



Signature Aviation plc

2020 Final Results

**Results for the year ended
31 December 2020**

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A recording of the webcast analyst presentation will be available from c.14:00 today on www.signatureaviation.com

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Mark Johnstone, Signature Aviation Group Chief Executive, commented:

"2020 was an extraordinary year for the Group, and one in which we delivered a resilient performance. I am extremely proud of how our Signature teams continue to support our customers and our local communities and adapt every day as we work through the COVID-19 pandemic. The health and safety of our employees and customers remains our utmost priority.

We are encouraged by the extent of the recovery in flight operations we have seen since Spring 2020 however, the outlook remains uncertain and the recovery of activity in our North East region and EMEA, through both business and international travel, will be essential to deliver further progress. We are unlikely to receive additional CARES Act funding or further rent rebates from airports in 2021, both of which benefited 2020.

Our focus on leading our industry in environmental matters, as we work towards a responsible and sustainable future, has continued unabated through the pandemic. We are committed to reducing our carbon footprint with a 29% reduction in our controllable Scope 1 & 2 emissions targeted by 2025, 50% by 2030 and to achieving Net Zero by 2050 at the latest.

Over recent years, we have created a leading global private aviation support services business, while streamlining the Group to maximise value for shareholders. The resilience of our market leading FBO business model, the quality of our network, our ability to generate positive net cash flow throughout the pandemic and continue to invest in and develop our business has attracted significant interest in the Group. The recommended offer for the Group from Blackstone, Global Infrastructure Partners and our largest shareholder, Cascade, reflects this and the potential for the Group to grow and expand services across our real estate."

Highlights

- Our US Business and General Aviation (B&GA) markets have recovered strongly from the low point of 77% down in April 2020. January 2021 flight activity recovered to be 12.5% down YoY, and February was down 17%
- Continuing Group organic revenue down 28.4%, reflecting the impact of COVID-19 on B&GA flight activity
- Continuing Group underlying EBITDA down 27.1% to \$351.6 million (2019: \$482.0 million)
- Continuing Group underlying operating profit \$192.8 million (2019: \$320.8 million)
- Continuing Group statutory operating profit \$104.6 million (2019: \$204.9 million)
- Continuing Group statutory loss before tax of \$24.2 million (2019: profit of \$23.4 million)
- The Total Group maintained strong liquidity with undrawn committed facilities of \$400 million and cash & cash equivalents of \$171.1 million giving total liquidity headroom of over \$570 million at 31 December 2020
- Total Group free cash flow \$43.1 million (2019: \$187.2 million)
- Leverage increased to 3.7x net debt/underlying EBITDA on a covenant basis (2019: 2.2x)
- Signature (Signature FBO & TECHNICAir™):
 - Signature organic revenue down 26.2% due to the impact of COVID-19
 - US B&GA market flight movements as reported by the FAA declined 22.2% in 2020
 - COVID-19 continues to have a greater impact on both the North East region of the US, where Signature has material presence, and international traffic
 - Signature underlying operating profit down 38.3% to \$219.3 million (2019: \$355.3 million)
- Discontinued operations:
 - ERO organic revenue declined 5.7% as the business was largely unaffected by COVID-19
 - ERO delivered a robust underlying operating profit of \$48.8 million (2019: \$52.8 million)
 - Agreement reached to sell the ERO business to StandardAero, a portfolio business of Carlyle Group, for a gross consideration of \$230 million
- Underlying Total Group adjusted basic EPS of 10.5¢. Total Group basic unadjusted loss per share of (1.2)¢
- No dividend is being declared with respect to the 2020 financial year in the light of the continued uncertainty around the COVID-19 pandemic and to preserve balance sheet strength and liquidity.

Underlying results¹

	2020	2020	2019	2019	
\$m	Total Group ²	Continuing	Total Group ²	Continuing	Change ⁵
Revenue	1,921.3	1,413.9	3,017.4	2,260.5	(37.5)%
EBITDA	400.4	351.6	607.6	482.0	(27.1)%
Operating profit	241.6	192.8	441.1	320.8	(39.9)%
Profit before tax	114.2	69.4	292.0	177.2	(60.8)%
Basic adjusted EPS	10.5 ¢	6.1 ¢	25.6¢	16.3¢	(62.6)%

Statutory results

	2020	2020	2019	2019	
\$m	Total Group ²	Continuing	Total Group ²	Continuing	Change ⁵
Revenue	1,921.3	1,413.9	3,017.4	2,260.5	(37.5)%
EBITDA	385.9	337.1	565.5	439.9	(23.4)%
Operating Profit	153.4	104.6	312.7	204.9	(49.0)%
(Loss)/profit before tax	(17.1)	(24.2)	722.2	23.4	(203.4)%
Basic unadjusted (loss)/EPS	(1.2)¢	(2.3)¢	65.2¢	4.0¢	(157.5)%
Dividend per share	-	-	4.2¢	-	(100.0)%

ROIC, Cash Flow and Net Debt¹

	2020	2020	2019	2019	
\$m	Total Group ²	Continuing	Total Group ²	Continuing	Change ⁵
Return on invested capital	6.1%	5.2%	9.9%	8.5% ³	(330) bps
Free cash flow	43.1	25.9	187.2	129.1	(79.9)%
Net debt	(2,183.5)		(2,250.7)		(3.0)%
Net debt (Bank covenant basis)	(977.8)		(1,005.7)		(2.8)%
Net debt to underlying EBITDA ⁴	3.7x		2.2x		1.5x

¹ Defined and reconciled to reported financials under Alternative Performance Measures (APMs). See note 11.

² From continuing and discontinued operations.

³ Restated for an adjustment relating to pensions in 2019.

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

⁵ Change represents the year over year difference for the Continuing Group, except for dividends, net debt and net debt to underlying EBITDA which are on a Total Group basis.

FINAL RESULTS 2020

Overview

Overall Signature Aviation delivered a resilient performance in 2020. We experienced significant declines in flight activity in Q2, as stay-at-home restrictions were imposed in response to COVID-19, after a Q1 in which we performed in line with our expectations. Signature's largest cost, fuel, naturally flexes with flight activity but swift management action on our other costs, to best align labour levels to flying and tenant activity, were taken which mitigated some of the volume impact in the first half. Our improved second half performance reflects a recovery in levels of US B&GA flight activity and \$56.3 million of CARES Act funding, from our total funding of \$61.2 million, which has supported our US payroll costs.

As we announced on 17 February 2021, we have reached agreement to sell the ERO business to StandardAero, a portfolio business of The Carlyle Group, for a gross consideration of \$230 million. The gross consideration is expected to deliver approximately \$140 million of net proceeds subject to tax recovery after purchase price adjustments, change of control fees, income taxes, professional transaction fees and other costs. In the second half we recorded an impairment charge of \$41.7 million in respect of ERO, to reflect the fair value less costs to sell.

Recommended offer for Signature Aviation

- On 5 February 2021 a recommended cash acquisition of Signature Aviation was announced. The Scheme Document was published on 22 February and may be found here:
<https://www.signatureaviation.com/investors/possible-offers-for-signature-aviation>
- The Scheme Document contains an expected timetable of principal events relating to the transaction. The transaction remains conditional on the approval of Scheme Shareholders at the Court Meeting and Signature Shareholders at the General Meeting and on the satisfaction or waiver of the other Conditions set out in the Scheme Document, including the approval of the Court. The Scheme is expected to become effective in the second quarter of 2021 and an update to the expected timetable will be announced following receipt of relevant antitrust and regulatory clearances.

Continuing Group revenue decreased by 37.5% to \$1,413.9 million (2019: \$2,260.5 million) due to the impact of COVID-19 on flight activity.

- The organic revenue of Signature declined 26.2% in 2020 after adjusting for the contribution from IAM Jet Centre, acquired in August 2019 and TAG Aviation FBO SA acquired in July 2020 (\$17.9 million), the impact of lower fuel prices (\$188.5 million), leap year effect of (\$3.3 million), foreign exchange movements (\$1.9 million) and FBO divestments in 2019 (\$9.7 million). EPIC saw organic revenue decline in 2020 of 38.5%.

Continuing Group underlying operating profit decreased by 39.9% to \$192.8 million (2019: \$320.8 million).

- Underlying operating profit performance in Signature was \$219.3 million (2019: \$355.3 million). Performance was impacted by COVID-19 despite decisive management action taken on both our variable costs and elements of our fixed cost base. We took a conscious decision to remain open throughout our network, although while we navigated the CARES Act process, we were constrained from taking the required action on our labour costs. We subsequently received \$61.2 million of CARES Act grant income which was used to offset against US payroll costs, primarily during the second half. EPIC reported an underlying operating loss of \$1.9 million (2019: \$5.7 million profit) as a result of reduced flight activity due to stay-at-home measures imposed in response to COVID-19 and inventory losses due to the subsequent material reduction in global fuel prices due to excess supply.
- Underlying central and support costs were down at \$13.0 million (2019: \$25.9 million) reflecting management action on costs, including suspension of bonus plans for FY20, travel and overheads.

Continuing Group operating profit on a statutory basis decreased 49.0% to \$104.6 million (2019: \$204.9 million) due primarily to the impact of COVID-19 on flight activity.

Continuing Group underlying net interest, including the impact of IFRS 16, was \$123.4 million (2019: \$143.6 million). The decrease in underlying net interest of \$20.2 million reflecting lower net debt and lower interest rates.

Continuing Group underlying profit before tax was \$69.4 million (2019: \$177.2 million). This reflects the impact of COVID-19 on underlying operations in 2020.

Continuing Group loss before tax on a statutory basis was \$24.2 million (2019: \$23.4 million profit).

Continuing Group underlying tax was a charge of \$18.7 million (2019: \$12.1 million charge). The tax charge reflects the impact of tax legislation changes in both the US and UK resulting from the impact of COVID-19. Cash taxes increased to a net outflow of \$74.8 million (2019: \$41.7 million outflow) due primarily to the settlement of \$63.2 million US taxes related to the gain on the sale of Ontic.

Continuing Group basic adjusted earnings per share was 6.1¢ (2019: 16.3¢ earnings per share). **Continuing Group basic unadjusted loss per share** was (2.3)¢, (2019: 4.0¢ earnings per share).

Exceptional and other items after tax, for continuing and discontinued operations, totalled costs of \$96.5 million (2019: \$400.0 million of income) of which \$26.8 million (2019: \$524.1 million income) related to discontinued operations. Key components for continuing operations are the non-cash amortisation of acquired intangibles accounted for under IFRS 3 (\$73.7 million), restructuring expenses (\$8.6 million), impairments (\$4.6 million) incurred predominantly as a result of our decision to close the Paris-Le Bourget T3 FBO (whilst continuing to operate from T1) and \$5.0 million relating to costs associated with previously disposed businesses.

Total Group free cash flow was an inflow of \$43.1 million (2019: \$187.2 million inflow). This reduction resulted primarily from the reduction in flight activity due to COVID-19, an exceptional cash outflow of \$24.7 million paid in January for indemnification and associated legal fees with respect to previously disposed businesses and the settlement of \$63.2 million US taxes related to the gain on the sale of Ontic. Adjusting for these non-operational cash flows demonstrates that the business despite being severely impacted by the COVID-19 disruption, remained strongly net cash flow positive through decisive management actions on operating costs. Net cash inflow from operating activities was \$306.3 million (2019: \$407.0 million).

Free cash flow for the Continuing Group, pre-exceptional and Ontic tax cash flows was a \$116.0 million inflow (2019: \$212.0 million inflow).

Total Group gross capital expenditure amounted to \$84.3 million (2019: \$80.6 million). Principal FBO capital expenditure items include investment in Signature's FBO developments at Atlanta, FBO renovation at Washington Reagan, remodelling of our FBO at Washington Dulles and a hangar purchase at Baton Rouge. In light of the COVID-19 uncertainty we initiated a material reduction in our previously guided capital expenditure for the full year, while still delivering on certain growth capital projects, however as the market rebounded positively we flexed upwards our capital expenditure to support this improving trend.

Cash flows on exceptional and other items were an outflow of \$28.6 million (2019: \$16.4 million outflow) and are largely a result of settlement of legal matters relating to a previously disposed business and costs associated with the disposal process of the ERO business.

The Total Group made \$3.3 million of pension scheme payments (2019: \$8.0 million). Previously agreed deficit contributions of £2.7 million per annum through to March 2030 in respect of the UK defined benefit pension plan continue to be paid on a quarterly basis.

Acquisition cash flow during the year was \$20.4 million (2019: \$65.3 million spend, net of cash acquired). The Group acquired FBO operations at Geneva and Sion from TAG Aviation for \$20.9 million, net of cash acquired and received a rebate with respect to the prior year purchase of IAM Jet Centre of \$0.5 million following the finalisation of the working capital true up. On 2 March we sold our 24.5% stake in the joint venture with GAMA Aviation for \$20 million, of which \$12.5 million was received on completion. The balance of \$7.5 million in the form of a promissory note will be received over 8 equal instalment payments plus compounding interest over the four years post completion. We received our first instalment under the promissory notes during the third quarter, amounting to \$1.1 million.

Net debt on a reported basis decreased to \$2,183.5 million (FY 2019: \$2,250.7 million). CARES Act funding of \$79.8 million was awarded in June which comprised \$61.2 million of US payroll support in the form of a grant and a \$18.6 million promissory note. Of the \$79.8 million awarded, \$59.8m was received in the first half, split \$50.0 million grant and a \$9.8 million promissory note. Net debt to underlying EBITDA on a covenant basis increased to 3.7x (FY 2019: 2.2x). Interest cover on a covenant basis decreased to 5.6x for the 12 months to December 2020 (FY 2019: 6.9x).

Total Group Return on Invested Capital (ROIC) reduced by 380 bps to 6.1% (FY 2019: 9.9%) as a result of the impact of COVID-19 on flight activity.

Business Review – Continuing Operations

Signature (“Signature FBO”, “TECHNICAir™” and “EPIC”) provides specialist on-airport services including refuelling, ground handling, hangarage, card services and line maintenance to the business & general aviation (B&GA) market.

2020 \$m	Signature ¹	EPIC	Continuing operations
Revenue	1,198.5	215.4	1,413.9
Organic revenue decline	(26.2)%	(38.5)%	(28.4)%
Underlying operating profit/(loss)	219.3	(1.9)	217.4
Constant fuel margin	18.3%	(0.9)%	15.4%
Operating profit (on a statutory basis)			136.0
Underlying EBITDA			375.2
Operating cash flow			292.6
Divisional return on invested capital			5.9%

2019 \$m	Signature ¹	EPIC	Continuing operations
Revenue	1,793.2	467.3	2,260.5
Organic revenue growth	0.9%	(10.8)%	(0.6)%
Underlying operating profit	355.3	5.7	361.0
Constant fuel margin	22.2%	1.6%	18.5%
Operating profit (on a statutory basis)			284.7
Underlying EBITDA			521.2
Operating cash flow			421.6
Divisional return on invested capital			9.6%

Year on year change	Signature ¹	EPIC	Continuing operations
Revenue	(33.2)%	(53.9)%	(37.5)%
Organic revenue growth	(27.1)%	(27.7)%	(27.8)%
Underlying operating profit	(38.3)%	(133.3)%	(39.8)%
Constant fuel margin	(390)bps	(250) bps	(310)bps
Operating profit (on a statutory basis)			(52.2)%
Underlying EBITDA			(28.0)%
Operating cash flow			(30.6)%
Divisional return on invested capital			(370) bps

¹ Including Signature FBO and TECHNICAir

Signature revenue decreased 26.2% on an organic, constant currency basis. On a reported basis revenue was down 33.2% to \$1,198.5 million (2019: \$1,793.2 million) as a result of lower fuel prices of \$188.5 million, foreign exchange movements of \$1.9 million and divestments of \$9.7 million. These impacts were partially offset by the acquisition of IAM Jet Centre and TAG Aviation FBO SA generating incremental revenue of \$17.9 million. This was delivered against a backdrop of US B&GA movements (source: FAA) which were down 22.2% for the year to December 2020.

Our performance gap to the US B&GA market following the significant impact of COVID-19 from the second quarter is explained by our regional mix of business; our network is heavily weighted to the North East (NE) region, serving major metropolitan areas and international movements. The NE has not only seen a delayed recovery versus the rest of the US, due to stay-at-home orders remaining for longer, but is also more exposed to business-related flying and has therefore lagged leisure destinations in the second half of 2020. The recovery mix, with the charter segment driving this through both leisure and personal usage and new entrants/users to B&GA, and the materially lower international traffic has also resulted in a weighting to smaller and mid-sized planes versus the larger jets flying on longer legs, including transatlantic with a resultant reduction in average fuel uplifts which in turn has also limited our ability to outperform the overall US B&GA market.

Our new initiatives such as Signature Assure and Signature Renew aim to ensure new B&GA customers can fly both responsibly, as we increase the availability of sustainable aviation fuel, and are ‘sticky’ to the industry and also to Signature. Signature Assure gives our customers clarity and confidence in our network standards for base safety and cleanliness as they return to flying or use Signature for the first time.

Although the mix of business, both regionally and by plane size, results in underperformance against our usual comparator, the US B&GA movements data from the FAA, overall at the locations where we operate, we believe we are capturing more than our share of business. We believe this is evidence of both the ‘network effect’ with certain operators contracted with us but also our ability to utilise pricing optimisation algorithms for the deployment of new pricing points into the market.

While flight activity has seen a material decline affecting our fuel and certain non-fuel revenues directly related to flight movements, approximately half of our non-fuel revenues, predominantly related to real estate, have been much less affected by COVID-19. Around half of our non-fuel revenue is directly related to flying such as handling charges, ground handling, de-icing and ancillary revenue such as car hire and hotel bookings, and these activities have fallen at a rate consistent with

the reductions seen in flight activity. TECHNICAir™ experienced a reduction in in-line maintenance workloads reflecting the reduced flight activity.

Underlying operating profit in our Signature business was down 38.3% to \$219.3 million (2019: \$355.3 million) due to the impact of COVID-19 on flying activity as stay-at-home orders were implemented. The pressure on operating profit performance was partly mitigated by management action on direct operating costs and indirect overheads along with the application of CARES Act grants received during the year.

Signature's largest cost, fuel, naturally flexes with the volumes in the market and we held less than a week's inventory across the network going into the COVID-19 impact period. Furthermore, as has always been the case, we set our retail fuel prices weekly and are therefore largely protected from the current volatility in fuel costs.

Our next largest cost is direct labour. Our intention has been to preserve the employment of as many people as possible during the pandemic. We took immediate action to furlough staff in our European business, the majority under the UK Government scheme, but there was a delay to furloughing in the US while we awaited the decision under our CARES Act application for payroll support. However, we were able to reduce direct labour hours in our US business in April while preserving our labour pool to ensure compliance with all safety operating procedures and the operating standards at each of the airports at which we operate. At the beginning of May, when the US CARES Act decision was not forthcoming, we furloughed some of our US employees without government support. Overall action taken through hours reductions and our furloughing reduced our direct labour hours by over 50% compared to pre-COVID-19 levels; though this action in the US, which is 90% of our Signature business, lagged the flight activity reductions we had experienced from late March.

In mid-June we were notified that our CARES Act application had been approved and we were awarded \$79.8 million (\$61.2 million in the form of a grant) in support of our US payroll. This enabled us to bring all furloughed US staff back into our business as the market recovery continued. Of the \$61.2 million of grant funding received, \$4.9 million was utilised during the first half to meet Signature US payroll costs in June and the remainder of \$56.3 million was used to fund these costs during the second half.

In the early stages of the pandemic we also took action across our less variable/fixed cost base, including rent reductions and deferrals at some of the airports where we operate. Overall, in the first half, the drop through impact to operating profit was c.40% for a near 30% decline in organic revenue. This is reflective of our previous guidance on our cost structures with approximately 75% variable and 25% fixed. Drop through levels improved during the second half to 23.2% given the additional application of CARES Act grants to cover US labour costs, and we saw a significant recovery in flight activity against the 77% decline we experienced in April.

Underlying operating margin in Signature was 18.3% (2019 on a constant fuel price basis: 22.2%) and reflects the material reduction in flight activity as a direct result of COVID-19.

EPIC contributed revenues of \$215.4 million (2019: \$467.3 million) and an underlying operating loss of \$1.9 million (2019: \$5.7 million profit). Revenue was impacted by a reduction in fuel prices of \$117.8 million. Organic revenue declined by \$134.8 million as a result of lower flight activity directly related to COVID-19. The overall operating loss reflects the reduction in flight activity at EPIC's FBO customers and losses incurred on fuel inventory held at the point at which stay-at-home orders came into force which resulted in fuel prices falling significantly in response to excess supply.

Continuing Operations overall revenue, which includes Signature and EPIC, decreased by 37.5% to \$1,413.9 million (2019: \$2,260.5 million). Organic revenue decreased by 28.4%.

Operating profit on a statutory basis of \$136.0 million decreased by 52.2% (2019: \$284.7 million) due to the material reduction in flight activity as a result of COVID-19.

Operating cash flow for Continuing Operations, decreased to \$292.6 million (2019: \$421.6 million), principally due to the material reduction in flight activity as a result of COVID-19.

Return on invested capital was 5.9% (FY 2019: 9.6%).

Our FBO network

There are 192 locations in Signature's market-leading owned global network, including 13 Signature Select® franchise locations. EPIC services 162 privately owned, EPIC branded independent FBOs and a further 101 unbranded locations. Our existing Signature Select® branded locations are complementary to EPIC's FBO locations and are now managed as part of the EPIC network and are reduced in the period as we withdrew from six Austrian handling locations. This creates an unrivalled branded network of over 350 FBO locations, with network relevance of 68%, with around a third of our owned locations being sole source. The quality and network relevance of our real estate asset base provides us with an unrivalled platform across which we will leverage our strategic initiatives.

Signature strategic initiatives

Our strategic pillars have continued to serve the Signature business and management focus on these pillars has remained during the COVID-19 crisis.

Growth

In line with our strategic growth target to grow customer value through expanding our network and offerings, in the depths of the pandemic in July 2020 we were pleased to complete our acquisition of TAG Aviation FBO SA. It comprises two FBOs

in Switzerland; the strategically important location in Geneva, a Signature target for some time, and Sion which serves the nearby mountain leisure demand. Geneva is the second largest trafficked General Aviation (GA) FBO in EMEA, with strong connectivity to other locations in our European network such as Paris, Luton and Nice.

In the year, in keeping with our focus on investing for the future, we also acquired the remaining 40% minority stake in our Italian business from SEA Prime, which includes FBOs at Milan Linate, Milan Malpensa and Rome Ciampino as well as trip support arrangements at a further six Italian locations. Furthermore, we have undertaken new build and renovation projects at our FBOs located in Atlanta, Newark, Teterboro, Baton Rouge, Eastern Iowa, Washington Dulles and Washington Reagan.

However, we remain financially rational with regards to our FBO network and during the year we also took the decision to close our T3 FBO at Paris Le Bourget and focus the operations from a single FBO at T1 Paris Le Bourget.

Our commitment to add new services across our already invested real estate network is ongoing. Signature has full end-to-end management of our fuel card programme, associated transaction processing and data capture previously managed by EPIC. During the initial months of the COVID-19 disruption, we took a more cautious approach to increasing this card penetration, but we refocused during the second half on delivering growth from our branded fuel card with overall card penetration of 10.4% at 31 December 2020.

Our US roll-out of the ELITE Class™ service will be dependent on a recovery in commercial flying but interest is high given the pandemic. We remain convinced that this service, enabling the safe and efficient interconnect for commercial passengers through our real estate facilities, thus avoiding commercial terminal facilities, has even greater appeal in the post-COVID world. The existing VIP suite service offered at the IAM Jet Centre locations in Barbados (BGI) St Lucia (UVF) and Grenada (GND) has enhanced our offering and our dedicated ELITE Class terminal at Atlanta will be operational in due course. We believe this is further evidence of Signature redefining the market reach for B&GA infrastructure.

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

Operational efficiency and process improvement

The work undertaken last year in establishing labour efficiency benchmarking across the US network, as part of our Labour Efficiency and Equipment Productivity (LEEP) initiative has proved invaluable in executing flexible working patterns in response to COVID-19. This has been of particular use as the mix of recovery traffic has switched our peak times to the weekend from weekdays. We use information from our SIGnet 2.0 FBO management system to enable field teams to efficiently forecast, plan and manage labour demand. We have also commenced the roll out of the SIGnet 2.0 system to EMEA and have started to pilot an employee mobile service platform to many of our US operations. In response to the pandemic we have also created the Signature Recovery playbook which is our standardised network approach to our safe operation for the protection of employees and customers.

For our fleet of Ground Service Equipment (GSE) we remain focused on providing the right level of GSE at each location, while reducing the total cost of ownership per operating hour. We are working with our supply chain to deploy low emission, efficient and/or electric models. We have reduced the overall levels and total costs of equipment deployed across our network and, in particular, have retired legacy, less efficient GSE units with typically higher emission levels.

Employee experience

Our strategic aim is for Signature Aviation to be a company where everyone wants to work and thrive. The safety, welfare and wellbeing of our employees has been our utmost priority during COVID-19. Our intention has been to preserve the employment of as many people as possible, protect employee health and safeguard wellbeing; and communicate pro-actively, providing the information and tools needed for people to work through the pandemic safely and confidently.

We have ensured the cadence of our regular communications has increased and additionally we have introduced multi-channel communications where our staff in the FBOs hear first-hand about all initiatives from the Signature Leadership Team.

As previously noted, in the early stages of mitigating the impact of COVID-19, management took the necessary steps to best match our labour costs to flying and tenant activity, and in the US, which represents around 90% of our business, the hours reductions and furloughs reduced our direct labour hours by over 50% compared to pre-COVID-19 levels.

In April we made an application under the CARES Act for US payroll support and in June we were notified that our application had been approved. This enabled us to take swift action to bring all furloughed US staff back into our business, despite flying demand not warranting this level of labour costs. The CARES Act funding support has been used solely to fund the payroll for US Signature employees.

In the second quarter of 2020 in recognition of the circumstances affecting many of our employees and the communities in which we operate, our Board and Signature Leadership Team took a 20% fee and salary reduction, and these savings were used to establish an Employee Hardship Fund, with a dollar match by the Company. The Signature Aviation Hardship Fund continues to actively distribute financial support to employees in need and to date we have distributed over \$310,000 to employees, with \$198,500 remaining in the Fund.

We have recently welcomed our first graduates from our Manager in Training (MiT) programme which provides visibility on career progression to our employees in the field and a number have already been promoted to General Manager roles. Following the success of the MiT, we have re-launched a new, similar programme targeted at employees who wish to become base General Managers (GMIT) over the next 1-2 years. We have chosen 28 leaders to participate in the 2020 GMIT

programme. Another new programme, designed to cover key development and transition needs for all functional team members aspiring to their first manager role, is the Emerging Leaders Programme. This six month scheme focuses on people leadership skills such as leading a team and effective communication.

We recognise that diversity and inclusion (D&I) are important factors underpinning our future success – our goal is to have a truly diverse and representative workforce and to be seen as a safe environment where people are free and confident to be themselves. In 2020 our D&I Committee launched a dedicated strategy, to be implemented in full in 2021, and D&I training is being rolled out across the Group. We will also be focusing on D&I in recruitment, development, communications and coaching.

In 2020 we also launched an Employee Assistance Programme (EAP) for our US employees to provide enhanced wellbeing support to our team members.

To retain the best talent, we have introduced formal talent review and development programmes for all employees which are designed to identify and nurture talent at every level of the organisation. During 2020 there has been a significant expansion of our online offering of multi-media training on our online learning system 'Propel', which includes virtual classrooms; and we provide access to LinkedIn Learning.

We remain focused on our desire to achieve world class levels of employee engagement as evidence shows that employee engagement is a fundamental driver of safer, happier, healthier and productive teams. At the end of 2020 we completed our third annual employee engagement survey undertaken with Gallup and are delighted that participation rates increased to 93% across the Group (up from 84% in 2019) and our percentage of engaged employees had increased to 53% (2019: 45% engaged). Local engagement action plans have advanced during the COVID-19 period as we focused on building on the results of the engagement survey undertaken at the end of 2019, which showed good improvements across all metrics.

Customer experience

This pillar of our strategy ensures that we deliver a personalised experience right, the first time and every time. To do this we are focused on better understanding our customer needs and then meeting them. Utilising new customer survey data, from a survey programme launched in late 2019, ensures we focus on those areas which will achieve the best results.

As we entered the recovery phase in flight activity, and as part of our commitment to maintaining the highest safety, health and wellness standards in the FBO industry, we launched SignatureAssure, which sets the standard for an industry-leading approach to training, technology, and operating procedures. It is our way of showing that we stand by our commitment to ensure the health and safety of our team members, our visiting flight crews, and those travelling across our FBO network.

Our customer experience survey programme provides both immediate data that can be used at base level to correct issues in real time and strategic insights to drive medium- and long-term plans. Customers are encouraged by our teams to complete the survey when they visit with various incentives available if they do so. The survey methodology also provides an opportunity to benchmark performance against other organisations in other industries. During 2020 we also implemented phases 1 and 2 of a new global, Signature Service programme – Serve well and Recover well to all base team members and phase 3 – Care well will be rolled out in 2021.

At EPIC the team implemented a project during the year to track and upgrade every step of the customer experience from order to delivery.

Environmental and Social

Leading the industry on environmental matters is a fundamental part of Signature's strategy. We have a critical role to play in reducing climate-related risk and, as the largest global FBO network, we have a responsibility to raise the bar and drive change. We also see this as an opportunity to create value through further differentiation and engagement with customers and airport partners as environmental requirements grow, and with our employees and potential employees who place a high value on social and environmental responsibility.

In 2020, following a detailed review of options for increasing environmental sustainability, the Signature Aviation Board committed to the Paris Agreement Goal to reduce our controllable Scope 1 and 2 emissions to Net Zero by 2050, at the latest. We have established a clear baseline from our 2018 data for current emissions and our milestones over the next thirty years are to deliver a minimum 29% reduction in emissions by 2025 and a 50% reduction by 2030. Our Scope 1 emissions incorporate the fuel and heating required for us to run our FBOs and our Ground Support Equipment (GSE) and other vehicles. Our Scope 2 emissions primarily cover the electricity we purchase.

Clearly, emissions from aviation fuel used by customers (classified as Scope 3 emissions) constitute the vast majority of emissions. While we have no direct control over these emissions, we have made good progress in 2020 to support reduced Scope 3 emissions through initiatives such as the wider availability of SAF in the Signature FBO network. Reaching Net Zero in the aviation industry will require significant investment in new technologies, much of which does not presently exist today, as well as policy alignment, with carbon offsets closing any gap.

We are delighted that we have recently received an A rating from the Carbon Disclosure Project (CDP) which is given to companies demonstrating leadership, transparency and action on climate change.

Signature Renew

To drive innovation and progress all our initiatives are brought together under our global environmental sustainability programme Signature Renew. Under our Renew brand, in late 2020 Signature became the world's first FBO network

to establish a permanent supply of Sustainable Aviation Fuel (SAF) for customers at two key gateway B&GA locations, with the aim of accelerating adoption of SAF in the B&GA industry and enabling our customers to fly more responsibly.

SAF is supplied through a strategic partnership with Neste and is currently permanently available at Signature San Francisco (SFO), London Luton (LTN), Van Nuys (VNY), Boeing Field (BFI) and Mobile (BFM) and we intend to roll out further new locations in the near future. Signature's initial commitment to purchase 5 million gallons represents a significant stimulus to global supply of SAF to B&GA. Furthermore, we are supported by our largest customer, NetJets, which has agreed to purchase up to 3 million gallons of SAF to fully supply its fuel needs at SFO and at its global headquarters at Columbus International (CMH).

EPIC also has significant experience in SAF logistics and supply and is working with Signature on a number of SAF projects including a request from a third party to procure and supply 2 million gallons of SAF through the Signature network. We now have five locations across our network which are able to supply SAF and are looking at a further 6 locations in 2021.

Environmental considerations are embedded into our investment decisions to deliver more environmentally friendly FBO terminals and hangars, which includes powering our facilities with solar and using sustainable and environmentally supportive building materials. Initiatives we are rolling out are detailed below:

Real estate – we currently have eight FBO buildings in the network which are either LEED (Leadership in Energy and Environmental Design) certified or LEED Silver certified along with eleven hangars/ancillary buildings with further projects in progress. On three further projects at Teterboro (TEB), Newark (EWR) and Bedford (BED) we are working to deliver LEED equivalent sustainability standards with the airport authorities and the US Green Building Council. Furthermore, we are continuing to replace our old and inefficient hangar heating systems and hangar lighting which will contribute to reducing our Scope 2 emissions.

With a focus on reducing our Scope 2 emissions we have solar panels installed at ten locations and in 2020 we generated 4.7 million KW of clean energy. We have an additional 15 locations under review for suitability in the US in 2021, and 6 locations in EMEA.

Operations and equipment – we have many electric items in our GSE fleet, as well as hybrid electric crew cars available at 11 locations. We have customer electric car charging points at 20 locations and are targeting 30-35 locations by the end of 2021.

Alternative technology models of heavier items such as fuel trucks are not yet commercially available, so our renewal programme is focused on vehicles with low emission, efficient diesel engines. As a large purchaser of GSE, we have a significant opportunity to influence our supply chain and drive new product development as well as support new models coming to the market.

Central costs

Underlying central costs were reduced in the year to December 2020 (excluding support costs of discontinued operations) to \$13.0 million (2019: \$25.9 million). This reduction reflects management action taken to reduce our cost base including suspension of bonus plans for FY2020, travel and overheads.

Support costs

Support costs incurred relating to the discontinued ERO business were \$11.6 million (2019: \$11.4 million). The costs associated with supporting the ERO business will be addressed post completion of the ERO disposal or upon completion of the associated Transitional Support Agreement (TSA) period, as appropriate. Ontic support costs were being paid for by CVC, until November 2020 when TSA services ended.

Business Review – Discontinued Operations

In the year to December 2020 **ERO's** organic revenue decreased by 5.7% to \$507.4 million (2019: \$538.3 million). ERO's underlying operating profit was \$48.8 million (2019: \$52.8 million). Operating performance was impacted by reductions in engine volumes and an unfavourable mix of engine types and associated workscopes compared to the prior year. ERO's underlying operating profit includes the benefit from the suspension of depreciation and amortisation of \$21.8 million for the year to December 2020 (2019: \$23.2 million), this being the required accounting treatment while the business is held for sale. The fair value less cost to sell of ERO at 31 December 2020 stood at \$143.3 million, a decrease of \$34.3 million from the 31 December 2019 value of \$177.6 million. The reduction primarily represents the revised and final consideration. An impairment charge has been reported to reflect the expected fair value less costs to sell.

On 17 February 2021 we announced that we had reached agreement with StandardAero, a portfolio company of The Carlyle Group, on the terms of the sale of ERO for a gross consideration of \$230 million. The gross consideration is expected to deliver approximately \$140 million of net proceeds subject to tax recovery, the difference being predominately due to change of control fees but also reflecting purchase price adjustments, income taxes, professional transaction fees and other costs. The use of net proceeds will be consistent with our capital allocation policy, to manage net debt to underlying EBITDA (on a covenant basis), with a target range of 2.5-3.0x.

The ERO support costs of \$11.6 million, for the 12 months to 31 December 2020, will remain with the Continuing Group and we will work to remove these costs upon legal completion of the transaction or following completion of transition services, to the extent such services continue to be delivered to ERO under the Transition Services Agreement we have entered into

with StandardAero. The duration of transition services to StandardAero is not expected to exceed 12 months from the date of legal completion.

Pensions

The Group's net defined benefit pension and other post-retirement benefits liabilities stood at \$52.3 million at 31 December 2020 compared to a restated \$11.7 million net pension surplus at 31 December 2019. Details on the prior year restatement are included in the Accounting Policies of the Group. The change from a net pension surplus to a net pension deficit reflects the transfer of the UK defined contribution pension plan during the second half of 2020 to an independent Master Trust Plan. This transfer results in the Company no longer being able to recognise a pension surplus in respect of the UK defined benefit pension plan and instead is required to recognise a minimum funding liability of \$33.2 million.

We have agreed to make an annual deficit payment in respect of the UK defined benefit pension plan of £2.7 million in quarterly instalments for the period to 31 March 2030.

Liquidity and balance sheet position

At the end of December 2020 our RCF facility was undrawn, we had \$400 million of undrawn facilities. With cash of \$171.1 million, this represents total headroom of over \$570 million.

Signature Aviation entered the pandemic in a strong financial position. We have proactively taken decisive steps to preserve our liquidity, including significant operating cost rationalisation, reducing planned capital expenditure and suspending the Group dividend. Net debt to underlying EBITDA on a covenant basis at 31 December 2020 was 3.7x.

The Group's committed debt facilities consist of two tranches of US senior notes; \$650 million 4.000% senior notes due March 2028 and \$500 million 5.375% notes (issued in April 2018) and due in May 2026, all notes are unsecured. In addition, the Group has a \$400 million RCF facility on which our relationship banks agreed a one-year extension on the second anniversary of the facility, to March 2025.

In July, the Group took the precautionary measure of agreeing a covenant waiver for the testing periods ending 31 December 2020 and 30 June 2021 with our group of relationship banks for our \$400 million unsecured RCF facility expiring March 2025. A covenant waiver was not required for the period ending 30 June 2020 and the Group was in compliance with its banking covenants as at 30 June 2020. As part of the agreement to waive our banking covenants we have agreed a minimum liquidity threshold (incorporating cash and cash equivalents and the undrawn headroom under the RCF facility) at \$150 million which will apply at the testing periods ending 31 December 2020 and 30 June 2021 and for two additional testing periods ending 31 March 2021 and 30 September 2021, should the RCF facility be drawn at these additional dates. These financial covenants are only related to our RCF facility, our unsecured US bonds do not contain any financial covenants.

Going concern

The directors have adopted the going concern basis of accounting in the preparation of the financial statements. In making their assessment of the Group's ability to continue as a going concern, the directors have considered the projected performance of the Group and its financial resources, as well as their recommendation to shareholders to accept a formal Rule 2.7 cash offer from Brown Bidco Limited (the "Transaction").

The Directors' assessment of going concern was carried out against a base case forecast for the continuing recovery in B&GA flight activity during 2021 and continuing throughout 2022.

A reasonable worst case scenario was also assessed compared with the base case which reflected a return to the significant reductions in B&GA flight activity that could arise from a further requirement for lockdown measures in the Group's core markets. Together with unfavourable tax legislation driving increased effective tax rates, increased cash tax liabilities and increased cost of debt. If no actions were taken, the combined impact of this scenario results in a breach of the Group's net debt to EBITDA covenant at December 2021. Under the reasonable worst case the Group maintains liquidity throughout the assessment period.

If such a scenario were to occur, the Group would take mitigating actions including reducing discretionary capital expenditure, suspending inflationary pay increases and crystallising favourable interest rate swaps. The Group would not breach any financial covenants in this downside scenario as a result of taking these mitigating actions.

If a more severe scenario arose, which is considered remote, there are further unmodelled mitigating actions available to the Group including reduction of discretionary travel expenses, entertainment spend and professional fees as well as further hours and pay reductions. Additionally, the legal completion of the ERO sale is expected to have a beneficial impact on the Group's covenants during the Going Concern assessment period.

On 5 February 2021 the Group announced that the Directors of the Group recommended to shareholders the acceptance of a formal Rule 2.7 cash offer from Brown Bidco Limited (the "Transaction") (a newly formed company to be indirectly owned by joint offerors (i) Blackstone Infrastructure and Blackstone Core Equity, (ii) Global Infrastructure Partners and (iii) Cascade). This offer is subject to shareholder, regulatory and other approvals. Bidco's investors have stated within the Rule 2.7 offer that they believe that the development of the Group will be best served as a private company. The Transaction will result in a change of control which may impact contracts including existing financing agreements including our RCF and our 2018 and 2019 unsecured US senior notes.

The Directors have concluded that it is beyond their control to dictate or confirm the actions of the prospective purchasers after they acquire the Group. Therefore, given the potential change in control, the directors consider these conditions to constitute a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Notwithstanding this uncertainty, having assessed the Group's risks, existing financing and performance the Directors have concluded that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Dividend

In the light of the continued uncertainty around the COVID-19 pandemic and to preserve our balance sheet strength and liquidity, the Board has taken the prudent decision to continue the suspension of dividend payments.

Underlying results¹

	2020	2020	2019	2019	
\$m	Total Group ²	Continuing	Total Group ²	Continuing	Change ⁴
Revenue	1,921.3	1,413.9	3,017.4	2,260.5	(37.5)%
EBITDA	400.4	351.6	607.6	482.0	(27.1)%
IFRS 16 impact	135.5	123.2	147.0	133.3	
EBITDA (Pre IFRS 16)	264.9	228.4	460.6	348.7	(34.5)%
Operating profit	241.6	192.8	441.1	320.8	(39.9)%
IFRS 16 impact	52.3	40.0	57.3	44.4	
Operating profit (Pre IFRS 16)	189.3	152.8	383.8	276.4	(44.7)%
Profit before tax	114.2	69.4	292.0	177.2	(60.8)%
IFRS 16 impact	(23.1)	(31.8)	(17.3)	(25.8)	
Profit before tax (Pre IFRS 16)	137.3	101.2	309.3	203.0	(50.1)%
Basic adjusted EPS	10.5¢	6.1¢	25.6¢	16.3¢	(62.6)%
IFRS 16 impact	(2.1)¢	(2.9)¢	(1.3) ¢	(1.9)¢	
Basic adjusted EPS (Pre IFRS 16)	12.6¢	9.0¢	26.9¢	18.2¢	(50.5)%

Statutory results

	2020	2020	2019	2019	
\$m	Total Group ²	Continuing	Total Group ²	Continuing	Change ⁴
Revenue	1,921.3	1,413.9	3,017.4	2,260.5	(37.5)%
EBITDA	385.9	337.1	565.5	439.9	(23.4)%
IFRS 16 impact	137.8	125.5	147.0	133.3	
EBITDA (Pre IFRS 16)	248.1	211.6	418.5	306.6	(31.0)%
Operating Profit	153.4	104.6	312.7	204.9	(49.0)%
IFRS 16 impact	54.6	42.3	57.3	44.4	
Operating Profit (Pre IFRS 16)	98.8	62.3	255.4	160.5	(61.2)%
Profit before tax	(17.1)	(24.2)	722.2	23.4	(203.4)%
IFRS 16 impact	(22.8)	(31.5)	(17.3)	(25.8)	
Profit before tax (Pre IFRS 16)	5.7	7.3	739.5	49.2	(85.2)%
Basic unadjusted EPS	(1.2)¢	(2.3)¢	65.2¢	4.0¢	(157.5)%
IFRS 16 impact	(4.6)¢	(2.9)¢	(3.0)¢	(1.9)¢	
Basic unadjusted EPS (Pre IFRS 16)	3.4¢	0.6¢	68.2¢	5.9¢	(89.8) %
Dividend per share	-	-	4.2¢	-	(100.0)%

ROIC, Cash Flow and Net Debt¹

	2020	2020	2019	2019	
\$m	Total Group ²	Continuing	Total Group ²	Continuing	Change ⁴
Return on invested capital	6.1%	5.2%	9.9%	8.5% ⁵	(330)bps
Free cash flow	43.1	25.9	187.2	129.1	(79.9)%
Net debt	(2,183.5)		(2,250.7)		(3.0)%
Covenant adjustment	1,205.7		1,245.0		(3.2)%
Net debt (on a covenant basis)	(977.8)		(1,005.7)		(2.8)%
Net debt to underlying EBITDA ³	3.7x		2.2x		1.5x

¹ Defined and reconciled to reported financials under Alternative Performance Measures (APMs). See note 11. Where applicable and for comparability these are presented on a pre IFRS 16 basis.

² From continuing and discontinued operations.

³ Net debt to underlying EBITDA calculated on a covenant basis.

⁴ Change represents the year over year difference for the Continuing Group, except for dividends, net debt and net debt to underlying EBITDA which are on a total Group basis

⁵ Restated for an adjustment relating to pensions in 2019

Outlook

We are encouraged by the extent of the flight operations recovery we have seen since Spring 2020 however, the outlook remains uncertain and the recovery of activity in our North East region, through both business and international travel, will be essential to deliver progress. We are unlikely to receive additional CARES Act funding or further rent rebates from airports in 2021, both of which benefited 2020.

Our focus on leading our industry in environmental matters, as we work towards a sustainable future, has continued unabated through the pandemic. We are committed to reducing our carbon footprint with a 29% reduction in our controllable Scope 1 & 2 emissions targeted by 2025, 50% by 2030 and to achieving Net Zero by 2050 at the latest.

The resilience of our market leading FBO business model, the quality of our network, our ability to generate positive net cash flow throughout the pandemic and continue to invest in and grow our business has attracted significant interest in the Group. The recommended offer for the Group from Blackstone, Global Infrastructure Partners and our largest shareholder, Cascade, reflects this and the potential for the Group to grow and expand services across our real estate.

Directors' responsibilities

The responsibility statement below has been prepared in connection with the Group's full Annual Report for the year ending 31 December 2020. Certain parts of the Annual Report are not included within this announcement.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with Disclosure and Transparency Rules of the UK Financial Conduct Authority and principles of International Financial Reporting Standards (IFRS), as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed on behalf of the Board,

Mark Johnstone
Group Chief Executive Officer

1 March 2021

David Crook
Group Finance Director

1 March 2021

This final results announcement 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, 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; 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 report is available in electronic format from the Company's website www.signatureaviation.com

Consolidated Income Statement

		2020	2019				
		Exceptional and other items ²	Exceptional and other items ²				
For the year ended 31 December	Notes	Underlying ¹ \$m	Total \$m	Underlying ¹ \$m	Total \$m	Underlying ¹ \$m	Total \$m
Continuing operations							
Revenue	1	1,413.9	1,413.9	2,260.5	2,260.5	—	2,260.5
Cost of sales		(1,103.3)	(1,103.3)	(1,807.6)	(1,807.6)	—	(1,807.6)
Gross profit		310.6	310.6	452.9	452.9	—	452.9
Distribution costs		(4.6)	(4.6)	(11.9)	(11.9)	—	(11.9)
Administrative expenses		(115.3)	(189.0)	(127.8)	(127.8)	(73.8)	(201.6)
Other operating income		1.0	1.0	6.2	6.2	—	6.2
Share of profit of associates and joint ventures		4.0	4.0	4.1	4.1	—	4.1
Other operating expenses		(2.9)	(8.8)	(2.7)	(2.7)	(36.5)	(39.2)
Restructuring costs	2	—	(8.6)	—	(8.6)	(5.6)	(5.6)
Operating profit/(loss)		192.8	104.6	320.8	104.6	(115.9)	204.9
Impairment of assets		—	(4.6)	—	(4.6)	(12.5)	(12.5)
Gain on disposal of business		—	2.0	—	2.0	—	—
Transaction costs		—	(2.8)	—	(2.8)	—	—
Investment income		2.2	2.2	3.7	3.7	7.5	11.2
Finance costs		(125.6)	(125.6)	(147.3)	(147.3)	(32.9)	(180.2)
Profit/(loss) before tax		69.4	(24.2)	177.2	177.2	(153.8)	23.4
Tax (charge)/credit	3	(18.7)	5.2	(12.1)	5.2	29.7	17.6
Profit/(loss) from continuing operations		50.7	(19.0)	165.1	165.1	(124.1)	41.0
Discontinued operations							
Profit/(loss) from ERO discontinued operations, net of tax	8	36.3	0.2	40.0	40.0	(104.2)	(64.2)
Profit from Ontic discontinued operations, net of tax	8	—	9.3	54.4	54.4	628.3	682.7
Profit/(loss) for the year		87.0	(9.5)	259.5	259.5	400.0	659.5
Attributable to:							
Equity holders of Signature Aviation plc		86.9	(9.6)	259.1	259.1	400.0	659.1
Non-controlling interest		0.1	0.1	0.4	0.4	—	0.4
		87.0	(9.5)	259.5	259.5	400.0	659.5
Earnings per share		Adjusted ¹	Unadjusted	Adjusted ¹	Unadjusted		
Total Group							
Basic	5	10.5¢	(1.2)¢	25.6¢	25.6¢		65.2¢
Diluted	5	10.4¢	(1.2)¢	25.4¢	25.4¢		64.7¢
Continuing operations							
Basic	5	6.1¢	(2.3)¢	16.3¢	16.3¢		4.0¢
Diluted	5	6.1¢	(2.3)¢	16.2¢	16.2¢		4.0¢
Discontinued operations							
Basic	8	4.4¢	1.1¢	9.3¢	9.3¢		61.2¢
Diluted	8	4.3¢	1.1¢	9.2¢	9.2¢		60.7¢

1 Underlying profit and adjusted earnings per share are stated before exceptional and other items and include the impact of IFRS 16 which was adopted on 1 January 2019.

2 Exceptional and other items are defined in note 2. All Alternative Performance Measures are reconciled to IFRS measures and explained in note 11.

Consolidated Statement of Comprehensive Income

For the year ended 31 December	Notes	2020 \$m	2019 \$m
(Loss)/profit for the year		(9.5)	659.5
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension schemes (restated ¹)		(66.4)	(8.3)
Fair value movements in assets classified as financial instruments through other comprehensive income		–	(3.3)
Tax credit/(charge) relating to components of other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss (restated ¹)	3	6.6	(0.9)
		(59.8)	(12.5)
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations (restated ¹)		7.8	3.8
Recycling of translational exchange differences accumulated in equity upon disposal of subsidiary		–	24.2
Fair value movements in foreign exchange cash flow hedges		0.1	2.3
Transfer to profit or loss from other comprehensive income on foreign exchange cash flow hedges		0.2	(0.6)
Fair value movement in interest rate cash flow hedges		–	(2.4)
Transfer to profit or loss from other comprehensive income on interest rate cash flow hedges		–	(2.2)
Tax (charge)/credit relating to components of other comprehensive income that may be subsequently reclassified to profit or loss	3	(1.3)	1.3
		6.8	26.4
Other comprehensive (loss)/income		(53.0)	13.9
Total comprehensive (loss)/income for the year		(62.5)	673.4
Attributable to:			
Equity holders of Signature Aviation plc		(62.6)	673.0
Non-controlling interests		0.1	0.4
		(62.5)	673.4

1 The 2019 comparative has been restated for an adjustment relating to pensions as set out in the Accounting Policies of the Group.

Consolidated Balance Sheet

As at 31 December	Notes	2020 \$m	2019 \$m
Non-current assets			
Goodwill		1,124.0	1,111.1
Other intangible assets		924.6	966.1
Property, plant and equipment		732.1	749.4
Right of use assets		1,027.3	1,099.5
Interests in associates and joint ventures		26.1	41.9
Pension and other post-retirement benefits (restated ¹)		–	11.7
Trade and other receivables		88.1	45.8
Deferred tax asset (restated ¹)		15.4	0.7
		3,937.6	4,026.2
Current assets			
Inventories		35.2	44.0
Trade and other receivables		146.6	205.4
Cash and cash equivalents		168.0	113.2
Tax recoverable		0.5	1.2
Assets held for sale	8	299.5	358.1
		649.8	721.9
Total assets		4,587.4	4,748.1
Current liabilities			
Trade and other payables		(265.2)	(354.6)
Tax liabilities		(21.0)	(108.7)
Lease liabilities		(50.9)	(53.0)
Provisions		(26.6)	(17.5)
Liabilities held for sale	8	(156.2)	(180.5)
		(519.9)	(714.3)
Net current assets		129.9	7.6
Non-current liabilities			
Borrowings	6	(1,208.1)	(1,141.0)
Lease liabilities		(1,092.9)	(1,128.8)
Trade and other payables due after one year		–	(3.9)
Pensions and other post-retirement benefits (restated ¹)		(52.3)	–
Deferred tax liabilities		(96.8)	(82.4)
Provisions		(27.3)	(30.3)
		(2,477.4)	(2,386.4)
Total liabilities		(2,997.3)	(3,100.7)
Net assets		1,590.1	1,647.4
Equity			
Share capital		510.6	510.1
Share premium account		1,594.5	1,594.5
Other reserve		(10.5)	(10.5)
Treasury reserve		(96.7)	(95.7)
Capital reserve		54.7	56.6
Hedging and translation reserves (restated ¹)		(72.5)	(80.6)
Retained earnings (restated ¹)		(391.4)	(329.4)
Equity attributable to equity holders of Signature Aviation plc		1,588.7	1,645.0
Non-controlling interest		1.4	2.4
Total equity		1,590.1	1,647.4

1 The 2019 comparative has been restated for an adjustment relating to pensions as set out in the Accounting Policies of the Group.

These financial statements were approved by the Board of Directors on 1 March 2021 and signed on its behalf by:

Mark Johnstone,
Group Chief Executive Officer

David Crook,
Group Finance Director

Consolidated Cash Flow Statement

For the year ended 31 December	Notes	2020 \$m	2019 \$m
Operating activities			
Net cash flow from operating activities	7	306.3	467.0
Investing activities			
Interest received		0.8	4.4
Interest received on sublease assets		1.6	1.8
Receipt of capital element of sublease assets		2.8	2.7
Dividends received from joint ventures and associates		2.7	3.2
Purchase of property, plant and equipment		(70.0)	(68.4)
Purchase of intangible assets ¹		(14.3)	(12.2)
Proceeds from disposal of property, plant and equipment		0.3	5.1
Acquisition of businesses, net of cash acquired		(20.4)	(65.3)
Proceeds from disposal of subsidiaries and associates, net of cash disposed		14.1	1,224.3
Net cash (outflow)/inflow from investing activities		(82.4)	1,095.6
Financing activities			
Interest paid		(50.0)	(71.5)
Interest paid on lease liabilities		(77.0)	(76.4)
USPP make-whole, net		–	(25.5)
Dividends paid	4	–	(980.9)
Outflows from realised foreign exchange contracts		(1.6)	(8.5)
Proceeds from issue of ordinary shares net of issue costs		0.5	0.8
Purchase of own shares ²		(2.3)	(4.9)
Increase/(decrease) in loans		17.7	(313.3)
Payments of lease liabilities		(60.1)	(71.0)
Decrease in overdrafts		–	(1.5)
Net cash outflow from financing activities		(172.8)	(1,552.7)
Increase in cash and cash equivalents		51.1	9.9
Cash and cash equivalents at beginning of year		122.4	111.3
Exchange adjustments on cash and cash equivalents		(2.4)	1.2
Cash and cash equivalents at end of year		171.1	122.4
Comprised of:			
Cash and cash equivalents at end of the year		168.0	113.2
Cash included in Assets held for sale at end of the year	8	3.1	9.2

1 Purchase of intangible assets includes \$nil million (2019: \$1.1 million) paid in relation to Ontic licences and \$nil million paid in relation to ERO discontinued operations (2019: \$5.3 million) not accounted for as acquisitions under IFRS 3.

2 Purchase of own shares includes the share purchases for the share buy-back scheme, shares purchased for the Employee Benefit Trust and shares purchased for employees to settle their tax liabilities as part of the share schemes.

Consolidated Statement of Changes in Equity

	Notes	Share capital \$m	Share premium \$m	Retained earnings \$m	Other reserves \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
Balance at 1 January 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		–	–	5.3	–	5.3	–	5.3
Balance at 1 January 2019 after adoption		509.3	1,594.5	(4.6)	(152.0)	1,947.2	2.3	1,949.5
Profit for the year		–	–	659.1	–	659.1	0.4	659.5
Other comprehensive (loss)/income for the year (restated ¹)		–	–	(7.9)	21.8	13.9	–	13.9
Total comprehensive income for the year		–	–	651.2	21.8	673.0	0.4	673.4
Dividends	4	–	–	(980.9)	–	(980.9)	(0.3)	(981.2)
Issue of share capital		0.8	–	–	–	0.8	–	0.8
Movement on treasury reserve		–	–	–	(4.9)	(4.9)	–	(4.9)
Credit to equity for equity-settled share-based payments		–	–	–	8.6	8.6	–	8.6
Tax on share-based payment transactions	3	–	–	1.2	–	1.2	–	1.2
Change in non-controlling interests		–	–	–	–	–	–	–
Transfer to/(from) retained earnings		–	–	3.7	(3.7)	–	–	–
Balance at 31 December 2019		510.1	1,594.5	(329.4)	(130.2)	1,645.0	2.4	1,647.4
Balance at 1 January 2020		510.1	1,594.5	(329.4)	(130.2)	1,645.0	2.4	1,647.4
Loss for the year		–	–	(9.6)	–	(9.6)	0.1	(9.5)
Other comprehensive (loss)/income for the year		–	–	(61.1)	8.1	(53.0)	–	(53.0)
Total comprehensive (loss)/income for the year		–	–	(70.7)	8.1	(62.6)	0.1	(62.5)
Dividends	4	–	–	–	–	–	(0.3)	(0.3)
Issue of share capital		0.5	–	–	–	0.5	–	0.5
Movement on treasury reserve		–	–	–	(2.3)	(2.3)	–	(2.3)
Credit to equity for equity-settled share-based payments		–	–	–	6.0	6.0	–	6.0
Tax on share-based payment transactions	3	–	–	1.3	–	1.3	–	1.3
Change in non-controlling interests		–	–	0.8	–	0.8	(0.8)	–
Transfer to/(from) retained earnings		–	–	6.6	(6.6)	–	–	–
Balance at 31 December 2020		510.6	1,594.5	(391.4)	(125.0)	1,588.7	1.4	1,590.1

¹ The 2019 comparative has been restated for an adjustment relating to pensions as set out in the Accounting Policies of the Group. The impact of the restatement was a credit to other comprehensive income of \$39.7 million and \$1.6 million in retained earnings and other reserves respectively.

Accounting Policies of the Group

Basis of preparation

The preliminary consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information for the year ended 31 December 2020 contained in this preliminary announcement was approved by a duly appointed and authorised committee of the Board of Directors on 1 March 2021. The announcement does not constitute statutory accounts of the Company within the meaning of section 435 of the Companies Act 2006, but is derived from those accounts.

Statutory accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2020 will be delivered to the Registrar of Companies following the Company's Annual General meeting.

The Group's annual financial statements for the year ended 31 December 2020 have been reported upon by the Group's auditor. The report of the auditor was unqualified and did not contain a statement under s498(2) or (3) of the Companies Act 2006, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern given the possible change of control associated with the acceptance of a formal Rule 2.7 cash offer from Brown Bidco Limited.

These condensed consolidated financial statements have been prepared in accordance with the accounting policies, presentation and methods of calculation as set out in the Group's consolidated financial statements for the year ended 31 December 2020.

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

New financial reporting requirements

A number of EU-endorsed amendments to existing standards and interpretations were effective for annual periods beginning on or after 1 January 2020 and have been applied in preparing the Consolidated Financial Statements of the Group. Other than that which is mentioned below, there is no impact on the Group Consolidated Financial Statements from applying these standards.

Covid-19-Related Rent Concessions – amendments to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020).

Financial instruments

In August 2020, the IASB issued Phase II of the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' which complement the Phase I amendments published in September 2019.

The Phase I amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

The Phase II amendments address issues that might affect financial reporting during the reform of interest rate benchmarks, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

The application of the amendments impacts the Group's accounting in relation to a proportion of US dollar denominated fixed rate debt which is fair value hedged using US dollar fixed to US dollar LIBOR interest rate swaps. The Group has in the past undertaken and may in the future also undertake, cash flow interest rate hedges as part of its interest rate risk management policy which may also expose the Group to US dollar LIBOR interest rates.

The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, US dollar LIBOR, may no longer be separately identifiable. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measurable. If the risk component is no longer reliably measurable, the hedging relationship is discontinued.

The Group chose to early-adopt the Phase I amendments to IFRS 9 for the year ending 31 December 2019, which was mandatory for annual reporting periods beginning on or after 1 January 2020.

Adopting these amendments allowed the Group to continue hedge accounting during the period of uncertainty that arose from interest rate benchmark reforms. The Phase II amendments are effective for annual periods beginning on or after 1 January 2021 with early adoption permitted. We have not chosen to early adopt the Phase II amendments given that we have not reformed or replaced any existing interest benchmarks within the Group's financial instruments.

Financial reporting standards applicable for future financial periods

Certain new EU-endorsed standards and amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2021. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

Basis of consolidation

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

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

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

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

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

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

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

Going concern

The directors have adopted the going concern basis of accounting in the preparation of the financial statements. In making their assessment of the Group's ability to continue as a going concern, the directors have considered the projected performance of the Group and its financial resources, as well as their recommendation to shareholders to accept a formal Rule 2.7 cash offer from Brown Bidco Limited (the "Transaction").

These are each discussed in detail below.

The Group's committed bank facilities comprise a \$400 million multicurrency revolving credit facility (RCF) dated 26 March 2018 due to expire in March 2025, \$500 million senior unsecured notes due 2026 and \$650 million senior unsecured notes due March 2028.

In total, the Group has debt obligations and facilities of \$1,550 million and, as at 31 December 2020, the Group has available \$400 million of undrawn committed borrowing facilities. These debt obligations and facilities are subject to cross default. Further details relating to these debt arrangements are provided in note 16 to the Consolidated Financial Statements.

The bank facilities are subject to two main financial covenants: maximum net debt to underlying EBITDA of 4.25x; and minimum net interest cover of 3.0x underlying EBITDA which are both tested on a pre-IFRS16 basis. In July 2020 the Group took the precautionary measure of agreeing a covenant waiver for the testing periods ending 31 December 2020 and 30 June 2021 with our Group of relationship banks for our \$400 million unsecured RCF expiring March 2025. As part of the agreement to waive the Group's banking covenants a minimum liquidity threshold has been agreed (incorporating cash and cash equivalents and the undrawn headroom under the RCF facility) of \$150 million which will apply at the testing periods ending 31 December 2020 and 30 June 2021 and for two additional testing periods ending 31 March 2021 and 30 September 2021, should the RCF facility be drawn at these additional dates. These financial covenants are only related to the Group's RCF facility, the unsecured US bonds do not contain any financial covenants. The directors expect the Group to comply with these covenants for the foreseeable future.

The Group's forecasts and projections taking account of reasonably possible changes in trading performance show that the Group should be able to operate within the level of its current facilities for the foreseeable future. In assessing this the Directors have considered the uncertain economic outlook, including any future impact of the Covid-19 pandemic, and the impact this could have on trading performance. The principal risks and uncertainties affecting the forecasts and projections, to which the Group is exposed, relate to the number of hours of flying activity, principally in business and general aviation, but also to a lesser extent in commercial and military aviation. Flying hours largely dictate the drivers of revenue, namely fuel volumes in Signature and engine overhaul cycles in ERO. On 17 February 2021 the Group announced that an agreement had been reached with Standard Aero on the terms of the sale of the Engine Repair and Overhaul (ERO) business with expected legal completion later in 2021. Further details of these risks and uncertainties are provided in the Risk Management section of the Annual Report.

The directors have carried out a critical review of the Group's 2021 budget and medium-term plans with due regard for the ongoing impact of Covid-19 and wider risks and uncertainties to which the Group is exposed and the impact that these could have on trading performance. Given the global political and economic uncertainty resulting from the Covid-19 pandemic, in spite of this uncertainty the Group has been able to reforecast with reasonable accuracy to date throughout the Covid-19 pandemic. The impact of risks and uncertainties and the mitigating actions available to the Group are further outlined in the following viability assessment.

The key assumptions used in constructing the budget were as follows:

- In Signature we anticipate continued recovery from the impact of the Covid-19 pandemic in Signature and EPIC, with the business continuing to outperform the B&GA market at the airports from which we operate and well placed to return to outperformance against the overall US B&GA market as the North East (NE), business travel and international traffic recover over 2021 and 2022.
- ERO is forecast to continue to deliver robust performance in a competitive market and pricing environment in spite of the Covid-19 pandemic. The sale of ERO is expected to legally complete later in 2021 and is expected to have a beneficial impact on the Group's covenants for December 2021.

The Directors' assessment of going concern was carried out against a base case forecast for the continuing recovery in B&GA flight activity during 2021 and continuing throughout 2022.

A reasonable worst case scenario was also assessed compared with the base case which reflected a return to the significant reductions in B&GA flight activity that could arise from a further requirement for lockdown measures in the Group's core markets. Together with unfavourable tax legislation driving increased effective tax rates, increased cash tax liabilities and increased cost of debt. If no actions were taken, the combined impact of this scenario results in a breach of the Group's net debt to EBITDA covenant at December 2021. Under the reasonable worst case the Group maintains liquidity throughout the assessment period.

If such a scenario were to occur, the Group would take mitigating actions including reducing discretionary capital expenditure, suspending inflationary pay increases and crystallising favourable interest rate swaps. The Group would not breach any financial covenants in this downside scenario as a result of taking these mitigating actions.

If a more severe scenario arose, which is considered remote, there are further unmodelled mitigating actions available to the Group including reduction of discretionary travel expenses, entertainment spend and professional fees as well as further hours and pay reductions. Additionally, the legal completion of the ERO sale is expected to have a beneficial impact on the Group's covenants during the Going Concern assessment period.

On 5 February 2021 the Group announced that the Directors of the Group recommended to shareholders the acceptance of a formal Rule 2.7 cash offer from Brown Bidco Limited (the "Transaction") (a newly formed company to be indirectly owned by joint offerors (i) Blackstone Infrastructure and Blackstone Core Equity, (ii) Global Infrastructure Partners and (iii) Cascade). This offer is subject to shareholder, regulatory and other approvals. Bidco's investors have stated within the Rule 2.7 offer that they believe that the development of the Group will be best served as a private company. The Transaction will result in a change of control which may impact contracts including existing financing agreements including our RCF and our 2018 and 2019 unsecured US senior notes.

The Directors have concluded that it is beyond their control to dictate or confirm the actions of the prospective purchasers after they acquire the Group. Therefore, given the potential change in control, the directors consider these conditions to constitute a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Notwithstanding this uncertainty, having assessed the Group's risks, existing financing and performance the Directors have concluded that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Business combinations

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Foreign currencies

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

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

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

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

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

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

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 applied the modified-retrospective transition method approach, whereby on the date of transition the right of use assets are measured at an amount equal to the lease liability. A one-off transitional impact on reserves on 1 January 2019 was recorded as a result of recognising finance lease subcontracts under the standard. The impact on reserves is set out in the 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 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 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. In general, it is not possible to determine a rate implicit in the Group's leases and so an incremental borrowing rate is applied. The Group elected to adopt the practical expedient permitted under the standard and as such applies a portfolio of rates to leases with similar characteristics. As the majority of the Group's leases relate to either airport FBO property or ground service equipment, the Group looks at a combination of both lease duration and geography characteristics when calculating a rate.

Impact on lessee accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet. Applying IFRS 16, the Group now recognises right of use assets and lease liabilities in the Consolidated Balance Sheet, initially measured at the present value of the future lease payments.

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

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

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

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

Former finance leases

The main difference 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.

Accounting policy for leases

IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change does not have an effect on the Group's Consolidated Financial Statements. Former finance leases are presented together with new leases taken on balance sheet as part of the transition to IFRS 16.

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.

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 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 was adjusted for:

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

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

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

Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. The depreciation starts at the commencement date of the lease, with the exception of leases in existence at the transition date to the standard, 1 January 2019. These leases are depreciated over the shorter period of the remaining lease term at transition and the useful life of the underlying asset. With the exception of certain engine leases within our ERO discontinued operations, the Group does not have any leases that include purchase or transfer options of the underlying asset.

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. These include 'Minimum Annual Guarantee' shortfall clauses. A limited number of FBO locations in the United States include these clauses. These are linked to the passthrough of concession fees collected on behalf of the airport authority, for services the airport authority provides, where Signature acts as collecting agent. The concession fee passthrough is ultimately linked to the level of flight activity in any given year. Should activity drop below a certain threshold a variable rental payment is required. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are generally included within cost of sales in the Consolidated Income Statement.

Subleasing

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

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

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

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

Revenue recognition

IFRS 15 addresses the recognition of revenue from customer contracts and impacts on the amounts and timing of the recognition of such revenue. The standard is based on a five-step approach to revenue recognition – identifying the contract; identifying the performance obligations in the contract; determining the transaction price; allocating that transaction price to the performance obligations; and finally recognising the revenue as those performance obligations are satisfied.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service or service to a customer.

IFRS 15 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision maker (CODM) in order to evaluate the financial performance of the entity.

Signature

Signature recognises revenue from the following major income streams:

- Fuelling
- Property management
- Ground handling
- Technical services

Fuelling revenue is recognised as a sale of goods when all of the performance obligations are completed, typically upon delivery. Property management revenue is recognised over a period of time based on the performance obligations of the contract. Ground handling revenue is recognised as the service is completed. Technical service revenue is recognised at a point in time upon satisfaction of the performance obligation in the contract.

Additionally, the Group acts as an agent when collecting certain fees from customers on behalf of airport authorities.

Ontic (disposed 31 October 2019)

Ontic recognised revenue from the following major income streams:

- System and sub-system support and maintenance
- Repair and overhaul
- Engine and part sales

Ontic revenue is recognised on engine and part sales once all of the performance conditions are met, generally including delivery. The revenue is recognised net of any discounts including an estimate for volume rebates.

Engine Repair & Overhaul

Engine Repair & Overhaul revenue and associated profit on engine overhauls are recognised over time once the terms of the contract have been agreed with the customer and the ultimate profitability of the contract can be determined with reasonable certainty. The recognition over time is based on hours incurred compared with management's best estimate of the total hours of production as this is the most faithful depiction of the progress of services. Payment is typically received after an engine is shipped. As a result, a contract receivable is recognised on the Balance Sheet.

Within the Engine Repair & Overhaul business, revenue and associated profit are recognised on engine sales. Where the engine sold is subsequently leased back, the revenue and associated profit are only recognised where the lease can be categorised as an operating lease.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Operating profit

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

Exceptional items are items which are material or non-recurring in nature, and include costs relating to acquisitions which are material to the associated business segment, costs related to strategic disposals (including those previously completed) and significant restructuring programmes some of which span multiple years. Other items include the amortisation of acquired intangibles accounted for under IFRS 3.

Underlying operating profit is the Group's key Alternative Performance Measure and is consistent with the way that financial performance is measured by management and reported to the Board and the Signature Leadership Team, and assists in providing a meaningful analysis of the trading results of the Group. Additionally, exclusion of amortisation of acquired intangibles accounted for under IFRS 3 from the Group's underlying results assists with the comparability of the Group's underlying profitability with peer companies.

Underlying operating profit is calculated as operating profit before exceptional and other items (see note 2).

Alternative Performance Measures (APMs)

In the reporting of financial information, the directors have adopted various Alternative Performance Measures (APMs). The Group's results are principally discussed on an 'adjusted' and/or 'underlying' basis. Results on an adjusted basis are presented before exceptional and other items. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

All APMs have been defined, explained and reconciled to the nearest IFRS measure as set out in note 11.

Intangible assets

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

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

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

Property, plant and equipment

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

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

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

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

Right of use assets

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

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

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

Impairment of goodwill, intangible assets, property, plant and equipment, and right of use assets

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

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

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

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

Inventories

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

Associates and joint ventures

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate or joint venture. Associates and joint ventures are initially recognised in the Consolidated Balance Sheet at cost. Subsequently associates and joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the Consolidated Statement of Comprehensive Income (except for losses in excess of the Group's investment in the associate or joint venture unless there is an obligation to make good those losses).

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

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

Derivative financial instruments and hedge accounting

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

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

The ineffective portion of such gains and losses is recognised immediately within other gains and losses in the Income Statement.

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

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

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

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Other financial instruments

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

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables excluding derivative assets are initially recognised at fair value and do not carry any interest and are stated at nominal value as reduced by appropriate loss allowances for estimated irrecoverable amounts having considered expected losses as required by IFRS 9. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, the days past due and anticipated changes in economic conditions.

Financial liabilities and equity instruments

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

Borrowings

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

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

Trade and other payables

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

Equity instruments

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

Financial instruments measured through other comprehensive income (FVTOCI)

Financial instruments measured through other comprehensive income (FVTOCI) are non-derivatives that are either designated as FVTOCI or are not classified as financial assets at fair value through profit or loss.

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and trade receivables, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Lease liabilities

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

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

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

Provisions

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

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

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

Insurance

Provisions are recognised for self-insured risks as the cover is provided.

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

Discontinued operations

Provisions for environmental and other liabilities relating to businesses that have been disposed of by the Group in prior years are classed as discontinued.

Restructuring

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

Environmental

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

Warranties

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

Post-retirement benefits

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

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

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

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

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

Share-based payments

The Group operates a number of cash and equity-settled share-based compensation plans. The fair value of the compensation is recognised in the Income Statement as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted and calculated using the valuation technique most appropriate to each type of award. These include Black-Scholes calculations and Monte Carlo simulations. For cash-settled options, the fair value of the option is revisited at each balance sheet date. For both cash and equity-settled options, the Group revises its estimates of the number of options that are expected to become exercisable at each balance sheet date.

Taxation

The charge for taxation is based on the profit for the year and comprises current and deferred taxation. Current tax is calculated at tax rates which have been enacted or substantively enacted as at the balance sheet date.

Deferred taxation takes into account taxation deferred due to temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is accounted for using the balance sheet liability method and is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases in the computation of taxable profit.

An uncertain tax provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The uncertain tax provisions are reported within current liabilities and measured using the most likely amount approach.

Examples of activities for which the Group experiences tax uncertainties include but are not limited to transfer pricing under the application of OECD transfer pricing principles and the deductibility of interest payable resulting from the Group's financing arrangements. The Group is monitoring developments in relation to EU State Aid investigation including the EU Commission's announcement on 2 April 2019 that a UK tax scheme unduly exempted certain multinational groups from UK rules targeting tax avoidance through the UK Controlled Foreign Company regime (see note 3).

The provision for uncertainties is established based on the management judgement of senior tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice. The methodology for establishing provisions for tax uncertainties has been consistently applied with the prior year and consistent with IFRIC 23 'Uncertainty over Income Tax Treatments'.

No provision is made for temporary differences on unremitted earnings of foreign subsidiaries, joint ventures or associates where the Group has control and the reversal of the temporary difference is not foreseeable.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates which have been enacted or substantively enacted at the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited to the Statement of Comprehensive Income, in which case the deferred tax is also dealt with in the Statement of Comprehensive Income.

Assets and associated liabilities classified as held for sale

Assets classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell. Assets are classified as held for sale if their net carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when

the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Management has concluded that for 2020 there are no critical accounting judgements. A key source of estimation uncertainty is referred to within Income Tax (note 3), where a contingent liability has been identified in relation to the European Commission's ongoing State Aid investigation into the UK's Controlled Foreign Company regime. On 23 February 2021 management received confirmation from HMRC that the Group has not been a beneficiary of State Aid.

As detailed in the Risk Management section of the Annual Report, climate change has not been identified as a principal risk and we are actively responding to the emerging risk through new initiatives mitigating the impact on operations, through carbon reduction strategies and through a managed programme of replacing end of life equipment with energy efficient alternatives. Our critical accounting judgements are not impacted as the Group's recoverable amount has been determined based on fair value less costs to sell and the asset replacement programme is being managed in line with equipment reaching end of life.

Prior Year restatement

Prior to the issuance of the 2020 Annual Report, the Group became aware that an investment asset of the BBA Income and Protection Plan (IPP) had been omitted by our retained pension advisers supporting the Group with the preparation of the Group's pensions disclosures under IAS 19. As a result of the materiality of this omission, the Group has restated the 31 December 2019 comparative results. The impact of this restatement on the Group's 2019 results is outlined below. The Group's annual and interim results prior to 31 December 2019 are not impacted and therefore we are not presenting the 31 December 2018 balance sheet as this is unchanged. Subsequent to the identification of this error, the Group has commissioned a full review of the completeness of the disclosures surrounding the IPP that are provided by our retained pension advisers. This review has been completed and no further omissions have been identified.

Correction of the omission has led to the following restatements of Pension balances and disclosures. A \$49.7 million increase of the Group's total fair value of scheme assets for all plans at 31 December 2019, from \$697.6 million as previously reported to \$747.3 million as restated. The Group's pension assets less pension obligations as at 31 December 2019 improved from a \$(38.0) million deficit as previously reported to an \$11.7 million surplus as restated. The actual return on scheme assets for 2019 has improved from an \$11.2 million gain as previously reported to a \$59.0 million gain as restated. The asset gain/(loss) arising in 2019 has improved from a \$(6.9) million loss as previously reported to a \$40.9 million gain as restated. The total loss recognised in the Statement of Comprehensive Income has improved from a \$(56.9) million loss as previously reported to a \$(7.2) million loss as restated, consisting of a \$47.8 million improvement in total gain/(loss) recognised on assets and \$1.9m improvement in foreign exchange adjustments.

Upon recognition of the previously unreported investment asset, the Group has reviewed its deferred tax positions for the year ended 31 December 2019. This has directly resulted in a reduction of the Group's Deferred Tax Assets from \$9.1 million as previously reported to \$0.7 million as restated consisting of a \$8.1 million increase in total expense to other comprehensive income and \$0.3 million decrease in foreign exchange adjustments.

In totality the prior year restatement has had the following impacts. The Group's Non-current Assets have increased \$3.3 million from \$4,022.9 million as previously reported to \$4,026.2 million as restated. The Group's Non-current Liabilities have reduced \$38.0 million from \$(2,424.4) million as previously reported to \$(2,386.4) million as restated. The Group's Net Assets have increased \$41.3 million from \$1,606.1 million as previously reported to \$1,647.4 million as restated.

Notes to the Consolidated Financial Statements

1. Segmental information

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

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

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

Based on the above, the operating segment of the Group identified in accordance with IFRS 8 is Continuing operations, which comprises Signature FBO, TechnicAir and EPIC Fuels. The Discontinued operations segment results show the effect of the ERO business which is held for sale at year end and the Ontic business which was sold in October 2019.

The businesses within the Continuing operations segment provide refuelling, ground handling, line maintenance and other services to the Business & General Aviation (B&GA) and commercial aviation markets.

Sales between segments are immaterial.

All Alternative Performance Measures are reconciled to IFRS measures and explained in note 11.

Business segments	Continuing operations ¹ \$m	Discontinued operations ⁵ \$m	Total \$m	Unallocated corporate ² \$m	Total \$m
2020					
External revenue					
External revenue from continuing and discontinued operations	1,413.9	507.4	1,921.3	–	1,921.3
Less external revenue from ERO discontinued operations, note 8	–	(507.4)	(507.4)	–	(507.4)
External revenue from continuing operations	1,413.9	–	1,413.9	–	1,413.9
Underlying operating profit					
Underlying operating profit from continuing and discontinued operations	217.4	37.2	254.6	(13.0)	241.6
Less underlying operating profit from ERO discontinued operations	–	(48.8)	(48.8)	–	(48.8)
Adjusted for intergroup charges for ERO discontinued operations ³	–	11.6	11.6	(11.6)	–
Underlying operating profit/(loss) from continuing operations	217.4	–	217.4	(24.6)	192.8
Underlying operating margin from continuing operations	15.4%	–	15.4%	–	13.6%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(81.4)	(0.9)	(82.3)	(5.9)	(88.2)
Less exceptional and other items from ERO discontinued operations	–	–	–	–	–
Exceptional and other items from continuing operations	(81.4)	(0.9)	(82.3)	(5.9)	(88.2)
Operating profit/(loss) from continuing operations	136.0	(0.9)	135.1	(30.5)	104.6
Impairment of assets ⁶					(4.6)
Gain on disposal of business					2.0
Transaction costs					(2.8)
Underlying net finance costs					(123.4)
Loss before tax from continuing operations					(24.2)
Other information					
Capital additions ⁴	76.1	6.2	82.3	2.0	84.3
Less capital additions from ERO discontinued operations	–	(6.2)	(6.2)	–	(6.2)
Capital additions from continuing operations	76.1	–	76.1	2.0	78.1
Depreciation and amortisation	231.5	–	231.5	1.0	232.5
Less depreciation and amortisation from ERO discontinued operations	–	–	–	–	–
Depreciation and amortisation from continuing operations	231.5	–	231.5	1.0	232.5
Balance sheet					
Total assets	4,049.6	299.9	4,349.5	237.9	4,587.4
Total liabilities	(1,393.6)	(156.3)	(1,549.9)	(1,447.4)	(2,997.3)
Net assets/(liabilities)	2,656.0	143.6	2,799.6	(1,209.5)	1,590.1
Less net assets/(liabilities) from ERO discontinued operations	–	(143.3)	(143.3)	–	(143.3)
Net assets/(liabilities) from continuing operations ⁵	2,656.0	0.3	2,656.3	(1,209.5)	1,446.8

Business segments	Continuing operations ¹ \$m	Discontinued operations ⁵ \$m	Total \$m	Unallocated corporate ² \$m	Total \$m
2019					
External revenue					
External revenue from continuing and discontinued operations	2,260.5	756.9	3,017.4	–	3,017.4
Less external revenue from ERO discontinued operations, note 8	–	(538.3)	(538.3)	–	(538.3)
Less external revenue from Ontic discontinued operations, note 8	–	(218.6)	(218.6)	–	(218.6)
External revenue from continuing operations	2,260.5	–	2,260.5	–	2,260.5
Underlying operating profit					
Underlying operating profit from continuing and discontinued operations	361.0	106.0	467.0	(25.9)	441.1
Less underlying operating profit from ERO discontinued operations	–	(52.8)	(52.8)	–	(52.8)
Adjusted for intergroup charges for ERO discontinued operations ³	–	11.4	11.4	(11.4)	–
Less underlying operating profit from Ontic discontinued operations	–	(67.5)	(67.5)	–	(67.5)
Adjusted for intergroup charges for Ontic discontinued operations ³	–	2.9	2.9	(2.9)	–
Underlying operating profit/(loss) from continuing operations	361.0	–	361.0	(40.2)	320.8
Underlying operating margin from continuing operations	16.0%	–	16.0%	–	14.2%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(76.3)	(12.7)	(89.0)	(39.4)	(128.4)
Less exceptional and other items from ERO discontinued operations	–	–	–	–	–
Less exceptional and other items from Ontic discontinued operations	–	12.5	12.5	–	12.5
Exceptional and other items from continuing operations	(76.3)	(0.2)	(76.5)	(39.4)	(115.9)
Operating profit/(loss) from continuing operations	284.7	(0.2)	284.5	(79.6)	204.9
Impairment of fixed assets ⁶					(12.5)
Underlying net finance costs					(143.6)
Exceptional net finance costs – USPP make-whole, net					(25.4)
Profit before tax from continuing operations					23.4
Other information					
Capital additions ⁴	63.9	15.1	79.0	1.6	80.6
Less capital additions from ERO discontinued operations	–	(11.0)	(11.0)	–	(11.0)
Less capital additions from Ontic discontinued operations	–	(4.1)	(4.1)	–	(4.1)
Capital additions from continuing operations	63.9	–	63.9	1.6	65.5
Depreciation and amortisation	234.0	17.8	251.8	1.0	252.8
Less depreciation and amortisation from ERO discontinued operations	–	–	–	–	–
Less depreciation and amortisation from Ontic discontinued operations	–	(17.8)	(17.8)	–	(17.8)
Depreciation and amortisation from continuing operations	234.0	–	234.0	1.0	235.0
Balance sheet (restated ⁷)					
Total assets	4,253.3	360.2	4,613.5	134.6	4,748.1
Total liabilities	(1,458.6)	(180.5)	(1,639.1)	(1,461.6)	(3,100.7)
Net assets/(liabilities)	2,794.7	179.7	2,974.4	(1,327.0)	1,647.4
Less net assets/(liabilities) from ERO discontinued operations	–	(177.6)	(177.6)	–	(177.6)
Net assets/(liabilities) from continuing operations ⁵	2,794.7	2.1	2,796.8	(1,327.0)	1,469.8

1 Operating profit/(loss) from continuing operations includes \$4.0 million profit (2019: \$4.1 million profit) relating to profits of associates and joint ventures.

2 Unallocated corporate balances include debt, tax, provisions, pensions, insurance captives and trading balances from central activities.

3 Costs previously allocated to ERO and Ontic for which both were classified as discontinued operations and in addition Ontic was sold in 2019.

4 Capital additions represent cash expenditures in the year. Capital additions include additions to property, plant and equipment, and intangible assets including Ontic licences not accounted for as acquisitions under IFRS 3.

5 The Discontinued operations results include the former ERO (Middle East) business which is not part of the ERO discontinued operations. This business did not trade in 2020 or 2019, however, in the year ended 31 December 2020, it incurred \$0.9 million (2019: \$0.2 million) of exceptional and other costs and its net asset position at the end of 31 December 2020 was \$0.3 million (2019: \$2.1 million).

6 The impairment of assets of \$4.6 million (2019: \$12.5 million) relates to the Signature segment.

7 The Group's 2019 pension scheme assets have been restated by \$49.7 million due to the omission of an investment asset. Further details are provided in the Accounting Policies of the Group.

Geographical segments	Revenue by destination \$m	Revenue by origin \$m	Capital additions ¹ \$m	Non-current assets ² \$m
2020				
United Kingdom	61.0	147.6	4.4	210.8
Mainland Europe	133.7	34.4	0.1	93.3
North America	1,632.1	1,721.9	79.4	3,557.8
Rest of World	94.5	17.4	0.4	0.7
Total from continuing and discontinued operations	1,921.3	1,921.3	84.3	3,862.6
Less ERO discontinued operations	(507.4)	(507.4)	(6.2)	–
Total from continuing operations	1,413.9	1,413.9	78.1	3,862.6
2019				
United Kingdom	84.0	288.5	6.2	220.9
Mainland Europe	217.0	56.3	0.9	85.7
North America	2,580.2	2,650.2	73.5	3,699.3
Rest of World	136.2	22.4	–	1.9
Total from continuing and discontinued operations	3,017.4	3,017.4	80.6	4,007.8
Less ERO discontinued operations	(538.3)	(538.3)	(11.0)	–
Less Ontic discontinued operations	(218.6)	(218.6)	(4.1)	–
Total from continuing operations	2,260.5	2,260.5	65.5	4,007.8

1 Capital additions represent cash expenditures in the year. Capital additions include additions to property, plant and equipment, and intangible assets including Ontic licences not accounted for as acquisitions under IFRS 3.

2 The disclosure of non-current assets by geographical segment has been amended to exclude deferred tax of \$15.4 million (2019 restated: \$0.7 million) and financial instrument balances of \$59.6 million (2019: \$17.7 million) in all periods, as required under IFRS 8.

An analysis of the Group's revenue for the year is as follows:

	Revenue from sale of goods		Revenue from services	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Signature	970.1	1,685.2	443.8	575.3
Discontinued operations	25.6	223.4	481.8	533.5
Total from continuing and discontinued operations	995.7	1,908.6	925.6	1,108.8
Less ERO discontinued operations	(25.6)	(34.3)	(481.8)	(504.0)
Less Ontic discontinued operations	–	(189.1)	–	(29.5)
Total from continuing operations	970.1	1,685.2	443.8	575.3

A portion of the Group's revenue from the sale of goods denominated in foreign currencies is cash flow hedged. Revenue from the sale of goods of \$995.7 million (2019: \$1,908.6 million) includes a loss of \$0.2 million (2019: gain of \$0.6 million) in respect of the recycling of the effective amount of foreign currency derivatives used to hedge foreign currency revenue.

Disclosure in relation to major customers:

In 2020 the Group had one (2019: nil) major customer with whom transactions exceeded more than 10% of the Group's total revenues. The revenue from this customer amounted to \$239.6 million and is presented within the Continuing operations segment.

2. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

Exceptional and other items

Underlying profit is shown before exceptional and other items on the face of the Income Statement. Exceptional items are items which are material or non-recurring in nature, and include costs relating to acquisitions which are material to the associated business segment, costs related to strategic disposals (including those previously completed) and significant restructuring programmes some of which span multiple years. This is consistent with the way that financial performance is measured by management and reported to the Board and the Signature Leadership Team, and assists in providing a meaningful analysis of the trading results of the Group.

Other items includes amortisation of acquired intangibles accounted for under IFRS 3. The directors consider that this gives a useful indication of underlying performance and better visibility of Key Performance Indicators. Exclusion of amortisation of acquired intangibles accounted for under IFRS 3 from the Group's underlying results assists with the comparability of the Group's underlying profitability with peer companies.

All Alternative Performance Measures are reconciled to IFRS measures and explained in note 11.

Exceptional and other items on discontinued operations are presented in note 8. Exceptional and other items on continuing operations are as follows:

Note	Administrative expenses 2020 \$m	Other operating expenses 2020 \$m	Restructuring costs 2020 \$m	Total 2020 \$m	Administrative expenses 2019 \$m	Other operating expenses 2019 \$m	Restructuring costs 2019 \$m	Total 2019 \$m
Restructuring expenses								
ERO Middle East	–	–	0.9	0.9	–	–	0.2	0.2
Paris–Le Bourget FBO T3 closure	–	–	7.5	7.5	–	–	–	–
Central costs rationalisation	–	–	0.2	0.2	–	–	5.4	5.4
Other								
Amounts related to previously disposed businesses	–	5.0	–	5.0	–	36.5	–	36.5
Pension GMP equalisation	–	0.9	–	0.9	–	–	–	–
Acquisition-related								
Amortisation of intangible assets arising on acquisition and valued in accordance with IFRS 3	73.7	–	–	73.7	73.8	–	–	73.8
Operating loss on continuing operations				88.2	73.8	36.5	5.6	115.9
Impairment loss				4.6				12.5
Gain on disposal of investment				(2.0)				–
Transaction costs				2.8				–
USPP make-whole, net	6			–				25.4
Loss before tax on continuing operations				93.6				153.8
Tax credit on exceptional and other items				(23.9)				(29.7)
Loss for the year on continuing operations, net of tax				69.7				124.1
Loss from ERO discontinued operations, net of tax				36.1				104.2
Profit from Ontic discontinued operations, net of tax				(9.3)				(628.3)
Total exceptional and other items, net of tax				96.5				(400.0)

Net free cash flow from exceptional items was an outflow of \$28.6 million (2019: outflow of \$16.4 million). Net cash flow from other items was \$nil (2019: \$nil). Net cash flow from exceptional items including completed disposals was an inflow of \$0.9 million (2019: outflow of \$1,182.4 million).

The impairment loss of \$4.6 million relates to the Paris–Le Bourget FBO T3 closure. The \$2.0 million gain on disposal relates to the disposal of the Group's investment in Gama Aviation Holdings LLC in the year. The Group had recognised a \$12.5 million impairment loss on its investment in Gama Aviation Holdings LLC in 2019.

	2020 \$m	2019 \$m
Other		
Expenses relating to variable lease payments not included in the measurement of lease liabilities	34.1	24.5
Net foreign exchange losses	1.4	0.1
Depreciation of property, plant and equipment	68.5	67.8
Depreciation of right of use assets	83.2	89.7
Amortisation of intangible assets (included in administrative expenses)	80.8	95.3
Total depreciation and amortisation expense	232.5	252.8
Total employee costs from continuing operations	217.9	331.2
Cost of inventories recognised as an expense within cost of sales	1,074.0	1,674.2

	2020 \$m	2019 \$m
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Group's annual accounts	1.0	1.6
The audit of the Company's subsidiaries pursuant to legislation	0.3	0.4
Total audit fees	1.3	2.0
Audit-related assurance services	0.2	0.1
Reporting accountant services	–	0.6
Total fees payable to the Company's auditor	1.5	2.7

In the prior year, fees of \$0.8 million were paid to the auditor by CVC Fund VII (CVC) in relation to the non-statutory audit of the Ontic business. These fees were paid by CVC so are not included in the above analysis.

3. Income tax

	2020 \$m	2019 \$m
Recognised in the Income Statement		
Current tax expense	17.0	132.5
Adjustments in respect of prior years – current tax	(30.0)	(1.7)
Current tax	(13.0)	130.8
Deferred tax	(18.9)	(66.1)
Adjustments in respect of prior years – deferred tax	24.3	(2.0)
Deferred tax	5.4	(68.1)
Income tax (credit)/expense for the year from continuing and discontinued operations	(7.6)	62.7
Less: ERO discontinued operations	(0.3)	15.1
Less: Ontic discontinued operations	2.7	(95.4)
Income tax credit for the year from continuing operations	(5.2)	(17.6)

UK income tax is calculated at 19% (2019: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total income tax credit to the year ended 31 December 2020 includes a tax credit of \$23.9 million (2019: \$29.7 million) relating to exceptional and other items.

EU State Aid

The Group had been monitoring developments in relation to the EU State Aid investigation including the European Commission's decision in April 2019 that concluded the UK's Controlled Foreign Company regime partially represents State Aid and the UK authorities' subsequent appeal of this decision. In common with many other UK-based multinational groups whose arrangements were in line with UK CFC legislation, the Group may have been affected by this decision although did not consider that any provision was required. On 23 February 2021 management received confirmation from HMRC that the Group has not been a beneficiary of State Aid.

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

	2020 \$m	2019 \$m
(Loss)/profit before tax on continuing operations	(24.2)	23.4
Tax at the rates prevailing in the relevant tax jurisdictions 25.3% (2019: 24.3%)	(6.1)	5.7
Tax effect of offshore financing net of UK CFC charge	–	(2.3)
Tax effect of expenses that are not deductible in determining taxable profit	0.3	11.4
Items on which deferred tax has not been recognised	–	(3.9)
Recognition of previously unrecognised tax attributes	–	(20.5)
Tax rate changes	0.3	0.1
Difference in tax rates on overseas earnings	0.8	(4.4)
Adjustments in respect of prior years	(0.5)	(3.7)
Tax expense for the year on continuing operations	(5.2)	(17.6)

The applicable tax rate of 25.3% (2019: 24.3%) represents a blend of the tax rates of the jurisdictions in which taxable profits have arisen.

During 2020 tax legislation included with the US Coronavirus Aid, Relief and Economic Security Act (the CARES Act) provided for the retroactive application of favourable tax rules which permitted the utilization of certain tax attributes as well as additional capital allowances against prior year tax liabilities. The impact of the legislative changes are reflected as adjustments in respect of prior year and further highlighted in Note 8.

Tax credited/(expensed) to other comprehensive income and equity is as follows:

	2020 \$m	2019 \$m
Recognised in other comprehensive income		
Tax on items that will not be reclassified subsequently to profit or loss		
Current tax other	–	0.1
Deferred tax credit/(charge) on actuarial gains (restated ¹)	6.6	(1.0)
	6.6	(0.9)
Tax on items that may be reclassified subsequently to profit or loss		
Current tax (charge)/credit on foreign exchange movements	(1.3)	0.9
Deferred tax credit on derivative instruments	–	0.4
	(1.3)	1.3
Total tax credit within other comprehensive income	5.3	0.4
Recognised in equity		
Current tax charge on share-based payments movements	–	(0.2)
Deferred tax credit on share-based payments movements	1.3	1.4
Total tax credit within equity	1.3	1.2
Total tax credit within other comprehensive income and equity	6.6	1.6

1 The Group's 2019 pension scheme assets have been restated by \$49.7 million due to the omission of an investment asset. Further details are provided in the Accounting Policies of the Group.

4. Dividends

In light of the continued uncertainty around the COVID-19 pandemic, the Board is not proposing a final dividend in respect of 2020.

As announced on 30 March 2020, in order to preserve balance sheet strength and liquidity, the Board suspended the final 2019 dividend of 10.57¢ per share that was proposed with the full year 2019 results on 3 March 2020 and this final dividend has not been paid. In 2019 the final dividend in respect of 2018 of 10.07¢ per share (total dividend \$103.9 million) was paid to shareholders on 24 May 2019.

In the light of the continued uncertainty around the COVID-19 pandemic and to preserve our balance sheet strength and liquidity, the Board did not pay an interim dividend in respect of 2020. In 2019 the interim dividend of 4.20¢ per share (total dividend \$43.4 million) was paid to shareholders on 1 November 2019.

On 13 December 2019, the 2019 special dividend of 80.71¢ per share (total dividend \$833.6 million) was paid to shareholders.

5. Earnings per share

All Alternative Performance Measures are reconciled to IFRS measures and explained in note 11.

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

	Continuing		Total	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Basic and diluted				
Earnings:				
(Loss)/profit for the year	(19.0)	41.0	(9.5)	659.5
Non-controlling interests	(0.1)	(0.4)	(0.1)	(0.4)
Basic (loss)/earnings attributable to ordinary shareholders	(19.1)	40.6	(9.6)	659.1
Exceptional and other items (net of tax)	69.7	124.1	96.5	(400.0)
Adjusted earnings for adjusted earnings per share	50.6	164.7	86.9	259.1
Number of shares				
Weighted average number of 37 ¹⁷ / ₈₄ p ordinary shares (2019: 37 ¹⁷ / ₈₄ p ordinary shares) ¹ :				
For basic earnings per share	827.2	1,011.5	827.2	1,011.5
Dilutive potential ordinary shares from share options	8.2	7.8	8.2	7.8
For diluted earnings per share	835.4	1,019.3	835.4	1,019.3
For diluted losses per share	827.2	1,011.5	827.2	1,011.5
Basic:				
Adjusted	6.1¢	16.3¢	10.5¢	25.6¢
Unadjusted	(2.3)¢	4.0¢	(1.2)¢	65.2¢
Diluted:				
Adjusted	6.1¢	16.2¢	10.4¢	25.4¢
Unadjusted	(2.3)¢	4.0¢	(1.2)¢	64.7¢

1 On 22 November 2019, the Company undertook a consolidation of shares on the basis of four new shares with nominal value of 37¹⁷/₈₄ pence for every five shares held on that date.

Per note 11, cash earnings per share is presented for the LTIP issued in 2017 and 2018. As disclosed in the 2018 Annual Report, the Remuneration Committee decided to simplify the earnings per share measure used for the LTIP and use underlying earnings per share for

subsequent schemes being LTIP19 and LTIP20. For more information refer to the "Implementation of policy in 2019" on page 82 of the 2018 Annual Report.

Cash earnings per share pre IFRS 16 is presented for LTIP 2017 and 2018, calculated on earnings before exceptional and other items (note 2) and using current tax charge, not the total tax charge for the period (note 3), thereby excluding the deferred tax charge (see note 11).

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.

Adjusted earnings per share is presented pre IFRS 16 and calculated on earnings before exceptional and other items (note 2) for the purposes of the LTIP awards for LTIP 2019 and 2020. Both adjustments have been made because the directors consider that this gives a useful indication of underlying performance.

For discontinued earnings per share, refer to note 8.

6. Borrowings

	2020 \$m	2019 \$m
Bank loans ¹	(5.0)	(5.0)
US senior notes	1,194.2	1,145.7
Promissory note	18.6	—
Other loans	0.3	0.3
	1,208.1	1,141.0
The borrowings are repayable as follows:		
On demand or within one year	—	—
In the second year	—	—
In the third to fifth years inclusive	(5.0)	(5.0)
After five years	1,213.1	1,146.0
	1,208.1	1,141.0
Less: Amount due for settlement within 12 months (shown within current liabilities)	—	—
Amount due for settlement after 12 months	1,208.1	1,141.0

¹ \$5.0 million (2019: \$5.0 million) issue costs have been capitalised and are being amortised over the life of this facility. There were no drawn amounts of the multicurrency revolving bank credit facility as at 31 December 2020.

Current year bank loans and US senior notes are stated at 31 December 2020 and 2019 after their respective transaction costs and related amortisation.

Type	2020							
	Facility amount \$m	Headroom \$m	Principal \$m	Amortisation costs \$m	Fair value adjustment ¹ \$m	Drawn \$m	Facility date	Maturity date
Multicurrency revolving bank credit facility	400.0	400.0	—	(5.0)	—	(5.0)	Mar 2018	Mar 2025
Total bank loans	400.0	400.0	—	(5.0)	—	(5.0)		
\$500m US senior notes	500.0	—	500.0	(7.2)	33.2	526.0	Apr 2018	May 2026
\$650m US senior notes	650.0	—	650.0	(8.1)	26.3	668.2	Nov 2019	Mar 2028
Total US senior notes	1,150.0	—	1,150.0	(15.3)	59.5	1,194.2		
Total bank and loan notes	1,550.0	400.0	1,150.0	(20.3)	59.5	1,189.2		
Promissory note and other loans						18.9		
						1,208.1		

¹ The fair value adjustment relates to the change in fair value of hedged risk for notes which are subject to fair value hedging.

As at 31 December 2020, included within liabilities classified as held for sale is \$nil (2019: \$nil) of other loans (see note 8).

Type	2019							
	Facility amount \$m	Headroom \$m	Principal \$m	Amortisation costs \$m	Fair value adjustment ¹ \$m	Drawn \$m	Facility date	Maturity date
Multicurrency revolving bank credit facility	400.0	400.0	—	(5.0)	—	(5.0)	Mar 2018	Mar 2024
Total bank loans	400.0	400.0	—	(5.0)	—	(5.0)		
\$500m US senior notes	500.0	—	500.0	(8.5)	17.4	508.9	Apr 2018	May 2026
\$650m US senior notes	650.0	—	650.0	(9.2)	(4.0)	636.8	Nov 2019	Mar 2028
Total US senior notes	1,150.0	—	1,150.0	(17.7)	13.4	1,145.7		
Total bank and loan notes	1,550.0	400.0	1,150.0	(22.7)	13.4	1,140.7		
Promissory note and other loans						0.3		
						1,141.0		

¹ The fair value adjustment relates to the change in fair value of hedged risk for notes which are subject to fair value hedging.

During the first half of 2020, on the second anniversary of the \$400 million multicurrency revolving credit facility (RCF), the lenders approved an extension to the facility for an additional year which extended the RCF maturity date to March 2025.

During June and July 2020, the Group took the precautionary measure of agreeing a covenant waiver for the RCF for the testing periods ending 31 December 2020 and 30 June 2021. As part of the agreement to waive our covenants under the RCF, we have agreed a minimum liquidity covenant test (incorporating cash and cash equivalents and the undrawn headroom under the RCF facility) of \$150 million which will apply at the testing periods ending 31 December 2020 and 30 June 2021 and for two additional testing periods ending 31 March 2021 and 30 September 2021, should the RCF be drawn at these additional dates. As at 31 December 2020 the Group was in full compliance with its banking covenants and minimum liquidity test.

As at 31 December 2020, the Group was undrawn under the RCF (2019: undrawn).

As at 31 December 2020, the Group had \$1,150 million (2019: \$1,150 million) of US senior notes outstanding with \$575 million (2019: \$575 million) accounted for at fair value through profit and loss as the fair value interest rate risk has been hedged from fixed to floating rates. The remainder is accounted for at amortised cost.

Under IFRS hedge accounting rules the fair value movement on the loan notes is booked to interest and is offset by the fair value movement on the underlying interest rate swaps. These notes were issued by Signature Aviation US Holdings Inc.

The Group excludes the fair value movement on its loan notes from its definition of net debt (refer to Alternative Performance Measures in note 11), as this movement is offset by the change in fair value of the underlying interest rate swaps. The fair value loss on its US senior notes at 31 December 2020 was \$59.5 million (2019: \$13.4 million loss).

During 2020, Signature Flight Support LLC entered into a promissory note from the US Treasury Department under the CARES Act (Section 4003 'Lending to Air Carriers and Businesses Critical to National Security'). The total amount of the promissory note received was \$18.6 million. The note has a current interest rate of 4% (1% Coupon and 3% PIK). The note is guaranteed by Signature Aviation US Holdings Inc. and is accounted for at amortised cost.

All other borrowings are held at amortised cost.

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

	Sterling \$m	US dollar \$m	Total \$m
31 December 2020			
Bank loans	–	(5.0)	(5.0)
US senior notes	–	1,194.2	1,194.2
Promissory note	–	18.6	18.6
Other loans	0.3	–	0.3
	0.3	1,207.8	1,208.1
31 December 2019			
Bank overdrafts	–	(5.0)	(5.0)
US senior notes	–	1,145.7	1,145.7
Promissory note	–	–	–
Other loans	0.3	–	0.3
	0.3	1,140.7	1,141.0

The average floating interest rates on borrowings are as follows:

	2020	2019
Sterling	1.6%	1.8%
US dollar	2.2%	4.0%

The Group's borrowings are funded through a combination of fixed and floating rate debt. The floating rate debt exposes the Group to cash flow interest rate risk whilst the fixed rate US senior notes expose the Group to changes in the fair value of fixed rate debt due to changes in interest rates. Interest rate risk is managed by the combination of fixed rate debt and interest rate swaps in accordance with pre-agreed policies and authority limits. As at 31 December 2020, 52% (2019: 51%) of the Group's borrowings are fixed at a weighted average interest rate of 4.6% (2019: 4.6%) for a weighted average period of six years (2019: seven years).

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

7. Net cash flow from operating activities

All Alternative Performance Measures are reconciled to IFRS measures and explained in note 11.

	2020 \$m	2019 \$m
Operating profit	104.6	204.9
Operating profit from ERO discontinued operations	48.8	52.8
Operating profit from Ontic discontinued operations	—	55.0
Less: share of profit from associates and joint ventures	(4.0)	(4.1)
Profit from operations	149.4	308.6
Depreciation of property, plant and equipment	68.5	67.8
Depreciation of right of use asset	83.2	89.7
Amortisation of intangible assets	80.8	95.3
Profit on sale of property, plant and equipment	1.7	0.7
Share-based payment expense	5.8	8.6
Increase in provisions	6.5	(2.5)
Pension scheme payments	(3.3)	(8.0)
Other non-cash items	1.7	19.2
Unrealised foreign exchange movements	1.1	(0.4)
Operating cash inflows before movements in working capital	395.4	579.0
Increase in working capital	(14.3)	(70.3)
Cash generated by operations	381.1	508.7
Net income taxes paid	(74.8)	(41.7)
Net cash inflow from operating activities	306.3	467.0
Dividends received from associates and joint ventures	2.7	3.2
Purchase of property, plant and equipment	(70.0)	(68.4)
Purchase of intangible assets ¹	(14.3)	(11.1)
Proceeds from disposal of property, plant and equipment	0.3	5.1
Interest received	0.8	4.4
Interest received on sublease assets	1.6	1.8
Receipt of capital element of sublease assets	2.8	2.7
Interest paid	(50.0)	(71.5)
Interest paid on lease liabilities	(77.0)	(76.2)
Payments of lease liabilities	(60.1)	(69.8)
Free cash flow	43.1	187.2

¹ Purchase of intangible assets excludes \$nil million (2019: \$1.1 million) paid in relation to Ontic licences, not accounted for as acquisitions under IFRS 3 since the directors believe these payments are more akin to expenditure in relation to acquisitions, and are therefore outside the Group's definition of free cash flow. These amounts are included within purchase of intangible assets on the face of the Cash Flow Statement.

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

GAMA disposal

On 2 March Signature sold its 24.5% stake in GAMA Aviation (GASAM) for \$20.0 million to Wheels Up Partners LLC. Under the terms of the sale of GASAM the consideration paid by Wheels Up Partners LLC was made up of an upfront payment of \$12.5 million payable at settlement, and a Promissory Note with the principal amount of \$7.5 million over eight equal bi-annual payments (with compounding monthly interest payments). There was a \$2 million gain on the disposal.

ERO divestiture

It was announced in March 2018 that ERO was under strategic review. At the end of May 2018, management committed to a plan to sell substantially all of the ERO business and as such at that point the relevant assets and liabilities were classified as held for sale. At that time, as a major line of the Group's business, the ERO operations were also classified as a discontinued operation. ERO Middle East was not classified as a discontinued operation as it has been closed.

As disclosed in note 10, on 17 February 2021, the sale of ERO business was announced, with a gross consideration of \$230 million.

Following its classification as held for sale the asset group is held at the lower of fair value less costs to sell and net book value.

The fair values of the assets held for sale are categorised within Level 2 of the fair value hierarchy on the basis that their fair value has been calculated using inputs that are observable in active markets which are related to the individual asset or liability.

Results of ERO discontinued operations

	Notes	2020			2019		
		Underlying ¹ \$m	Exceptional and other items \$m	Total \$m	Underlying ¹ \$m	Exceptional and other items \$m	Total \$m
Revenue	1	507.4	—	507.4	538.3	—	538.3
Cost of sales		(425.8)	—	(425.8)	(440.9)	—	(440.9)
Gross profit		81.6	—	81.6	97.4	—	97.4
Distribution costs		(26.9)	—	(26.9)	(33.1)	—	(33.1)
Administrative expenses		(17.5)	—	(17.5)	(22.9)	—	(22.9)
Operating profit including Group charges		37.2	—	37.2	41.4	—	41.4
Elimination of internal Group charges		11.6	—	11.6	11.4	—	11.4
Operating profit	1, 2	48.8	—	48.8	52.8	—	52.8
Transaction costs ²		—	(2.6)	(2.6)	—	(2.8)	(2.8)
Finance costs		(4.0)	—	(4.0)	(4.6)	—	(4.6)
Impairment and other charges on classification as held for sale		—	(41.7)	(41.7)	—	(124.7)	(124.7)
Profit/(loss) before tax		44.8	(44.3)	0.5	48.2	(127.5)	(79.3)
Tax (charge)/credit	3	(8.5)	8.2	(0.3)	(8.2)	23.3	15.1
Profit/(loss) for the year		36.3	(36.1)	0.2	40.0	(104.2)	(64.2)
Attributable to:							
Equity holders of Signature Aviation plc		36.3	(36.1)	0.2	40.0	(104.2)	(64.2)
Non-controlling interests		—	—	—	—	—	—
Profit/(loss) for the year		36.3	(36.1)	0.2	40.0	(104.2)	(64.2)

Earnings per share	Note	Adjusted ¹	Unadjusted	Adjusted ¹	Unadjusted
Basic	5	4.4¢	—	3.9¢	(6.3)¢
Diluted	5	4.3¢	—	3.9¢	(6.3)¢

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

2 Transaction costs of \$2.6 million (2019: \$2.8 million) comprise costs to sell incurred to date.

Cash flows from ERO discontinued operations

	2020 \$m	2019 \$m
Net cash inflow from operating activities	36.6	51.8
Net cash outflow from investing activities	(5.0)	(10.8)
Net cash outflow from financing activities	(13.4)	(20.0)
Net cash inflow for the year ¹	18.2	21.0

1 Net cash flows in the year comprise \$48.8 million (2019: \$52.8 million) operating profit, \$2.6 million (2019: \$2.8 million) transaction costs, \$7.9 million outflow (2019: \$2.6 million inflow) working capital movement, \$0.2 million outflow (2019: \$0.6 million inflow) non-cash items and \$0.4 million (2019: \$0.2 million) tax paid in relation to ERO discontinued operations.

Effect of the disposal group on financial position of the Group

	Notes	2020 \$m	2019 \$m
Assets held for sale			
Non-current assets			
Other intangible assets		–	1.9
Property, plant and equipment		–	6.5
Right of use assets		28.7	48.6
		28.7	57.0
Current assets			
Inventories		135.5	167.0
Trade receivables		126.4	120.5
Other receivables		5.8	4.4
Cash and cash equivalents		3.1	9.2
		270.8	301.1
Total assets held for sale		299.5	358.1
Liabilities held for sale			
Current liabilities			
Trade payables		(60.5)	(75.4)
Other payables		(30.2)	(38.9)
Lease liabilities		(7.9)	(9.3)
Provisions		(0.6)	(0.8)
		(99.2)	(124.4)
Non-current liabilities			
Other payables		(1.8)	(0.8)
Lease liabilities		(54.3)	(54.4)
Provisions		(0.9)	(0.9)
		(57.0)	(56.1)
Total liabilities held for sale		(156.2)	(180.5)
Net assets held for sale ¹		143.3	177.6

1 The net assets of the ERO business held for sale as at 31 December 2020 exclude deferred tax assets of \$7.1 million (2019: \$18.7 million deferred tax assets) and tax liabilities of \$6.7 million (2019: \$3.8 million) which remain within the Group tax position.

Ontic divestiture

On 30 July 2019, the Group announced that it had entered into an agreement to sell the Ontic business to Bleriot US Bidco Inc, an entity controlled by CVC Fund VII for cash consideration of \$1,365 million on a cash-free and debt-free basis. The transaction completed on 31 October 2019. In the year ending 31 December 2020, a further gain on the Ontic disposal of \$6.6 million was reported in exceptional and other items including a \$2.5 million working capital cash receipt. (2019: The gain on disposal of \$724.0 million includes \$40.0 million of transaction costs, \$24.2 million recycling of translational differences accumulated in equity, and the gain/(loss) on disposal.)

The tax payable on the gain on disposal was reduced by \$10.2 million, due to the impact of the CARES Act on US tax regulations applicable to the Group.

Results of Ontic discontinued operations

		2020			2019		
	Notes	Underlying ¹ \$m	Exceptional and other items \$m	Total \$m	Underlying ¹ \$m	Exceptional and other items \$m	Total \$m
Revenue	1	–	–	–	218.6	–	218.6
Cost of sales		–	–	–	(111.5)	–	(111.5)
Gross profit		–	–	–	107.1	–	107.1
Distribution costs		–	–	–	(0.6)	–	(0.6)
Administrative expenses		–	–	–	(41.9)	(12.5)	(54.4)
Operating profit/(loss) including Group charges	1, 2	–	–	–	64.6	(12.5)	52.1
Elimination of internal Group charges		–	–	–	2.9	–	2.9
Operating profit/(loss)	1, 2	–	–	–	67.5	(12.5)	55.0
Finance costs		–	–	–	(0.9)	–	(0.9)
Gain on disposal		–	6.6	6.6	–	724.0	724.0
Profit before tax		–	6.6	6.6	66.6	711.5	778.1
Tax credit/(charge)	3	–	2.7	2.7	(12.2)	(83.2)	(95.4)
Profit for the year		–	9.3	9.3	54.4	628.3	682.7
Attributable to:							
Equity holders of Signature Aviation plc		–	9.3	9.3	54.4	628.3	682.7
Non-controlling interests		–	–	–	–	–	–
Profit for the year		–	9.3	9.3	54.4	628.3	682.7

Earnings per share	Note	Adjusted ¹	Unadjusted	Adjusted ¹	Unadjusted
Basic	5	–	1.1¢	5.4¢	67.5¢
Diluted	5	–	1.1¢	5.3¢	67.0¢

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

Cash flows from/(used in) Ontic discontinued operations

	2020 \$m	2019 \$m
Net cash inflow from operating activities	–	37.8
Net cash outflow from investing activities	–	(33.4)
Net cash outflow from financing activities	–	(2.3)
Net cash inflow for the year ¹	–	2.1

¹ Net cash flows in the year comprise \$nil million (2019: \$55.0 million) operating profit, \$nil million (2019: \$31.7 million) outflow working capital movement, \$nil million (2019: \$1.1 million) non-cash items and \$nil million (2019: \$0.1 million) tax paid in relation to Ontic discontinued operations.

9. Government grants

The details of the government grant received and utilised are set out below:

	2020 \$m	2019 \$m
Received during the year	61.2	–
Income statement		
Released to the statement of profit and loss	(61.2)	–
	(61.2)	–

In April 2020 Signature Flight Support LLC made an application to the US Treasury Department under the CARES Act for US payroll support. It was approved in June 2020, therefore enabling all furloughed US staff back into the business as the market recovery continues. The CARES Act support funding was used solely to fund the payroll for US employees.

The total amount of the CARES Act grant awarded to Signature Flight Support LLC was \$61.2 million.

In the year to 31 December 2020, \$61.2 million (this is the amount of US employee payroll salaries and benefits incurred between 19 June and 31 December 2020 that is eligible to be offset against the CARES Act grant) of the grant had been offset against payroll costs in the underlying results.

There are no unfulfilled conditions or contingencies attached to these grants.

Signature Flight Support LLC has entered into a promissory note of \$18.6 million from the US Treasury Department, under Section 4003 'Lending to Air Carriers and Businesses Critical to National Security' of the CARES Act (Section 4003(c)(2) of the CARES Act) (note 6).

Under the CARES Act, the Group was also able to defer \$7.4m of payroll taxes to December 2021.

10. Post Balance Sheet events

On 5 February 2021 the Group announced that the Directors of the Group recommended to shareholders the acceptance of a formal Rule 2.7 cash offer from Brown Bidco Limited (a newly formed company to be indirectly owned by joint offerors (i) Blackstone Infrastructure and Blackstone Core Equity, (ii) Global Infrastructure Partners and (iii) Cascade). This offer is subject to shareholder, regulatory and other approvals.

On 17 February 2021 the sale of the Engine Repair and Overhaul (ERO) business to StandardAero, a portfolio company of the Carlyle Group, was announced. The gross consideration is \$230 million subject to customary adjustments for net debt, net working capital and transaction expenses.

In relation to the EU State Aid investigation that concluded the UK's Controlled Foreign Company regime partially represented State Aid and the UK authorities' subsequent appeal of this decision, on 23 February 2021, management received confirmation from HMRC that the Group has not been a beneficiary of State Aid.

11. Alternative Performance Measures

Introduction

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

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

The Group adopted IFRS 16 in the year ended 31 December 2019. To aid understanding of the Group's underlying business performance, a reconciliation has been presented below to a pre IFRS 16 basis. The Group's banking covenants are currently measured on a pre IFRS 16 basis, and so it is considered that these specific Alternative Performance Measures will continue to be appropriate until such time as the covenants change.

The Alternative Performance Measures we use are: organic revenue growth, underlying operating profit and margin, EBITDA and underlying EBITDA, underlying profit before tax, underlying deferred tax, adjusted basic and diluted earnings per ordinary share, return on invested capital, operating cash flow, free cash flow, cash conversion and net debt. A reconciliation from these adjusted performance measures to the nearest measure prepared in accordance with IFRS is presented below. The Alternative Performance Measures we use may not be directly comparable with similarly titled measures used by other companies. Where applicable, divisional measures are calculated in accordance with Group measures.

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 Signature Leadership Team and assists in providing a meaningful analysis of the trading results of the Group. In determining whether an event or transaction is treated as an exceptional and other item, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of charges or credits meeting the above definition and which have been presented as exceptional items in the current and/or prior years include costs relating to acquisitions which are material to the associated business segment, costs related to strategic disposals (including those previously completed), significant restructuring programmes (some of which span multiple years), and impairment charges. In the event that other items meet the criteria, which are applied consistently from year to year, they are treated as exceptional and other items. Other items include amortisation of intangible assets arising on acquisition and valued in accordance with IFRS 3. These charges are presented separately to improve comparability of the Group's underlying profitability with peer companies.

Exceptional and other items are disclosed and reconciled to the nearest GAAP measure in note 2 to the Consolidated Financial Statements.

Organic revenue growth

Organic revenue growth is a measure which seeks to reflect the performance of the Group that will contribute to long-term sustainable growth. As such, organic revenue growth excludes the impact of acquisitions or disposals, fuel price movements and foreign exchange movements. We focus on the trends in organic revenue growth.

A reconciliation from the growth in reported revenue, the most directly comparable IFRS measures, to the organic revenue growth is set out below.

	2020 \$m	2019 \$m
Revenue prior year (continuing operations)	2,260.5	2,131.3
Revenue prior year (ERO discontinued operations)	538.3	533.6
Revenue prior year (Ontic discontinued operations)	218.6	216.0
Reported revenue prior year (continuing and discontinued operations)	3,017.4	2,880.9
Rebase for foreign exchange movements ¹	1.9	(9.6)
Rebase for fuel price movements ²	(306.4)	(71.8)
Rebase for disposals and discontinued operations ³	(766.6)	(754.3)
Rebase for leap year	4.1	—
Rebased comparative revenue	1,950.4	2,045.2
Reported revenue current year (continuing and discontinued operations)	1,921.3	3,017.4
Add: Impact of adopting IFRS 16 (continuing)	—	4.5
Less: Contribution from ERO discontinued operations (note 8)	(507.4)	(538.3)
Less: Contribution from Ontic discontinued operations (note 8)	—	(218.6)
Less: Contributions from acquisitions ⁴	(17.9)	(235.5)
Organic revenue	1,396.0	2,029.5
Organic revenue growth/(decline) from continuing operations	(28.4%)	(0.8%)

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.

3 Included within the rebase for disposals and discontinued operations is \$9.7 million relating to closures of FBOs (2019: \$4.7 million).

4 Contributions from acquisitions relate to \$13.1m from the IAM Jet Centre acquisition on 1 October 2019 and \$4.8m from the TAG Aviation FBO SA acquisition on 31 July 2020.

Underlying operating profit and margin

Underlying operating profit and margin are measures which seek to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. As such, they exclude the impact of exceptional and other items. We focus on the trends in underlying operating profit and margins.

A reconciliation from operating profit, the most directly comparable IFRS measure, to the underlying operating profit and margin is set out below.

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
Operating profit	153.4	104.6	48.8	312.7	204.9	107.8
Add: Exceptional and other items						
Amortisation of intangible assets arising on acquisition and valued in accordance with IFRS 3	73.7	73.7	–	86.3	73.8	12.5
Amounts related to previously disposed businesses	5.9	5.9	–	36.5	36.5	–
Restructuring costs	8.6	8.6	–	5.6	5.6	–
Exceptional and other items	88.2	88.2	–	128.4	115.9	12.5
Underlying operating profit	241.6	192.8	48.8	441.1	320.8	120.3
Underlying operating margin	12.6%	13.6%	9.6%	14.6%	14.2%	15.9%
IFRS 16 impact on operating profit						
Operating profit	153.4	104.6	48.8	312.7	204.9	107.8
Impact of IFRS 16	(54.6)	(42.3)	(12.3)	(57.3)	(44.4)	(12.9)
Operating profit pre IFRS 16	98.8	62.3	36.5	255.4	160.5	94.9
Operating profit pre IFRS 16 margin	5.1%	4.4%	7.2%	8.5%	7.1%	12.5%
IFRS 16 impact on underlying operating profit						
Underlying operating profit	241.6	192.8	48.8	441.1	320.8	120.3
Impact of IFRS 16	(52.3)	(40.0)	(12.3)	(57.3)	(44.4)	(12.9)
Underlying operating profit pre IFRS 16	189.3	152.8	36.5	383.8	276.4	107.4
Underlying operating profit pre IFRS 16 margin	9.9%	10.8%	7.2%	12.7%	12.2%	14.2%

EBITDA and underlying EBITDA

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

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

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

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
(Loss)/profit for the year	(9.5)	(19.0)	9.5	659.5	41.0	618.5
Add: Finance costs	129.6	125.6	4.0	185.7	180.2	5.5
Less: Investment income	(2.2)	(2.2)	–	(11.2)	(11.2)	–
Add: Tax (credit)/charge	(7.6)	(5.2)	(2.4)	62.7	(17.6)	80.3
Add: Depreciation and amortisation	232.5	232.5	–	252.8	235.0	17.8
Add: Other impairment losses	4.6	4.6	–	12.5	12.5	–
Add: ERO impairment and other charges	41.7	–	41.7	127.5	–	127.5
Add: Transaction costs	5.4	2.8	2.6	–	–	–
Less: Gain on other disposals	(2.0)	(2.0)	–	–	–	–
Less: Gain on disposal of Ontic	(6.6)	–	(6.6)	(724.0)	–	(724.0)
EBITDA	385.9	337.1	48.8	565.5	439.9	125.6
Restructuring costs	8.6	8.6	–	5.6	5.6	–
Other exceptional items	5.9	5.9	–	36.5	36.5	–
Underlying EBITDA	400.4	351.6	48.8	607.6	482.0	125.6

The following tables summarise the impact of adopting IFRS 16 on the Group's profit for the year, EBITDA and underlying EBITDA.

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
IFRS 16 impact on profit for the year						
Profit for the year	(9.5)	(19.0)	9.5	659.5	41.0	618.5
Impact of IFRS 16	37.9	23.9	14.0	30.3	19.1	11.2
Profit for the year pre IFRS 16	28.4	4.9	23.5	689.8	60.1	629.7
IFRS 16 impact on EBITDA						
EBITDA	385.9	337.1	48.8	565.5	439.9	125.6
Impact of IFRS 16	(137.8)	(125.5)	(12.3)	(147.0)	(133.3)	(13.7)
EBITDA pre IFRS 16	248.1	211.6	36.5	418.5	306.6	111.9
IFRS 16 impact on underlying EBITDA						
Underlying EBITDA	400.4	351.6	48.8	607.6	482.0	125.6
Impact of IFRS 16	(135.5)	(123.2)	(12.3)	(147.0)	(133.3)	(13.7)
Underlying EBITDA pre IFRS 16	264.9	228.4	36.5	460.6	348.7	111.9

Underlying profit before tax

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

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

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
Profit before tax	(17.1)	(24.2)	7.1	722.2	23.4	698.8
Exceptional and other items excluding tax effect	131.3	93.6	37.7	(430.2)	153.8	(584.0)
Underlying profit before tax	114.2	69.4	44.8	292.0	177.2	114.8

The following tables summarise the impact of adopting IFRS 16 on the Group's profit before tax and underlying profit before tax.

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
IFRS 16 impact on profit before tax						
(Loss)/profit before tax	(17.1)	(24.2)	7.1	722.2	23.4	698.8
Impact of IFRS 16 ¹	22.8	31.5	(8.7)	17.3	25.8	(8.5)
Profit before tax pre IFRS 16 ¹	5.7	7.3	(1.6)	739.5	49.2	690.3

¹ In addition to the application of IFRS 16 which has an impact of \$(8.7) million (2019: \$(8.5) million) we have recognised \$27.8 million (2019: \$22.7 million) for the impairment of the right of use asset as part of our ERO discontinued operations.

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
IFRS 16 impact on underlying profit before tax						
Underlying profit before tax	114.2	69.4	44.8	292.0	177.2	114.8
Impact of IFRS 16	23.1	31.8	(8.7)	17.3	25.8	(8.5)
Underlying profit before tax pre IFRS 16	137.3	101.2	36.1	309.3	203.0	106.3

Underlying deferred tax

Cash adjusted basic and diluted earnings per ordinary share set out in note 5 to the Consolidated Financial Statements are calculated by removing exceptional and other items and underlying deferred tax to better reflect the underlying basic and diluted earnings per share.

A reconciliation from deferred tax, the most directly comparable IFRS measure, to the underlying deferred tax is set out below:

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
Total deferred tax charge/(credit)	5.4	8.9	(3.5)	(68.1)	(30.2)	(37.9)
Adjust for exceptional deferred tax credit/(charge)	18.2	18.9	(0.7)	64.4	22.2	42.2
Impact of IFRS 16	12.5	7.5	5.0	9.4	6.4	3.0
Underlying deferred tax charge/(credit) pre IFRS 16	36.1	35.3	0.8	5.7	(1.6)	7.3

Cash basic and diluted earnings per ordinary share

As set out in note 5 to the Consolidated Financial Statements, the adjusted basic and diluted earnings per ordinary share are calculated using the adjusted basic and diluted earnings.

A reconciliation of adjusted earnings for adjusted earnings per share to adjusted earnings for cash earnings per share showing the impact of IFRS 16 on basic earnings and exceptional and other items is set out below.

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
Adjusted earnings for adjusted earnings per share	86.9	50.6	36.3	259.1	164.7	94.4
Impact of adopting IFRS 16 on basic earnings	37.8	23.9	13.9	30.3	19.1	11.2
Impact of adopting IFRS 16 on exceptional and other items	(20.3)	0.3	(20.6)	(17.6)	—	(17.6)
Adjusted earnings for adjusted earnings per share pre IFRS 16	104.4	74.8	29.6	271.8	183.8	88.0
Underlying deferred tax	36.1	35.3	0.8	5.7	(1.6)	7.3
Adjusted earnings for cash earnings per share pre IFRS 16	140.5	110.1	30.4	277.5	182.2	95.3

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.

	2020 Total ¢	2020 Continuing ¢	2020 Discontinued ¢	2019 Total ¢	2019 Continuing ¢	2019 Discontinued ¢
Unadjusted basic earnings per share	(1.2)	(2.3)	1.1	65.2	4.0	61.2
Impact of IFRS 16	4.6	2.9	1.7	3.0	1.9	1.1
Unadjusted basic earnings per share pre IFRS 16	3.4	0.6	2.8	68.2	5.9	62.3
Adjustments for adjusted measure	13.6	12.7	0.9	(40.8)	12.1	(52.9)
Cash basic earnings per share pre IFRS 16	17.0	13.3	3.7	27.4	18.0	9.4
Unadjusted diluted earnings per share	(1.2)	(2.3)	1.1	64.7	4.0	60.7
Impact of IFRS 16	4.6	2.9	1.7	2.9	1.9	1.0
Unadjusted diluted earnings per share pre IFRS 16	3.4	0.6	2.8	67.6	5.9	61.7
Adjustments for adjusted measure	13.4	12.6	0.8	(40.4)	12.0	(52.4)
Cash diluted earnings per share pre IFRS 16	16.8	13.2	3.6	27.2	17.9	9.3

A reconciliation from the adjusted basic and diluted earnings per ordinary share, to the adjusted basic and diluted earnings per ordinary share showing the impact of IFRS 16 is set out below.

	2020 Total ¢	2020 Continuing ¢	2020 Discontinued ¢	2019 Total ¢	2019 Continuing ¢	2019 Discontinued ¢
Adjusted basic earnings per share	10.5	6.1	4.4	25.6	16.3	9.3
Impact of IFRS 16	2.1	2.9	(0.8)	1.3	1.9	(0.6)
Adjusted basic earnings per share pre IFRS 16	12.6	9.0	3.6	26.9	18.2	8.7
Adjusted diluted earnings per share	10.4	6.1	4.3	25.4	16.2	9.2
Impact of IFRS 16	2.1	2.9	(0.8)	1.3	1.8	(0.5)
Adjusted diluted earnings per share pre IFRS 16	12.5	9.0	3.5	26.7	18.0	8.7

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 12 months' underlying operating profit for ROIC by invested capital for ROIC, both of which are at the same exchange rate which is the average of the last 13 months' spot rate. The invested capital for ROIC is calculated by adding net assets for ROIC and net debt for ROIC, both of which are calculated by averaging their respective balance over the last 13 months.

A reconciliation from underlying operating profit to underlying operating profit for ROIC is set out below. In addition, a reconciliation from net assets, the most directly comparable IFRS measure, to invested capital for ROIC is set out below.

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued ¹ \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued ¹ \$m
Underlying operating profit	241.6	192.8	48.8	441.1	320.8	120.3
Adjustments for FX	–	(0.1)	0.1	0.3	0.1	0.2
Underlying OP for ROIC	241.6	192.7	48.9	441.4	320.9	120.5
Impact of IFRS 16	(52.3)	(40.0)	(12.3)	(57.3)	(44.4)	(12.9)
Adjustments for FX	–	–	–	0.1	0.1	–
Underlying operating profit for ROIC pre IFRS 16	189.3	152.7	36.6	384.2	276.6	107.6
Net assets ² (restated ³)	1,590.1	1,446.8	143.3	1,647.4	1,469.8	177.6
Adjustments for FX and averaging ² (restated ³)	22.4	(34.7)	57.1	366.7	(94.5)	460.9
Net assets for ROIC (restated ³)	1,612.5	1,412.1	200.4	2,014.1	1,375.3	638.5
Add back impact of IFRS 16	63.4	30.1	33.3	25.4	11.2	14.2
Adjustments for FX and averaging (restated ³)	(29.6)	(8.4)	(21.2)	(20.6)	(4.2)	(16.4)
Net assets for ROIC pre IFRS 16 (restated ³)	1,646.3	1,433.8	212.5	2,018.9	1,382.3	636.3
Borrowings	(1,208.1)	(1,208.1)	–	(1,141.0)	(1,141.0)	–
Lease liabilities	(1,206.0)	(1,143.8)	(62.2)	(1,245.5)	(1,181.8)	(63.7)
Cash and cash equivalents	171.1	168.0	3.1	122.4	113.2	9.2
Adjustments for FX and averaging	(105.5)	(111.9)	6.4	(178.9)	(169.6)	(9.3)
Less net debt for ROIC	(2,348.5)	(2,295.8)	(52.7)	(2,443.0)	(2,379.2)	(63.8)
Add back lease liabilities recognised under IFRS 16				1,242.3	1,178.6	63.7
Adjustments for FX and averaging	3.3	6.0	(2.7)	(48.9)	(59.3)	(10.4)
Less net debt for ROIC pre IFRS 16	(1,141.1)	(1,147.9)	6.8	(1,249.6)	(1,259.9)	10.3
Invested capital for ROIC (restated ³)	3,961.0	3,707.9	253.1	4,457.1	3,754.5	702.3
ROIC (%) (restated ³)	6.1%	5.2%	19.3%	9.9%	8.5%	17.2%
Invested capital for ROIC pre IFRS 16 (restated ³)	2,787.4	2,581.7	205.7	3,268.5	2,642.2	626.0
ROIC pre IFRS 16 (%) (restated ³)	6.8%	5.9%	17.8%	11.8%	10.5%	17.2%

1 ROIC from discontinued operations has been calculated excluding \$11.6 million (2019: \$14.3 million) of support costs borne by the continuing Group. For the purposes of the ROIC calculation only, the 2020 Balance Sheet has been presented to show ERO discontinued operations separately.

2 Averaging adjustments are calculated on average net assets which included Ontic up to 31 October 2019. Closing net assets of \$143.3 million for discontinued do not include Ontic in 2019

3 The 2019 comparative has been restated for an adjustment relating to pensions as set out in the Accounting Policies of the Group.

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.

	2020 Total \$m	2019 Total \$m
Net cash flow from operating activities (note 7)	306.3	467.0
Less reported purchase of property, plant and equipment (note 7)	(70.0)	(68.4)
Less reported purchase of intangible assets (note 7)	(14.3)	(12.2)
Add income tax paid	74.8	41.7
Add Ontic licences not accounted for under IFRS 3 (note 7)	–	1.1
Add reported proceeds from disposal of property, plant and equipment (note 7)	0.3	5.1
Operating cash flow	297.1	434.3
Impact on net cash flow from operating activities pre IFRS 16		
Net cash flow from operating activities	306.3	467.0
IFRS 16 impact	(131.4)	(141.6)
Net cash flow from operating activities pre IFRS 16	174.9	325.4
Impact on operating cash flow pre IFRS 16		
Operating cash flow	297.1	434.3
IFRS 16 impact	(131.4)	(141.3)
Operating cash flow pre IFRS 16	165.7	292.7

Cash conversion

Cash conversion is a key part of the Group strategy for disciplined capital management with absolute cash generation and strong cash conversion. Cash conversion is defined as operating cash flow as a percentage of continuing and discontinued operating profit. Operating cash flow has been reconciled above to the most directly comparable IFRS measure, being cash generated from operations.

	2020 Total %	2019 Total %
Cash conversion	194%	139%
Cash conversion (pre IFRS 16)	168%	115%

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 7 to the Consolidated Financial Statements and reconciled to net cash inflow from operating activities, the most directly comparable IFRS measure.

Net debt

Net debt consists of borrowings (both current and non-current), less cash and cash equivalents, the fair value adjustment on the US private placement senior notes and the fair value adjustment on the US senior notes.

Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net debt is considered to be an Alternative Performance Measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of borrowings (current and non-current), and cash and cash equivalents. A reconciliation from these to net debt is given below, followed by a reconciliation to the net debt for covenant purposes.

	2020 Total \$m	2020 Continuing \$m	2020 Discontinued \$m	2019 Total \$m	2019 Continuing \$m	2019 Discontinued \$m
Reported borrowings (note 6)	1,208.1	1,208.1	–	1,141.0	1,141.0	–
Amortisation costs (note 6)	20.3	20.3	–	22.7	22.7	–
Fair value adjustment on US senior notes	(59.5)	(59.5)	–	(13.4)	(13.4)	–
Total principal of borrowings	1,168.9	1,168.9	–	1,150.3	1,150.3	–
Reported cash and cash equivalents	(171.1)	(168.0)	(3.1)	(122.4)	(113.2)	(9.2)
Total net principal of borrowings	997.8	1,000.9	(3.1)	1,027.9	1,037.1	(9.2)
Amortisation costs	(20.3)	(20.3)	–	(22.7)	(22.7)	–
Net debt per cash flow (excluding lease liabilities)	977.5	980.6	(3.1)	1,005.2	1,014.4	(9.2)
Lease liabilities	1,206.0	1,143.8	62.2	1,245.5	1,181.8	63.7
Net debt per cash flow ^{1,2}	2,183.5	2,124.4	59.1	2,250.7	2,196.2	54.5
Net debt per cash flow (excluding lease liabilities)	977.5	980.6	(3.1)	1,005.2	1,014.4	(9.2)
FX – average rates adjustment	0.3	0.3	–	0.5	0.5	–
Net debt for covenants purpose	977.8	980.9	(3.1)	1,005.7	1,014.9	(9.2)

1 In the second half of 2019 the net debt definition changed to exclude all lease liabilities including the original IAS 17 leases. At 31 December 2020 the carrying value of these leases was \$1.9 million (2019: \$3.1 million).

2 Net debt per cash flow is calculated by adding net debt per cash flow (excluding leases liabilities) to lease liabilities.