Signature Aviation plc

2020 Interim Financial Report

Unaudited results for the half year ended
30 June 2020

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TULCHAN COMMUNICATIONS

A recording of the webcast analyst presentation will be available from c.10:00 today on www.signatureaviation.com

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2020

Mark Johnstone, Signature Aviation Group Chief Executive, commented on the interim results:

"I am extremely proud of how our Signature teams have dealt with the COVID-19 pandemic, supporting our customers, our local communities and adapting every day as we have taken the necessary and appropriate action to manage our costs to best match flying and tenant activity. Throughout this period the health and safety of our employees and customers has been our utmost priority.

I am encouraged by the extent of the flight operations recovery we have seen. August flight activity was down 19% year on year across our network, a marked improvement to the low point of 77% down in April. We will closely monitor trading in the important US business traffic season, post Labor Day.

Building on our effective cost management and with our flexible cost base now aligned with anticipated flight activity, we expect improved performance in the second half compared to the first half.

Our business has sound fundamentals and we continue to see attractive medium-term growth prospects. Therefore, we have continued to invest in growing our network despite COVID-19. We have recently acquired two FBOs in Switzerland, including the strategically important Geneva location. In the US, we were pleased to open our newly constructed Atlanta FBO in July.

We will continue to lead our industry working towards our sustainable future. Today, we are committing to reducing our carbon footprint with a 29% reduction in our controllable Scope 1 & 2 emissions targeted by 2025 and 50% by 2030.

The Board remains confident in the resilience of our market leading FBO business model, the quality of our network, the strength of our liquidity and therefore our ability to continue to invest in and grow our business. We will continue to drive further medium-term progress through our Signature strategic growth initiatives with a focus on further enhancing and leveraging our unique real estate network to grow non-fuel revenues and operational efficiency."

Highlights

- Business and General Aviation (B&GA) markets recovering strongly following the impact of lockdown measures which started in April and May due to COVID-19. August flight activity has recovered to be 19% down YoY, an improvement against July, which showed an average 25% reduction YoY

- Continuing Group organic revenue down 31.3%, reflecting the impact of COVID-19 on B&GA flight activity

- Continuing Group underlying EBITDA down 39.7% to $143.3 million (H1 2019: $237.7 million)

- Continuing Group underlying operating profit $63.1 million (H1 2019: $158.2 million)

- Continuing Group statutory operating profit $15.6 million (H1 2019: $109.1 million)

- The Total Group maintained its strong liquidity with undrawn committed facilities of $321 million and cash & cash equivalents of $199.9 million giving total liquidity headroom of over $520 million at the end of June

- Leverage increased to 3.1x net debt/underlying EBITDA on a covenant basis, leaving over 1x headroom to the 30 June 2020 leverage covenant

- A precautionary RCF covenant waiver has been agreed with our relationship banks for the December 2020 and June 2021 testing periods and replaced with a $150 million minimum liquidity requirement

- Total Group net debt was reduced by $32.2 million during the first half following decisive actions by management on operating costs and capital expenditure and receipt of US CARES Act funds, the latter reduced net debt by $45.1 million

- Signature (Signature FBO & TechnicAir):
    - Signature organic revenue down 29.3% due to the impact of COVID-19
    - US B&GA market flight movements declined 29.6% in the six months to 30 June 2020
    - US B&GA market outperformance of 30 basis points for the first half despite the COVID-19 impact which saw both the North East region, where Signature has material presence, and international traffic severely impacted during Q2
    - Signature underlying operating profit down 55.2% to $79.4 million (H1 2019: $177.4 million)

- Discontinued operations:
    - ERO organic revenue declined 1.4% as the business was largely unaffected by COVID-19
    - ERO delivered a robust underlying operating profit of $21.0 million (H1 2019: $24.9 million)
    - The disposal process is ongoing

- Underlying Total Group adjusted basic EPS of 1.9¢. Total Group basic unadjusted loss per share of (2.3)¢

- We recognise the importance of a dividend to our shareholders. However, given the COVID-19 related macroeconomic uncertainty, the Board has taken the prudent decision to preserve cash and will not be declaring an interim dividend for 2020. The Board will keep future dividends under review and will restart payments when it is appropriate to do so.

Underlying results[1]

	H1 2020	H1 2020	H1 2019	H1 2019	
$m	**Total Group[2]**	**Continuing**	**Total Group[2]**	**Continuing (Restated)[3]**	**Change[5]**
Revenue	**963.1**	**702.7**	**1,528.1**	**1,140.4**	***(38.4)%***
EBITDA	**164.3**	**143.3**	**300.7**	**237.7**	***(39.7)%***
Operating profit	**84.1**	**63.1**	**216.7**	**158.2**	***(60.1)%***
Profit/(loss) before tax	**17.4**	**(1.3)**	**140.7**	**85.4**	***(101.5)%***
Basic adjusted EPS	**1.9 ¢**	**0.2 ¢**	**10.6¢**	**6.5¢**	**(96.9)%**

Statutory results

	H1 2020	H1 2020	H1 2019	H1 2019	
$m	**Total Group[2]**	**Continuing**	**Total Group[2]**	**Continuing (Restated)[3]**	**Change[5]**
Revenue	**963.1**	**702.7**	**1,528.1**	**1,140.4**	***(38.4)%***
EBITDA	**153.4**	**132.4**	**287.9**	**225.8**	***(41.4)%***
Operating Profit	**36.6**	**15.6**	**156.0**	**109.1**	***(85.7)%***
(Loss)/profit before tax	**(29.3)**	**(51.7)**	**47.3**	**36.3**	**(242.4)%**
Basic unadjusted (loss)/EPS	**(2.3)¢**	**(4.5)¢**	**3.0¢**	**2.9¢**	**(255.2)%**

ROIC, Cash Flow and Net Debt[1]

	H1 2020	H1 2020	H1 2019	H1 2019	
$m	**Total Group[2]**	**Continuing**	**Total Group[2]**	**Continuing (Restated)[3]**	***Change[5]***
Return on invested capital [6]	**7.4%**	**6.1%**	**9.9%**	**8.6%**	***(250) bps***
Free cash flow	**(24.9)**	**1.0**	**129.2**	**82.0**	***(98.8)%***
Net debt [6]	**(2,218.5)**		**(2,250.7)**		***(1.4)%***
Net debt (Bank covenant basis) [6]	**(1,017.4)**		**(1,005.7)**		***1.2%***
Net debt to underlying EBITDA[4,6]	**3.1x**		**2.2x**		***0.9x***

[1] Defined and reconciled to reported financials under Alternative Performance Measures (APMs). See pages 44 to 52.
[2] From continuing and discontinued operations.
[3] Restated following the presentation of Ontic as a discontinued operation.
[4] Net debt to underlying EBITDA calculated on a covenant basis.
[5] Change represents the year over year difference for the continuing Group, except for net debt and net debt to underlying EBITDA which are on a total group basis.
[6] Return on invested capital, net debt and net debt to underlying EBITDA are shown for the full year ended 31 December 2019.

INTERIM RESULTS 2020

Overview

Overall Signature Aviation performed in line with our expectations in the first quarter of 2020 but saw significant declines in flight activity in Q2, as stay-at-home restrictions were imposed in response to COVID-19. Swift management action on costs to best align labour levels to flying and tenant activity were taken which mitigated some of the volume impact. Signature's largest cost, fuel, naturally flexes with flight activity.

The ERO disposal process has slowed during the COVID-19 pandemic due to the impact on capital markets but the process is ongoing, and we will update the market in due course. Fair value less cost to sell for the ERO business stands at $209.2 million as at 30 June 2020.

Continuing Group revenue decreased by 38.4% to $702.7 million (H1 2019 restated: $1,140.4 million) due to the impact of COVID-19 on flight activity.

- The organic revenue of Signature declined 29.3% in the first half of 2020 after adjusting for the contribution from IAM Jet Centre, acquired in August 2019 ($11.4 million), the impact of lower fuel prices ($77.9 million), foreign exchange movements ($2.4 million) and FBO divestments in 2019 ($7.9 million). EPIC saw organic revenue decline during the first half of 2020 of 40.3%.
- To further illustrate the dramatic impact of COVID on flying, in the period 1 January through 17 March FAA departures were up 0.1% year-over-year. In the period 18th March through 31st March FAA departures fell by 60.9%, and in Q2 FAA departures were down 49.4% over the same period in 2019.

Continuing Group underlying operating profit was $63.1 million (H1 2019 restated: $158.2 million).

- Underlying operating profit performance in Signature was $79.4 million (H1 2019: $177.4 million). Performance was impacted by COVID-19 and decisive management action was taken on both our variable costs and elements of our fixed cost base. We took a conscious decision to remain open throughout our network, but while we navigated the CARES Act process, we were constrained from taking the required action on our labour costs. EPIC reported an underlying operating loss of $3.2 million (H1 2019: $2.9 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 $13.1 million (H1 2019: $22.1 million) reflecting management action on costs.

Continuing Group operating profit on a statutory basis decreased 85.7% to $15.6 million (H1 2019 restated: $109.1 million) due primarily to the impact of COVID-19 on flight activity.

Continuing Group net interest, including the impact of IFRS 16, was $64.4 million (H1 2019 restated: $72.8 million). The decrease in underlying net interest of $8.4 million reflecting lower net debt and lower interest rates.

Continuing Group underlying loss before tax was $(1.3) million (H1 2019 restated: $85.4 million profit). This reflects the impact of COVID-19 on underlying operations net of the reduction in finance costs of $8.4 million during the first half of 2020.

Continuing Group loss before tax on a statutory basis was $(51.7) million (H1 2019 restated: $36.3 million profit).

Continuing Group underlying tax was a credit of $2.8 million (H1 2019 restated: $18.1 million charge). The tax credit reflects the small underlying loss and tax legislation changes in both the US and UK resulting from the impact of COVID-19. Cash taxes improved to a net outflow of $1.5 million (H1 2019: $23.0 million outflow) due to the impact of COVID-19 on profits.

Continuing Group basic adjusted earnings per share was 0.2¢ (2019 restated: 6.5¢). **Continuing Group basic unadjusted loss per share** (4.5)¢, (2019 restated: 2.9¢ earnings per share).

Exceptional and other items after tax, for continuing and discontinued operations, totalled costs of $34.7 million (H1 2019: $78.5 million) of which $3.7 million income (H1 2019 restated: $41.5 million loss) related to discontinued operations. Key components for continuing operations are the non-cash amortisation of acquired intangibles accounted for under IFRS 3 ($36.6 million), restructuring expenses ($8.2 million), and impairments ($4.8 million) incurred predominantly as a result of our decision to close the Paris-Le Bourget T3 FBO (whilst continuing to operate from T1). Exceptional and other items on discontinued operations, net of tax, of $3.7 million income include a further $5.2 million gain on disposal of Ontic net of $1.5 million of costs related to the disposal of ERO.

Total Group free cash flow was an outflow of $24.9 million (H1 2019 restated: $129.2 million inflow). This reduction resulted primarily from the reduction in flight activity due to COVID-19 and an exceptional cash outflow of $24.7 million paid in January for indemnification and associated legal fees with respect to previously disposed businesses**.** During the second quarter of 2020, when the business was severely impacted by the COVID-19 disruption, the Group remained net cash flow positive through decisive management actions on operating costs and capital expenditure. F**ree cash flow for the Continuing Group**, pre exceptional cash flows was a $27.2million inflow (H1 2019 restated: $83.5 million inflow).

Total Group gross capital expenditure amounted to $37.4 million (H1 2019 restated: $41.1 million). Principal 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 the 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. Our expectation for capital expenditure for the full year is c.60% of original guidance.

Should B&GA markets continue to show further improvement we expect to flex capital expenditures to support an improving trend in market recovery.

Cash flows on exceptional and other items were an outflow of $26.4 million (H1 2019 restated: $1.8 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 $1.5 million of pension scheme payments (H1 2019: $2.3 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 and disposal cash flows: during the period the Group 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 our joint venture with GAMA Aviation for $20 million of which $12.5 million was received on completion and 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.

Net debt on a reported basis decreased to $2,218.5 million (FY 2019: $2,250.7 million). CARES Act funding of $79.8 million was awarded in June which comprises $61.2 million of US payroll support in the form of a grant and a $18.6 million promissory note which we expect to prepay later this year. Of the $79.8 million awarded, $59.8m was received in the first half, spilt $50.0 million grant and $9.8 million loan. During June we utilised $4.9 million of the grant in support of our Signature US payroll as we brought back all our furloughed staff in the US therefore net debt at 30 June 2020 includes the net benefit of $45.1 million of CARES Act funding. Our banking covenants are tested on the accounting standards in force prior to IFRS 16, consequently they are not impacted by the adoption of IFRS 16. Net debt to underlying EBITDA on a covenant basis increased to 3.1x (FY 2019: 2.2x). Interest cover on a covenant basis decreased to 5.8x for the 12 months to June 2020 (FY 2019: 6.9x).

Total Group Return on Invested Capital (ROIC) reduced by 250 bps to 7.4% (FY 2019: 9.9%) as a result of the impact from COVID-19 on flight activity.

Business Review – Continuing Operations

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

H1 2020 $m	**Signature[1]**	**EPIC**	**Continuing operations**
Revenue	**594.7**	**108.0**	**702.7**
Organic revenue decline	**(29.3)%**	**(40.3)%**	**(31.3)%**
Underlying operating profit/(loss)	**79.4**	**(3.2)**	**76.2**
Constant fuel margin	**13.3%**	**(2.9)%**	**10.8%**
Operating profit (on a statutory basis)			**32.3**
Underlying EBITDA			**152.2**
Operating cash flow			**119.9**
Divisional return on invested capital			**6.9%**

H1 2019 $m	**Signature[1]**	**EPIC**	**Continuing operations**
Revenue	910.2	230.2	1,140.4
Organic revenue growth	0.4%	n/a	0.4%
Underlying operating profit	177.4	2.9	180.3
Constant fuel margin	21.4%	1.6%	17.9%
Operating profit (on a statutory basis)			142.7
Underlying EBITDA			256.2
Operating cash flow			234.9
Divisional return on invested capital [2]			9.6%

Year on year change	**Signature[1]**	**EPIC**	**Continuing operations**
Revenue	(34.7)%	(53.1)%	(38.4)%
Organic revenue growth	(29.7)%	-	(31.7)%
Underlying operating profit	(55.2)%	(206.9)%	(57.7)%
Constant fuel margin	(810)bps	(450) bps	(710) bps
Operating profit (on a statutory basis)			(77.4)%
Underlying EBITDA			(40.6)%
Operating cash flow			(49.0)%
Divisional return on invested capital [2]			(270) bps

[1] Including Signature FBO and TECHNICAir
[2] Based on FY2019

For the six months ended June 2020 revenue in **Signature** decreased 29.3% on an organic, constant currency basis. On a reported basis revenue was down 34.7% to $594.7 million (H1 2019: $910.2 million) as a result of lower fuel prices of $77.9 million, foreign exchange movements of $2.4 million and divestments of $7.9 million. These impacts were partially offset by the acquisition of IAM Jet Centre generating revenue of $11.4 million. This was delivered against a backdrop of US B&GA movements (source: FAA) which were down 29.6% for the six months to 30 June 2020, representing outperformance of 30 basis points in the first half.

In the first quarter of 2020 our organic revenue performance against the US B&GA market, as measured by FAA flight movements was encouraging, and ahead of that reported in the second half of 2019. US B&GA flight movements were down 8.9% in the first quarter of 2020, and the like-for-like revenue decline in our Signature business was down 7.5% for the same period, representing market out performance of 140 basis points.

However, in the second quarter our business was heavily impacted by the COVID-19 pandemic. Signature experienced a 54.3% like-for-like revenue decline in the second quarter, against FAA US B&GA movement data which showed a 49.4% reduction. Our performance gap to the market data 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, which is lagging leisure travel in this phase of the recovery. The recovery mix, with the charter segment driving this through both leisure 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 during the second quarter.

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 55.2% to $79.4 million (H1 2019: $177.4 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.

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 our direct labour. 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 from 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 has enabled us to bring all furloughed US staff back into our business as the market recovery continues. By 30 June 2020 we had received $59.8 million of our funding; $9.8 million of which was reported as debt. Of the $50.0 million of grant funding received during the first half, $4.9 million has been utilised to meet our Signature US payroll costs and the remainder of $45.1 million was classified as deferred income at the period end, to fund future Signature US payroll costs. The balance of the CARES Act funding was received by the end of July and we expect to repay the entire $18.6 million promissory note by the end of the year.

We have also taken action across our less variable/fixed cost base, including rent reductions and deferrals at some of the airports where we operate. Overall, 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. Looking forward, we expect to improve the overall drop through outcome during the second half as we now have our labour costs flexed through the provision of CARES Act funding and we do not expect to see a return to the levels of decline in flight activity that we saw in April of 77%. That decline was beyond the maximum level of direct labour flex for our FBO operations whilst maintaining continuity of service to our customers and meeting all necessary safety standards. The extent to which we see continued recovery in our North East region and in business and international flight activity more generally will be additive to margin recovery across the second half.

As our business activity recovers post COVID-19, we remain confident in Signature's ability to deliver significant longer-term value creation across our market leading network, supported by the continued implementation of our strategic growth initiatives presented at the Capital Markets Day in November 2018.

Underlying operating margin in Signature was 13.3% (H1 2019 on a constant fuel price basis: 21.4%) and reflects the material reduction in flight activity as a direct result of COVID-19.

EPIC contributed revenues of $108.0 million (H1 2019: $230.2 million) and an underlying operating loss of $3.2 million (H1 2019: $2.9 million profit). Revenue was impacted by a reduction in fuel prices of $50.0 million. Organic revenue declined by $72.9 million as a result of lower flight activity directly related to COVID-19. The overall operating loss of $3.2 million reflects the reduction in flight activity at Epic's 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 38.4% to $702.7 million (H1 2019: $1,140.4 million). Organic revenue decreased by 31.3%.

Operating profit on a statutory basis of $32.3 million decreased by 77.4% (H1 2019: $142.7 million) due to the material reduction in flight activity as a result of COVID-19.

Operating cash flow for Continuing Operations, decreased to $119.9 million (H1 2019: $234.9 million), principally due to the material reduction in flight activity as a result of COVID-19.

Return on invested capital was 6.9% (FY 2019: 9.6%).

Our FBO network

There are 197 locations in Signature's market-leading owned global network, including 19 Signature Select® franchise locations. EPIC services 169 privately owned, EPIC branded independent FBOs and a further 123 unbranded locations. Our existing Signature Select® branded locations are complementary to EPIC's FBO locations and are now managed as part of the EPIC network. This creates an unrivalled branded network of over 360 FBO locations, with network relevance of over 70%, with around a third of our owned locations being sole source. The quality and network relevance of our real estate asset base provides us with an unrivalled platform across which we will leverage our strategic initiatives.

We continue to believe the US B&GA market is a long-term structural growth market, highly correlated with US GDP growth. The FAA continues to forecast long term growth in US business jet flight hours of an average 3.1% per annum through to 2028.

Signature strategic initiatives

In 2019 we refreshed our strategic pillars to ensure they were appropriate for our focused 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 we are pleased to have completed 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. TAG is the largest GA operator at Geneva and is well located on the field. The transaction closed on 31 July 2020.

In the period we have 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.

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

In addition to selectively grow our network locations we will add new services across our already invested real estate network. Signature now has full end-to-end management of our fuel card programme, associated transaction processing and data capture previously managed by EPIC. Over time, we have committed to deliver $4-8 million of underlying operating profit from deeper penetration of the branded fuel card within the Signature network. During the COVID disruption we have taken a more cautious approach to increasing this card penetration.

With regard to new services that will contribute over the next few years, we commenced a US roll-out of the ELITE Class™ service (for commercial passenger interconnect) but continued progress will be dependent on a recovery in commercial flying. The existing VIP suite service offered at the IAM Jet Centre locations in Barbados (BGI) and Grenada (GND) has enhanced our offering. 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. We use information from our SIGnet 2.0 FBO management system to enable field teams to efficiently forecast, plan and manage labour demand.

For our fleet of Ground Service Equipment (GSE) we are focused on providing the right level of GSE at each location, while reducing the total cost of ownership per operating hour. We are working with our supply chain to deploy low emission, efficient and/or electric models. We have made good progress in this area in the six months to June. 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. During the COVID-19 crisis we have ensured the cadence of our regular communication has increased and additionally we have introduced multi-channel communications where our staff in the FBOs hear first-hand about all initiatives from the Senior Leadership Team.

We are keen to build on the results of our second annual employee engagement survey undertaken at the end of 2019, which showed good improvements across all metrics. Local engagement action plans have advanced during the COVID-19 period.

We have recently welcomed our first graduates from our re-launched global 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 launched a similar programme targeted for employees who wish to become General Managers (GMiT) over the next 1-2 years.

Diversity and inclusion training is being rolled out across the Group, and a steering committee will promote this at a local level focusing on recruitment, training and mentoring.

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. In June we were notified that our application had been approved, and this enabled us to bring all furloughed US staff back into our business as the market recovery continues. The CARES Act funding support will be used solely to fund the payroll for US Signature employees.

In recognition of the circumstances affecting many of our employees and the communities in which we operate, for the second quarter 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 Employee Hardship Fund is already actively distributing financial support to employees in need and to date we have distributed over $156,000 to employees.

Customer experience

This initiative is to ensure 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, will ensure we focus on 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 have 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.

Environmental and Social

The health and safety of our team members, customers, and the communities in which we operate, remains our highest priority. At the beginning of the COVID-19 crisis and despite the uncertainty, we made the conscious decision to remain open throughout our network to serve our local communities. We furloughed many of our staff both in Europe and other countries where we operate, where Governments supported the payroll through unemployment insurance. In the US, for a brief period of time while we waited for clarity on Government assistance, we furloughed 25% of our team and reduced hours for others, however we have since received payroll support and have brought back all of our team in the US.

We remain committed to working in ways that limit the impact of our business on the environment and to proactively manage environmental resources. 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. For our customers, we are rolling out Sustainable Aviation Fuel (SAF), and charging points for electric cars allowing them to have a more sustainable footprint as they too change their behaviours. We are also rolling out low emission refuelers and utilising electric ground support equipment.

We are focused on reducing our Scope 1&2 emissions through solar and ground support equipment transition initiatives already in progress. Clearly, emissions from aviation fuel used by customers (classified as Scope 3 emissions) constitute the vast majority of all emissions. While we have no direct control over these emissions, we can support improved Scope 3 emissions through initiatives such as the wider availability of SAF in the Signature FBO network.

Scope 1 & 2 emission reduction targets

We have established a clear baseline environmental footprint and we are committing to the Paris Agreement Goal which requires our global emissions to be Net Zero by 2050. 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.

Our milestones over the next 30 years will reduce our Scope 1 & 2 emissions by 29% by 2025 and will target a 50% reduction by 2030, from our 2018 baseline, across a range of initiatives including:

Real estate – we have five FBO buildings in the network which are either LEED (Leadership in Energy and Environmental Design) certified or LEED Silver certified along with ten hangars and a further three LEED FBO projects, including our new Atlanta (ATL) terminal building, in progress. On three further projects at Teterboro (TEB), Newark (EWR) and Bedford (BED) we are working to deliver LEED equivalent sustainability standards with all 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 had solar panels in seven locations in 2019 and we are adding a further five locations in 2020.There are an additional 20+ locations under review for suitability.

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

Central costs

Underlying central costs were reduced in the six months to June 2020 (excluding support costs of discontinued operations) to $7.4 million (H1 2019 restated: $14.8 million). This reduction reflects management action taken to reduce our cost base including suspension of variable pay plans for FY 2020, travel and overheads.

Support costs

Support costs incurred relating to the discontinued ERO business were $5.7 million (H1 2019 restated: $5.4 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 are currently being paid for by CVC, as part of the TSA, and we will work to eliminate these costs when the TSA period concludes.

Business Review – Discontinued Operations

In the six months to June 2020 **ERO**'s organic revenue decreased by 1.4% to $260.4 million (H1 2019: $265.4 million). ERO's underlying operating profit was $21.0 million (H1 2019: $24.9 million). Operating performance during the first half 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 $11.1 million for the six months to 30 June 2020 (H1 2019: $12.8 million), this being the required accounting treatment while the business is held for sale. The fair value less cost to sell of ERO is now $209.2 million, an increase of $31.6 million from 31 December 2019. The increase primarily represents increased working capital in the business during the first half of 2020 and more specifically increased receivables which we expect to collect during the second half prior to disposal.

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

Pensions

The Group's net defined benefit pension and other post-retirement benefits liabilities increased to $46.9 million in the first half, up from $38.0 million at 31 December 2019 and $32.7 million at 30 June 2019. The increase in the net deficit of $8.9 million since 31 December 2019 is primarily due to a lower discount rate, net of deficit contributions.

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

Signature Aviation entered this period of uncertainty caused by the pandemic in a strong financial position. We have proactively taken decisive steps to preserve liquidity, including significant operating cost rationalisation, reducing planned capital expenditure and suspending the Group dividend.

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.

At the end of June 2020 our RCF facility was drawn by $79 million, leaving $321 million of undrawn facilities. With cash of $199.9 million, this represents total headroom of over $520 million.

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.

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. We will not therefore declare an interim dividend for the six months ended 30 June 2020 (H1 2019: 4.20¢). The Board is conscious of the importance of dividend payments as part of our investment case particularly given the cash generative nature of the Signature business and will look to restore its progressive dividend policy at the earliest opportunity.

Underlying results[1]

$m	H1 2020 Total Group[2]	H1 2020 Continuing	H1 2019 Total Group[2]	H1 2019 Continuing (Restated)[3]	*Change[5]*
Revenue	**963.1**	**702.7**	**1,528.1**	**1,140.4**	***(38.4)%***
EBITDA	**164.3**	**143.3**	**300.7**	**237.7**	***(39.7)%***
IFRS 16 impact	*(69.5)*	*(63.3)*	*(70.9)*	*(64.0)*	
EBITDA (Pre IFRS 16)	**94.8**	**80.0**	**229.8**	**173.7**	***(53.9)%***
Operating profit	**84.1**	**63.1**	**216.7**	**158.2**	***(60.1)%***
IFRS 16 impact	*(27.4)*	*(21.1)*	*(26.7)*	*(20.7)*	
Operating profit (Pre IFRS 16)	**56.7**	**42.0**	**190.0**	**137.5**	***(69.5)%***
Profit before tax	**17.4**	**(1.3)**	**140.7**	**85.4**	***(101.5)%***
IFRS16 impact	*10.4*	*14.8*	*9.5*	*13.5*	
Profit before tax (Pre IFRS 16)	**27.8**	**13.5**	**150.2**	**98.9**	***(86.3)%***
Basic adjusted EPS	**1.9 ¢**	**0.2 ¢**	**10.6¢**	**6.5¢**	**(96.9)%**
IFRS 16 impact	*0.7¢*	*1.1¢*	*0.7 ¢*	*1.0¢*	
Basic adjusted EPS (Pre IFRS 16)	**2.6 ¢**	**1.3 ¢**	**11.3¢**	**7.5¢**	***(82.7)%***

Statutory results

$m	H1 2020 Total Group[2]	H1 2020 Continuing	H1 2019 Total Group[2]	H1 2019 Continuing (Restated)[3]	Change[5]
Revenue	**963.1**	**702.7**	**1,528.1**	**1,140.4**	***(38.4)%***
EBITDA	**153.4**	**132.4**	**287.9**	**225.8**	***(41.4)%***
IFRS 16 impact	*(69.5)*	*(63.3)*	*(70.9)*	*(64.0)*	
EBITDA (Pre IFRS 16)	**83.9**	**69.1**	**217.0**	**161.8**	***(57.3)%***
Operating Profit	**36.6**	**15.6**	**156.0**	**109.1**	***(85.7)%***
IFRS 16 impact	*29.5*	*23.2*	*26.7*	*20.7*	
Operating Profit (Pre IFRS 16)	**7.1**	**(7.6)**	**129.3**	**88.4**	***(108.6)%***
Profit before tax	**(29.3)**	**(51.7)**	**47.3**	**36.3**	***(242.4)%***
IFRS 16 impact	*10.4*	*14.8*	*9.5*	*13.5*	
Profit before tax (Pre IFRS 16)	**(18.9)**	**(36.9)**	**56.8**	**49.8**	***(174.1)%***
Basic unadjusted EPS	**(2.3)¢**	**(4.5)¢**	**3.0¢**	**2.9¢**	***(255.2)%***
IFRS 16 impact	*0.7¢*	*1.1¢*	*0.7¢*	*1.0¢*	
Basic unadjusted EPS (Pre IFRS 16)	**(1.6)¢**	**(3.4)¢**	**3.7¢**	**3.9¢**	***(184.6)%***
Dividend per share	**-**	**-**	**4.2¢**	**-**	***(100.0)%***

ROIC, Cash Flow and Net Debt[1]

$m	H1 2020 Total Group[2]	H1 2020 Continuing	H1 2019 Total Group[2]	H1 2019 Continuing (Restated)[3]	*Change[5]*
Return on invested capital [6]	**7.4%**	**6.1%**	**9.9%**	**8.6%**	***(250)bps***
Free cash flow	**(24.9)**	**1.0**	**129.2**	**82.0**	***(98.8)%***
Net debt [6]	**(2,218.5)**		**(2,250.7)**		***(1.4)%***
Covenant adjustment	*1,201.1*		*1,245.0*		
Net debt (on a covenant basis) [6]	**(1,017.4)**		**(1,005.7)**		***1.2%***
Net debt to underlying EBITDA[4,6]	**3.1x**		**2.2x**		***0.9x***

[1] Defined and reconciled to reported financials under Alternative Performance Measures (APMs). See pages 44 to 52. Where applicable and for comparability these are presented on a pre IFRS 16 basis.
[2] From continuing and discontinued operations.
[3] Restated following the presentation of Ontic as a discontinued operation.
[4] Net debt to underlying EBITDA calculated on a covenant basis.
[5] Change represents the year over year difference for the continuing Group, except for net debt and net debt to underlying EBITDA which are on a total group basis.
[6] Return on invested capital, net debt and net debt to underlying EBITDA are shown for the full year ended 31 December 2019.

Outlook

We are encouraged by the extent of the flight operations recovery we have seen. August flight activity was down 19% year on year across our network, a marked improvement to the low point of 77% down in April. We will closely monitor trading in the important US business traffic season, post Labor Day.

Building on our effective cost management and with our flexible cost base now aligned with anticipated flight activity, we expect improved performance in the second half compared to the first half.

Our business has sound fundamentals and we continue to see attractive medium-term growth prospects. Therefore, we have continued to invest in growing our network despite COVID. We have recently acquired two FBOs in Switzerland, including the strategically important Geneva location. In the US, we were pleased to open our newly constructed Atlanta FBO in July.

We will continue to lead our industry working towards our sustainable future. Today, we are committing to reducing our carbon footprint with a 29% reduction in our controllable Scope 1 & 2 emissions targeted by 2025 and 50% by 2030.

The Board remains confident in the resilience of our market leading FBO business model, the quality of our network, the strength of our liquidity and therefore our ability to continue to invest in and grow our business. We will continue to drive further medium-term progress through our Signature strategic growth initiatives with a focus on further enhancing and leveraging our unique real estate network to grow non-fuel revenues and operational efficiency.

Going concern

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

The Directors' assessment of going concern was carried out against a base case forecast for the continuing recovery in B&GA flight activity during the balance of 2020 and through to 2021. A downside scenario was also assessed compared to 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 across the US and EMEA. In both the base case and the downside case the Group demonstrated significant headroom above the new minimum liquidity covenant of $150 million. In addition, a reverse stress test scenario reflecting a return to significant and prolonged reductions in flight activity for the foreseeable future was also assessed and the Group continued to demonstrate headroom against the new minimum liquidity covenant of $150 million.

Directors' responsibilities

The Directors confirm that to the best of their knowledge:

a) the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

b) the interim financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and,

c) the interim financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Signed on behalf of the Board,

Mark Johnstone
Group Chief Executive Officer

7 September 2020

David Crook
Group Finance Director

7 September 2020

This interim financial report contains forward-looking statements including, without limitation, statements relating to: future demand and markets of the Group's products and services; research and development relating to new products and services; liquidity and capital; and implementation of restructuring plans and efficiencies. These forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Accordingly, actual results may differ materially from those set out in the forward-looking statements as a result of a variety of factors including, without limitation: changes in interest and exchange rates, in tax rates or tax legislation, commodity prices and other economic conditions; negotiations with customers relating to renewal of contracts and future volumes and prices; events affecting international security, including global health issues and terrorism; changes in regulatory environment; the introduction or variation of tariffs or duties; and the outcome of litigation. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. This interim financial report has been drawn up and presented in accordance with and in reliance on applicable English company law and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

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

Unaudited condensed consolidated income statement

		Six months ended 30 June 2020			Restated[3] Six months ended 30 June 2019			Year ended 31 December 2019		
		Underlying[1]	Exceptional and other items[2]	Total	Underlying[1]	Exceptional and other items[2]	Total	Underlying[1]	Exceptional and other items[2]	Total
	Note	$m	$m	$m	$m	$m	$m	$m	$m	$m
Continuing operations										
Revenue	2	702.7	–	702.7	1,140.4	–	1,140.4	2,260.5	–	2,260.5
Cost of sales		(583.1)	–	(583.1)	(912.7)	–	(912.7)	(1,807.6)	–	(1,807.6)
Gross profit		119.6	–	119.6	227.7	–	227.7	452.9	–	452.9
Distribution costs		(2.7)	–	(2.7)	(4.3)	–	(4.3)	(11.9)	–	(11.9)
Administrative expenses	3	(55.6)	(36.6)	(92.2)	(68.2)	(37.2)	(105.4)	(127.8)	(73.8)	(201.6)
Other operating income		0.4	–	0.4	2.1	–	2.1	6.2	–	6.2
Share of profit of associates and joint ventures		1.7	–	1.7	1.6	–	1.6	4.1	–	4.1
Other operating expenses	3	(0.3)	(2.7)	(3.0)	(0.7)	(10.5)	(11.2)	(2.7)	(36.5)	(39.2)
Restructuring costs	3	–	(8.2)	(8.2)	–	(1.4)	(1.4)	–	(5.6)	(5.6)
Operating profit/(loss)	2, 3	63.1	(47.5)	15.6	158.2	(49.1)	109.1	320.8	(115.9)	204.9
Impairment of assets		–	(4.8)	(4.8)	–	–	–	–	(12.5)	(12.5)
Gain on disposal of business		–	1.9	1.9	–	–	–	–	–	–
Investment income		0.9	–	0.9	1.2	–	1.2	3.7	7.5	11.2
Finance costs		(65.3)	–	(65.3)	(74.0)	–	(74.0)	(147.3)	(32.9)	(180.2)
(Loss)/profit before tax		(1.3)	(50.4)	(51.7)	85.4	(49.1)	36.3	177.2	(153.8)	23.4
Tax credit/(charge)	3, 4	2.8	12.0	14.8	(18.1)	12.1	(6.0)	(12.1)	29.7	17.6
Profit/(loss) from continuing operations		1.5	(38.4)	(36.9)	67.3	(37.0)	30.3	165.1	(124.1)	41.0
Discontinued operations										
Profit/(Loss) from ERO discontinued operations, net of tax	3, 18	14.2	(1.0)	13.2	17.1	(32.5)	(15.4)	40.0	(104.2)	(64.2)
Profit/(loss) from Ontic discontinued operations, net of tax	3, 18	–	4.7	4.7	25.5	(9.0)	16.5	54.4	628.3	682.7
Profit/(loss) for the period		15.7	(34.7)	(19.0)	109.9	(78.5)	31.4	259.5	400.0	659.5
Attributable to:										
Equity holders of Signature Aviation plc		15.7	(34.7)	(19.0)	109.7	(78.5)	31.2	259.1	400.0	659.1
Non-controlling interests		–	–	–	0.2	–	0.2	0.4	–	0.4
Profit/(loss) for the period		15.7	(34.7)	(19.0)	109.9	(78.5)	31.4	259.5	400.0	659.5

Earnings/(loss) per share		Adjusted[1]	Unadjusted	Adjusted[1]	Unadjusted	Adjusted[1]	Unadjusted
Total Group							
Basic	6	1.9¢	(2.3)¢	10.6¢	3.0¢	25.6¢	65.2¢
Diluted	6	1.9¢	(2.2)¢	10.5¢	3.0¢	25.4¢	64.7¢
Continuing operations							
Basic	6	0.2¢	(4.5)¢	6.5¢	2.9¢	16.3¢	4.0¢
Diluted	6	0.2¢	(4.4)¢	6.4¢	2.9¢	16.2¢	4.0¢
Discontinued operations							
Basic	18	1.7¢	2.2¢	4.1¢	0.1¢	9.3¢	61.2¢
Diluted	18	1.7¢	2.2¢	4.1¢	0.1¢	9.2¢	60.7¢

[1] Underlying results and adjusted earnings per share are stated before exceptional and other items.

[2] Exceptional and other items are disclosed in note 3. All Alternative performance measures are reconciled to IFRS measures and are explained in note 21, the Alternative Performance Measures section. For comparability and where applicable, this also includes a reconciliation to a pre IFRS 16 basis.

[3] The Group disposed of Ontic on 31 October 2019 and presented Ontic discontinued operations in the 2019 financial statements, and accordingly the comparative period to 30 June 2019 has been restated as required by IFRS, see note 18. In addition, ERO discontinued operations is presented in the current year and in the comparative period, see note 18.

Unaudited condensed consolidated statement of comprehensive income

	Note	Six months ended 30 June 2020 $m	Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
(Loss)/profit for the period		(19.0)	31.4	659.5
Other comprehensive (loss)/income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial losses on defined benefit pension schemes		(11.2)	(6.2)	(56.1)
Fair value movements in assets classified as financial instruments through other comprehensive income		–	–	(3.3)
Tax credit relating to components of other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	4	0.5	0.9	7.2
		(10.7)	(5.3)	(52.2)
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translation of foreign operations		(6.9)	(12.4)	2.2
Recycling of translational exchange differences accumulated in equity upon disposal of subsidiary		–	–	24.2
Fair value movements in foreign exchange cash flow hedges		(0.6)	(0.5)	2.3
Transfer to profit or loss from other comprehensive income on foreign exchange cash flow hedges		0.2	0.3	(0.6)
Fair value movement in interest rate cash flow hedges		–	5.2	(2.4)
Transfer to profit or loss from other comprehensive income on interest rate cash flow hedges		–	(1.7)	(2.2)
Tax relating to components of other comprehensive income that may be subsequently reclassified to profit or loss	4	–	0.6	1.3
		(7.3)	(8.5)	24.8
Other comprehensive loss for the period		(18.0)	(13.8)	(27.4)
Total comprehensive (loss)/income for the period		(37.0)	17.6	632.1
Attributable to:				
Equity holders of Signature Aviation plc		(37.0)	17.4	631.7
Non-controlling interests		–	0.2	0.4
		(37.0)	17.6	632.1

Unaudited condensed consolidated balance sheet

	Note	As at 30 June 2020 $m	As at 30 June 2019 $m	As at 31 December 2019 $m
Non-current assets				
Goodwill	8	1,105.3	1,193.1	1,111.1
Other intangible assets		929.3	1,293.0	966.1
Property, plant and equipment		737.1	765.4	749.4
Right of use assets		1,042.9	1,065.1	1,099.5
Interests in associates and joint ventures		24.3	52.2	41.9
Trade and other receivables		100.7	55.3	45.8
Deferred tax asset		13.0	–	9.1
		3,952.6	4,424.1	4,022.9
Current assets				
Inventories		29.1	137.8	44.0
Trade and other receivables		155.1	257.0	205.4
Cash and cash equivalents	7	190.7	116.7	113.2
Tax recoverable		16.7	0.9	1.2
Assets held for sale	18	380.7	430.8	358.1
		772.3	943.2	721.9
Total assets	2	4,724.9	5,367.3	4,744.8
Current liabilities				
Trade and other payables		(255.3)	(406.7)	(354.6)
Tax liabilities		(120.9)	(35.2)	(108.7)
Borrowings	7	–	–	–
Lease liabilities	10	(49.6)	(57.9)	(53.0)
Provisions		(20.2)	(24.2)	(17.5)
Liabilities held for sale	18	(171.5)	(188.0)	(180.5)
		(617.5)	(712.0)	(714.3)
Net current assets		154.8	231.2	7.6
Non-current liabilities				
Borrowings	7	(1,287.1)	(1,486.2)	(1,141.0)
Lease liabilities	10	(1,092.4)	(1,073.9)	(1,128.8)
Trade and other payables due after one year		(0.3)	(1.4)	(3.9)
Pensions and other post-retirement benefits	17	(46.9)	(32.7)	(38.0)
Deferred tax liabilities		(78.3)	(161.1)	(82.4)
Provisions		(31.7)	(34.3)	(30.3)
		(2,536.7)	(2,789.6)	(2,424.4)
Total liabilities	2	(3,154.2)	(3,501.6)	(3,138.7)
Net assets	2	1,570.7	1,865.7	1,606.1
Equity				
Share capital	19	510.6	510.0	510.1
Share premium account		1,594.5	1,594.5	1,594.5
Other reserve		(9.3)	(7.2)	(10.5)
Treasury reserve		(96.3)	(102.5)	(95.7)
Capital reserve		51.9	61.1	56.6
Hedging and translation reserves		(88.4)	(104.8)	(82.2)
Retained earnings		(393.6)	(87.6)	(369.1)
Equity attributable to equity holders of Signature Aviation plc		1,569.4	1,863.5	1,603.7
Non-controlling interest		1.3	2.2	2.4
Total equity		1,570.7	1,865.7	1,606.1

Unaudited condensed consolidated cash flow statement

	Note	Six months ended 30 June 2020 $m	Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Operating activities				
Net cash flow from operating activities	12	103.9	273.3	467.0
Investing activities				
Interest received		0.3	0.3	4.4
Interest received on sublease assets		0.8	0.9	1.8
Receipt of capital element of sublease assets		1.4	1.3	2.7
Dividends received from joint ventures and associates		2.2	2.9	3.2
Purchase of property, plant and equipment		(31.4)	(34.9)	(68.4)
Purchase of intangible assets[1]		(6.0)	(7.2)	(12.2)
Proceeds from disposal of property, plant and equipment		–	3.6	5.1
Acquisition of businesses, net of cash acquired	15	0.5	(25.5)	(65.3)
Proceeds from disposal of subsidiaries and associates, net of cash disposed		12.2	–	1,224.3
Net cash (outflow)/inflow from investing activities		(20.0)	(58.6)	1,095.6
Financing activities				
Interest paid		(26.5)	(38.7)	(71.5)
Interest paid on lease liabilities		(38.6)	(37.2)	(76.4)
USPP make-whole, net		–	–	(25.5)
Dividends paid	5	–	(103.9)	(980.9)
Gains/(losses) from realised foreign exchange contracts		7.0	5.5	(8.5)
Proceeds from issue of ordinary shares net of issue costs		0.5	0.7	0.8
Purchase of own shares [2]		(2.6)	(2.8)	(4.9)
Increase/(decrease) in loans		88.8	23.3	(313.3)
Payments of lease liabilities		(31.6)	(36.1)	(71.0)
Decrease in overdrafts		–	(1.5)	(1.5)
Net cash outflow from financing activities		(3.0)	(190.7)	(1,552.7)
Increase in cash and cash equivalents		80.9	24.0	9.9
Cash and cash equivalents at beginning of the period		122.4	111.3	111.3
Exchange adjustments		(3.4)	(9.5)	1.2
Cash and cash equivalents at end of the period		199.9	125.8	122.4
Comprised of:				
Cash and cash equivalents at end of the period		190.7	116.7	113.2
Cash included in Assets held for sale at end of the period (note 18)		9.2	9.1	9.2

[1] Purchase of intangible assets includes $nil million (30 June 2019: $1.0 million; 31 December 2019: $1.1 million) paid in relation to Ontic licences and $nil million (30 June 2019: $nil million; 31 December 2019: $5.3 million) paid in relation to the ERO discontinued operations not accounted for as acquisitions under IFRS 3.

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

Unaudited condensed consolidated statement of changes in equity

	Share capital $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 period	–	–	31.2	–	31.2	0.2	31.4
Other comprehensive loss for the period	–	–	(10.0)	(3.8)	(13.8)	–	(13.8)
Total comprehensive income/(loss) for the period	–	–	21.2	(3.8)	17.4	0.2	17.6
Dividends	–	–	(103.9)	–	(103.9)	–	(103.9)
Issue of share capital	0.7	–	–	–	0.7	–	0.7
Movement on treasury reserve	–	–	–	(2.8)	(2.8)	–	(2.8)
Credit to equity for equity-settled share-based payments	–	–	–	4.8	4.8	–	4.8
Changes in non-controlling interest	–	–	–	–	–	(0.3)	(0.3)
Tax on share-based payment transactions	–	–	0.1	–	0.1	–	0.1
Transfer to retained earnings	–	–	(0.4)	0.4	–	–	–
Balance at 30 June 2019	510.0	1,594.5	(87.6)	(153.4)	1,863.5	2.2	1,865.7
Balance at 1 January 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	–	–	(47.6)	20.2	(27.4)	–	(27.4)
Total comprehensive income for the year	–	–	611.5	20.2	631.7	0.4	632.1
Dividends	–	–	(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	–	–	1.2	–	1.2	–	1.2
Transfer to retained earnings	–	–	3.7	(3.7)	–	–	–
Balance at 31 December 2019	510.1	1,594.5	(369.1)	(131.8)	1,603.7	2.4	1,606.1
Balance at 1 January 2020	510.1	1,594.5	(369.1)	(131.8)	1,603.7	2.4	1,606.1
Loss for the period	–	–	(19.0)	–	(19.0)	–	(19.0)
Other comprehensive loss for the period	–	–	(13.3)	(4.7)	(18.0)	–	(18.0)
Total comprehensive loss for the period	–	–	(32.3)	(4.7)	(37.0)	–	(37.0)
Dividends	–	–	–	–	–	(0.3)	(0.3)
Issue of share capital	0.5	–	–	–	0.5	–	0.5
Movement on treasury reserve	–	–	–	(2.4)	(2.4)	–	(2.4)
Credit to equity for equity-settled share-based payments	–	–	–	2.9	2.9	–	2.9
Changes in non-controlling interest	–	–	0.8	–	0.8	(0.8)	–
Tax on share-based payment transactions	–	–	0.9	–	0.9	–	0.9
Transfer to retained earnings	–	–	6.1	(6.1)	–	–	–
Balance at 30 June 2020	510.6	1,594.5	(393.6)	(142.1)	1,569.4	1.3	1,570.7

1. Basis of preparation

The unaudited condensed consolidated financial statements of Signature Aviation plc (the "Group"), for the six months ended 30 June 2020 have been prepared in accordance with the Disclosure and Transparency Rules of the UK's Financial Conduct Authority and International Accounting Standard IAS 34: *Interim Financial Reporting* (IAS 34) which permits the presentation of the financial information on a condensed basis. These condensed consolidated half yearly financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006, and therefore should be read in conjunction with the Group's Annual Report for the year ended 31 December 2019.

The Group's annual financial statements for the year ended 31 December 2019 have been reported upon by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006.

These condensed consolidated half yearly financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) endorsed for use in the European Union and the Companies Act 2006 and comply with Article 4 of the EU IAS Regulation. Certain new EU-endorsed standards and amendments to existing standards and interpretations were effective for annual periods beginning on or after 1 January 2020 and have not had a material impact on the Group. In the annual financial statements for the year ended 31 December 2019 the Group early adopted 'Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7' which allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

Going concern

The directors are satisfied that, at the time of approving the condensed consolidated financial statements, it is appropriate to continue to adopt the going concern basis of accounting. Further information is given on page 12 of the interim statement.

Alternative Performance Measures (APMs)

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

Alternative Performance Measures are reconciled to IFRS measures and explained in note 21, the Alternative Performance Measures section. APMs are presented on a pre and post IFRS 16 basis with a reconciliation to the equivalent statutory measure.

Restatement

The Group disposed of Ontic on 31 October 2019 and presented Ontic discontinued operations in the 2019 financial statements, and accordingly the comparative period to 30 June 2019 has been restated as required by IFRS, see note 18.

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.

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

1. Basis of preparation - continued

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 half year ended 30 June 2020 there are no critical accounting judgements. A key source of estimation uncertainty is referred to within Income Tax (note 4), where a contingent liability has been identified in relation to the European Commission's ongoing State Aid investigation into the UK's Controlled Foreign Company regime.

Assets and associated liabilities classified as held for sale

Assets classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell. Assets are classified as held for sale if their net carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

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

2. Segmental analysis

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

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

- o the nature of the long-term financial performance;
- o the nature of the products and services;
- o the nature of the production processes;
- o the type of class of customer for the products and services; and
- o 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 on 31 October 2019.

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

Sales between segments are immaterial.

All Alternative Performance Measures are reconciled to IFRS measures and explained in note 21, the Alternative Performance Measures section.

Business segments	Continuing operations[1] $m	Discontinued operations[5] $m	Total $m	Unallocated corporate[2] $m	Total $m
As at and for the six months ended 30 June 2020					
External revenue					
External revenue from continuing and discontinued operations	702.7	260.4	963.1	-	963.1
Less external revenue from ERO discontinued operations, note 18	-	(260.4)	(260.4)	-	(260.4)
External revenue from continuing operations	702.7	-	702.7	-	702.7
Underlying operating profit					
Underlying operating profit from continuing and discontinued operations	76.2	15.3	91.5	(7.4)	84.1
Less underlying operating profit from ERO discontinued operations	-	(21.0)	(21.0)	-	(21.0)
Adjusted for intergroup charges for ERO discontinued operations[3]	-	5.7	5.7	(5.7)	-
Underlying operating profit/(loss) from continuing operations	76.2	-	76.2	(13.1)	63.1
Underlying operating margin from continuing operations	10.8%	0.0%	10.8%	0.0%	9.0%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(43.9)	(0.7)	(44.6)	(2.9)	(47.5)
Less exceptional and other items from ERO discontinued operations	-	-	-	-	-
Exceptional and other items from continuing operations	(43.9)	(0.7)	(44.6)	(2.9)	(47.5)
Operating profit/(loss) from continuing operations	32.3	(0.7)	31.6	(16.0)	15.6
Impairment of fixed assets[6]					(4.8)
Gain on disposal of business					1.9
Net finance cost from continuing operations					(64.4)
Loss before tax from continuing operations					(51.7)
Other information					
Capital additions[4]	32.7	3.7	36.4	1.0	37.4
Less capital additions from ERO discontinued operations	-	(3.7)	(3.7)	-	(3.7)
Capital additions from continuing operations	32.7	-	32.7	1.0	33.7
Depreciation and amortisation	116.3	-	116.3	0.5	116.8
Less depreciation and amortisation from ERO discontinued operations	-	-	-	-	-
Depreciation and amortisation from continuing operations	116.3	-	116.3	0.5	116.8
Balance sheet					
Total assets	4,122.4	381.9	4,504.3	220.6	4,724.9
Total liabilities	(1,380.7)	(171.6)	(1,552.3)	(1,601.9)	(3,154.2)
Net assets/(liabilities)	2,741.7	210.3	2,952.0	(1,381.3)	1,570.7
Less net assets from ERO discontinued operations	-	(209.2)	(209.2)	-	(209.2)
Net assets/(liabilities) from continuing operations[5]	2,741.7	1.1	2,742.8	(1,381.3)	1,361.5

2. Segmental analysis – continued

Business segments	Continuing operations[1] $m	Discontinued operations[5] $m	Total $m	Unallocated corporate[2] $m	Total $m
As at and for the six months ended 30 June 2019 (restated)					
External revenue					
External revenue from continuing and discontinued operations	1,140.4	387.7	1,528.1	-	1,528.1
Less external revenue from ERO discontinued operations, note 18	-	(265.4)	(265.4)	-	(265.4)
Less external revenue from Ontic discontinued operations, note 18	-	(122.3)	(122.3)	-	(122.3)
External revenue from continuing operations	1,140.4	-	1,140.4	-	1,140.4
Underlying operating profit					
Underlying operating profit from continuing and discontinued operations	180.3	51.2	231.5	(14.8)	216.7
Less underlying operating profit from ERO discontinued operations	-	(24.9)	(24.9)	-	(24.9)
Adjusted for intergroup charges for ERO discontinued operations[3]	-	5.4	5.4	(5.4)	-
Less underlying operating profit from Ontic discontinued operations	-	(33.6)	(33.6)	-	(33.6)
Adjusted for intergroup charges for Ontic discontinued operations[3]	-	1.9	1.9	(1.9)	-
Underlying operating profit/(loss) from continuing operations	180.3	-	180.3	(22.1)	158.2
Underlying operating margin from continuing operations	15.8%	-	15.8%	-	13.9%
Exceptional and other items					
Exceptional and other items from continuing and discontinued operations	(37.6)	(11.6)	(49.2)	(11.5)	(60.7)
Less exceptional and other items from ERO discontinued operations	-	-	-	-	-
Less exceptional and other items from Ontic discontinued operations	-	11.6	11.6	-	11.6
Exceptional and other items from continuing operations	(37.6)	-	(37.6)	(11.5)	(49.1)
Operating profit/(loss) from continuing operations	142.7	-	142.7	(33.6)	109.1
Underlying net finance costs					(72.8)
Profit before tax from continuing operations					36.3
Other information					
Capital additions[4]	32.9	8.4	41.3	0.8	42.1
Less capital additions from ERO discontinued operations	-	(6.3)	(6.3)	-	(6.3)
Less capital additions from Ontic discontinued operations	-	(2.1)	(2.1)	-	(2.1)
Capital additions from continuing operations	32.9	-	32.9	0.8	33.7
Depreciation and amortisation	116.2	15.2	131.4	0.5	131.9
Less depreciation and amortisation from ERO discontinued operations	-	-	-	-	-
Less depreciation and amortisation from Ontic discontinued operations	-	(15.2)	(15.2)	-	(15.2)
Depreciation and amortisation from continuing operations	116.2	-	116.2	0.5	116.7
Balance sheet					
Total assets	4,225.9	1,018.8	5,244.7	122.6	5,367.3
Total liabilities	(1,441.6)	(264.8)	(1,706.4)	(1,795.2)	(3,501.6)
Net assets/(liabilities)	2,784.3	754.0	3,538.3	(1,672.6)	1,865.7
Less net assets/(liabilities) from ERO discontinued operations	-	(242.8)	(242.8)	-	(242.8)
Less net assets/(liabilities) from Ontic discontinued operations	-	(509.0)	(509.0)	-	(509.0)
Net assets/(liabilities) from continuing operations[5]	2,784.3	2.2	2,786.5	(1,672.6)	1,113.9

2. Segmental analysis - continued

Business segments	Continuing operations[1] $m	Discontinued operations[5] $m	Total $m	Unallocated corporate[2] $m	Total $m
As at and for the year ended 31 December 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 18	-	(538.3)	(538.3)	-	(538.3)
Less external revenue from Ontic discontinued operations, note 18	-	(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					
Total assets	4,253.3	360.2	4,613.5	131.3	4,744.8
Total liabilities	(1,458.6)	(180.5)	(1,639.1)	(1,499.6)	(3,138.7)
Net assets/(liabilities)	2,794.7	179.7	2,974.4	(1,368.3)	1,606.1
Less net assets/(liabilities) from ERO discontinued operations	-	(177.6)	(177.6)	-	(177.6)
Net assets/(liabilities) from continuing operations[5]	2,794.7	2.1	2,796.8	(1,368.3)	1,428.5

1 Operating profit/(loss) from continuing operations includes $1.7 million profit (30 June 2019: $1.6 million, 31 December 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 which has now been classified as discontinued operations.
4 Capital additions represent cash expenditures in the period/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 period to 30 June 2020 it incurred $0.7 million of exceptional and other costs (30 June 2019: $nil; 31 December 2019: $0.2 million) and its net asset position at the end of June 2020 was $1.1 million (30 June 2019: $2.2 million; 31 December 2019: $2.1 million)
6 The impairment of fixed assets of $4.9 million (30 June 2019: $nil million, 31 December 2019: $12.5 million) relates to the Signature segment.

2. Segmental analysis - continued

Geographical segments	Revenue by destination $m	Revenue by origin $m	Capital additions[1] $m	Non-current assets[2] $m
As at, and for the six months ended 30 June 2020				
United Kingdom	38.3	75.1	1.4	193.1
Mainland Europe	60.2	12.2	0.0	60.0
North America	799.2	865.2	35.9	3,611.3
Rest of World	65.4	10.6	0.1	1.6
Total from continuing and discontinued operations	963.1	963.1	37.4	3,866.0
Less ERO discontinued operations	(260.4)	(260.4)	(3.7)	-
Less Ontic discontinued operations	-	-	-	
Total from continuing operations	702.7	702.7	33.7	3,866.0
As at, and for the six months ended 30 June 2019 (restated)				
United Kingdom	46.9	143.8	2.4	334.3
Mainland Europe	104.3	27.6	0.7	89.5
North America	1,314.0	1,346.9	39.0	3,971.4
Rest of World	62.9	9.8	-	2.2
Total from continuing and discontinued operations	1,528.1	1,528.1	42.1	4,397.4
Less ERO discontinued operations	(265.4)	(265.4)	(6.3)	-
Less Ontic discontinued operations	(122.3)	(122.3)	(2.1)	
Total from continuing operations	1,140.4	1,140.4	33.7	4,397.4
As at, and for the year ended 31 December 2019				
United Kingdom	84.0	288.5	6.2	209.2
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	3,996.1
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	3,996.1

[1] Capital additions represent cash expenditures in the year. Capital additions include additions to property, plant and equipment, and intangible assets including Ontic licenses not accounted for as acquisitions under IFRS 3.
[2] The disclosure of non-current assets by geographical segment excludes deferred tax $13.0 million (30 June 2019: $nil; 31 December 2019: $9.1 million) and financial instruments balances of $68.7 million (30 June 2019: $26.7 million; 31 December 2019: $17.7 million), as required under IFRS 8.

3. Profit for the period

Profit for the period 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 include 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 21, Alternative Performance Measures section.

Exceptional and other items on discontinued operations are presented in note 18. Exceptional and other items on continuing operations are as follows:

	Administrative expenses	Other operating expenses	Restructuring costs	Six months ended 30 June 2020 Total	Restated Six months ended 30 June 2019 Total	Year ended 31 December 2019 Total
	$m	$m	$m	$m	$m	$m
Restructuring expenses						
ERO Middle East	–	–	0.7	0.7	–	0.2
Paris–Le Bourget FBO T3 closure	–	–	7.1	7.1	–	–
Central costs rationalisation	–	–	0.4	0.4	1.4	5.4
Other						
Amounts related to previously disposed businesses	–	2.7	–	2.7	10.4	36.5
Other exceptional items	–	–	–	–	0.1	–
Acquisition related						
Amortisation of intangibles assets arising on acquisition and valued in accordance with IFRS 3	36.6	–	–	36.6	37.2	73.8
Operating loss on continuing operations	36.6	2.7	8.2	47.5	49.1	115.9
Impairment loss				4.8	–	12.5
Gain on disposal of business				(1.9)	–	–
USPP make-whole, net				–	–	25.4
Loss before tax on continuing operations				50.4	49.1	153.8
Tax credit on exceptional and other items				(12.0)	(12.1)	(29.7)
Loss for the period on continuing operations, net of tax				38.4	37.0	124.1
Loss from ERO discontinued operation, net of tax, see note 18				1.0	32.5	104.2
(Profit)/loss from Ontic discontinued operation, net of tax, see note 18				(4.7)	9.0	(628.3)
Total exceptional and other items, net of tax				34.7	78.5	(400.0)

Net cash flow from exceptional items including completed disposals was an outflow of $26.4 million (30 June 2019: outflow of $1.8 million, 31 December 2019: inflow of $1,182.4 million). Net cash flow from other items was $nil (30 June 2019: $nil, 31 December 2019: $nil).

The impairment loss of $4.8 million relates to the Paris–Le Bourget FBO T3 closure (30 June 2019: $nil, 31 December 2019: $12.5 million relating to the Group's investment in Gama Aviation Holdings LLC).

4. Income tax

Recognised in the Income statement	Six months ended 30 June 2020 $m	Restated Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Current tax (credit)/charge	(2.0)	19.9	132.5
Adjustments in respect of prior periods – current tax	–	(1.3)	(1.7)
Current tax	(2.0)	18.6	130.8
Deferred tax credit[1]	(7.5)	(3.0)	(66.1)
Adjustments in respect of prior periods – deferred tax	(0.8)	0.3	(2.0)
Deferred tax	(8.3)	(2.7)	(68.1)
Income tax (credit)/charge for the period from continuing and discontinued operations	(10.3)	15.9	62.7
Less: ERO discontinued operations	(4.0)	(5.2)	15.1
Less: Ontic discontinued operations	(0.5)	(4.7)	(95.4)
Income tax (credit)/charge for the period from continuing operations	(14.8)	6.0	(17.6)

[1] The deferred tax credit includes $6.8 million relating to IFRS 16 lease liabilities (30 June 2019: $1.8 million; 31 December 2019: $9.4 million).

Corporation tax on continuing operations for the interim period is calculated in the UK at 19% (30 June 2019: 19%; 31 December 2019: 19%) of the estimated assessable profit for the period, and at the relevant prevailing rates for other jurisdictions. The total income tax credit for the six months ended 30 June 2020 includes a tax credit of $12.0 million (30 June 2019: $12.1 million; 31 December 2019: $29.7 million) relating to exceptional and other items.

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

Recognised in other comprehensive income	Six months ended 30 June 2020 $m	Restated Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Tax on items that will not be reclassified subsequently to profit or loss			
Current tax other	1.2	–	0.1
Deferred tax (charge)/credit on actuarial gains/(losses)	(0.7)	0.9	7.1
	0.5	0.9	7.2
Tax on items that may be reclassified subsequently to profit or loss			
Current tax credit on foreign exchange movements	–	–	0.9
Deferred tax credit on derivative financial instruments	–	0.6	0.4
	–	0.6	1.3
Total tax credit within other comprehensive income	0.5	1.5	8.5
Recognised in equity			
Current tax credit/(charge) on share-based payments movement	–	0.1	(0.2)
Deferred tax credit on share-based payments movement	0.9	–	1.4
Total tax credit within equity	0.9	0.1	1.2
Total tax credit within other comprehensive income and equity	1.4	1.6	9.7

4. Income tax - continued

EU State Aid

The Group continues to monitor developments in relation to the EU State Aid investigation including the European Commission's decision in April 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 be affected by this decision. We have calculated our maximum potential liability to be approximately $117.5 million. We do not consider that any provision is required, based on our current assessment of the issue. On 6 November 2019, the Group filed an appeal with the EU General Court seeking to annul the EU State Aid decision.

5. Dividends

	Six months ended 30 June 2020 $m	Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Dividends paid during the period	-	103.9	980.9

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.

In the light of the continued uncertainty around the COVID-19 pandemic and to preserve our balance sheet strength and liquidity the Board has decided not to pay an interim dividend in respect of 2020.

For the year ended 31 December 2019:
The 2018 final dividend of 10.07¢ per share (total dividend $103.9 million) was paid on 24 May 2019.
On 1 November 2019, the 2019 interim dividend of 4.20¢ per share (total dividend $43.4 million) was paid to shareholders.
On 13 December 2019, the 2019 special dividend of 80.71¢ per share (total dividend $833.6 million) was paid to shareholders.

6. Earnings per share

All Alternative Performance Measures are reconciled to IFRS measures and explained in note 21, the Alternative Performance Measures section.

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

	Continuing			Total		
	Six months ended 30 June 2020 $m	Restated Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m	Six months ended 30 June 2020 $m	Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Basic and diluted						
Earnings:						
Profit for the period	(36.9)	30.3	41.0	(19.0)	31.4	659.5
Non-controlling interests	-	(0.2)	(0.4)	-	(0.2)	(0.4)
Basic earnings attributable to ordinary shareholders	(36.9)	30.1	40.6	(19.0)	31.2	659.1
Exceptional and other items (net of tax)	38.4	37.0	124.1	34.7	78.5	(400.0)
Adjusted earnings for adjusted earnings per share	1.5	67.1	164.7	15.7	109.7	259.1
Underlying deferred tax[1]	4.4	16.8	(1.6)	6.6	12.7	5.7
Adjusted earnings for cash earnings per share[1]	5.9	83.9	163.1	22.3	122.4	264.8

6. Earnings per share - continued

Number of shares

Weighted average number $37^{17}/_{84}$p ordinary shares (30 June 2019: $29^{16}/_{21}$p ordinary shares, 31 December 2019: $37^{17}/_{84}$p ordinary shares):

For basic earnings per share	826.9	1,031.2	1,011.5	826.9	1,031.2	1,011.5
Dilutive potential ordinary shares from share options	8.3	8.2	7.8	8.3	8.2	7.8
For diluted earnings per share	835.2	1,039.4	1,019.3	835.2	1,039.4	1,019.3
For diluted losses per share	826.9	1,031.2	1,011.5	826.9	1,031.2	1,011.5

Basic:						
Adjusted	0.2¢	6.5¢	16.3¢	1.9¢	10.6¢	25.6¢
Adjusted pre IFRS 16	1.3¢	7.5¢	18.2¢	2.6¢	11.3¢	26.9¢
Cash pre IFRS 16[1]	1.9¢	8.7¢	18.0¢	3.5¢	12.6¢	27.4¢
Unadjusted	(4.5)¢	2.9¢	4.0¢	(2.3)¢	3.0¢	65.2¢
Unadjusted pre IFRS 16	(3.4)¢	3.9¢	5.9¢	(1.6)¢	3.7¢	68.2¢
Diluted:						
Adjusted	0.2¢	6.4¢	16.2¢	1.9¢	10.5¢	25.4¢
Adjusted pre IFRS 16	1.3¢	7.4¢	18.0¢	2.6¢	11.2¢	26.7¢
Cash pre IFRS 16[1]	1.8¢	8.6¢	17.9¢	3.4¢	12.5¢	27.2¢
Unadjusted	(4.4)¢	2.9¢	4.0¢	(2.2)¢	3.0¢	64.7¢
Unadjusted pre IFRS 16	(3.3)¢	3.9¢	5.9¢	(1.5)¢	3.7¢	67.6¢

1 The cash EPS is presented for the LTIP issued in 2017 and 2018. As disclosed in the 2018 Annual Report, the Remuneration Committee decided to simplify the earnings per share measure used for the LTIP and use underlying earnings per share. For more information refer to the "Implementation of policy in 2019" on page 82 of the 2018 Annual Report.

2 On 22 November 2019, the Company undertook a consolidation of shares on the basis of four new shares with nominal value of $37^{17}/_{84}$ pence for every five shares held on that date.

Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase the loss per share.

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

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

Earnings per share on discontinued operations is presented in note 18.

7. Cash and cash equivalents and borrowings

The carrying value of cash and cash equivalents for continuing operations of $190.7 million (30 June 2019: $116.7 million; 31 December 2019: $113.2 million) approximates to its fair value.

Borrowings	As at 30 June 2020 $m	As at 30 June 2019 $m	As at 31 December 2019 $m
Bank overdrafts	–	–	–
Bank loans[1]	73.9	592.8	(5.0)
US private placement senior notes (USPP)	–	385.0	–
US senior notes	1,203.1	508.1	1,145.7
Other loans[2]	10.1	0.3	0.3
	1,287.1	1,486.2	1,141.0
The borrowings are repayable as follows:			
On demand or within one year	–	–	–
In the second year	–	568.6	–
In the third to fifth years inclusive	73.9	255.6	(5.0)
After five years	1,213.2	662.0	1,146.0
	1,287.1	1,486.2	1,141.0
Less: Amount due for settlement within 12 months (shown within current liabilities)	–	–	–
Amount due for settlement after 12 months	1,287.1	1,486.2	1,141.0

1 $5.1 million issue costs (30 June 2019: $6.2 million; 31 December 2019: $5.0 million) have been capitalised and are being amortised over the life of this facility. There were no drawn amounts of the multicurrency revolving bank credit facility as at 31 December 2019.
2 In June 2020 Signature LLC received a loan from the US Treasury Department under the CARES Act. The total amount of the loan expected to be received is $18.6 million, as at 30 June 2020, $9.8 million has been received, ($1.0million on 19 June 2020 and $8.8 million on 29 June 2020). The balance of the loan ($8.8 million) was received on 30 July 2020. The loan has an interest rate of 4%, the loan is due to be repaid in Q4 2020. The loan is guaranteed by Signature Aviation US Holdings Inc.

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

As at 30 June 2020

Type	Facility amount $m	Headroom $m	Principal $m	Amortisation costs $m	Fair value adjustment[1] $m	Drawn $m	Facility date	Maturity date
Multicurrency revolving bank credit facility	400.0	321.0	79.0	(5.1)	–	73.9	Mar 2018	Mar 2025
Total bank loans	400.0	321.0	79.0	(5.1)	–	73.9		
$500m US senior notes	500.0	–	500.0	(7.9)	37.4	529.5	Apr 2018	May 2026
$650m US senior notes	650.0	–	650.0	(8.6)	32.2	673.6	Nov 2019	Mar 2028
Total US senior notes	1,150.0	–	1,150.0	(16.5)	69.6	1,203.1		
Total bank and loan notes	1,550.0	321.0	1,229.0	(21.6)	69.6	1,277.0		
Bank overdraft – UK cash pool						–		
Other loans						10.1		
						1,287.1		

7. Cash and cash equivalents and borrowings - continued

As at 30 June 2019

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

As at 31 December 2019

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

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, we have taken 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 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 30 June 2020 the Group was in full compliance with its banking covenants.

As at 30 June 2020, the Group had $79 million drawn under the RCF (30 June 2019: $149 million; 31 December 2019: undrawn).

As at 30 June 2020, the Group had $1,150 million (30 June 2019: $500 million; 31 December 2019: $1,150 million) of US senior notes outstanding with $575 million (30 June 2019: $250 million; 31 December 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.

7. Cash and cash equivalents and borrowings - continued

The Group excludes the fair value movement on its loan notes from its definition of net debt (refer to Alternative Performance Measures in note 21), 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 30 June 2020 was $69.6 million (30 June 2019: $17.3 million loss; 31 December 2019: $13.4 million loss).

In June 2020, Signature LLC received a loan 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 loan expected to be received is $18.6 million; as at 30 June 2020, $9.8 million has been received ($1.0 million on 19 June 2020 and $8.8 million on 29 June 2020). The balance of the loan ($8.8 million) was received on 30 July 2020. The loan has an interest rate of 4% (1% Coupon and 3% PIK) and it is anticipated that it will be repaid in Q4 2020. The loan is guaranteed by Signature Aviation US Holdings Inc. The loan is accounted for at amortized cost.

All other borrowings are held at amortised cost.

8. Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated as follows and reflects aggregated CGUs for the purposes of allocating goodwill:

	As at 30 June 2020 $m	As at 30 June 2019 $m	As at 31 December 2019 $m
Signature	1,105.3	1,193.1	1,111.1
Total Goodwill	1,105.3	1,193.1	1,111.1

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the six month period ending 30 June 2020, the group has identified the reduction in flying activity due to the ongoing COVID-19 pandemic as a potential indicator of impairment and have tested goodwill.

The Group has determined the recoverable amount of each CGU from value-in-use calculations. The value-in-use calculations are based on cash flow forecasts derived from the most recent budgets and detailed financial projections (reflecting the revised expectations as a result of the COVID-19 pandemic) for the next five years, as approved by management, with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate for the relevant CGU.

Key assumptions

The key assumptions for the value-in-use calculations are as follows:

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The Group has determined the recoverable amount of each CGU from value-in-use calculations. The value-in-use calculations are based on cash flow forecasts derived from the most recent budgets and detailed financial projections (reflecting the revised short term expectations as a result of the COVID-19 pandemic) for the next five years, as approved by management, with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate for the relevant CGU.

Sales volumes, selling prices and cost increases over the five years covered by management's detailed plans

Sales volumes are based on industry forecasts and management estimates for the businesses in which each CGU operates, including forecasts for Business & General Aviation (B&GA) flying hours, aircraft engine cycles and military spending. Selling prices and cost increases are based on past experience and management expectations of future changes in the market adjusted to take into account the impact of the COVID-19 pandemic. Cost inflation of 3% has been applied to administration costs.

Signature operates in the B&GA market. Signature is the world's largest and market-leading Fixed Base Operation (FBO) network for business aviation providing full services support for B&GA travel, focused on passenger handling and customer amenities such as refuelling, hangar and office rentals, and other technical services. In B&GA, growth is measured principally in relation to B&GA flying hours. Over the longer term, the key drivers for B&GA remain intact – continued growth in GDP and total wealth, the increasing value of people's time, corporate confidence and corporate activity levels all point to improving sentiment.

8. Goodwill - continued

Growth rates used for the periods beyond those covered by management's detailed plans

Growth rates are derived from management's estimates, which take into account the long-term nature of the industry in which each CGU operates, external industry forecasts of long-term growth in the aerospace and defence sectors, the maturity of the platforms supplied by the CGU and the technological content of the CGU's products.

For the purpose of impairment testing, a conservative approach has been used and where the derived rate is higher than the long-term GDP growth rates for the countries in which the CGU operates, the latter has been used. As a result, an estimated long-term growth rate of 1.9% (2019: 1.9%) has been used for Signature which reflects forecast long-term US GDP growth.

Discount rates applied to future cash flows

The Group's pre-tax weighted average cost of capital (WACC) has been used as the foundation for determining the discount rates to be applied. The WACC has then been adjusted to reflect risks specific to the CGU not already reflected in the future cash flows for that CGU. The discount rate used for the impairment review of Signature was 7.8% (2019: 8.0%).

Sensitivity analysis

Management has concluded that for these CGUs no reasonably foreseeable change in the key assumptions used in the impairment model would result in a significant impairment charge being recorded in the financial statements.

9. Government Grants

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

	6 months ended 30 June 2020 $m	6 months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Received during the period	50.0	-	-
Income statement			
Released to the statement of profit and loss	4.9	-	-
	4.9	-	-
Balance sheet	As at 30 June 2020 $m	As at 30 June 2019 $m	As at 31 December 2019 $m
Deferred income			
Current	45.1	-	-
Non-current	-	-	-
	45.1	-	-

In April 2020 Signature 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 will be used solely to fund the payroll for US employees.

The total amount of the CARES Act grant awarded to Signature LLC was $61.2 million, $50.0 million of the grant was received before 30 June 2020. The rest, $11.2 million, was received on 30 July 2020.

In the six month period to 30 June 2020, $4.9 million (this is the amount of US employee payroll salaries and benefits incurred between 19 June and 30 June 2020 that is eligible to be offset against the CARES Act grant) of the Grant had been offset against payroll costs. The remaining $45.1 million of the CARES Act grant that has not been off set against eligible payroll costs is shown in current deferred income on the balance sheet.

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

10. Lease liabilities

Information presented in this note is in respect of the financial period ended 30 June 2020 in accordance with IFRS 16.

Signature Aviation holds property and equipment under leasing arrangements that are recognised as right of use assets and lease liabilities, with remaining lease terms ranging up to 88 years in duration. The majority of the lease liability relates to long-term leases on Signature's FBO network.

10. Lease liabilities - continued

A maturity analysis of lease liabilities for continuing operations is set out below:

	Minimum lease payments			Present value of minimum lease payments		
	Six months ended 30 June 2020 $m	Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m	Six months ended 30 June 2020 $m	Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Amounts payable under lease liabilities						
Within one year	120.7	128.0	126.2	49.6	57.9	53.0
In the second to fifth years inclusive	428.7	444.5	445.7	169.9	192.8	180.0
More than five years	1,762.7	1,700.9	1,818.5	922.5	881.1	948.8
	2,312.1	2,273.4	2,390.4	1,142.0	1,131.8	1,181.8
Less: Future finance charges	(1,170.1)	(1,141.6)	(1,208.6)	–	–	–
Present value of lease obligations	1,142.0	1,131.8	1,181.8	1,142.0	1,131.8	1,181.8
Less: Amount due for settlement within 12 months (shown within current liabilities)	(49.6)	(57.9)	(53.0)	(49.6)	(57.9)	(53.0)
Amount due for settlement after 12 months	1,092.4	1,073.9	1,128.8	1,092.4	1,073.9	1,128.8

11. Financial instruments

Categories of financial instruments

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

	As at 30 June 2020 Carrying value $m	As at 30 June 2019 Carrying value $m	As at 31 December 2019 Carrying value $m
Financial assets			
Fair value through profit or loss – foreign exchange contracts[1]	1.8	0.3	0.1
Derivative instruments held in fair value hedges[2]	68.7	22.1	17.6
Derivative instruments held in cash flow hedges	–	2.1	0.3
Assets classified as financial instruments fair valued through other comprehensive income (FVTOCI)	–	3.2	–
Loans and receivables (including cash and cash equivalents)[3,4,5]	295.1	293.0	269.7
	365.6	320.7	287.7
Financial liabilities			
Fair value through profit or loss – foreign exchange contracts[1]	(0.1)	(0.4)	(4.3)
Derivative instruments held in fair value hedges[2]	–	–	(3.9)
Derivative instruments held in cash flow hedges	(0.3)	(3.3)	–
Financial liabilities at amortised cost[4,6]	(1,905.3)	(1,213.5)	(1,943.2)
Financial liabilities at fair value	(636.4)	(547.9)	(579.6)
	(2,542.1)	(1,765.1)	(2,531.0)

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

[2] Derivative instruments held in fair value hedges are designated in formal hedging relationships and are used to hedge the change in fair value of fixed rate US dollar borrowings.

[3] Recoveries from third parties in respect of environmental and other liabilities totalling $4.8 million (30 June 2019: $5.4 million; 31 December 2019: $4.4 million) are included within trade and other receivables.

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

[5] Financial assets at amortised cost consist of cash and cash equivalents, trade receivables and other financial assets.

[6] Financial liabilities at amortised cost consist of borrowings, lease liabilities and trade payables.

11. Financial instruments – continued

Fair value of financial assets and financial liabilities

Materially all of the Group's financial assets and financial liabilities represent level 1 and level 2 of the fair value hierarchy. Level 1 of the fair value hierarchy is where the input to the fair value measurement is determined by reference to a quoted price in an active market and level 2 is where the input to the fair value measurement is based on inputs that are observable for the asset or liability, either directly or indirectly.

Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are as at the balance sheet date, and will not necessarily be the amount that are realised. Non-interest bearing financial instruments, which included amounts receivable from customers and accounts payable, are measured at amortised cost which, due to the short-term maturity, approximate to fair value. The carrying values and fair values of the Group's non-derivative financial assets and financial liabilities (excluding current assets and current liabilities) approximate to fair values due to their short-term nature.

The fair value of the US senior notes is determined by reference to quoted prices for each of the instruments. The fair value of the bank loans and senior loan notes are considered to be materially the same as the amortised cost of the instruments.

Derivative financial instruments

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

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

	As at 30 June 2020		As at 30 June 2019		As at 31 December 2019	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Derivative financial assets	$m	$m	$m	$m	$m	$m
Cash flow hedges						
Interest rate swaps	–	–	(284.9)	1.1	–	–
Foreign exchange forward contracts	(5.9)	–	12.3	1.0	(12.9)	0.3
Fair value hedges						
Interest rate swaps	(575.0)	68.7	(530.0)	22.1	(250.0)	17.6
Derivatives not in a formal hedging relationship						
Foreign exchange forward contracts	117.0	1.8	85.9	0.3	17.5	0.1
	(463.9)	70.5	(716.7)	24.5	(245.4)	18.0

	As at 30 June 2020		As at 30 June 2019		As at 31 December 2019	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Derivative financial liabilities	$m	$m	$m	$m	$m	$m
Cash flow hedges						
Foreign exchange forward contracts	(4.6)	(0.3)	(73.0)	(3.3)	(2.4)	–
Fair value hedges						
Interest rate swaps	–	–	–	–	(325.0)	(3.9)
Derivatives not in a formal hedging relationship						
Foreign exchange forward contracts	17.0	(0.1)	162.4	(0.4)	258.2	(4.3)
	12.4	(0.4)	89.4	(3.7)	(69.2)	(8.2)

In determining the fair values of derivatives, we have considered the effects of credit risk by calculating a debit valuation adjustment (DVA) or credit valuation adjustment (CVA) and, for the current period, have included a CVA adjustment of $1.2m in the fair value measurement of interest rate swaps. These adjustments were immaterial in the prior periods.

12. Net cash flow from operating activities

	Six months ended 30 June 2020 $m	Restated Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Operating profit	15.6	109.1	204.9
Operating profit from ERO discontinued operations (note 18)	21.0	24.9	52.8
Operating profit from Ontic discontinued operations (note 18)	-	22.0	55.0
Less: Share of profit from associates and joint ventures	(1.7)	(1.6)	(4.1)
Profit from operations	34.9	154.4	308.6
Depreciation of property, plant and equipment	34.3	34.4	67.8
Depreciation of right of use assets	42.2	44.2	89.7
Amortisation of intangible assets	40.3	53.3	95.3
Loss/(profit) on sale of property, plant and equipment	1.1	(0.3)	0.7
Share-based payment expense	2.9	4.8	8.6
Decrease in provisions	(1.3)	(0.7)	(2.5)
Pension scheme payments	(1.5)	(2.3)	(8.0)
Other non-cash items	6.6	11.7	19.2
Unrealised foreign exchange movements	-	(0.8)	(0.4)
Operating cash inflows before movements in working capital	159.5	298.7	579.0
Increase in working capital	(54.1)	(2.4)	(70.3)
Cash generated by operations	105.4	296.3	508.7
Net income taxes paid	(1.5)	(23.0)	(41.7)
Net cash from operating activities	103.9	273.3	467.0
Dividends received from associates and joint ventures	2.2	2.9	3.2
Purchase of property, plant and equipment	(31.4)	(34.9)	(68.4)
Purchase of intangible assets[1]	(6.0)	(6.2)	(11.1)
Proceeds from disposal of property, plant and equipment	-	3.6	5.1
Interest received	0.3	0.3	4.4
Interest received on sublease assets	0.8	0.9	1.8
Receipt of capital element of sublease assets	1.4	1.3	2.7
Interest paid	(26.5)	(38.7)	(71.5)
Interest paid on lease liabilities	(38.6)	(37.2)	(76.2)
Payments of lease liabilities	(31.0)	(36.1)	(69.8)
Free cash flow[2]	(24.9)	129.2	187.2

[1] In the prior periods purchase of intangible assets excludes amounts paid in relation to Ontic licenses (30 June 2019: $1.0 million; 31 December 2019 $1.1 million) not accounted for as acquisitions under IFRS 3 since the directors believe these payments are more akin to expenditure in relation to acquisitions, and are therefore outside the Group's definition of free cash flow. These amounts are included within purchase of intangible assets on the face of the Cash Flow Statement.
[2] There is no IFRS 16 impact on free cash flow as a result of adopting IFRS 16.

13. Analysis of changes in net debt

As at 30 June 2020

	At 1 January 2020	Cash (inflow)/ outflow[1]	Fair value movements	Foreign exchange movements	Amortisation costs	Net acquisitions and disposals	New Lease's and modification's	Transfer to (assets)/ liabilities held for sale	At 30 June 2020
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Bank loans	5.0	(79.0)	–	–	0.1	–	–	–	(73.9)
US senior notes[3]	(1,145.7)	–	(56.2)	–	(1.2)	–	–	–	(1,203.1)
Other loans	(0.3)	(9.8)	–	–	–	–	–	–	(10.1)
Arising from financing activities	(1,141.0)	(88.8)	(56.2)	–	(1.1)	–	–	–	(1,287.1)
Cash and cash equivalents	113.2	80.9	–	(3.4)	–	–	–	–	190.7
Net debt per Balance Sheet excluding lease liabilities[4]	(1,027.8)	(7.9)	(56.2)	(3.4)	(1.1)	–	–	–	(1,096.4)
Lease liabilities	(1,181.8)	26.9	–	5.8	–	7.1	–	–	(1,142.0)
Net debt per Balance Sheet including lease liabilities[2,3,5]	(2,209.6)	19.0	(56.2)	2.4	(1.1)	7.1	–	–	(2,238.4)
Less fair value adjustments	13.4	–	56.2	–	–	–	–	–	69.6
Net debt classified as held for sale[6]	(54.5)	4.7	–	0.1	–	–	–	–	(49.7)
Net debt per Cash Flow[2,3,5]	(2,250.7)	23.7	–	2.5	(1.1)	7.1	–	–	(2,218.5)

As at 30 June 2019

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

13. Analysis of changes in net debt - continued

As at 31 December 2019

	At 1 January 2019 $m	Adoption of IFRS 16 $m	Cash (inflow)/ outflow[1] $m	Fair value movements $m	Foreign exchange movements $m	Amortisation costs $m	New Lease's and modification's $m	Net acquisitions and disposals $m	Transfer to (assets)/ and liabilities held for sale $m	At 31 December 2019 $m
Bank loans	(565.3)	–	572.0	–	–	(1.7)	–	–	–	5.0
US private placement senior notes[2]	(376.8)	–	380.0	(2.1)	–	(1.1)	–	–	–	–
US senior notes[3]	(494.2)	–	(641.7)	(9.4)	–	(0.4)	–	–	–	(1,145.7)
Other loans	(0.3)	–	–	–	–	–	–	–	–	(0.3)
Bank overdraft	(1.5)	–	1.5	–	–	–	–	–	–	–
Lease liabilities for covenants[4]	(4.3)	–	–	–	–	–	–	–	4.3	–
Arising from financing activities	(1,442.4)	–	311.8	(11.5)	–	(3.2)	–	–	4.3	(1,141.0)
Cash and cash equivalents	109.3	–	9.9	–	1.2	–	–	–	(7.2)	113.2
Net debt per Balance Sheet excluding lease liabilities [4]	(1,333.1)	–	321.7	(11.5)	1.2	(3,2)	–	–	(2.9)	(1,027.8)
Lease liabilities	–	(1,122.8)	59.6	–	(3.8)	–	(99.9)	(10.6)	(4.3)	(1,181.8)
Net debt per Balance Sheet including lease liabilities[2,3,5]	(1,333.1)	(1,122.8)	381.3	(11.5)	(2.6)	(3,2)	(99.9)	(10.6)	(7.2)	(2,209.6)
Less fair value adjustments	1.9	–	–	11.5	–	–	–	–	–	13.4
Net debt classified as held for sale[6]	(1.0)	(63.3)	13.5	–	(0.6)	–	(10.3)	–	7.2	(54.5)
Net debt related to disposal of businesses	–	(13.9)	0.9	–	–	–	–	13.0	–	–
Net debt per Cash Flow [2,3,5]	(1,332.2)	(1,200.0)	395.7	–	(3.2)	(3.2)	(110.2)	2.4	–	(2,250.7)

[1] The cash flows from bank loans, US private placement senior notes, US senior notes and other loans make up the net increase/(decrease) in loans in the cash flow statement, net of transaction costs.

[2] The US private placement debt was redeemed during second half of 2019. In the first half of 2019 the debt was shown at face value of $380 million, reflecting the intention to hold the debt until maturity.

[3] Within the Group's definition of net debt the senior notes are included at their face value of $1,150 million (30 June 2019: $500 million; 31 December 2019: $1,150 million) reflecting the fact that the liabilities will be in place until maturity. This is $69.6 million lower (30 June 2019: $17.3 million lower; 31 December 2019: $13.4 million lower) than its carrying value.

[4] In the second half of 2019 the net debt for covenant purposes definition changed to exclude all lease liabilities including the original IAS 17 leases. The incremental impact of adopting IFRS 16 in 2019 on the Group's total Net debt was an increase of $1,242.4 million in that year.

[5] All Alternative Performance Measures are reconciled to IFRS measures and explained in note 21, the Alternative Performance Measures section.

[6] The cash outflow within net debt classified as held for sale for the period ended 30 June 2020 includes $4.7 million payment of lease liabilities (30 June 2019: $3.0 million repayment of borrowings and $5.8 million payment of lease liabilities; 31 December 2019: $3.0 million repayment of borrowings and $10.5 million payment of lease liabilities).

14. Disposals

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 Gama Aviation LLC 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 8 equal bi-annual payments (with compounding monthly interest payments). There was a $1.9 million gain on the disposal.

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 6 months period to the 30 June 2020, a further gain on the Ontic disposal of $5.2 million was reported in exceptional and other items including a $2.5 million working capital cash receipt. (31 December 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.

15. Acquisitions

Prior period acquisitions

As disclosed in the 2019 Annual Report, Signature completed the acquisition IAM Jet Centre and its affiliated companies, supporting our strategy to upgrade the quality and reach of our global network by significantly expanding our footprint and service offer in the Caribbean. The transaction remains in the measurement period and the purchase price accounting will be finalised in the 2020 annual report. Further consideration of $0.5 million was received in May 2020 representing the final working capital adjustment.

No other measurement period adjustments have been made in the period. Further information in relation to the purchase price accounting for this acquisition is available in the 2019 annual report.

16. Related party transactions

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are detailed below.

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

	Sales of goods			Purchases of goods		
	Six months ended 30 June 2020	Restated[1] Six months ended 30 June 2019	Year ended 31 December 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	$m	$m	$m	$m	$m	$m
Associates and joint ventures	73.7	18.4	151.2	218.6	367.1	673.1

	Amounts owed by related parties			Amounts owed to related parties		
	Six months ended 30 June 2020	Restated[1] Six months ended 30 June 2019	Year ended 31 December 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	$m	$m	$m	$m	$m	$m
Associates and joint ventures	7.4	7.0	26.4	19.2	65.1	23.3

[1] For the 6 months ended 30 June 2019, sales of good and amounts owed by related parties have been restated to include transactions not previously captured with the Page Avjet Fuel Co LLC which is an associate of Signature PLC.

Purchases of goods principally relates to the purchase of aviation fuel including excise taxes. Purchases were made at market price, discounted to reflect the quantity of goods purchased. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

At the balance sheet date, Group companies had $7.4 million of loans receivable from associates and joint ventures (30 June 2019: $7.0 million; 31 December 2019: $26.4 million). The loans are unsecured and will be settled in cash. They were made on terms which reflect the relationships between the parties.

The Group has various pension and other post-retirement benefit schemes for its employees. Details are set out in note 17.

17. Pensions and other post-retirement benefits

The Group operates a number of plans worldwide, both of the defined benefit and defined contribution type. The defined benefit obligation at 30 June 2020 for the UK Income and Protection Plan (the "IPP" or "UK Plan") under IAS 19 is estimated based on the latest completed actuarial valuation as at 31 March 2018, with assumptions updated to reflect market conditions as at 30 June 2020 where appropriate.

The IPP closed to future accrual on 31 May 2016. The defined benefit plan assets have been updated to reflect their market value as at 30 June 2020. The Group's foreign retirement obligations relate to a number of arrangements in North America. Pension costs are calculated by independent qualified actuaries, using the projected unit method and assumptions appropriate to the arrangements in place.

As at 30 June 2020, the IAS 19 valuation of the IPP and US schemes, indicates a net deficit of $46.9 million (30 June 2019: $32.7 million; 31 December 2019: $38.0 million).

The actuarial valuation of the IPP as at 31 March 2018 was finalised on 27 June 2019 and revealed a funding deficit. The Group and the Trustees have agreed a schedule of deficit contributions to recover the valuation deficit.

As a result, the Group will make further deficit contributions payments to the IPP of £2.7 million per annum (paid quarterly) until March 2030.

During 2008, the Trustee of the IPP purchased from Legal & General Group plc ("L&G") an annuity to match the liabilities associated with pensioner members. On 29 February 2020 the Company extended the initial "buy-in" policy it has with L&G through the bulk purchase of an additional tranche of annuities to cover the remaining uninsured pensioners as at March 2019. Following the extension of the policy, almost 100% of the pensioner liabilities are now insured, with children's pensions and those retiring after March 2019 not insured.

As at 30 June 2020 using the IAS 19 basis the estimated liabilities for all insured pensioners was $406.7 million, including $100.4 million in respect of the additional tranche of buy-in implemented during the period. As with other annuity purchases the IPP has carried out, this is treated as a change in investment strategy and has been included in both the liability and asset figures as per the requirements of IAS 19.

18. Discontinued operations

ERO divestiture

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

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

Results of ERO discontinued operations

		Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Notes	Underlying[1] $m	Exceptional and other Items $m	Total $m	Underlying[1] $m	Exceptional and other Items $m	Total $m	Underlying[1] $m	Exceptional and other Items $m	Total $m
Revenue	2	260.4	–	260.4	265.4	–	265.4	538.3	–	538.3
Cost of sales		(220.6)	–	(220.6)	(218.8)	–	(218.8)	(440.9)	–	(440.9)
Gross profit		39.8	–	39.8	46.6	–	46.6	97.4	–	97.4
Distribution costs		(14.8)	–	(14.8)	(16.9)	–	(16.9)	(33.1)	–	(33.1)
Administrative expenses		(9.7)	–	(9.7)	(10.2)	–	(10.2)	(22.9)	–	(22.9)
Other operating income		–	–	–	–	–	–	–	–	–
Restructuring costs		–	–	–	–	–	–	–	–	–
Operating profit including internal Group charges		15.3	–	15.3	19.5	–	19.5	41.4	–	41.4
Elimination of internal Group charges		5.7	–	5.7	5.4	–	5.4	11.4	–	11.4
Operating profit	2	21.0	–	21.0	24.9	–	24.9	52.8	-	52.8
Transaction costs[3]		–	(1.5)	(1.5)	–	(0.9)	(0.9)	-	(2.8)	(2.8)
Finance costs[4]		(2.3)	–	(2.3)	(2.4)	–	(2.4)	(4.6)	-	(4.6)
Impairment and other charges on classification as held for sale		–	–	–	–	(31.8)	(31.8)	-	(124.7)	(124.7)
Profit/(loss) before tax		18.7	(1.5)	17.2	22.5	(32.7)	(10.2)	48.2	(127.5)	(79.3)
Tax (charge)/credit		(4.5)	0.5	(4.0)	(5.4)	0.2	(5.2)	(8.2)	23.3	15.1
Profit/(loss) for the period		14.2	(1.0)	13.2	17.1	(32.5)	(15.4)	40.0	(104.2)	(64.2)
Attributable to:										
Equity holders of Signature Aviation plc		14.2	(1.0)	13.2	17.1	(32.5)	(15.4)	40.0	(104.2)	(64.2)
Non-controlling interests		–	–	–	-	-	-	-	-	-
Profit/(loss) for the period		14.2	(1.0)	13.2	17.1	(32.5)	(15.4)	40.0	(104.2)	(64.2)
Earnings per share		Adjusted[1]		Unadjusted	Adjusted[1]		Unadjusted	Adjusted[1]		Unadjusted
Basic pre IFRS 16		1.3¢		1.2¢	1.3¢		(1.2)¢	3.9¢		(6.3)¢
Basic		1.7¢		1.6¢	1.6¢		(1.5)¢	3.9¢		(6.3)¢
Diluted pre IFRS 16		1.3¢		1.2¢	1.3¢		(1.2)¢	3.9¢		(6.3)¢
Diluted		1.7¢		1.6¢	1.7¢		(1.5)¢	3.9¢		(6.3)¢

[1] Underlying profit and adjusted earnings per share is stated before exceptional and other items.
[2] The impairment of $nil million (30 June 2019: $31.8 million; 31 December 2019: $124.7 million) reported in exceptional and other items represents impairment of net assets held for sale to fair value less costs to sell.
[3] Transaction costs of $1.5 million (30 June 2019: $0.9 million; 31 December 2019: $2.8 million) represents costs to sell incurred to date.
[4] Finance costs of $2.3 million (30 June 2019: $2.4 million; 31 December 2019: $4.6 million) includes $1.9 million of finance costs following the adoption of IFRS 16 (30 June 2019: $1.9 million; 31 December 2019: $4.4 million).

All Alternative Performance Measures are reconciled to IFRS measures and explained in Note 21, the Alternative Performance Measures section.

18. Discontinued operations - continued

Cash flows (used in)/from ERO discontinued operations

	Six months ended 30 June 2020 $m	Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Net cash (outflow)/inflow from operating activities	(15.3)	33.5	51.8
Net cash outflow from investing activities	(3.8)	(6.1)	(10.8)
Net cash outflow from financing activities	(6.8)	(20.3)	(20.0)
Net cash (outflow)/inflow for the period	(25.9)	7.1	21.0

[1] Net cash flows from operating activities in the period comprise operating profit $21.0 million (30 June 2019: $24.9 million; 31 December 2019: $52.8 million), transaction costs $1.5 million (30 June 2019: $0.3 million; 31 December 2019: $2.6 million), working capital outflow $33.7 million (30 June 2019: $8.8 million inflow; 31 December 2019: $2.6 million inflow), and tax paid $0.2 million (30 June 2019: $0.1 million paid; 31 December 2019: $0.2 million received) in relation to the discontinued operations.

Effect of the Disposal Group on the financial position of the Group as at 30 June 2020

	As at 30 June 2020 $m	As at 30 June 2019 $m	As at 31 December 2019 $m
Assets held for sale			
Non-current assets			
Other intangible assets	2.4	16.1	1.9
Property, plant and equipment	9.2	58.5	6.5
Right of use assets	48.4	71.2	48.6
	60.0	145.8	57.0
Current assets			
Inventories	153.8	158.7	167.0
Trade and other receivables	157.7	117.2	124.9
Cash and cash equivalents	9.2	9.1	9.2
	320.7	285.0	301.1
Total assets held for sale	380.7	430.8	358.1
Liabilities held for sale			
Current liabilities			
Trade and other payables	(109.6)	(117.6)	(114.3)
Lease liabilities	(9.3)	(9.3)	(9.3)
Provisions	(0.8)	(0.9)	(0.8)
	(119.7)	(127.8)	(124.4)
Non-current liabilities			
Other payables due after one year	(1.3)	(0.4)	(0.8)
Lease liabilities	(49.6)	(58.9)	(54.4)
Provisions	(0.9)	(0.9)	(0.9)
	(51.8)	(60.2)	(56.1)
Total liabilities held for sale	(171.5)	(188.0)	(180.5)
Net assets held for sale[1]	209.2	242.8	177.6

[1] The net assets of the ERO business held for sale as at 30 June 2020 exclude deferred tax liabilities of $17.8 million which have been recognised within the Group tax position (30 June 2019: deferred tax liabilities of $17.0 million, 31 December 2019: deferred tax liabilities of $18.7 million).

18. Discontinued operations - continued

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.

Results of Ontic discontinued operations

		Six months ended 30 June 2020			Restated Six months ended 30 June 2019			Year ended 31 December 2019		
	Notes	Underlying[1] $m	Exceptional and other Items $m	Total $m	Underlying[1] $m	Exceptional and other Items $m	Total $m	Underlying[1] $m	Exceptional and other Items $m	Total $m
Revenue	2	–	–	–	122.3	–	122.3	218.6	–	218.6
Cost of sales		–	–	–	(65.4)	–	(65.4)	(111.5)	–	(111.5)
Gross profit		–	–	–	56.9	–	56.9	107,1	–	107.1
Distribution costs		–	–	–	(0.6)	–	(0.6)	(0.6)	–	(0.6)
Administrative expenses		–	–	–	(24.6)	(10.7)	(35.3)	(41.9)	(12.5)	(54.4)
Other operating expenses		–	–	–	–	(0.9)	(0.9)	–	–	–
Restructuring costs		–	–	–	–	–	–	–	–	–
Operating profit/(loss) including internal Group charges		–	–	–	31.7	(11.6)	20.1	64.6	(12.5)	52.1
Elimination of internal Group charges		–	–	–	1.9	–	1.9	2.9	–	2.9
Operating profit/(loss)	2	–	–	–	33.6	(11.6)	22.0	67.5	(12.5)	55.0
Finance costs		–	–	–	(0.8)	–	(0.8)	(0.9)	–	(0.9)
Gain on disposal[2]		–	5.2	5.2	–	–	–	-	724.0	724.0
Profit/(loss) before tax		–	5.2	5.2	32.8	(11.6)	21.2	66.6	711.5	778.1
Tax (charge)/credit		–	(0.5)	(0.5)	(7.3)	2.6	(4.7)	(12.2)	(83.2)	(95.4)
Profit/(loss) for the period		–	4.7	4.7	25.5	(9.0)	16.5	54.4	628.3	682.7
Attributable to:										
Equity holders of Signature Aviation plc		–	4.7	4.7	25.5	(9.0)	16.5	54.4	628.3	682.7
Non-controlling interests		–	–	–	–	–	–	–	–	–
Profit/(loss) for the period		–	4.7	4.7	25.5	(9.0)	16.5	54.4	628.3	682.7

Earnings per share	Adjusted[1]	Unadjusted	Adjusted[1]	Unadjusted	Adjusted[1]	Unadjusted
Basic	–	0.6¢	2.5¢	1.6¢	5.4¢	67.5¢
Diluted	–	0.6¢	2.4¢	1.6¢	5.3¢	67.0¢

[1] Underlying profit and adjusted earnings per share is stated before exceptional and other items.
[2] In the current period, gain on disposal comprises $2.5 million of final working capital adjustment (31 December 2019: The gain on disposal of $724.0 million reported in exceptional and other items includes $40.0 million of transaction costs, $24.2 million recycling of translational differences accumulated in equity, and the gain/(loss) on disposal).

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

18. Discontinued operations - continued

Cash flows from/(used in) Ontic discontinued operations

	Six months ended 30 June 2020 $m	Restated Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Net cash inflow from operating activities	–	29.3	37.8
Net cash outflow from investing activities	–	(24.7)	(33.4)
Net cash outflow from financing activities	–	-	(2.3)
Net cash inflow for the period	–	4.6	2.1

[1] Net cash flows in the year comprise $nil million (30 June 2019: $31.8 million; 31 December 2019: $55.0 million) operating profit, $nil million (30 June 2019: $8.5 million; 31 December 2019: $31.7 million) outflow working capital movement, $nil million (30 June 2019: $0.1 million; 31 December 2019: $1.1 million) non-cash items and $nil million (30 June 2019: $0.1 million; 31 December 2019: $0.1 million) tax paid in relation to Ontic discontinued operations.

19. Share capital

Nominal value of shares

Ordinary share capital as at 30 June 2020 amounted to $510.6 million (30 June 2019: $510.0 million; 31 December 2019: $510.1 million).

Number of shares

The number of shares in issue as at 30 June 2020 was 839.6 million (30 June 2019: 1,048.2 million; 31 December 2019: 838.5 million).

Issue of share capital

During the period 1.1 million ordinary shares were issued to satisfy options exercised and the vesting of share awards under the Group's various share schemes (30 June 2019: 1.9 million; 31 December 2019: 1.9 million). The consideration for shares issued in respect of share options for the period ended 30 June 2020 was $0.5 million (30 June 2019: $0.7 million; 31 December 2019: $0.8 million).

Share consolidation

On 22 November 2019, the Company undertook a consolidation of existing ordinary shares on the basis of 4 ordinary shares with nominal value of $37\frac{17}{84}$ pence for every 5 existing ordinary shares.

20. Post balance sheet events

A precautionary covenant waiver on our Revolving Credit Facility (RCF) was agreed, waiving testing at 31 December 2020 and 30 June 2021. 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) 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 our RCF facility, our unsecured US bonds do not contain any financial covenants.

The third and final tranche of CAREs Act funding was received, being $11.2 million grant and $8.8 million additional loan.

The acquisition of TAG Aviation FBO SA was announced on 27 July 2020 and legally completed on 31 July 2020, comprising two FBOs in Switzerland.

21. Alternative performance measures

Introduction

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

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

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

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

Exceptional and other items

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

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

Exceptional and other items are disclosed and reconciled to the nearest GAAP measure in note 3 to the condensed consolidated Financial Statements.

21. Alternative performance measures - continued

Organic revenue growth

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

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

	Six months ended 30 June 2020 $m	Restated Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Revenue prior year (continuing operations)	1,140.4	926.3	2,131.3
Revenue prior year (ERO discontinued operations)	265.4	257.6	533.6
Revenue prior year (Ontic discontinued operations)	122.3	98.0	216.0
Reported revenue prior period (continuing and discontinued)	1,528.1	1,281.9	2,880.9
Rebase for foreign exchange movements[1]	(2.4)	(6.6)	(9.6)
Rebase for fuel price movements[2]	(127.9)	(10.7)	(71.8)
Rebase for disposals and discontinued operations[3] (note 18)	(395.6)	(355.6)	(754.3)
Rebase for leap year	4.1	–	–
Rebased comparative revenue	1,006.3	909.0	2,045.2
Reported revenue current period (continuing and discontinued)	963.1	1,528.1	3,017.4
Add: Impact of adopting IFRS 16 (continuing)	–	2.1	4.5
Less: Contribution from ERO discontinued operations	(260.4)	(265.4)	(538.3)
Less: Contribution from Ontic discontinued operations	–	(122.3)	(218.6)
Less: Contribution from acquisitions	(11.4)	(230.2)	(235.5)
Organic revenue	691.3	912.3	2,029.5
Organic revenue growth from continuing operations	(31.3)%	0.4%	(0.8%)

[1] Impact from foreign exchange is calculated based on the prior period revenue translated at the current year exchange rates.

[2] Impact from fuel price fluctuations is calculated based on the prior period revenue recognised at the current year fuel prices.

[3] Included within the rebase for disposals and discontinued operations is $4.2 million relating to closure of FBOs (30 June 2019: $nil million; 31 December 2019: $4.7 million).

21. Alternative performance measures - continued

Underlying operating profit and margin

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

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

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Total $m	Continuing $m	Discontinued $m	Total $m	Restated Continuing $m	Restated Discontinued $m	Total $m	Continuing $m	Discontinued $m
Operating profit	36.6	15.6	21.0	156.0	109.1	46.9	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	36.6	36.6	–	47.9	37.2	10.7	86.3	73.8	12.5
Amounts related to previously disposed businesses	2.7	2.7	–	10.4	10.4	–	36.5	36.5	–
Restructuring costs	8.2	8.2	–	1.4	1.4	–	5.6	5.6	–
Other exceptional items	–	–	–	1.0	0.1	0.9	–	–	–
Exceptional and other items	47.5	47.5	–	60.7	49.1	11.6	128.4	115.9	12.5
Underlying operating profit	84.1	63.1	21.0	216.7	158.2	58.5	441.1	320.8	120.3
Underlying operating margin	8.7%	9.0%	8.1%	14.2%	13.9%	15.0%	14.6%	14.2%	15.9%
IFRS 16 impact on operating profit									
Operating profit	36.6	15.6	21.0	156.0	109.1	46.9	312.7	204.9	107.8
Impact of IFRS 16	(29.5)	(23.2)	(6.3)	(26.7)	(20.7)	(6.0)	(57.3)	(44.4)	(12.9)
Operating profit/(loss) pre IFRS 16	7.1	(7.6)	14.7	129.3	88.4	40.9	255.4	160.5	94.9
Operating profit/(loss) pre IFRS 16 margin	0.7%	(1.1)%	5.6%	8.5%	7.8%	10.5%	8.5%	7.1%	12.5%
IFRS 16 impact on underlying operating profit									
Underlying operating profit	84.1	63.1	21.0	216.7	158.2	58.5	441.1	320.8	120.3
Impact of IFRS 16	(27.4)	(21.1)	(6.3)	(26.7)	(20.7)	(6.0)	(57.3)	(44.4)	(12.9)
Underlying operating profit pre IFRS 16	56.7	42.0	14.7	190.0	137.5	52.5	383.8	276.4	107.4
Underlying operating profit pre IFRS 16 margin	5.9%	6.0%	5.6%	12.4%	12.1%	13.5%	12.7%	12.2%	14.2%

21. Alternative performance measures - continued

EBITDA and underlying EBITDA

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

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

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

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Total $m	Continuing $m	Discontinued $m	Total $m	Restated Continuing $m	Restated Discontinued $m	Total $m	Continuing $m	Discontinued $m
(Loss)/profit for the period	(19.0)	(36.9)	17.9	31.4	30.3	1.1	659.5	41.0	618.5
Add: Finance costs	67.6	65.3	2.3	77.2	74.0	3.2	185.7	180.2	5.5
Less: Investment income	(0.9)	(0.9)	–	(1.2)	(1.2)	–	(11.2)	(11.2)	–
Add: Tax (credit)/charge	(10.3)	(14.8)	4.5	15.9	6.0	9.9	62.7	(17.6)	80.3
Add: Depreciation and amortisation	116.8	116.8	–	131.9	116.7	15.2	252.8	235.0	17.8
Add: Impairment and other charges	6.3	4.8	1.5	32.7	–	32.7	140.0	12.5	127.5
Less: Gain on disposal	(7.1)	(1.9)	(5.2)	–	–	–	(724.0)	–	(724.0)
EBITDA	153.4	132.4	21.0	287.9	225.8	62.1	565.5	439.9	125.6
Restructuring costs	8.2	8.2	–	1.4	1.4	–	5.6	5.6	–
Amounts related to previously disposed businesses	2.7	2.7	–	10.4	10.4	–	36.5	36.5	–
Other exceptional items	–	–	–	1.0	0.1	0.9	–	–	–
Underlying EBITDA	164.3	143.3	21.0	300.7	237.7	63.0	607.6	482.0	125.6

The following tables summarises the impact of adopting IFRS 16 on the Group's profit/(loss) for the period, EBITDA and underlying EBITDA for the period ended 30 June 2020.

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Total $m	Continuing $m	Discontinued $m	Total $m	Restated Continuing $m	Restated Discontinued $m	Total $m	Continuing $m	Discontinued $m
IFRS 16 impact on profit/(loss) for the period									
Profit/(loss) for the period	(19.0)	(36.9)	17.9	31.4	30.3	1.1	659.5	41.0	618.5
Impact of IFRS 16	6.2	9.5	(3.3)	7.1	9.9	(2.8)	30.3	19.1	11.2
Profit/(loss) for the period pre IFRS 16	(12.8)	(27.4)	14.6	38.5	40.2	(1.7)	689.8	60.1	629.7
IFRS 16 impact on EBITDA									
EBITDA	153.4	132.4	21.0	287.9	225.8	62.1	565.5	439.9	125.6
Impact of IFRS 16	(69.5)	(63.3)	(6.2)	(70.9)	(64.0)	(6.9)	(147.0)	(133.3)	(13.7)
EBITDA pre IFRS 16	83.9	69.1	14.8	217.0	161.8	55.2	418.5	306.6	111.9
IFRS 16 impact on underlying EBITDA									
Underlying EBITDA	164.3	143.3	21.0	300.7	237.7	63.0	607.6	482.0	125.6
Impact of IFRS 16	(69.5)	(63.3)	(6.2)	(70.9)	(64.0)	(6.9)	(147.0)	(133.3)	(13.7)
Underlying EBITDA pre IFRS 16	94.8	80.0	14.8	229.8	173.7	56.1	460.6	348.7	111.9

21. Alternative performance measures - continued

Underlying profit before tax

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

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

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Total $m	Continuing $m	Discontinued $m	Total $m	Restated Continuing $m	Restated Discontinued $m	Total $m	Continuing $m	Discontinued $m
(Loss)/profit before tax	(29.3)	(51.7)	22.4	47.3	36.3	11.0	722.2	23.4	698.8
Exceptional and other items excluding tax effect	46.7	50.4	(3.7)	93.4	49.1	44.3	(430.2)	153.8	(584.0)
Underlying profit/(loss) before tax	17.4	(1.3)	18.7	140.7	85.4	55.3	292.0	177.2	114.8

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

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Total $m	Continuing $m	Discontinued $m	Total $m	Restated Continuing $m	Restated Discontinued $m	Total $m	Continuing $m	Discontinued $m
IFRS 16 impact on profit/(loss) before tax									
(Loss)/profit before tax	(29.3)	(51.7)	22.4	47.3	36.3	11.0	722.2	23.4	698.8
Impact of IFRS 16[1]	10.4	14.8	(4.4)	9.5	13.5	(4.0)	17.3	25.8	(8.5)
Profit/(loss) before tax pre IFRS 16	(18.9)	(36.9)	18.0	56.8	49.8	7.0	739.5	49.2	690.3

[1] For the year ended 31 December 2019, in addition to the application of IFRS 16 which has an impact of $(8.5) million we have recognised $22.7 million for the impairment of the right of use asset as part of our ERO discontinued operations.

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Total $m	Continuing $m	Discontinued $m	Total $m	Restated Continuing $m	Restated Discontinued $m	Total $m	Continuing $m	Discontinued $m
IFRS 16 impact on underlying profit/(loss) before tax									
Underlying profit before tax	17.4	(1.3)	18.7	140.7	85.4	55.3	292.0	177.2	114.8
Impact of IFRS 16[1]	10.4	14.8	(4.4)	9.5	13.5	(4.0)	17.3	25.8	(8.5)
Underlying profit before tax pre IFRS 16	27.8	13.5	14.3	150.2	98.9	51.3	309.3	203.0	106.3

21. Alternative performance measures - continued

Underlying deferred tax

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

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

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Total $m	Continuing $m	Discontinued $m	Total $m	Restated Continuing $m	Restated Discontinued $m	Total $m	Continuing $m	Discontinued $m
Total deferred tax (credit)/charge	(8.3)	(11.6)	3.3	(2.7)	2.5	(5.2)	(68.1)	(30.2)	(37.9)
Adjust for exceptional deferred tax credit	8.1	8.1	-	13.6	11.4	2.2	64.4	22.2	42.2
Impact of IFRS 16	6.8	7.9	(1.1)	1.8	2.9	(1.1)	9.4	6.4	3.0
Underlying deferred tax charge/(credit) pre IFRS 16	6.6	4.4	2.2	12.7	16.8	(4.1)	5.7	(1.6)	7.3

Cash basic and diluted earnings per ordinary share

As set out in note 6, the adjusted basic and diluted earnings per ordinary share are calculated using the adjusted basic and diluted earnings.

A reconciliation from the basic and diluted earnings per ordinary share, the most directly comparable IFRS measure, to the cash basic and diluted earnings per ordinary share is set out below.

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Total ¢	Continuing ¢	Discontinued ¢	Total ¢	Restated Continuing ¢	Restated Discontinued ¢	Total ¢	Continuing ¢	Discontinued ¢
Basic earnings per share pre IFRS 16	(1.6)	(3.4)	1.8	3.7	3.9	(0.2)	68.2	5.9	62.3
Adjustments for adjusted measure	5.1	5.3	(0.2)	8.9	4.8	4.1	(40.8)	12.1	(52.9)
Cash basic earnings per share pre IFRS 16	3.5	1.9	1.6	12.6	8.7	3.9	27.4	18.0	9.4
Diluted earnings per share pre IFRS 16	(1.5)	(3.3)	1.8	3.7	3.9	(0.2)	67.6	5.9	61.7
Adjustments for adjusted measure	4.9	5.1	(0.2)	8.8	4.7	4.1	(40.4)	12.0	(52.4)
Cash diluted earnings per share pre IFRS 16	3.4	1.8	1.6	12.5	8.6	3.9	27.2	17.9	9.3

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.

	Continuing			Total		
	Six months ended 30 June 2020 $m	Restated Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m	Six months ended 30 June 2020 $m	Six months ended 30 June 2019 $m	Year ended 31 December 2019 $m
Adjusted earnings for adjusted earnings per share	1.5	67.1	164.7	15.7	109.7	259.1
Impact of adopting IFRS 16 on basic earnings	9.5	7.1	19.1	6.2	7.1	30.3
Impact of adopting IFRS 16 on exceptional and other items	–	–	–	–	–	(17.6)
Adjusted earnings for adjusted pre IFRS 16 earnings per share	11.0	74.2	183.8	21.9	116.8	271.8
Underlying deferred tax	4.4	16.8	(1.6)	6.6	12.7	5.7
Adjusted earnings for cash earnings per share	15.4	91.0	182.2	28.5	129.5	277.5

21. Alternative performance measures - continued

Return on invested capital (ROIC)

Measuring ROIC ensures the Group is focused on efficient use of assets, with the target of operating returns generated across the cycle exceeding the cost of holding the assets.

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

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

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

	Six months ended 30 June 2020 Total $m	Six months ended 30 June 2020 Continuing $m	Six months ended 30 June 2020 Discontinued [1] $m	Six months ended 30 June 2019 Total $m	Year ended 31 December 2019 Total $m
Underlying operating profit	84.1	63.1	21.0		441.1
Underlying operating profit prior period six months ended December	224.4	162.5	61.9		–
Adjustments for FX	–	(0.2)	0.2		0.3
Underlying operating profit for ROIC	308.5	225.4	83.1		441.4
Impact of IFRS 16	(57.9)	(44.8)	(13.1)		(57.3)
Underlying operating profit pre IFRS 16	250.6	180.6	70.0	384.7	384.1
Adjustments for FX	0.1	–	0.1	(0.3)	0.1
Underlying operating profit for ROIC pre IFRS 16	250.7	180.6	70.1	384.4	384.2
Net assets	1,570.7	1,361.5	209.2	1,865.7	1,606.1
Adjustments for FX and averaging[2]	271.9	97.7	174.2	69.6	405.0
Net assets for ROIC	1,842.6	1,459.2	383.4	1,935.3	2,011.1
Add back impact of IFRS 16	28.9	19.0	9.9	1.8	25.4
Adjustments for FX and averaging	(10.5)	(4.8)	(5.7)	–	(20.7)
Net assets for ROIC pre IFRS 16	1,861.0	1,473.4	387.6	1,937.1	2,015.8
Borrowings	(1,287.1)	(1,287.1)	–	(1,486.2)	(1,141.0)
Lease liabilities	(1,200.9)	(1,142.0)	(58.9)	(1,200.0)	(1,245.5)
Cash and cash equivalents	199.9	190.7	9.2	125.8	122.4
Adjustments for FX and averaging	(31.1)	(23.4)	(7.7)	(59.3)	(178.9)
Less net debt for ROIC	(2,319.2)	(2,261.8)	(57.4)	(2,619.7)	(2,443.0)
Add back Lease liabilities recognised under IFRS 16	1,198.4	1,139.5	58.9	1,196.2	1,242.3
Adjustments for FX and averaging	8.3	(0.4)	8.7	–	(48.9)
Less net debt for ROIC pre IFRS 16	(1,112.5)	(1,122.7)	10.2	(1,423.5)	(1,249.6)
Invested capital for ROIC	4,161.8	3,721.0	440.8		4,454.1
ROIC (%)	7.4%	6.1%	18.9%		9.9%
Invested capital for ROIC pre IFRS 16	2,973.5	2,596.1	377.4	3,360.6	3,265.4
ROIC pre IFRS 16 (%)	8.4%	7.0%	18.6%	11.4%	11.8%

[1] ROIC for discontinued operations has been calculated excluding $5.7 million of support costs borne by the continuing Group (30 June 2019: $7.3 million, 31 December 2019: $14.3million).
[2] Averaging adjustments are calculated on average net assets which included Ontic up to 31 October 2019.

21. Alternative performance measures - continued

Operating cash flow

Operating cash flow is one of the Group's Key Performance Indicators by which our financial performance is measured. Operating cash flow is defined as the aggregate of cash generated by operations, purchase of property, plant and equipment, purchase of intangible assets less Ontic licences not accounted for under IFRS 3, and proceeds from disposal of property, plant and equipment.

Operating cash flow is primarily an overall operational performance measure. However, we also believe it is an important indicator of our liquidity.

Operating cash flow reflects the cash we generate from operations after net capital expenditure which is a significant ongoing cash outflow associated with investing in our infrastructure. In addition, operating cash flow excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends, share buy-backs, acquisitions and disposals, financing costs, tax payments, dividends from associates and the repayment and raising of debt. Operating cash flow is not a measure of the funds that are available for distribution to shareholders.

A reconciliation from Group net cash flow from operating activities, the most directly comparable IFRS measure, to adjusted operating cash flow, is set out below.

	Six months ended 30 June 2020 Total $m	Six months ended 30 June 2019 Total $m	Year ended 31 December 2019 Total $m
Net cash flow from operating activities	103.9	273.3	467.0
Less: purchase of property, plant and equipment	(31.4)	(34.9)	(68.4)
Less: purchase of intangible assets	(6.0)	(7.2)	(12.2)
Add: income tax paid	1.5	23.0	41.7
Add: Ontic licences not accounted for under IFRS 3	-	1.0	1.1
Add: proceeds from disposal of property, plant and equipment	-	3.6	5.1
Operating cash flow	68.0	258.8	434.3
Impact on Net cash flow from operating activities pre IFRS 16			
Net cash flow from operating activities	103.9	273.3	467.0
IFRS 16 impact	(67.2)	(70.6)	(141.6)
Net cash flow from operating activities pre IFRS 16	36.7	202.7	325.4
Impact on Operating cash flow by pre IFRS 16			
Operating cash flow	68.0	258.8	434.3
IFRS 16 impact	(67.2)	(70.6)	(141.6)
Operating cash flow pre IFRS 16	(0.8)	188.2	292.7

21. Alternative performance measures - continued

Free cash flow

Free cash flow represents the cash that a company is able to generate after spending the money required to maintain or expand its asset base. Free cash flow is set out in note 12 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.

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Total $m	Continuing $m	Discontinued $m	Total $m	Continuing $m	Discontinued $m	Total $m	Continuing $m	Discontinued $m
Reported borrowings	1,287.1	1,287.1	–	1,486.2	1,486.2	–	1,141.0	1,141.0	–
Amortisation costs	21.6	21.6	–	16.2	16.2	–	22.7	22.7	–
Fair value adjustment on US private placement senior notes	–	–	–	(5.8)	(5.8)	–	–	–	–
Fair value adjustment on US senior notes	(69.6)	(69.6)	–	(17.3)	(17.3)	–	(13.4)	(13.4)	–
Total principal of borrowings	1,239.1	1,239.1	–	1,479.3	1,479.3	–	1,150.3	1,150.3	–
Reported cash and cash equivalents	(199.9)	(190.7)	(9.2)	(125.8)	(116.7)	(9.1)	(122.4)	(113.2)	(9.2)
Total net principal of borrowings	1,039.2	1,048.4	(9.2)	1,353.5	1,362.6	(9.1)	1,027.9	1,037.1	(9.2)
Amortisation costs	(21.6)	(21.6)	–	(16.2)	(16.2)	–	(22.7)	(22.7)	–
Lease liabilities for covenants	–	–	–	3.8	3.8	–	–	–	–
Net debt per cash flow (excl lease liabilities)	1,017.6	1,026.8	(9.2)	1,341.1	1,350.2	(9.1)	1,005.2	1,014.4	(9.2)
FX - average rates adjustment	(0.2)	(0.2)	–	–	–	–	0.5	0.5	–
Net debt for covenants purpose	1,017.4	1,206.6	9.2	1,341.1	1,350.2	–	1,005.7	1,014.9	(9.2)
Lease liabilities	1,200.9	1,142.0	58.9	1,196.2	1,128.0	68.2	1,245.5	1,181.8	63.7
Net debt per Cash flow[1,2]	2,218.5	2,168.8	49.7	2,537.3	2,478.2	59.1	2,250.7	2,196.2	54.5

1 In the second half of 2019 the net debt definition changed to exclude all lease liabilities including the original IAS 17 leases of $3.1 million.
2 Net debt per cash flow is calculated by adding net debt per cash flow (excl leases liabilities) to lease liabilities.

22. Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Details of the principal risks the Group faces were set out on pages 42 – 44 of the annual report for the year ended 31 December 2019.

The directors' latest risk assessment process has considered both the specific consequences of COVID-19 on the business operations and its effect on the principal risks identified.
While the nature of the Group's principal risks and uncertainties are unchanged in substance, the pandemic has increased the magnitude and likelihood of certain risks including the existing pandemic risk and has highlighted the multi-faceted nature of the pandemic's impact over multiple risk areas.

The immediate impact of the pandemic on our operations was the significant reduction in flying activity, to which we acted swiftly to adjust our fuel supply chain requirements and best align labour levels to the reduced flight activity. In addition, action was taken to address our wider cost base beyond fuel and labour in areas such as airport rents and general overheads. These collective actions preserved the Group's liquidity. We remain confident in our ability to provide value creation in the long-term through the structural growth US B&GA market and have continued to invest in the business accordingly. While the full impact on the global economic environment from COVID-19 remains to be seen, the recovery in flight activity following the relaxation of stay at home measures enforced in the countries from which we operate is well advanced.
The impact on our employees, whose health and safety remain our primary concerns, has been significant both due to the actions to manage labour hours in the short term, to continue serving our customers throughout the pandemic and due to the increase in employees working at home. We have continued to focus on their wellbeing through increased communication and the development and implementation of clear operating standards for a pandemic environment as part of our Signature Assure program. In addition, we have launched our global General Manager in Training programme and continued the development of our diversity and inclusion focus.

The far-reaching and uncertain impact of the pandemic led the Group to take precautionary action to mitigate the risk of non-compliance with banking covenants by agreeing a covenant waiver with our relationship banks for the December 2020 and June 2021 testing periods. In agreeing the covenant waiver the Group has agreed to maintain minimum liquidity of $150 million, to be tested quarterly from December 2020 to September 2021.

The risks and uncertainties are summarised below:

- Structural changes in the global economic environment, or cycle fluctuations which drive down B&GA and commercial flying and military expenditure.
- Global terrorist events either in-flight, at or near major airports materially impacting global air travel.
- Legislative changes causing material increase to cost of B&GA flight relative to alternatives such as commercial flying, road or rail travel. Further legislative matters include the introduction of General Data Protection Regulation (GDPR) and the California Consumer Privacy Act.
- Ongoing competitor activity to replicate market position of Signature network on the field, coupled with the actions of airports on potential changes of FBO requirements.
- Ability to attract and retain high-quality and capable people at senior and mid-management levels.
- Potential liabilities from defects in services and products and associated warranty claims.
- Impact of a successful cyber-attack.
- Intentional or inadvertent non-compliance with company values and legislation, both within Signature Aviation and with trading partners, including non-adherence to legal competition requirements.
- Environmental exposures.
- Non-compliance with banking covenants caused by a tighter regulatory environment around sanctions compliance, which is a key condition of the Group's banking covenants.
- Changes in tax regulation in both the USA and EMEA could impact the Group's effective tax rate and cash tax liabilities.
- Potential fuel supply chain disruption, half of which is now through the EPIC business and delay in delivery or lack of availability of parts from multi-tiered supply chains operating across multiple countries.
- Major incident or site closure resulting from factors including safety. Pandemics, natural disasters, flood risks or other external actions.

This risks and uncertainties section should be read in conjunction with the rest of this statement as the effect of COVID-19 on the business is explained there and helps provide an understanding of the risks and opportunities facing the Group.

Independent Review Report to Signature Aviation plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the consolidated statement of changes in equity, and related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
7 September 2020