14.1)
Net finance costs					(66.3)
Profit before tax from continuing operations					147.2
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)
Capital additions from continuing operations	66.1	4.3	70.4	4.5	74.9
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)
Depreciation and amortisation from continuing operations	143.0	22.9	165.9	0.4	166.3
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 \$1.6 million (30 June 2018: \$1.7 million; 31 December 2018: \$4.0 million) 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 which has 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 2018 Ontic results include the former ERO (Middle East) business which is not part of the ERO discontinued operations. The business did not trade in 2019. (30 June 2018: revenue of \$2.6 million, operating loss of \$0.6 million and statutory loss of \$6.6 million; 31 December 2018: revenue of \$3.7 million, operating loss of \$0.7 million and statutory loss of \$5.5 million).

2. Segmental analysis - continued

Geographical segments	Revenue by destination \$m	Revenue by origin \$m	Capital additions ¹ \$m	Non-current assets ² \$m
As at, and for the six months ended 30 June 2019				
United Kingdom	46.9	143.8	2.4	334.3
Mainland Europe	104.3	27.6	0.7	89.5
North America	1,314.0	1,346.9	39.0	3,971.4
Rest of world	62.9	9.8	0.0	2.2
Total from continuing and discontinued operations	1,528.1	1,528.1	42.1	4,397.4
Less discontinued ERO operations	(265.4)	(265.4)	(6.3)	-
Total from continuing operations	1,262.7	1,262.7	35.8	4,397.4
As at, and for the six months ended 30 June 2018				
United Kingdom	34.5	131.1	4.0	281.6
Mainland Europe	115.0	31.7	0.3	68.4
North America	1,086.6	1,106.1	39.9	2,855.7
Rest of world	45.8	13.0	0.1	4.5
Total from continuing and discontinued operations	1,281.9	1,281.9	44.3	3,210.2
Less ERO discontinued operations	(257.6)	(257.6)	(13.0)	-
Total from continuing operations	1,024.3	1,024.3	31.3	3,210.2
Restated as at, and for the year ended 31 December 2018				
United Kingdom	62.7	288.6	3.8	269.7
Mainland Europe	237.8	64.7	0.5	60.8
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)	-
Total from continuing operations	2,347.3	2,347.3	74.9	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 licenses not accounted for as acquisitions under IFRS 3.

² The disclosure of non-current assets by geographical segment excludes deferred tax \$nil (30 June 2018: \$nil; 31 December 2018: \$nil) and financial instruments balances of \$26.7 million (30 June 2018: \$12.7 million; 31 December 2018: \$12.5 million), as required under IFRS 8.

3. 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 Executive Committee, 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.

Alternative Performance Measures are reconciled to IFRS measures and explained in Note 19, Alternative Performance Measures section.

Exceptional and other items on discontinued operations are presented in note 16. Exceptional and other items on continuing operations are as follows:

	Administrative expenses	Other operating expenses	Restructuring costs	Six months ended 30 June 2019 Total	Six months ended 30 June 2018 Total	Year ended 31 December 2018 Total
	\$m	\$m	\$m	\$m	\$m	\$m
Restructuring expenses						
ERO Middle East impairment loss	-	-	-	-	6.1	4.9
Central costs rationalisation	-	-	1.4	1.4	1.6	4.0
Other						
Pension GMP equalisation	-	-	-	-	-	11.1
Amounts related to previously disposed businesses	-	10.4	-	10.4	-	2.3
Other exceptional items	-	1.0	-	1.0	-	0.1
Acquisition related						
Amortisation of intangibles assets arising on acquisition and valued in accordance with IFRS 3	47.9	-	-	47.9	43.5	88.8
Transaction costs ¹	-	-	-	-	-	1.4
Operating loss on continuing operations	47.9	11.4	1.4	60.7	51.2	112.6
Impairment loss				-	12.8	14.1
Loss before tax on continuing operations				60.7	64.0	126.7
Tax impact of exceptional and other items				(14.7)	(14.7)	(29.1)
Loss for the period on continuing operations				46.0	49.3	97.6
Loss from ERO discontinued operation, net of tax, see note 16				32.5	5.0	5.0
Total exceptional and other items				78.5	54.3	102.6

¹ All transaction costs presented as exceptional and other items in the prior period related to Ontic's acquisition of Firstmark.

4. Income tax

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	\$m	\$m	\$m
Recognised in the Income statement			
Current tax expense	18.6	17.1	41.5
Adjustments in respect of prior periods – current tax	-	-	(4.6)
Current tax	18.6	17.1	36.9
Deferred tax (credit)/expense ¹	(3.0)	(2.3)	2.8
Adjustments in respect of prior periods – deferred tax	0.3	-	(3.3)
Deferred tax	(2.7)	(2.3)	(0.5)
Income tax expense for the period from continuing and discontinued operations	15.9	16.3	36.4
Less: ERO discontinued operations	(5.2)	(1.5)	(7.9)
Income tax expense for the period from continuing operations	10.7	14.8	28.5

¹ The deferred tax credit includes \$1.8 million relating to IFRS 16 lease liabilities.

Corporation tax on continuing operations for the interim period is charged at an effective rate of 21.5% (30 June 2018: 21.0%; 31 December 2018: 21.0%) on underlying profit before tax, representing the best estimate of the weighted average annual corporation tax expected for the full financial year. The total income tax expense for the six months ended 30 June 2019 includes a tax credit of \$14.7 million (30 June 2018: \$14.7 million; 31 December 2018: \$29.1 million) relating to exceptional and other items (see note 3).

Tax credited to other comprehensive income and equity is as follows:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	\$m	\$m	\$m
Recognised in other comprehensive income			
Tax on items that will not be reclassified subsequently to profit or loss			
Current tax other	-	-	0.7
Deferred tax credit/(charge) on actuarial (losses)/gains	0.9	(5.4)	(9.7)
	0.9	(5.4)	(9.0)
Tax on items that may be reclassified subsequently to profit or loss			
Current tax credit on foreign exchange movements	-	-	0.8
Deferred tax credit on derivative financial instruments	0.6	0.4	0.9
	0.6	0.4	1.7
Total tax charge within other comprehensive income	1.5	(5.0)	(7.3)
Recognised in equity			
Current tax credit on share-based payments movement	0.1	0.1	0.8
Deferred tax charge on share-based payments movement	-	-	(0.3)
Total tax credit within equity	0.1	0.1	0.5
Total tax charge within other comprehensive income and equity	1.6	(4.9)	(6.8)

4. Income tax - continued

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 \$113.0 million. We do not consider that any provision is required based on our current assessment of the issue.

5. Dividends

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
<i>Paid during the period:</i>			
Final dividend for the year ended 31 December 2018: 10.07 cents per share (30 June 2018: Final dividend for the year ended 31 December 2017 of 9.59 cents per share; 31 December 2018: Final dividend for the year ended 31 December 2017 of 9.59 cents per share and 2018 interim dividend of 4.00 cents per share)	103.9	99.3	140.7

The 2019 interim dividend of 4.20 cents per share (2018: 4.00 cents per share; total dividend \$41.4 million) was approved by the Board of Directors on 2 August 2019 and will be paid on 1 November 2019 to ordinary shareholders registered on 13 September 2019. Shareholders will receive their dividends in sterling unless they complete and submit to the Company's registrars by 5.30pm on 7 October 2019 an election form stating their wish to receive their dividends in US dollars. The sterling dividend will be converted at a prevailing exchange rate on 8 October 2019 and this exchange rate will be announced on 9 October 2019.

6. Earnings per share

Alternative Performance Measures are reconciled to IFRS measures and explained in Note 19, the Alternative Performance Measures section. The calculation of the basic and diluted earnings per share is based on the following data:

	Continuing			Total		
	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Basic and diluted						
Earnings:						
Profit for the period	46.8	61.4	118.7	31.4	66.7	137.9
Non-controlling interests	(0.2)	-	(0.3)	(0.2)	-	(0.3)
Basic earnings attributable to ordinary shareholders	46.6	61.4	118.4	31.2	66.7	137.6
Exceptional and other items (net of tax)	46.0	49.3	97.6	78.5	54.3	102.6
Adjusted earnings for adjusted earnings per share	92.6	110.7	216.0	109.7	121.0	240.2
Impact of adopting IFRS 16 (note 20)	10.2	-	-	7.1	-	-
Adjusted earnings for adjusted pre IFRS 16 earnings per share	102.8	110.7	216.0	116.8	121.0	240.2
Underlying deferred tax ¹	12.1	11.8	20.7	12.7	12.5	26.1
Adjusted earnings for cash earnings per share¹	114.9	122.5	236.7	129.5	133.5	266.3
Number of shares						
Weighted average number of 29 ¹⁶ / ₂₁ p ordinary shares:						
For basic earnings per share	1,031.2	1,029.9	1,030.1	1,031.2	1,029.9	1,030.1
Dilutive potential ordinary shares from share options	8.2	10.4	8.9	8.2	10.4	8.9
For diluted earnings per share	1,039.4	1,040.3	1,039.0	1,039.4	1,040.3	1,039.0
For diluted losses per share	1,031.2	1,029.9	1,030.1	1,031.2	1,029.9	1,030.1
Basic:						
Adjusted pre IFRS 16	10.0¢	10.7¢	21.0¢	11.3¢	11.7¢	23.3¢
Adjusted	9.0¢			10.7¢		
Unadjusted pre IFRS 16	5.5¢	6.0¢	11.5¢	3.7¢	6.5¢	13.4¢
Unadjusted	4.5¢			3.0¢		
Cash pre IFRS 16 ¹	11.1¢	11.9¢	23.0¢	12.6¢	13.0¢	25.9¢
Diluted:						
Adjusted pre IFRS 16	9.9¢	10.6¢	20.8¢	11.2¢	11.6¢	23.1¢
Adjusted	8.9¢			10.5¢		
Unadjusted pre IFRS 16	5.5¢	5.9¢	11.4¢	3.7¢	6.4¢	13.2¢
Unadjusted	4.5¢			3.0¢		
Cash pre IFRS 16 ¹	11.0¢	11.8¢	22.8¢	12.5¢	12.8¢	25.6¢

¹ 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.

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 is presented pre IFRS 16, calculated on earnings before exceptional and other items (note 3) and using current tax charge, not the total tax charge for the period, thereby excluding the deferred tax charge.

Adjusted earnings per share is presented calculated on earnings before exceptional and other items (note 3), and adjusted pre-IFRS 16, this is consistent with the performance measures relation to the LTIP awards. Both adjustments have been made because the directors consider that this gives a useful indication of underlying performance.

Earnings per share on discontinued operations is presented in note 16.

7. Right of use assets

Information presented in this note is in respect of the financial period ended 30 June 2019 in accordance with IFRS 16.

BBA 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 BBA's FBO network.

Information in respect of maturity analysis of lease liabilities, are set out in note 9 of the interim financial report. The amounts recognised for right of use assets, including the carrying amount, additions and depreciation for continuing operations is set out below:

	Land and buildings \$m	Fixtures and equipment \$m	Total \$m
Cost or valuation			
Recognised on adoption of IFRS 16	1,048.6	39.6	1,088.2
Exchange adjustments	0.2	-	0.2
Additions and renewals	17.4	3.5	20.9
At 30 June 2019	1,066.2	43.1	1,109.3
Depreciation			
Depreciation charge for the period	37.5	6.7	44.2
At 30 June 2019	37.5	6.7	44.2
Carrying amount			
At 30 June 2019	1,028.7	36.4	1,065.1
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 assets held for sale is \$71.2 million (see note 20), the right of use asset recognised on adoption of IFRS 16 and classified separately as held for sale was \$61.8 million (see note 20).

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). The right of use asset has also been reduced by \$20.0m for the impact of finance sublease receivables under IFRS 16, accordingly amounts receivable from subleases have been recognised within Trade and other receivables.

8. Cash and cash equivalents and borrowings

The carrying value of cash and cash equivalents for continuing operations of \$116.7 million (30 June 2018: \$147.6 million; 31 December 2018: \$109.3 million) approximates to its fair value.

	As at 30 June 2019 \$m	As at 30 June 2018 \$m	As at 31 December 2018 \$m
Borrowings			
Bank overdrafts	-	0.7	1.5
Bank loans	592.8	473.7	565.3
US private placement senior notes (USPP)	385.0	373.9	376.8
US senior notes	508.1	489.8	494.2
Other loans	0.3	0.3	0.3
	1,486.2	1,338.4	1,438.1
The borrowings are repayable as follows:			
On demand or within one year	-	0.7	1.5
In the second year	568.6	-	448.2
In the third to fifth years inclusive	255.6	700.6	345.8
After five years	662.0	637.1	642.6
	1,486.2	1,338.4	1,438.1
Less: Amount due for settlement within 12 months (shown within current liabilities)	-	(0.7)	(1.5)
Amount due for settlement after 12 months	1,486.2	1,337.7	1,436.6

Bank loans, US private placement senior notes and US senior notes are stated after their respective transaction costs and related amortisation.

As at 30 June 2019

Type	Facility amount \$m	Headroom \$m	Principal \$m	Amortisation costs \$m	Fair value adjustment \$m	Drawn \$m	Facility date	Maturity date
Multicurrency revolving bank credit facility	650.0	501.0	149.0	(4.8)	-	144.2	Mar 2018	Mar 2024
Acquisition facility bank term loan – Facility C	450.0	-	450.0	(1.4)	-	448.6	Sep 2015	Sep 2020
Total bank loans	1,100.0	501.0	599.0	(6.2)	-	592.8		
\$300m USPP – Series B	120.0	-	120.0	(0.3)	0.3	120.0	May 2011	May 2021
\$300m USPP – Series C	60.0	-	60.0	(0.1)	1.0	60.9	May 2011	May 2023
\$200m USPP – Series A	50.0	-	50.0	(0.1)	0.6	50.5	Dec 2014	Dec 2021
\$200m USPP – Series B	100.0	-	100.0	(0.2)	2.4	102.2	Dec 2014	Dec 2024
\$200m USPP – Series C	50.0	-	50.0	(0.1)	1.5	51.4	Dec 2014	Dec 2026
Total USPP	380.0	-	380.0	(0.8)	5.8	385.0		
\$500m US senior notes	500.0	-	500.0	(9.2)	17.3	508.1	Apr 2018	May 2026
Total US senior notes	500.0	-	500.0	(9.2)	17.3	508.1		
Total bank and loans notes	1,980.0		1,479.0	(16.2)	23.1	1,485.9		
Bank overdraft – UK cash pool						-		
Other loans						0.3		
						1,486.2		

8. Cash and cash equivalents and borrowings - continued

As at 30 June 2018

Type	Facility amount \$m	Headroom \$m	Principal \$m	Amortisation costs \$m	Fair value adjustment \$m	Drawn \$m	Facility date	Maturity date
Multicurrency revolving bank credit facility	650.0	618.0	32.0	(6.0)	-	26.0	Mar 2018	Mar 2023
Acquisition facility bank term loan – Facility C	450.0	-	450.0	(2.3)	-	447.7	Sep 2015	Sep 2020
Total bank loans	1,100.0	618.0	482.0	(8.3)	-	473.7		
\$300m USPP – Series B	120.0	-	120.0	(0.3)	(0.5)	119.2	May 2011	May 2021
\$300m USPP – Series C	60.0	-	60.0	(0.2)	(2.0)	57.8	May 2011	May 2023
\$200m USPP – Series A	50.0	-	50.0	(0.2)	-	49.8	Dec 2014	Dec 2021
\$200m USPP – Series B	100.0	-	100.0	(0.3)	(1.6)	98.1	Dec 2014	Dec 2024
\$200m USPP – Series C	50.0	-	50.0	(0.2)	(0.8)	49.0	Dec 2014	Dec 2026
Total USPP	380.0	-	380.0	(1.2)	(4.9)	373.9		
\$500m US senior notes	500.0	-	500.0	(10.5)	0.3	489.8	Apr 2018	May 2026
Total US senior notes	500.0	-	500.0	(10.5)	0.3	489.8		
Total bank and loans notes	1,980.0	618.0	1,362.0	(20.0)	(4.6)	1,337.4		
Bank overdraft – UK cash pool						0.7		
Other loans						0.3		
						1,338.4		

As at 31 December 2018

Type	Facility amount \$m	Headroom \$m	Principal \$m	Amortisation costs \$m	Fair value adjustment \$m	Drawn \$m	Facility date	Maturity date
Multicurrency revolving bank credit facility	650.0	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 USPP – Series B	120.0	-	120.0	(0.3)	0.2	119.9	May 2011	May 2021
\$300m USPP – Series C	60.0	-	60.0	(0.2)	(1.2)	58.6	May 2011	May 2023
\$200m USPP – Series A	50.0	-	50.0	(0.2)	0.1	49.9	Dec 2014	Dec 2021
\$200m USPP – Series B	100.0	-	100.0	(0.3)	(0.8)	98.9	Dec 2014	Dec 2024
\$200m USPP – Series C	50.0	-	50.0	(0.1)	(0.4)	49.5	Dec 2014	Dec 2026
Total USPP	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 loans 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		

8. Cash and cash equivalents and borrowings - continued

During the first half, 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 and the RCF is now due to expire in March 2024. The RCF includes an option to extend the maturity date for an additional year at the second anniversary. The extension option is at the lenders' option.

As at 30 June 2019, the Group had \$149 million drawn under the RCF (30 June 2018: \$32 million; 31 December 2018: \$122 million). During the first half the Acquisition facility bank term loan – Facility C was novated to BBA U.S. Holdings Inc.

As at 30 June 2019, the Group had \$380 million (30 June 2018: \$380 million; 31 December 2018: \$380 million) of US private placement senior notes outstanding with \$280 million (30 June 2018: \$280 million; 31 December 2018: \$280 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.

As at 30 June 2019, the Group also had \$500 million (30 June 2018: \$500 million; 31 December 2018: \$500 million) of US senior notes outstanding with \$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 BBA U.S. Holdings Inc.

The Group excludes the fair value movement on its loan notes from its definition of net debt (refer to Note 19, Alternative Performance Measures section), as this movement is offset by the change in fair value of the underlying interest rate swaps. The fair value loss on its US private placement senior notes at 30 June 2019 was \$5.8 million (30 June 2018: \$4.9 million gain; 31 December 2018: \$2.1 million gain). The fair value loss on its US senior notes at 30 June 2019 was \$17.3 million (30 June 2018: \$0.3 million gain; 31 December 2018: \$4.0 million loss).

All other borrowings are held at amortised cost.

9. Lease liabilities

Information presented in this note is in respect of the financial period ended 30 June 2019 in accordance with IFRS 16.

BBA 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 BBA'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 7 of the interim financial report. A maturity analysis of lease liabilities for continuing operations is set out below:

	As at 30 June 2019 \$m	As at 30 June 2018 ¹ \$m	As at 31 December 2018 ¹ \$m
Amounts payable under lease liabilities²			
Minimum lease payments			
Within one year	128.0	0.4	1.5
In the second to fifth years inclusive	444.5	1.0	3.2
More than five years	1,700.9	0.1	0.4
	2,273.4	1.5	5.1
Present value of minimum lease payments			
Within one year	57.9	0.2	1.1
In the second to fifth years inclusive	192.8	1.0	2.9
More than five years	881.1	0.1	0.3
	1,131.8	1.3	4.3
Lease liabilities recognised in the condensed consolidated balance sheet			
Current	57.9	0.2	1.1
Non-current	1,073.9	1.1	3.2
	1,131.8	1.3	4.3

¹ The amounts presented in the comparative periods represents finance leases recognised in accordance with IAS 17.

² Amounts payable under lease liabilities for discontinued operations are presented in note 16.

9. Lease liabilities - continued

	Six months Ended 30 June 2019 \$m	Six months Ended 30 June 2018 ² \$m	Year Ended 31 December 2018 ² \$m
Amounts recognised in the condensed consolidated income statement for continuing operations			
Interest on sublease assets	0.9	-	-
Interest on lease liabilities	(35.4)	-	(0.1)
Expenses relating to variable lease payments not included in the measurement of lease liabilities	(12.1)	-	-
Depreciation on right of use assets	(44.2)	-	-
	(90.8)	-	(0.1)
Total amounts recognised in the condensed consolidated cash flow statement¹			
Interest received on subleases assets	0.9	-	-
Receipt of capital element of sublease assets	1.3	-	-
Interest element of lease liabilities paid ²	(37.2)	-	(0.1)
Payments of lease liabilities	(36.1)	-	(0.4)
	(71.1)	-	(0.5)

¹ Condensed consolidated cash flow statement includes the cash inflows/(outflows) for the continuing and discontinued operations.

² Interest element of lease liabilities paid includes \$1.9 million on leases from ERO discontinued operation (30 June 2018: \$nil; 31 December 2018: \$nil).

³ Payments of lease liabilities includes \$5.8 million for leases classified with liabilities held for sale (30 June 2018: \$nil; 31 December 2018: \$nil) and \$0.5 million on leases previously accounted for as finance leases under IAS 17 (30 June 2018: \$nil; 31 December 2018: \$0.4 million).

	Year Ended 31 December 2018 \$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	1,141.0
Discontinued operations	63.3
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.

10. Financial instruments

Categories of financial instruments

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

	30 June 2019 Carrying value \$m	30 June 2018 Carrying value \$m	31 December 2018 Carrying value \$m
Financial assets			
Fair value through profit or loss – foreign exchange contracts ¹	0.3	1.1	0.2
Derivative instruments held in fair value hedges ²	22.1	0.3	4.1
Derivative instruments held in cash flow hedges	2.1	8.3	6.0
Assets classified as financial instruments fair valued through other comprehensive income (FVTOCI)	3.2	5.1	3.7
Loans and receivables (including cash and cash equivalents) ^{3,4}	293.0	294.2	287.8
	320.7	309.0	301.8
Financial liabilities			
Fair value through profit or loss – foreign exchange contracts ¹	(0.4)	(0.1)	(1.0)
Derivative instruments held in fair value hedges ²	-	(6.9)	(3.6)
Derivative instruments held in cash flow hedges	(3.3)	(2.5)	(3.0)
Financial liabilities at amortised cost ⁴	(1,213.5)	(1,097.7)	(1,193.0)
Financial liabilities at fair value	(547.9)	(519.4)	(526.2)
	(1,765.1)	(1,626.6)	(1,726.8)

¹ The foreign exchange contracts disclosed as fair value through profit or loss are not designated in a formal hedging relationship and are used to hedge foreign currency flows through the BBA Aviation plc company bank accounts to ensure that the Group is not exposed to foreign exchange risk through the management of its international cash management structure.

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 \$5.4 million (30 June 2018: \$5.7 million; 31 December 2018: \$5.7m) are included within trade and other receivables.

⁴ The carrying value of trade and other receivables, and other payables approximates their fair value.

Derivative financial instruments

The fair values and notional amounts of derivative financial instruments are shown below. The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. All valuation techniques take into account assumptions based upon available market data at the balance sheet date. The notional amounts are based on the contractual gross amounts at the balance sheet date.

The fair values of the assets classified as financial instruments within other comprehensive income and derivative financial instruments are categorised within Level 2 of the fair value hierarchy on the basis that their fair value has been calculated using inputs that are observable in active markets which are related to the individual asset or liability. The Group does not have any derivative financial instruments which would be categorised as either Level 1 or 3 of the fair value hierarchy.

10. Financial instruments - continued

	30 June 2019		30 June 2018		31 December 2018	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Derivative financial assets	\$m	\$m	\$m	\$m	\$m	\$m
Derivatives not in a formal hedging relationship						
Foreign exchange forward contracts	85.9	0.3	114.1	1.1	3.3	0.2
Fair value hedges						
Interest rate swaps	(530.0)	22.1	(250.0)	0.3	(250.0)	4.1
Cash flow hedges						
Interest rate swaps	(284.9)	1.1	(291.0)	6.6	(284.9)	4.6
Foreign exchange forward contracts	12.3	1.0	(18.4)	1.7	18.4	1.4
	(716.7)	24.5	(445.3)	9.7	(513.2)	10.3

	30 June 2019		30 June 2018		31 December 2018	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Derivative financial liabilities	\$m	\$m	\$m	\$m	\$m	\$m
Derivatives not in a formal hedging relationship						
Foreign exchange forward contracts	162.4	(0.4)	72.8	(0.1)	188.9	(1.0)
Fair value hedges						
Interest rate swaps	-	-	(280.0)	(6.9)	(280.0)	(3.6)
Cash flow hedges						
Interest rate swaps	-	-	(50.0)	(0.1)	-	-
Foreign exchange forward contracts	(73.0)	(3.3)	(42.4)	(2.4)	(81.2)	(3.0)
	89.4	(3.7)	(299.6)	(9.5)	(172.3)	(7.6)

Adjustments relating to the credit risk of BBA Aviation plc and its counterparties, as defined within IFRS 13, are immaterial in the current period and prior periods.

11. Net cash flow from operating activities

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Operating profit	131.1	115.9	227.6
Operating profit from discontinued operations (note 16)	24.9	12.3	33.9
Less: Share of profit from associates and joint ventures	(1.6)	(1.7)	(4.0)
Profit from operations	154.4	126.5	257.5
Depreciation of property, plant and equipment	34.4	35.3	69.0
Depreciation of right of use assets	44.2	-	-
Amortisation of intangible assets	53.3	49.7	101.0
(Profit)/loss on sale of property, plant and equipment	(0.3)	0.6	3.4
Share-based payment expense	4.8	5.7	8.2
Decrease in provisions	(0.7)	(2.8)	(12.4)
Pension scheme payments	(2.3)	(2.2)	(5.9)
Other non-cash items	11.7	(1.1)	1.8
Unrealised foreign exchange movements	(0.8)	(0.7)	(1.0)
Operating cash inflows before movements in working capital	298.7	211.0	421.6
Increase in working capital	(2.4)	(23.7)	(26.2)
Cash generated by operations	296.3	187.3	395.4
Net income taxes paid	(23.0)	(10.2)	(27.1)
Net cash from operating activities	273.3	177.1	368.3
Dividends received from associates and joint ventures	2.9	1.7	2.0
Purchase of property, plant and equipment	(34.9)	(40.1)	(85.3)
Purchase of intangible assets ¹	(6.2)	(3.0)	(6.6)
Proceeds from disposal of property, plant and equipment	3.6	0.3	4.7
Interest received	0.3	0.3	12.7
Interest received on sublease assets	0.9	-	-
Receipt of capital element of sublease assets	1.3	-	-
Interest paid	(38.7)	(21.8)	(70.9)
Interest element of lease liabilities paid	(37.2)	-	(0.1)
Payments of lease liabilities	(36.1)	-	-
Free cash flow²	129.2	114.5	224.8

¹ Purchase of intangible assets excludes \$1.0 million (30 June 2018: \$1.2 million; 31 December 2018 \$1.2 million) paid in relation to Ontic licenses, 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.

12. Analysis of changes in net debt

As at 30 June 2019

	At 1 January 2019	Adoption of IFRS 16	Cash (inflow)/ outflow ¹	Fair value movements	Foreign exchange movements	Amortisation costs	New lease liabilities	Transfer to (assets)/ liabilities held for sale	At 30 June 2019
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Bank loans	(565.3)	-	(26.3)	-	-	(1.2)	-	-	(592.8)
USPP ²	(376.8)	-	-	(7.9)	-	(0.3)	-	-	(385.0)
US senior notes ³	(494.2)	-	-	(13.3)	-	(0.6)	-	-	(508.1)
Other loans	(0.3)	-	-	-	-	-	-	-	(0.3)
Bank overdraft	(1.5)	-	1.5	-	-	-	-	-	-
Lease liabilities for covenants ⁴	(4.3)	-	0.5	-	-	-	-	-	(3.8)
Arising from financing activities	(1,442.4)	-	(24.3)	(21.2)	-	(2.1)	-	-	(1,490.0)
Cash and cash equivalents	109.3	-	24.0	-	(9.5)	-	-	(7.1)	116.7
Net debt for covenants purposes⁴	(1,333.1)	-	(0.3)	(21.2)	(9.5)	(2.1)	-	(7.1)	(1,373.3)
Lease liabilities	-	(1,136.7)	29.8	-	0.3	-	(21.4)	-	(1,128.0)
Net debt per balance sheet including Lease liabilities^{2,3,5}	(1,333.1)	(1,136.7)	29.5	(21.2)	(9.2)	(2.1)	(21.4)	(7.1)	(2,501.3)
Less fair value adjustments	1.9	-	-	21.2	-	-	-	-	23.1
Net debt classified as held for sale ⁶	(1.0)	(63.3)	8.8	-	(0.4)	-	(10.3)	7.1	(59.1)
Net debt per cash flow^{2,3,5}	(1,332.2)	(1,200.0)	38.3	-	(9.6)	(2.1)	(31.7)	-	(2,537.3)

As at 30 June 2018

	At 1 January 2018	Cash (inflow)/ outflow ¹	Fair value movements	Foreign exchange movements	Amortisation costs	Acquisition from third parties	Transfer to (assets)/ liabilities held for sale	At 30 June 2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Bank loans	(813.3)	342.3	-	-	(2.7)	-	-	(473.7)
USPP ²	(502.2)	120.0	8.4	-	(0.1)	-	-	(373.9)
US senior notes ³	-	(489.1)	(0.3)	-	(0.4)	-	-	(489.8)
Other loans	(3.3)	-	-	-	-	-	3.0	(0.3)
Bank overdraft	(4.0)	3.3	-	-	-	-	-	(0.7)
Lease liabilities for covenants ⁴	(1.3)	-	-	-	-	-	-	(1.3)
Arising from financing activities	(1,324.1)	(23.5)	8.1	-	(3.2)	-	3.0	(1,339.7)
Cash and cash equivalents	153.5	3.2	-	(6.7)	-	-	(2.4)	147.6
Net debt per balance sheet	(1,170.6)	(20.3)	8.1	(6.7)	(3.2)	-	0.6	(1,192.1)
Less fair value adjustments	3.5	-	(8.1)	-	-	-	-	(4.6)
Net debt classified as held for sale	-	-	-	-	-	-	(0.6)	(0.6)
Net debt per cash flow^{2,3,5}	(1,167.1)	(20.3)	-	(6.7)	(3.2)	-	-	(1,197.3)

12. Analysis of changes in net debt - continued

As at 31 December 2018

	At 1 January 2018	Cash (inflow)/ outflow ¹	Fair value movements	Foreign exchange movements	Amortisation costs	Acquisition from third parties	Transfer to (assets)/ liabilities held for sale	At 31 December 2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Bank loans	(813.3)	252.0	-	-	(4.0)	-	-	(565.3)
USPP ²	(502.2)	120.0	5.6	-	(0.2)	-	-	(376.8)
US senior notes ³	-	(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 ⁴	(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 adjustments	3.5	-	(1.6)	-	-	-	-	1.9
Net debt classified as held for sale	-	-	-	-	-	-	(1.0)	(1.0)
Net debt per cash flow^{2,3,5}	(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 Within the Group's definition of net debt, the US private placement is included at its face value of \$380 million (30 June 2018: \$380 million; 31 December 2018: \$380 million), reflecting the fact that the liabilities will be in place until maturity. This is \$5.8 million lower (30 June 2018: \$4.9 million higher; 31 December 2018: \$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 \$500 million (30 June 2018: \$500 million; 31 December 2018: \$500 million) reflecting the fact that the liabilities will be in place until maturity. This is \$17.3 million lower (30 June 2018: \$0.3 million lower; 31 December 2018: \$4.0 million lower than its carrying value).

⁴ Net debt for covenant purposes includes lease liabilities previously accounted for as finance leases under IAS 17. For the purposes of net debt we have analysed lease liabilities between the previous obligations under finance leases and additional lease liabilities recognised following the adoption of IFRS 16.

⁵ Alternative Performance Measures are reconciled to IFRS measures and explained in Note 19, the Alternative Performance Measures section.

⁶ The cash outflow within net debt classified as held for sale for the period ended 30 June 2019 includes \$3.0 million repayment of borrowings and \$5.8 million payment of lease liabilities.

13. Acquisitions

On 24 June 2019 the Group's Ontic business has acquired an exclusive licence agreement for signal conditioners, military chip detectors, cockpit indicators and connector harnesses from Meggitt for a total consideration of \$12.0 million. Ontic has paid \$11.5 million upfront and the remaining \$0.5 million is deferred consideration.

In the half year, \$10.7 million of deferred and contingent consideration was paid in relation to prior year acquisitions in Ontic (30 June 2018: \$3.1 million; 31 December 2018 \$3.7 million including the 2018 acquisition of Honeywell).

Prior period acquisitions

As disclosed in the 2018 Annual Report, Signature completed the acquisition of EPIC Aviation LLC doing business as EPIC Fuels ("EPIC"). In the period, the purchase price accounting has been finalised, the measurement period adjustments resulting a 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 20 November 2018. The transaction remains in the measurement period and the purchase price accounting will be finalised in the 2019 annual report. In the period, provisional measurement period adjustments have been recognised resulting in an increase in goodwill of \$0.8 million and further consideration of \$0.4 million was paid in April 2019 representing the final working capital adjustment.

No other measurement period adjustments have been made in the period. Further information in relation to the purchase price accounting for these acquisitions is available in the 2018 annual report and accounts.

14. Related party transactions

Transactions between the Group 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.

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sales of goods			Purchases of goods		
	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Associates and joint ventures	2.5	2.3	4.3	367.1	366.9	738.8

	Amounts owed by related parties			Amounts owed to related parties		
	30 June 2019 \$m	30 June 2018 \$m	31 December 2018 \$m	30 June 2019 \$m	30 June 2018 \$m	31 December 2018 \$m
Associates and joint ventures	0.2	0.1	0.6	65.1	85.8	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 \$0.2 million (30 June 2018: \$0.1 million; 31 December 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 has various pension and other post-retirement benefit schemes for its employees. Details are set out in note 15.

15. Pensions and other post-retirement benefits

The Group operates a number of plans worldwide, both of the defined benefit and defined contribution type. The defined benefit obligation at 30 June 2019 for the UK Income and Protection Plan (the “IPP” or “UK Plan”) under IAS 19 is estimated based on the latest completed actuarial valuation as at 31 March 2018, with assumptions updated to reflect market conditions as at 30 June 2019 where appropriate.

The IPP closed to future accrual on 31 May 2016. The defined benefit plan assets have been updated to reflect their market value as at 30 June 2019. The Group’s foreign retirement obligations relate to a number of arrangements in North America. Pension costs are calculated by independent qualified actuaries, using the projected unit method and assumptions appropriate to the arrangements in place.

As at 30 June 2019, the IAS 19 valuation of the UK plan and US schemes, indicate a net deficit of \$32.7 million (30 June 2018: \$44.5 million; 31 December 2018: \$28.2 million).

During the first half of 2019, the Group agreed a revised schedule of payments to the IPP. Payments due as at 30 June 2019 are as follows:

- £0.3 million per annum from 30 June 2019 to 31 December 2020;
- Additional contributions of £3.4 million per annum from 30 June 2019 to 30 September 2021;
- £2.7 million per annum from 30 June 2019 to March 2034 (through an Asset-Backed Funding arrangement (ABF))

The ABF structure consists of a Scottish Limited Partnership (SLP), formed between two newly incorporated subsidiaries of the Group and the Trustee of the IPP. The SLP has a long-term inter-company loan receivable due from Ontic Engineering & Manufacturing UK Limited (Ontic UK), on which annual interest payments of £2.7 million are due over the term of the loan.

The ABF structure was established so that the three newly created entities are consolidated into the Group’s financial statements. In addition, the interest in the SLP held by the IPP is not treated as an asset under IAS19, and therefore is not included as part of the Group’s pensions disclosures under IAS19. Instead, the payments due to the IPP are treated as a series of payments which the Group has committed to make.

16. Discontinued operations

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 its operations have now ceased.

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

Six months ended 30 June 2019				Six months ended 30 June 2018			Year ended 31 December 2018			
Notes	Underlying¹ \$m	Exceptional and other Items \$m	Total \$m	Underlying¹ \$m	Exceptional and other Items \$m	Total \$m	Underlying¹ \$m	Exceptional and other Items \$m	Total \$m	
Revenue	2	265.4	-	265.4	257.6	-	257.6	533.6	-	533.6
Cost of sales		(218.8)	-	(218.8)	(219.6)	-	(219.6)	(449.8)	-	(449.8)
Gross profit		46.6	-	46.6	38.0	-	38.0	83.8	-	83.8
Distribution costs		(16.9)	-	(16.9)	(14.2)	-	(14.2)	(29.3)	-	(29.3)
Administrative expenses		(10.2)	-	(10.2)	(16.1)	-	(16.1)	(30.3)	-	(30.3)
Other operating income		-	-	-	-	-	-	0.1	-	0.1
Restructuring costs		-	-	-	-	(1.1)	(1.1)	-	(1.1)	(1.1)
Operating profit/(loss) including internal Group charges		19.5	-	19.5	7.7	(1.1)	6.6	24.3	(1.1)	23.2
Elimination of internal Group charges		5.4	-	5.4	5.7	-	5.7	10.7	-	10.7
Operating profit/(loss)	2	24.9	-	24.9	13.4	(1.1)	12.3	35.0	(1.1)	33.9
Impairment loss²		-	(31.8)	(31.8)	-	-	-	-	-	-
Transaction costs³		-	(0.9)	(0.9)	-	(5.0)	(5.0)	-	(5.9)	(5.9)
Finance costs⁴		(2.4)	-	(2.4)	(0.5)	-	(0.5)	(0.9)	-	(0.9)
Profit/(loss) before tax		22.5	(32.7)	(10.2)	12.9	(6.1)	6.8	34.1	(7.0)	27.1
Tax (charge)/credit		(5.4)	0.2	(5.2)	(2.6)	1.1	(1.5)	(9.9)	2.0	(7.9)
Profit/(loss) for the period		17.1	(32.5)	(15.4)	10.3	(5.0)	5.3	24.2	(5.0)	19.2
Attributable to:										
Equity holders of BBA Aviation plc		17.1	(32.5)	(15.4)	10.3	(5.0)	5.3	24.2	(5.0)	19.2
Non-controlling interests		-	-	-	-	-	-	-	-	-
Profit/(loss) for the period		17.1	(32.5)	(15.4)	10.3	(5.0)	5.3	24.2	(5.0)	19.2
Earnings per share		Adjusted¹	Unadjusted		Adjusted¹	Unadjusted		Adjusted¹	Unadjusted	
Basic pre IFRS 16		1.4¢	(1.8)¢		1.0¢	0.5¢		2.3¢		1.9¢
Basic		1.7¢	(1.5)¢							
Diluted pre IFRS 16		1.3¢	(1.8)¢		1.0¢	0.5¢		2.3¢		1.8¢
Diluted		1.6¢	(1.5)¢							

¹ Underlying profit and adjusted earnings per share is stated before exceptional and other items.

² The impairment of \$31.8 million reported in exceptional and other items represents impairment of net assets held for sale to fair value less costs to sell.

³ Transaction costs of \$0.9 million (30 June 2018: \$5.0 million; 31 December 2018: \$5.9 million) represents costs to sell incurred to date.

⁴ Finance costs of \$2.4 million (30 June 2018: \$0.5 million; 31 December 2018: \$0.9 million) includes \$1.9 million of finance costs following the adoption of IFRS 16 (30 June 2018: \$nil; 31 December 2018: \$nil).

Alternative Performance Measures are reconciled to IFRS measures and explained in Note 19, the Alternative Performance Measures section.

16. Discontinued operations - continued

Effect of the disposal Group on the financial position of the Group as at 30 June 2019.

Note	As at 30 June 2019 \$m	As at 30 June 2018 \$m	As at 31 December 2018 \$m
Assets held for sale			
Non-current assets			
Other intangible assets	16.1	17.4	17.7
Property, plant and equipment	58.5	77.7	80.8
Right of use assets	71.2	-	-
	145.8	95.1	98.5
Current assets			
Inventories	158.7	150.6	168.2
Trade and other receivables	117.2	120.9	138.9
Cash and cash equivalents	9.1	2.4	2.0
	285.0	273.9	309.1
Total assets held for sale	430.8	369.0	407.6
Liabilities held for sale			
Current liabilities			
Trade and other payables	(117.6)	(104.1)	(142.0)
Lease liabilities	(9.3)	-	-
Borrowings	-	-	(3.0)
Provisions	(0.9)	(1.1)	(0.9)
	(127.8)	(105.2)	(145.9)
Non-current liabilities			
Borrowings	-	(3.0)	-
Trade and other payables due after one year	(0.4)	(0.4)	-
Lease liabilities	(58.9)	-	-
Provisions	(0.9)	(0.9)	(0.9)
	(60.2)	(4.3)	(0.9)
Total liabilities held for sale	(188.0)	(109.5)	(146.8)
Net assets held for sale¹	242.8	259.5	260.8

¹ The net assets of the ERO business held for sale as at 30 June 2019 exclude deferred tax liabilities of \$17.0 million which have been recognised within the Group tax position (30 June 2018: deferred tax liabilities of \$10.6 million, 31 December 2018: deferred tax liabilities of \$15.3 million).

Cash flows (used in)/from ERO discontinued operations

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Net cash inflow/(outflow) from operating activities	33.5	(29.9)	(7.2)
Net cash outflow from investing activities	(6.1)	(11.5)	(16.1)
Net cash inflow/(outflow) from financing activities	(20.3)	42.1	23.6
Net cash inflow for the period	7.1	0.7	0.3

¹ Net cash flows from operating activities in the period comprise operating profit \$24.9 million (30 June 2018: \$12.3 million; 31 December 2018: \$33.9 million), transaction costs \$0.3 million (30 June 2019: \$5.0 million; 31 December 2018: \$5.9 million), working capital inflow \$8.8 million (30 June 2018: \$47.9 million outflow; 31 December 2018: \$44.2 million outflow), and tax paid \$0.1 million (30 June 2018: \$0.2 million received; 31 December 2018: \$0.2 million received) in relation to the discontinued operations.

16. Discontinued operations - continued

	As at 30 June 2019 \$m	As at 30 June 2018 \$m	As at 31 December 2018 \$m
Lease liabilities recognised within liabilities held for sale			
Minimum lease payments			
Within one year	13.0	-	-
In the second to fifth years inclusive	32.4	-	-
More than five years	107.2	-	-
	152.6	-	-
Present value of minimum lease payments			
Within one year	9.3	-	-
In the second to fifth years inclusive	20.5	-	-
More than five years	38.4	-	-
	68.2	-	-
Lease liabilities recognised in liabilities held for sale			
Current	9.3	-	-
Non-current	58.9	-	-
	68.2	-	-
	Six months Ended 30 June 2019 \$m	Six months Ended 30 June 2018 \$m	Year Ended 31 December 2018 \$m
Amounts recognised in the condensed consolidated income statement for discontinued operations			
Interest on lease liabilities	(1.9)	-	-
	(1.9)	-	-

17. Share capital

Ordinary share capital as at 30 June 2019 amounted to \$510.0 million (30 June 2018: \$509.3 million; 31 December 2018: \$509.3 million). During the period 1.9 million ordinary shares were issued to satisfy options exercised and the vesting of share awards under the Group's various share schemes (30 June 2018: 0.7 million; 31 December 2018: 1.0 million). The consideration for shares issued in respect of share options for the period ended 30 June 2019 \$0.7 million (30 June 2018: \$0.3 million; and 31 December 2018: \$0.3 million).

The number of shares in issue as at 30 June 2019 was 1,048.2 million (30 June 2018: 1,046.2 million; 31 December 2018: 1,046.3 million).

18. Post balance sheet events

Proposed sale of Ontic

On 30 July 2019 the Group announced the proposed sale of Ontic, a leading provider of high-quality, OEM-licensed parts for legacy aerospace platforms, to CVC Fund VII, for an enterprise value of \$1,365 million.

The disposal is a class 1 transaction under the UK listing rules and is therefore conditional on approval of the shareholders, as well as being subject to regulatory consents. A circular containing further details of the Transaction, together with a notice to convene a general meeting expected to be in late August 2019 (General Meeting), will be sent to shareholders as soon as is practicable.

This disposal of the Ontic segment (Note 2) is expected to complete in Q4 2019.

19. Alternative performance measures

Introduction

We assess the performance of the Group using a variety of Alternative Performance Measures. We principally discuss the Group's results on an 'adjusted' and/or 'underlying' basis. Results on an adjusted basis are presented before exceptional and other items.

Alternative Performance Measures have been defined and reconciled to the nearest GAAP measure below, along with the rationale behind using the measures.

As set out in Note 1 Basis of preparation the Group has adopted IFRS 16 in the period. Under the transition option adopted 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, cash basic and diluted earnings per ordinary share, return on invested capital, operating cash flow, free cash flow, cash conversion, and net debt. A reconciliation from these adjusted performance measures to the nearest measure prepared in accordance with IFRS is presented below. The Alternative Performance Measures we use may not be directly comparable with similarly titled measures used by other companies.

Where applicable, divisional measures are calculated in accordance with Group measures.

Exceptional and other items

The Group's Income Statement and segmental analysis separately identify trading results before exceptional and other items. The directors believe that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance, as exceptional and other items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a meaningful analysis of the trading results of the Group. In determining whether an event or transaction is treated as an exceptional and other item, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of charges or credits meeting the above definition and which have been presented as exceptional items in the current and/or prior years include costs relating to 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 3 to the condensed consolidated Financial Statements.

19. Alternative performance measures

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.

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Revenue prior year (continuing operations)	1,024.3	898.6	1,857.3
Revenue prior year (ERO discontinued operations)	257.6	246.9	513.3
Revenue prior year (ASIG discontinued operations)	-	38.2	38.4
Reported revenue prior period (continuing and discontinued)	1,281.9	1,183.7	2,409.0
Rebase for foreign exchange movements ¹	(8.6)	11.9	10.9
Rebase for fuel price movements ²	(10.7)	70.8	138.2
Rebase for disposals and discontinued operations (note 16)	(257.6)	(285.1)	(551.7)
Rebased comparative revenue	1,005.0	981.3	2,006.4
Reported revenue current period (continuing and discontinued)	1,528.1	1,281.9	2,880.9
Add: Impact of adopting IFRS 16 (continuing)	2.1	-	-
Less: Contribution from discontinued operations/disposals	(265.4)	(257.6)	(533.6)
Less: Contribution from acquisitions	(251.6)	(5.0)	(304.8)
Organic revenue ³	1,013.2	1,019.3	2,042.5
Organic revenue growth from continuing operations	0.8%	3.9%	1.8%

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.

19. 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. The directors 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.

	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018		
	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m
Operating profit	156.0	131.1	24.9	128.2	115.9	12.3	261.5	227.6	33.9
Add: Exceptional and other items:									
Amortisation of intangible assets arising on acquisition and valued in accordance with IFRS 3	47.9	47.9	-	43.5	43.5	-	88.8	88.8	-
Acquisition related transaction costs	-	-	-	-	-	-	1.4	1.4	-
Restructuring costs	1.4	1.4	-	8.8	7.7	1.1	10.0	8.9	1.1
Other exceptional items	11.4	11.4	-	-	-	-	13.5	13.5	-
Exceptional and other items	60.7	60.7	-	52.3	51.2	1.1	113.7	112.6	1.1
Underlying operating profit	216.7	191.8	24.9	180.5	167.1	13.4	375.2	340.2	35.0
Underlying operating margin (%)	14.2%	15.2%	9.4%	14.1%	16.3%	5.2%	13.0%	14.5%	6.6%
IFRS 16 impact on operating profit									
Operating profit	156.0	131.1	24.9	128.2	115.9	12.3	261.5	227.6	33.9
Impact of IFRS 16	(26.7)	(20.6)	(6.1)	-	-	-	-	-	-
Operating profit pre IFRS 16	129.3	110.5	18.8	128.2	115.9	12.3	261.5	227.6	33.9
IFRS 16 impact on underlying operating profit									
Underlying operating profit	216.7	191.8	24.9	180.5	167.1	13.4	375.2	340.2	35.0
Impact of IFRS 16	(26.7)	(20.6)	(6.1)	-	-	-	-	-	-
Underlying operating profit pre IFRS 16	190.0	171.2	18.8	180.5	167.1	13.4	375.2	340.2	35.0

19. Alternative performance measures - continued

EBITDA and underlying EBITDA

In addition to measuring the financial performance of the Group and lines of business based on underlying operating profit, we also measure performance based on EBITDA and underlying EBITDA. EBITDA is defined as the Group profit or loss before depreciation, amortisation, net finance expense and taxation. Underlying EBITDA is defined as EBITDA before exceptional and other items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies.

We consider EBITDA and underlying EBITDA to be useful measures of our operating performance because they approximate the underlying operating cash flow by eliminating depreciation and amortisation. EBITDA and underlying EBITDA are not direct measures of our liquidity, which is shown by our cash flow statement, and need to be considered in the context of our financial commitments.

A reconciliation from profit or loss to EBITDA and underlying EBITDA, is set out below.

	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018		
	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m
Profit/(loss) for the period	31.4	46.8	(15.4)	66.7	61.4	5.3	137.9	118.7	19.2
Add: Finance costs	77.2	74.8	2.4	27.7	27.2	0.5	67.9	67.0	0.9
Less: Investment income	(1.2)	(1.2)	-	(0.3)	(0.3)	-	(0.7)	(0.7)	-
Add: Tax charge	15.9	10.7	5.2	16.3	14.8	1.5	36.4	28.5	7.9
Add: Depreciation and amortisation	131.9	131.9	-	85.0	81.3	3.7	170.0	166.3	3.7
Add: Impairment and other charges	32.7	-	32.7	17.8	12.8	5.0	20.0	14.1	5.9
EBITDA	287.9	263.0	24.9	213.2	197.2	16.0	431.5	393.9	37.6
Acquisition related transaction costs	-	-	-	-	-	-	1.4	1.4	-
Restructuring costs	1.4	1.4	-	8.8	7.7	1.1	10.0	8.9	1.1
Amounts related to previously disposed businesses	10.4	10.4	-	-	-	-	2.3	2.3	-
Other exceptional items	1.0	1.0	-	-	-	-	11.2	11.2	-
Underlying EBITDA	300.7	275.8	24.9	222.0	204.9	17.1	456.4	417.7	38.7

19. Alternative performance measures - continued

EBITDA and underlying EBITDA - continued

The following tables summarises the impact of adopting IFRS 16 on the Group's profit/(loss) for the period, EBITDA and underlying EBITDA for the period ended 30 June 2019.

	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018		
	Total	Continuing	Discontinued	Total	Continuing	Discontinued	Total	Continuing	Discontinued
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
IFRS 16 impact on profit/(loss) for the period									
Profit/(loss) for the period	31.4	46.8	(15.4)	66.7	61.4	5.3	137.9	118.7	19.2
Impact of IFRS 16	7.1	10.2	(3.1)	-	-	-	-	-	-
Profit/(loss) for the period pre IFRS 16 ¹	38.5	57.0	(18.5)	66.7	61.4	5.3	137.9	118.7	19.2
IFRS 16 impact on EBITDA									
EBITDA	287.9	263.0	24.9	213.2	197.2	16.0	431.5	393.9	37.6
Impact of IFRS 16	(70.9)	(64.8)	(6.1)	-	-	-	-	-	-
EBITDA pre IFRS 16	217.0	198.2	18.8	213.2	197.2	16.0	431.5	393.9	37.6
IFRS 16 impact on underlying EBITDA									
Underlying EBITDA	300.7	275.8	24.9	222.0	204.9	17.1	456.4	417.7	38.7
Impact of IFRS 16	(70.9)	(64.8)	(6.1)	-	-	-	-	-	-
Underlying EBITDA pre IFRS 16	229.8	211.0	18.8	222.0	204.9	17.1	456.4	417.7	38.7

19. Alternative performance measures - continued

Underlying profit before tax

Underlying profit before tax is a measure which seeks to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. As such underlying profit before tax excludes the impact of exceptional and other items. We focus on the trends in underlying profit before tax.

A reconciliation from profit before tax, the most directly comparable IFRS measures, to the underlying profit before tax, is set out below.

	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018		
	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m
Profit/(loss) before tax	47.3	57.5	(10.2)	83.0	76.2	6.8	174.3	147.2	27.1
Exceptional and other items excluding tax effect	93.4	60.7	32.7	70.1	64.0	6.1	133.7	126.7	7.0
Underlying profit before tax	140.7	118.2	22.5	153.1	140.2	12.9	308.0	273.9	34.1

The following tables summarises the impact of adopting IFRS 16 on the Group's profit/(loss) before tax and underlying profit/(loss) before tax.

IFRS 16 impact on profit/(loss) before tax

Profit/(loss) before tax	47.3	57.5	(10.2)	83.0	76.2	6.8	174.3	147.2	27.1
Impact of IFRS 16	9.5	13.8	(4.3)	-	-	-	-	-	-
Profit/(loss) before tax pre IFRS 16	56.8	71.3	(14.5)	83.0	76.2	6.8	174.3	147.2	27.1

IFRS 16 impact on underlying profit/(loss) before tax

Underlying profit/(loss) before tax	140.7	118.2	22.5	153.1	140.2	12.9	308.0	273.9	34.1
Impact of IFRS 16	9.5	13.8	(4.3)	-	-	-	-	-	-
Underlying profit/(loss) before tax pre IFRS 16	150.2	132.0	18.2	153.1	140.2	12.9	308.0	273.9	34.1

19. Alternative performance measures - continued

Underlying deferred tax

Cash adjusted basic and diluted earnings per ordinary share set out in note 6 are calculated by removing exceptional and other items, the impact of IFRS 16 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 measures, to the underlying deferred tax, is set out below:

	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018		
	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m
Total deferred tax (credit)/charge	(2.7)	(4.8)	2.1	(1.1)	(2.3)	1.2	(0.5)	(6.7)	6.2
Adjust for exceptional deferred tax charge/(credit)	13.6	14.0	(0.4)	13.6	14.1	(0.5)	26.6	27.4	(0.8)
Impact of IFRS 16	1.8	2.9	(1.1)	-	-	-	-	-	-
Underlying deferred tax charge/(credit)	12.7	12.1	0.6	12.5	11.8	0.7	26.1	20.7	5.4

Cash basic and diluted earnings per ordinary share

As set out in note 6, 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.

	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018		
	Total ¢	Continuing ¢	Discontinued ¢	Total ¢	Continuing ¢	Discontinued ¢	Total ¢	Continuing ¢	Discontinued ¢
Basic earnings per share pre IFRS 16	3.7	5.5	(1.8)	6.5	6.0	0.5	13.4	11.5	1.9
Adjustments for adjusted measure	8.9	5.6	3.3	6.5	5.9	0.6	12.5	11.5	1.0
Cash basic earnings per share pre IFRS 16	12.6	11.1	1.5	13.0	11.9	1.1	25.9	23.0	2.9
Diluted earnings per share pre IFRS 16	3.7	5.5	(1.8)	6.4	5.9	0.5	13.2	11.4	1.8
Adjustments for adjusted measure	8.8	5.5	3.3	6.4	5.9	0.5	12.4	11.4	1.0
Cash diluted earnings per share pre IFRS 16	12.5	11.0	1.5	12.8	11.8	1.0	25.6	22.8	2.8

19. 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.

As noted above the transition option adopted for IFRS 16 means comparative information is not available and therefore it is not possible to calculate ROIC on a reported post IFRS 16 basis.

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.

	Six months ended 30 June 2019 Total \$m	Six months ended 30 June 2019 Continuing \$m	Six months ended 30 June 2019 Discontinued ¹ \$m	Six months ended 30 June 2018 Total \$m	Year ended 31 December 2018 Total \$m
Underlying operating profit	216.7	191.8	24.9	180.5	375.2
Impact of IFRS 16	(26.7)	(20.6)	(6.1)	-	-
Underlying operating profit pre IFRS 16	190.0	171.2	18.8	180.5	375.2
Underlying operating profit prior period six months ended December	194.7	173.1	21.6	185.7	-
Adjustments for FX	(0.3)	(0.2)	(0.1)	(0.1)	-
Underlying operating profit pre IFRS 16 for ROIC	384.4	344.1	40.3	366.1	375.2
Net assets	1,865.7	1,622.9	242.8	1,895.2	1,944.2
Add back impact of IFRS 16	1.8	6.0	(4.2)	-	-
Add back impairment made to disposal Group	-	(31.8)	31.8	-	-
Adjustments for FX and averaging	69.6	62.7	6.9	39.4	(0.1)
Pre IFRS 16 net assets for ROIC	1,937.1	1,659.8	277.3	1,934.6	1,944.1
Borrowings	(1,486.2)	(1,486.2)	-	(1,341.4)	(1,441.1)
Lease liabilities	(1,200.0)	(1,131.8)	(68.2)	(1.3)	(4.3)
Add back Lease liabilities recognised under IFRS 16	1,196.2	1,128.0	68.2		
Cash and cash equivalents	125.8	116.7	9.1	150.0	111.3
Adjustments for FX and averaging	(59.3)	(50.7)	(8.6)	(108.9)	(3.0)
Less Pre IFRS 16 net debt for ROIC²	(1,423.5)	(1,424.0)	0.5	(1,301.6)	(1,337.1)
Pre IFRS 16 invested capital for ROIC²	3,360.6	3,083.8	276.8	3,236.2	3,281.2
ROIC (%)	11.4%	11.2%	14.6%	11.3%	11.4%

¹ ROIC for discontinued operations has been calculated excluding \$5.4 m of support costs borne by the continuing Group (30 June 2018: \$5.7m, 31 December 2018: \$10.7m)

² Excluding the impact of IFRS 16

19. 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.

	Six months ended 30 June 2019 Total \$m	Six months ended 30 June 2018 Total \$m	Year ended 31 December 2018 Total \$m
Net cash flow from operating activities	273.3	177.1	368.3
Less: purchase of property, plant and equipment	(34.9)	(40.1)	(85.3)
Less: purchase of intangible assets	(7.2)	(4.2)	(7.8)
Add: Ontic licences not accounted for under IFRS 3	1.0	1.2	1.2
Add: income tax paid	23.0	10.2	27.1
Add: proceeds from disposal of property, plant and equipment	3.6	0.3	4.7
Operating cash flow	258.8	144.5	308.2

Impact on Net cash flow from operating activities pre IFRS 16

Net cash flow from operating activities	273.3	177.1	368.3
IFRS 16 impact	(70.6)	-	-
Net cash flow from operating activities pre IFRS 16	202.7	177.1	368.3

Impact on Operating cash flow by pre IFRS 16

Operating cash flow	258.8	144.5	308.2
IFRS 16 impact	(70.6)	-	-
Operating cash flow pre IFRS 16	188.2	144.5	308.2

19. 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 11 and reconciled to net cash inflow from operating activities, the most directly comparable IFRS measure.

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.

	Six months ended 30 June 2019 Total %	Six months ended 30 June 2018 Total %	Year ended 31 December 2018 Total %
Cash conversion	166%		
Cash conversion (pre IFRS 16)	146%	113%	118%

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.

	As at 30 June 2019			As at 30 June 2018			As at 31 December 2018		
	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m	Total \$m	Continuing \$m	Discontinued \$m
Borrowings	(1,486.2)	(1,486.2)	-	(1,341.4)	(1,338.4)	(3.0)	(1,441.1)	(1,438.1)	(3.0)
Amortisation costs	(16.2)	(16.2)	-	(20.0)	(20.0)	-	(17.6)	(17.6)	-
Fair value adjustment on USPP senior notes	5.8	5.8	-	(4.9)	(4.9)	-	(2.1)	(2.1)	-
Fair value adjustment on US senior notes	17.3	17.3	-	0.3	0.3	-	4.0	4.0	-
Total principal of borrowings	(1,479.3)	(1,479.3)	-	(1,366.0)	(1,363.0)	(3.0)	(1,456.8)	(1,453.8)	(3.0)
Cash and cash equivalents	125.8	116.7	9.1	150.0	147.6	2.4	111.3	109.3	2.0
Total net principal of borrowings	(1,353.5)	(1,362.6)	9.1	(1,216.0)	(1,215.4)	(0.6)	(1,345.5)	(1,344.5)	(1.0)
Amortisation costs	16.2	16.2	-	20.0	20.0	-	17.6	17.6	-
Lease liabilities for covenants ¹	(3.8)	(3.8)	-	(1.3)	(1.3)	-	(4.3)	(4.3)	-
Net debt for covenants purposes¹	(1,341.1)	(1,350.2)	9.1	(1,197.3)	(1,196.7)	(0.6)	(1,332.2)	(1,331.2)	(1.0)
Lease liabilities ¹	(1,196.2)	(1,128.0)	(68.2)	-	-	-	-	-	-
Net debt including the impact of IFRS 16	(2,537.3)	(2,478.2)	(59.1)	(1,197.3)	(1,196.7)	(0.6)	(1,332.2)	(1,331.2)	(1.0)

¹ Net debt for covenant purposes includes lease liabilities previously accounted for as finance leases under IAS 17. For the purposes of net debt we have analysed lease liabilities between the previous obligations under finance leases and additional lease liabilities recognised following the adoption of IFRS 16.

20. Impact of adoption IFRS 16 leases

The following table summarises the impact of adopting IFRS 16 on the Group's condensed consolidated balance sheet as at 1 January 2019.

Impact on the condensed consolidated balance sheet as at 1 January 2019

Note	As at 31 December 2018 \$m	IFRS 16 impact \$m	As at 1 January 2019 \$m
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
Deferred tax asset	-	-	-
	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 BBA 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

20. Impact of adoption IFRS 16 leases - continued

The following tables summarises the impact of adopting IFRS 16 on the Group's condensed consolidation income statement and condensed consolidated interim statement of cash flows for the period ended 30 June 2019 and the condensed consolidated balance sheet as at 30 June 2019

Impact on the condensed consolidated interim income statement

Six months ended 30 June 2019

Note	Six months ended 30 June 2019 as reported \$m	IFRS 16 impact \$m	Six months ended 30 June 2019 pre IFRS 16 \$m	Six months ended 30 June 2018 as reported \$m
Continuing operations				
Revenue	1,262.7	2.1	1,264.8	1,024.3
Cost of sales	(978.0)	(22.4)	(1,000.4)	(770.2)
Gross profit/(loss)	284.7	(20.3)	264.4	254.1
Distribution costs	(4.9)	-	(4.9)	(5.1)
Administrative expenses	(138.9)	(0.3)	(139.2)	(127.6)
Other operating income	2.1	-	2.1	1.3
Share of profit of associates and joint ventures	1.6	-	1.6	1.7
Other operating expenses	(12.1)	-	(12.1)	(0.8)
Restructuring costs	(1.4)	-	(1.4)	(7.7)
Operating profit/(loss)	131.1	(20.6)	110.5	115.9
Impairment of assets	-	-	-	(12.8)
Investment income	1.2	(0.9)	0.3	0.3
Finance costs	(74.8)	35.3	(39.5)	(27.2)
Profit/(loss) before tax	57.5	13.8	71.3	76.2
Tax expense	(10.7)	(3.6)	(14.3)	(14.8)
Profit/(loss) from continuing operations	46.8	10.2	57.0	61.4
(Loss)/profit from ERO discontinued operations, net of tax ¹	(15.4)	(3.1)	(18.5)	5.3
Profit for the period	31.4	7.1	38.5	66.7
Attributable to:				
Equity holders of BBA Aviation plc	31.2	7.1	38.3	66.7
Non-controlling interests	0.2	-	0.2	-
Profit for the period	31.4	7.1	38.5	66.7

¹ (Loss)/profit from ERO discontinued operations includes \$2.4 million of finance costs of which \$1.9m represents finance costs relating to the adoption of IFRS 16.

20. Impact of adoption IFRS 16 leases - continued

Impact on the condensed consolidated balance sheet

As at 30 June 2019

Note	30 June 2019 as reported \$m	IFRS 16 impact \$m	30 June 2019 pre IFRS 16 \$m	31 December 2018 as reported \$m
Non-current assets				
Goodwill	1,193.1	-	1,193.1	1,191.1
Other intangible assets	1,293.0	-	1,293.0	1,329.4
Property, plant and equipment	765.4	-	765.4	779.9
Right of use assets	1,065.1	(1,065.1)	-	-
Interests in associates and joint ventures	52.2	-	52.2	53.5
Trade and other receivables	55.3	(23.1)	32.2	18.8
	4,424.1	(1,088.2)	3,335.9	3,372.7
Current assets				
Inventories	137.8	-	137.8	120.3
Trade and other receivables	257.0	(2.7)	254.3	260.2
Cash and cash equivalents	116.7	-	116.7	109.3
Tax recoverable	0.9	-	0.9	1.1
Assets held for sale	430.8	(71.2)	359.6	407.6
	943.2	(73.9)	869.3	898.5
Total assets	5,367.3	(1,162.1)	4,205.2	4,271.2
Current liabilities				
Trade and other payables	(406.7)	(27.1)	(433.8)	(439.2)
Tax liabilities	(35.2)	(0.7)	(35.9)	(39.8)
Lease liabilities	(57.9)	56.8	(1.1)	(1.1)
Borrowings	-	-	-	(1.5)
Provisions	(24.2)	(0.5)	(24.7)	(23.0)
Liabilities held for sale	(188.0)	67.0	(121.0)	(146.8)
	(712.0)	95.5	(616.5)	(651.4)
Net current assets	231.2	21.6	252.8	247.1
Non-current liabilities				
Borrowings	(1,486.2)	-	(1,486.2)	(1,436.6)
Trade and other payables due after one year	(1.4)	-	(1.4)	(7.6)
Pensions and other post-retirement benefits	(32.7)	-	(32.7)	(28.2)
Deferred tax liabilities	(161.1)	-	(161.1)	(162.8)
Lease liabilities	(1,073.9)	1,071.2	(2.7)	(3.2)
Provisions	(34.3)	(2.8)	(37.1)	(37.2)
	(2,789.6)	1,068.4	(1,721.2)	(1,675.6)
Total liabilities	(3,501.6)	1,163.9	(2,337.7)	(2,327.0)
Net assets	1,865.7	1.8	1,867.5	1,944.2
Equity				
Share capital	510.0	-	510.0	509.3
Share premium account	1,594.5	-	1,594.5	1,594.5
Other reserve	(7.2)	-	(7.2)	(7.2)
Treasury reserve	(102.5)	-	(102.5)	(95.3)
Capital reserve	61.1	-	61.1	56.2
Hedging and translation reserves	(104.8)	-	(104.8)	(105.7)
Retained earnings	(87.6)	1.8	(85.8)	(9.9)
Equity attributable to equity holders of BBA Aviation plc	1,863.5	1.8	1,865.3	1,941.9
Non-controlling interest	2.2	-	2.2	2.3
Total equity	1,865.7	1.8	1,867.5	1,944.2

20. Impact of adoption IFRS 16 leases - continued

Impact on the condensed consolidated interim statement of cash flows

Six month ended 30 June 2019

	30 June 2019 as reported \$m	IFRS 16 impact \$m	30 June 2019 pre IFRS 16 \$m	30 June 2018 as reported \$m
Operating activities	273.3	(70.6)	202.7	177.1
Net cash flow from operating activities				
Investing activities				
Interest received	0.3	-	0.3	0.3
Interest received on sublease assets	0.9	(0.9)	-	-
Capital element of finance sublease assets	1.3	(1.3)	-	-
Dividends received from associates	2.9	-	2.9	1.7
Purchase of property, plant and equipment	(34.9)	-	(34.9)	(40.1)
Purchase of intangible assets	(7.2)	-	(7.2)	(4.2)
Proceeds from disposal of property, plant and equipment	3.6	-	3.6	0.3
Acquisition of businesses, net of cash/(debt) acquired	(25.5)	-	(25.5)	(21.3)
Investment in assets classified as financial instruments measured through other comprehensive income (FVTOCI)	-	-	-	(5.2)
Net cash (outflow) from investing activities	(58.6)	(2.2)	(60.8)	(68.5)
Financing activities				
Interest paid	(38.7)	-	(38.7)	(21.8)
Interest element on leases paid	(37.2)	37.2	-	-
Dividends paid	(103.9)	-	(103.9)	(99.3)
Gains/(Losses) from realised foreign exchange contracts	5.5	-	5.5	(2.7)
Proceeds from issue of ordinary shares net of issue costs	0.7	-	0.7	0.3
(Purchase)/sale of own shares	(2.8)	-	(2.8)	(5.4)
(Decrease)/increase in loans	23.3	-	23.3	26.8
Payments of lease liabilities	(36.1)	35.6	(0.5)	-
(Decrease)/increase in overdrafts	(1.5)	-	(1.5)	(3.3)
Net cash outflow from financing activities	(190.7)	72.8	(117.9)	(105.4)
Increase/(decrease) in cash and cash equivalents	24.0	-	24.0	3.2
Cash and cash equivalents at beginning of the period	111.3	-	111.3	153.5
Exchange adjustments	(9.5)	-	(9.5)	(6.7)
Cash and cash equivalents at end of the period	125.8	-	125.8	150.0

21. Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication on pages 45 – 46 of the annual report for the year ended 31 December 2018. The risks and uncertainties are summarised below:

- Structural changes in the global economic environment, or cycle fluctuations which drive down B&GA and commercial flying and military expenditure.
- Global terrorist events either in-flight, at or near major airports materially impacting global air travel.
- Legislative changes causing material increase to cost of B&GA flight relative to alternatives such as commercial flying, road or rail travel. In 2018, the major change has been the introduction of General Data Protection Regulation (GDPR).
- Ongoing competitor activity to replicate market position of Signature network.
- Ability to attract and retain high-quality and capable people at senior and mid-management levels.
- Potential liabilities from defects in services and products.
- Impact of a successful cyber-attack.
- International or inadvertent non-compliance with company values and legislation, both within BBA Aviation and with trading partners.
- Environmental exposures.
- Non-compliance with banking covenants caused by a tighter regulatory environment around sanctions compliance, which is a key condition of the Group's banking covenants.
- Changes in tax regulation in both the USA and EMEA could impact the Group's effective tax rate and cash tax liabilities.
- Delay in delivery of parts from multi-tiered supply chains operating across multiple countries.

Independent Review Report to BBA Aviation plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the consolidated statement of changes in equity, and related notes 1 to 21. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
2 August 2019