

**BBA Group PLC**  
**2005 Preliminary Results**  
**Results for the Full Year Ended**  
**31st December 2005**

For further information please contact:

Michael Harper, Chief Executive  
Andrew Wood, Finance Director  
**BBA GROUP PLC**

(020) 7514 3990  
(020) 7514 3950

Mike Smith or Lucie Anne Brailsford  
**BRUNSWICK**

(020) 7404 5959

BBA Group plc

Tuesday, 28<sup>th</sup> February 2006

**UNAUDITED PRELIMINARY RESULTS FOR YEAR ENDED 31<sup>st</sup> DECEMBER 2005**

**Financial highlights**

- Sales from continuing operations up 10% to £1,511 million (2004: £1,374 million)
  - Aviation up 9% to £892 million (5% excluding impact of fuel price increases)
  - Fiberweb up 12% to £619 million (8% excluding impact of higher raw material costs)
- Underlying operating profit\* from continuing operations up 2% to £130 million (2004: £127 million)
  - Aviation up 9% to £94 million, underlying operating margins maintained at 10.6% after absorbing impact of higher fuel prices which reduced margins by 0.5 percentage points
  - Fiberweb down 10% to £44 million after absorbing the impact of higher raw material costs of £12 million
- Operating profit from continuing operations £81 million (2004: £98 million)
- Underlying profit before tax down 6% to £108 million (2004: £115 million)
- Profit for the period up 11% to £75 million (2004: £68 million)
- Adjusted earnings per share (continuing operations) of 17.9p (2004: 18.3p)
- Basic earnings per share (continuing and discontinued operations) of 15.9p (2004: 14.3p)
- Free cash flow\*\* £86 million (2004: £60 million), strong second half performance
- Final dividend increased by 4.4% to 8.3p (2004: 7.95p) bringing dividend for the year to 11.8p (2004: 11.3p)

**Separation of Fiberweb**

On the 2<sup>nd</sup> November 2005, BBA announced that it was exploring the separation of Fiberweb, its non-wovens business, through demerger or sale. Having received a number of expressions of interest regarding a possible sale of Fiberweb, the Board is keeping this option open whilst now giving priority to preparing for the demerger of Fiberweb.

**Board Change and Succession**

BBA Group announces that Roy McGlone has stepped down as Group CEO by mutual agreement. Michael Harper, a non-executive Director of BBA Group since February last year and the former Chief Executive of Kidde Group, has agreed to be interim CEO until a permanent replacement is appointed.

Roberto Quarta, Chairman, said: "We thank Roy for his contribution over 10 years, first as Finance Director and then, from 2001, as Chief Executive. He has led the company successfully through some difficult times. However BBA is undergoing significant change. Both the Board and Roy believe it is the right time for Roy to step down as CEO of the company as it separates Fiberweb and concentrates on aviation services. Michael will lead the separation process before handing over to a long term successor."

Roberto Quarta, Chairman since 2001, will delay his planned retirement from the company until BBA separates Fiberweb and appoints a permanent CEO. He will be succeeded as Chairman by Michael Harper.

## **Acquisitions**

BBA Group announces the \$65 million cash acquisition of Ontic Engineering & Manufacturing, a leading global provider of parts, accessories and repair and overhaul services for the aviation industry. Ontic joins BBA Aviation Services Group's component repair, overhaul and distribution business. BBA also announces the acquisition of a new Signature location at La Quinta in California for £5 million.

## **Commenting on today's announcements, Michael Harper, BBA Group Chief Executive, said:**

"The Board continues to believe that BBA's Aviation business and Fiberweb would be better placed to pursue their individual strategies and operational development as individual entities. Having received a number of expressions of interest regarding a possible sale of Fiberweb, the Board is keeping this option open whilst now giving priority to preparing for the demerger of Fiberweb.

Both the Aviation and Fiberweb businesses are expected to continue to make progress during 2006. They are highly cash generative with good market positions globally and in a fragmented market there are many opportunities for the Group to explore. Today's announcement of the acquisitions of Ontic and La Quinta are a good example of these opportunities."

*\*Continuing operations before restructuring costs and other non-recurring items (see below).*

*\*\*See definitions below.*

## Preliminary Results

BBA Group PLC, the international aviation services company, announces its preliminary results for the twelve months ended 31st December 2005.

### FINANCIAL HIGHLIGHTS (unaudited)

£m (other than percentages and per share amounts in pence)

	2005	2004 <sup>(6)</sup>
<b>REVENUE</b>	<b>1,510.8</b>	1,373.8
<b>UNDERLYING OPERATING PROFIT <sup>(1)</sup></b>	<b>129.6</b>	127.1
<b>UNDERLYING OPERATING MARGIN <sup>(1)</sup></b>	<b>8.6%</b>	9.3%
<b>OPERATING PROFIT FROM CONTINUING OPERATIONS (Statutory)</b>	<b>81.3</b>	98.5
<b>NET INTEREST</b>	<b>(21.4)</b>	(11.9)
<b>UNDERLYING PROFIT BEFORE TAX <sup>(2)</sup></b>	<b>108.2</b>	115.2
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS (Statutory)</b>	<b>51.9</b>	64.3
<b>PROFIT FOR THE PERIOD (Statutory)</b>	<b>75.3</b>	67.9
<b>ADJUSTED EARNINGS PER SHARE (Continuing operations) <sup>(4)</sup></b>	<b>17.9p</b>	18.3p
<b>BASIC EARNINGS PER SHARE (Continuing and discontinued operations)</b>	<b>15.9p</b>	14.3p
<b>DIVIDENDS PER ORDINARY SHARE</b>	<b>11.8p</b>	11.3p
<b>FREE CASH FLOW <sup>(3)</sup></b>	<b>86.3</b>	60.0
<b>NET DEBT</b>	<b>(527.1)</b>	(511.6)
<b>NET DEBT TO EBITDA <sup>(5)</sup></b>	<b>2.6X</b>	2.5X

(1) Underlying operating profit being operating profit from continuing operations of £81.3m (2004: £98.5m) before restructuring costs and other non-recurring items of £(48.3)m (2004: £(28.6)m). This measure of earnings is shown because the directors consider that it gives a better indication of underlying performance.

(2) Underlying operating profit less net interest.

(3) Cash generated by operations of £183.7m (2004: £145.4m) plus dividends from associates of £0.4m (2004: £0.9m) less tax of £9.7m (2004: £13.0m), interest of £16.2m (2004: £13.5m), preference dividends of £1.9m (2004: £3.8m) and net capital expenditure of £70.0m (2004: £56.0m).

(4) Basic earnings per share of 15.9p (2004: 14.3p) adjusted to exclude the after-tax impact of restructuring costs, other non-recurring items and profit on disposal after tax of 2.4p (2004: 5.4p) and profit after tax from discontinued operations of (0.4)p (2004: (1.4)p).

(5) Operating profit (as defined in (1) above) before depreciation of £75.4m (2004: £74.5m).

(6) Prior year comparatives have been restated to reflect the transition to IFRS

Exchange rates used in the preparation of these results US\$ - Average \$1.82 (2004: \$1.83), Spot \$1.72 (2004: \$1.92); Euro – Average €1.46 (2004: €1.47), Spot €1.46 (2004: €1.41).

These definitions as outlined above and on page 1, are consistently applied throughout this preliminary announcement.

## **BBA Group PLC – Preliminary Results, 28<sup>th</sup> February 2006**

### **SEPARATION OF FIBERWEB**

On the 2<sup>nd</sup> November 2005, BBA announced that it was exploring the separation of Fiberweb, its non-wovens business, through demerger or sale. Having received a number of expressions of interest regarding a possible sale of Fiberweb, the Board is keeping this option open whilst now giving priority to preparing for the demerger of Fiberweb.

### **BOARD CHANGE AND SUCCESSION**

BBA Group announces that Roy McGlone has stepped down as Group CEO by mutual agreement. Michael Harper, a non-executive Director of BBA Group since February last year and the former Chief Executive of Kidde Group, has agreed to be interim CEO until a permanent replacement is appointed.

Roberto Quarta, Chairman since 2001, will delay his planned retirement from the company until BBA separates Fiberweb and appoints a permanent CEO. He will be succeeded as Chairman by Michael Harper.

### **ACQUISITION OF ONTIC**

BBA Group today announces the acquisition of Ontic Engineering & Manufacturing, a leading global provider of parts, accessories and repair and overhaul services for the aviation industry, for \$65 million in cash.

Ontic focuses exclusively on developing product licensing agreements with original equipment manufacturers (OEMs). Through these agreements it takes on full aftermarket supply and support responsibility for particular products or services.

Companies with which it has agreements include Honeywell, Hamilton Sundstrand, Goodrich, Woodward, Eaton, Moog, HR Textron and Parker Hannifin. The company's portfolio includes more than 3,500 top-level parts and assemblies used on a wide range of military, business and commercial aircraft. Annual turnover is around \$30 million with very attractive margins.

Ontic joins BBA Aviation Services Group's growing component repair, overhaul and distribution business which also includes International Turbine Service (ITS) Barrett Turbine Engine Company and International Governor Service (IGS).

### **PRELIMINARY RESULTS 2005**

Revenue for continuing operations increased by 10% to £1,510.8 million (2004: £1,373.8 million) with the effect of higher raw material and aviation fuel costs accounting for some 4% of the growth. Underlying operating profits increased by 2% to £129.6 million after absorbing additional raw materials costs in Fiberweb of £12 million. Underlying operating margins reduced to 8.6% (2004: 9.3%) due in particular to the increased raw material costs in Fiberweb and higher fuel costs in our Aviation businesses, which together reduced margins by just over 1 percentage point. Operating profits from continuing operations were £81.3 million (2004: £98.5 million), after recording restructuring and non-recurring items as described in note 8 to the preliminary statement.

The Group produced underlying profit before tax for continuing operations of £108.2 million (2004: £115.2 million) with higher interest costs (principally due to US\$ interest rates) which increased from £11.9 million in 2004 to £21.4 million in 2005. This was the main reason for the reduction in headline earnings. Adjusted earnings per share were 17.9 pence (2004: 18.3 pence). For the first time in many years movement in exchange rates had little impact on the comparison with the prior period with the average dollar rate ending the year at \$1.82 (2004: \$1.83) and the euro was €1.46 (2004: €1.47). Total profit for the period was £75.3 million (£67.9 million) with unadjusted earnings per share of 15.9 pence, up 11 % on the prior period.

Our free cash flow at £86.3 million recovered strongly in the second half of the year as anticipated and was some 44 % higher than the prior period (2004: £60.0 million). The improvement against the prior period reflected a working capital inflow of £14.2 million (2004: outflow £38.4 million), partially offset by higher capital expenditure of £73.3 million (2004: £61.7 million). We invested £28.0 million in acquisitions during the year to expand our business aviation network and to add to our parts distribution portfolio.

## **Aviation**

### **Airport Services**

Sales grew by 23% to £514.4 million driven in part by increased fuel prices. Underlying operating profits increased to £60.0 million from £50.1 million in the prior year, an increase of 20%. Operating margins were slightly lower at 11.7% (2004: 11.9%) impacted by increased fuel prices, which reduced underlying margins by 0.8%. Operating profits and margins were also impacted in the second half by a charge of £2.0 million in respect of a bad debt reserve for Northwest Airlines at ASIG, which went into Chapter 11 in September 2005, and by the settlement of a legal claim during the second half of the year.

In Signature (Business Aviation) we have continued to experience strong growth from the fractional operators with fuel volumes up almost 10% and in ASIG (Commercial Aviation) aircraft departures increased by 5.4%. We expect market conditions to remain strong in 2006 with growing demand for business aviation aircraft and continued growth in the Commercial market where we expect to benefit from the increasing trend in the major carriers to outsource non-core services.

We acquired four new Signature locations in the year and today we are announcing a further expansion of our network in the US with the acquisition of a new location at La Quinta in California for £4.9 million. Our base at Washington Reagan was reopened to business aviation traffic in October following its closure after September 11<sup>th</sup> 2001. We have made progress on our claim for compensation from the US government with the appropriation bill approved by the president in December 2005 and we now expect to receive a compensation payment during 2006.

In ASIG we have secured a new baggage handling contract with Disney World worth \$40 million over 5 years. We have also won a number of cargo handling contracts on the west coast of the USA worth over \$5 million per annum and have 6 new fuelling locations for United Airlines worth \$5 million per annum. Our Technical Services operations are being expanded and provide an increasing amount of Ground Support Equipment maintenance for Northwest Airlines at a number of locations. The Boker Aeroclean acquisition made at the end of 2004 has been fully integrated and the addition of Coronet Aviation Services in September has given us a good initial position in executive lounge services at London Heathrow. Operating margins at ASIG remain above 8%.

## **Maintenance, Repair and Overhaul**

Sales reduced by 6% to £377.1 million (2004: 401.6 million) although on an underlying basis sales were flat compared to the prior period. Underlying operating profits were £34.4 million (2004: £36.6 million) and operating margins were unchanged at 9.1% (2004: 9.1 %). As we enter 2006 we expect market conditions to improve and we are confident that results should show an improvement over 2005.

In Engine Repair, the market for Rolls Royce Spey/Tay engine overhauls became more competitive which was mostly offset by improving demand for Honeywell TFE 731. The new PW300/500 authorisations started to generate revenue in the second half of the year and an authorisation for Pratt and Whitney JT15D was secured for H&S, our business based in the UK. The Millville closure was completed, with all the operations transferred to our other two production facilities in the USA.

Our parts distribution businesses had a good year with strong demand in most sectors. IGS which was acquired in June is now fully integrated and is performing to expectations.

APPH our Landing Gear and Hydraulics business saw OEM demand increase with the upturn in the Aerospace cycle. On the 1<sup>st</sup> January 2006 APPH acquired Arnoni Aviation based in Houston Texas for an initial consideration of £2.8 million with additional deferred consideration of up to £1.1 million subject to performance. Arnoni specialises in the manufacture, overhaul and repair of components for the Hawker 125 series of aircraft and has annual sales of circa £7 million.

At Oxford Airport, training demand improved and the airport experienced increasing levels of business jet activity. We are planning to invest to increase hangar capacity and improve the runway.

Becorit, our rail braking business in Germany, continues to perform satisfactorily with profits broadly unchanged compared to the prior period.

## **Fiberweb**

Fiberweb revenue increased 12% to £619.3 million, of which 4% was due to the impact of higher raw material costs being passed on to customers. Underlying operating profits fell by £4.8 million to £43.8 million (2004: £48.6 million – restated for the disposal of Finotech) and underlying operating margins were 7.1% (2004: 8.8%). Significantly increased raw material costs, net of recovery through price increases, reduced underlying profits by approximately £12 million compared to the prior period.

Following high raw material costs at the start of the year there was some reduction by the half year and at the time of our interim announcement there was an expectation that prices could ease further through to the year end. In the event, the dual impact of rapidly rising oil prices and hurricane damage to the petrochemicals capacity on the US Gulf coast, led to tight supply conditions and record prices during the fourth quarter. Since the end of 2005, prices have eased somewhat although the outlook for the rest of the year remains uncertain. We continue to focus on a wide range of productivity initiatives to optimise yields and improve recycling.

A new management team was appointed in the summer and has revalidated the strategy for this division. Whilst the overall strategy remains unchanged, priorities have been clarified and

implementation accelerated. The emphasis will be on growth in the Industrial sector and the priority for Hygiene will be to reduce costs, become more efficient and add value by close cooperation with our longstanding customers to improve product design. To support this strategy capital expenditure increased to £32.8 million in 2005 (2004: £25.3 million) and is expected to rise to approximately £50 million in 2006.

In North America the closure of our Toronto site and the reconditioning and relocation of two production lines to Mexico and Berlin is on schedule to be completed in the summer of 2006. Full year savings are expected to be in the region of £5 million with cash pay back expected within 3 years. The Mexican site at Queretaro will enable Fiberweb to consolidate and expand in the Americas region, and the resulting 40% capacity increase in Berlin will allow Fiberweb to exploit further rapid growth in construction markets in Eastern Europe.

In the Industrial business, significant progress has been made in accelerating new product development. During 2005, Fiberweb housewrap sales grew by 20%, the sixth straight year of volume and value growth. The launches of products capable of protecting property by withstanding hurricane-force winds have generated significant interest in coastal areas of the US. In pool and spa filtration, where Fiberweb is the market leader, the launch of a biocide impregnated filter resulted from a real focus on the needs and concerns of the consumer. Further sales and marketing investment has been initiated in Brazil to accelerate the growth of industrial products in South America, and developing growth plans for industrial segments in Europe and Asia are priorities for 2006.

In the Hygiene business the focus has been on cost reduction and improving customer relationships. The authorisation of a major new spunbond line in Sweden, expected to be commissioned in early 2007, will increase quality and productivity in the European market. A number of collaborative development programmes with customers have demonstrated that product development continues to be a core strength and differentiator.

Fiberweb is continuing to progress a number of initiatives to expand its position in Asia and the Middle East and growth in these areas remains a strategic priority in the short to medium term.

## **Financial results**

Turnover from continuing operations at £1,510.8 million was 10% higher than the prior year (2004: £1,373.8 million) with the effect of higher raw material costs and aviation fuel prices accounting for some 4% of the growth.

Adjusted earnings per share on a continuing basis was 17.9p (2004: 18.3p). Basic earnings per share (continuing and discontinued operations) was 15.9p (2004: 14.3p).

Underlying operating profits increased by 2% to £129.6 million after absorbing additional raw materials costs in Fiberweb of £12 million. Operating margins reduced to 8.6% (2004: 9.3%) due in particular to the increased raw material costs in Fiberweb and higher fuel costs in our Aviation businesses, which together reduced margins by just over 1 percentage point.

Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA) were £205.0 million (2004: £201.6 million).

During the period, the Group disposed of its 40% interest in Finotech, a non-wovens joint venture in Germany. In the prior period, the Group closed a loss-making Fiberweb distribution

business in Japan. Before their closure or disposal these operations produced profit after tax of £1.9 million (2004: £6.4 million), which have been classified as discontinued operations. The net profit associated with the disposals and closures amounted to a profit of £21.5 million (Finotech profit £23.7 million) compared to a loss of £2.8 million in the prior period.

Restructuring costs and other non-recurring items amounted to £48.3 million (2004: £28.6 million) and details will be found in note 8 to the preliminary statement. Inclusive of tax on these items and the profit made on the disposal of Finotech and other discontinued businesses, total exceptional items amounted to £11.1 million (2004: £24.5 million).

The net interest charge of £21.4 million (2004: £11.9 million) included an IFRS reclassification of £2.3 million in respect of the preference dividend, which was not included in the prior period due to the transition arrangements of IAS32/39. The conversion of the preference shares to ordinary shares was completed in June 2005. The increase in the charge compared to the prior year, exclusive of IFRS adjustments, principally reflects higher average dollar interest rates. Interest cover was 6.1 times but 6.8 times excluding the impact of the non-recurring preference dividend adjustment (2004: 10.7 times).

Underlying profit before tax at £108.2 million was 6% lower than the prior year of £115.2 million although the comparison with the prior period is impacted by the charge in the current year of £2.3 million relating to the IAS32/39 adjustments, which accounts for 2% of the reduction compared with the prior year.

Total Profit for the period was £75.3 million (2004: £67.9 million) including the profit on disposal of businesses of £21.5 million (2004: loss £2.8 million).

The effective tax rate was 22% (2004: 25%) of the underlying profit before tax. The reduction in the rate reflects the release of a provision for a potential tax exposure in the UK, which was no longer required as the matter was cleared with the tax authorities during the year.

The Group produced positive free cash flow of £86.3 million (2004: £60.0 million). The increase from the prior year principally reflects a significantly improved working capital position (2005: inflow £14.2 million, 2004: outflow £38.4 million).

Capital expenditure increased to £73.3 million (2004: £61.7 million) and represents 1.0 times depreciation (2004: 0.8 times). Aviation expenditure amounted to £40.5 million (2004: £36.4 million) and Fiberweb £32.8 million (2004: £25.3 million). For 2006 we expect capital expenditure to increase to 1.2 times depreciation.

Net debt was £527.1 million (2004: £511.6 million) due to the impact of exchange rates on the translation of our dollar debt which added £76.6 million and a net cash inflow of £61.1 million in the period.

## **Dividend**

The Board recommends a final dividend of 8.3 pence (2004: 7.95 pence), bringing the total dividend for the year to 11.8 pence (2004: 11.3 pence). The dividend reflects the Board's confidence in the Group's outlook and its ability to deliver strong free cash flows in the future.

**Outlook**

Both the Aviation and Fiberweb businesses are expected to continue to make progress during 2006, and are highly cash generative with good market positions globally. Having received a number of expressions of interest regarding a possible sale of Fiberweb, the Board is keeping this option open whilst now giving priority to preparing for the demerger of Fiberweb. A further announcement will be made in due course.

**Roberto Quarta, Chairman**

**Michael Harper, Chief Executive**

28<sup>th</sup> February 2006

## Group income statement (unaudited)

for the year ended 31 December 2005

		Underlying	Note i	2005	2004
		£m	£m	Total	Total
				£m	£m
	<b>Continuing operations</b>				
<b>Revenue</b>	Revenue	1,510.8	-	1,510.8	1,373.8
	Cost of sales	(1,218.2)	(15.9)	(1,234.1)	(1,089.6)
	<b>Gross profit</b>	<b>292.6</b>	<b>(15.9)</b>	<b>276.7</b>	<b>284.2</b>
<b>Net operating costs</b>	Distribution costs	(65.7)	-	(65.7)	(64.0)
	Administrative expenses	(102.1)	(3.2)	(105.3)	(97.6)
	Other operating income	4.4	3.1	7.5	5.6
	Share of profit of associates	1.0	-	1.0	0.9
	Other operating expenses	(0.6)	(6.2)	(6.8)	(3.0)
	Restructuring costs	-	(24.8)	(24.8)	(22.7)
	Loss on disposal of businesses	-	(1.3)	(1.3)	(4.9)
<b>Operating profit</b>	<b>Operating profit from continuing operations</b>	<b>129.6</b>	<b>(48.3)</b>	<b>81.3</b>	<b>98.5</b>
	Investment income	35.8	-	35.8	31.3
	Finance costs	(57.2)	-	(57.2)	(43.2)
	<b>Profit before tax</b>	<b>108.2</b>	<b>(48.3)</b>	<b>59.9</b>	<b>86.6</b>
	Tax	(23.7)	15.7	(8.0)	(22.3)
	<b>Profit for the period from continuing operations</b>	<b>84.5</b>	<b>(32.6)</b>	<b>51.9</b>	<b>64.3</b>
<b>Discontinued operations</b>	Profit after tax from discontinued operations	1.9	-	1.9	6.4
	Profit/(loss) on disposal after tax	-	21.5	21.5	(2.8)
	<b>Profit for the period</b>	<b>86.4</b>	<b>(11.1)</b>	<b>75.3</b>	<b>67.9</b>
	<b>Attributable to:</b>				
	Equity holders of the parent	86.2	(11.1)	75.1	67.8
	Minority interest	0.2	-	0.2	0.1
		<b>86.4</b>	<b>(11.1)</b>	<b>75.3</b>	<b>67.9</b>
<b>Earnings per ordinary share</b>	<b>From continuing and discontinued operations</b>				
	Basic			15.9p	14.3p
	Diluted			15.8p	14.0p
	<b>From continuing operations</b>				
	Basic			11.0p	13.5p
	Diluted			10.9p	13.2p

Note i: Restructuring costs and non-recurring items as set out in Note 8.

## Group balance sheet (unaudited)

at 31 December 2005

		2005 £m	2004 £m
<b>Non-current assets</b>	<i>Intangible assets</i>		
	Goodwill	429.8	370.4
	Licenses & software	22.3	23.1
	Other intangible assets	2.2	2.6
	<i>Property, plant &amp; equipment</i>	746.4	713.2
	<i>Investments in associates</i>	18.4	33.4
	<i>Trade and other receivables</i>	14.2	18.8
		<b>1,233.3</b>	1,161.5
<b>Current assets</b>	Inventories	234.2	219.3
	Trade and other receivables	294.2	336.9
	Cash and cash equivalents	174.9	134.0
	Tax recoverable	2.8	4.8
		<b>706.1</b>	695.0
	<b>Total assets</b>	<b>1,939.4</b>	1,856.5
<b>Current liabilities</b>	Trade and other payables	(278.3)	(253.7)
	Tax liabilities	(53.9)	(54.8)
	Obligations under finance leases	(4.3)	(2.8)
	Bank overdrafts and loans	(44.0)	(47.8)
	Provisions	(7.0)	(2.3)
		<b>(387.5)</b>	(361.4)
	<b>Net current assets</b>	<b>318.6</b>	333.6
<b>Non-current liabilities</b>	Bank loans	(585.2)	(620.6)
	Other payables due after one year	(43.1)	(6.5)
	Retirement benefit obligations	(64.6)	(69.9)
	Obligations under finance leases	(38.1)	(36.4)
	Deferred tax liabilities	(59.5)	(66.2)
	Provisions	(25.3)	(24.2)
		<b>(815.8)</b>	(823.8)
	<b>Total liabilities</b>	<b>(1,203.3)</b>	(1,185.2)
	<b>Net assets</b>	<b>736.1</b>	671.3
<b>Equity</b>	Share capital	121.6	169.0
	Share premium account	340.2	285.3
	Revaluation reserve	3.9	3.9
	Treasury shares	(0.6)	(7.4)
	Capital reserve	15.8	15.2
	Hedging and translation reserves	(1.5)	(19.8)
	Retained earnings	256.7	225.1
	<b>Total equity</b>	<b>736.1</b>	671.3
	Equity attributable to:		
	Ordinary shareholders	735.8	615.0
	Preference shareholders	-	56.2
	Minority interest	0.3	0.1
	<b>Total equity</b>	<b>736.1</b>	671.3

## Group cash flow statement (unaudited)

for the year ended 31 December 2005

		2005	2004
		£m	£m
<b>Operations</b>	<b>Net cash inflow from operating activities</b>	<b>174.0</b>	132.4
<b>Investing activities</b>	Dividends from associates	0.4	0.9
	Purchase of property, plant and equipment	(72.6)	(56.5)
	Purchase of intangible assets	(0.7)	(5.2)
	Proceeds from disposal of property, plant and equipment	3.3	5.7
	Acquisition of subsidiaries	(28.0)	(85.4)
	Proceeds from disposal of subsidiaries and associates	46.7	0.2
	Investments in associates	-	(0.8)
	Deferred consideration on prior year acquisitions	(0.9)	(1.7)
	<b>Net cash outflow from investing activities</b>	<b>(51.8)</b>	(142.8)
<b>Financing activities</b>	Interest received	36.4	30.4
	Interest paid	(50.6)	(42.5)
	Interest element of finance leases paid	(2.0)	(1.4)
	Preference dividends paid	(1.9)	(3.8)
	Dividends paid	(53.0)	(49.4)
	Proceeds from issue of ordinary shares	7.7	0.2
	Proceeds from sale of treasury shares	5.6	1.0
	Increase/(decrease) in loans	(79.7)	67.4
	Increase/(decrease) in finance leases	(2.8)	(15.5)
	Increase/(decrease) in overdrafts	(5.5)	3.8
	Decrease/(increase) in other liquid assets	58.7	7.6
	<b>Net cash outflow from financing activities</b>	<b>(87.1)</b>	(2.2)
<b>Cash and cash equivalents</b>	<b>Cash and cash equivalents at beginning of year</b>	<b>134.0</b>	154.7
	Exchange adjustments	5.8	(8.1)
	Increase/(decrease) in cash and cash equivalents	35.1	(12.6)
	<b>Cash and cash equivalents at end of year</b>	<b>174.9</b>	134.0
<b>Net debt</b>	<b>Net debt at beginning of year</b>	<b>(511.6)</b>	(459.5)
	Increase/(decrease) in cash and cash equivalents	35.1	(12.6)
	(Increase)/decrease in loans	79.7	(67.4)
	(Increase)/decrease in finance leases	2.8	15.5
	(Increase)/decrease in overdrafts	5.5	(3.8)
	Increase/(decrease) in other liquid assets	(58.7)	(7.6)
	Bank loans acquired	-	(10.7)
	Finance leases acquired	(3.3)	(1.9)
	Exchange adjustments	(76.6)	36.4
	<b>Net debt at end of year</b>	<b>(527.1)</b>	(511.6)

## Group statement of recognised income and expense (unaudited)

for the year ended 31 December 2005

	2005 £m	2004 £m
Exchange difference on translation of foreign operations	98.7	(58.3)
Gains/(losses) on net asset hedges	(79.5)	38.6
Fair value movements in foreign exchange cash flow hedges	(6.1)	-
Fair value movements in interest rate cash flow hedges	9.3	-
Fair value movements in commodity contract cash flow hedges	(3.4)	-
Actuarial gains/(losses) on defined benefit pension schemes	(0.6)	(15.7)
<b>Net income recognised directly in equity</b>	<b>18.4</b>	<b>(35.4)</b>
Conversion of preference shares	17.9	-
Transfer to profit or loss from equity on cash flow hedges	(2.5)	-
Tax on items transferred from equity	10.4	(0.7)
Profit for the period	75.3	67.9
<b>Total recognised income and expense for the period</b>	<b>119.5</b>	<b>31.8</b>
Fair value of foreign exchange cash flow hedges on adoption of IAS39	8.2	-
Fair value of interest rate swaps on adoption of IAS39	(6.4)	-
Reduction in net assets on initial adoption of IAS32	(17.2)	-
<b>Change of accounting policy on adoption of IAS32/39</b>	<b>(15.4)</b>	<b>-</b>

## Reconciliation of movements in total shareholders' equity (unaudited)

for the year ended 31 December 2005

	2005 £m	2004 £m
Total recognised income and expense for the period	119.5	31.8
Equity dividends paid	(53.0)	(49.4)
Preference dividends paid	-	(3.8)
Equity movement in capital reserve	0.6	0.3
Movement in treasury shares	5.6	1.0
Issue of shares	7.7	0.2
<b>Net movement in total shareholders' equity for the period</b>	<b>80.4</b>	<b>(19.9)</b>
<b>Change of accounting policy on adoption of IAS32/39</b>	<b>(15.6)</b>	<b>-</b>
Total shareholders' equity at beginning of period	671.3	691.2
<b>Total shareholders' equity at end of period</b>	<b>736.1</b>	<b>671.3</b>

## Notes to the financial statements (unaudited)

### 1. Segmental Information

Business Segments	Airport Services £m	Maintenance, Repair & Overhaul £m	Total Aviation £m	Materials Technology £m	Unallocated corporate £m	Total £m
<b>2005</b>						
External revenue	514.4	377.1	891.5	619.3	-	1,510.8
Underlying operating profit	60.0	34.4	94.4	43.8	(8.6)	129.6
Underlying operating margin	11.7%	9.1%	10.6%	7.1%	-	8.6%
Other information						
Capital additions	26.6	19.4	46.0	33.9	0.2	80.1
Depreciation and amortisation	17.7	12.1	29.8	45.4	0.2	75.4
Impairment losses recognised in profit or loss	-	-	-	11.5	-	11.5
Balance sheet						
Assets:						
Segment assets	540.2	424.9	965.1	761.4	194.5	1,921.0
Interests in associates	1.1	-	1.1	4.3	13.0	18.4
Consolidated total assets						1,939.4
Liabilities:						
Segment liabilities	(143.7)	(69.8)	(213.5)	(201.6)	(788.2)	(1,203.3)
						1,203.3
<b>2004</b>						
External revenue	419.3	401.6	820.9	552.9	-	1,373.8
Underlying operating profit	50.1	36.6	86.7	48.6	(8.2)	127.1
Underlying operating margin	11.9%	9.1%	10.6%	8.8%	-	9.3%
Other information						
Capital additions	17.2	22.5	39.7	22.6	0.1	62.4
Depreciation and amortisation	17.8	12.6	30.4	43.9	0.2	74.5
Impairment losses recognised in profit or loss	-	-	-	-	-	-
Balance sheet						
Assets:						
Segment assets	462.4	421.0	883.4	758.4	175.4	1,817.2
Interests in associates	0.9	0.4	1.3	3.4	11.2	15.9
Discontinued operations						23.4
Consolidated total assets						1,856.5
Liabilities:						
Segment liabilities	(96.9)	(92.6)	(189.5)	(201.5)	(793.5)	(1,184.5)
Discontinued operations						(0.7)
						(1,185.2)

## Notes to the financial statements (unaudited)

Geographical Segments	Revenue from continuing operations	Capital additions	Assets
<b>2005</b>			
United Kingdom	217.6	14.9	366.5
Mainland Europe	287.0	11.3	336.0
North America	954.9	47.4	1,151.7
Rest of World	51.3	6.5	85.2
Total	1,510.8	80.1	1,939.4
<b>2004</b>			
United Kingdom	217.8	8.0	418.9
Mainland Europe	238.5	9.9	357.6
North America	873.2	42.7	1,006.9
Rest of World	44.3	1.8	73.1
Total	1,373.8	62.4	1,856.5

## Notes to the financial statements (unaudited) (continued)

### 2. Basis of preparation

The financial information set out above does not constitute a full set of the Group's statutory financial statements for 2005 or 2004 under section 240 of the Companies Act 1985 but has been computed in accordance with IFRS. Statutory accounts for 2004, together with an unqualified audit report, have been filed with the Registrar of Companies, and those for 2005 will be delivered to the Registrar following the Company's annual general meeting.

The unaudited results for the year ended 31 December 2005 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time, following a regulation adopted by the European Parliament. The BBA accounting policies under IFRS are as reported in Appendix 6 to the IFRS Restatement document reported to the London Stock Exchange on 28 July 2005, which is also available on the Company's website [www.bbagroup.com](http://www.bbagroup.com).

The transition date for the application of IFRS is 1 January 2004. The comparative figures for 31 December 2004 have been restated to reflect the transition to IFRS. The accounting policies applied in determining the comparative financial information for the year ended 31 December 2004 are consistent with those applied in the year ended 31 December 2005, with the exception of IAS 39 'Financial Instruments: Recognition and Measurements' and IAS 32 'Financial Instruments: Disclosure and Presentation' which are applicable for the 2005 financial year-end with a transition date of 1 January 2005 and accordingly no restatement of prior period comparatives has been made.

	2005		2004	
	£m		£m	
<b>3. Capital expenditure</b>				
Capital expenditure (cash basis)		<b>73.3</b>		61.7
Capital expenditure to depreciation – times		<b>1.0</b>		0.8
<b>4. Number of employees</b>		<b>Thousands</b>		Thousands
As at 31 December		<b>14.1</b>		13.7
<b>5. Earnings per share</b>	<b>Continuing operations</b>		<b>Continuing and discontinued operations</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>£m</b>	£m	<b>£m</b>	£m
<b>Earnings</b>				
<b>Basic:</b>				
Basic earnings attributable to ordinary shareholders	<b>51.7</b>	60.4	<b>75.1</b>	64.0
Restructuring costs and non-recurring items	<b>48.3</b>	28.6	<b>48.3</b>	28.6
(Profit)/loss after tax on disposal (discontinued operations)	-	-	<b>(21.5)</b>	2.8
Tax on restructuring costs and non-recurring items	<b>(15.7)</b>	(6.9)	<b>(15.7)</b>	(6.9)
Adjusted earnings	<b>84.3</b>	82.1	<b>86.2</b>	88.5
<b>Diluted:</b>				
Diluted earnings attributable to ordinary shareholders	<b>51.7</b>	64.2	<b>75.1</b>	67.8
Restructuring costs and non-recurring items	<b>48.3</b>	28.6	<b>48.3</b>	28.6
(Profit)/loss after tax on disposal (discontinued operations)	-	-	<b>(21.5)</b>	2.8
Tax on restructuring costs and non-recurring items	<b>(15.7)</b>	(6.9)	<b>(15.7)</b>	(6.9)
Adjusted diluted earnings	<b>84.3</b>	85.9	<b>86.2</b>	92.3
	<b>Millions</b>	Millions	<b>Millions</b>	Millions
Average number of 25p ordinary shares:				
Basic	<b>471.0</b>	449.0	<b>471.0</b>	449.0
Diluted	<b>475.8</b>	485.0	<b>475.8</b>	485.0
<b>Earnings per share:</b>				
<b>Basic:</b>				
Adjusted	<b>17.9p</b>	18.3p	<b>18.3p</b>	19.7p
Unadjusted	<b>11.0p</b>	13.5p	<b>15.9p</b>	14.3p
<b>Diluted:</b>				
Adjusted	<b>17.7p</b>	17.7p	<b>18.1p</b>	19.0p
Unadjusted	<b>10.9p</b>	13.2p	<b>15.8p</b>	14.0p

## Notes to the financial statements (unaudited) (continued)

	2005	2004
	£m	£m
<b>6. Taxation</b>		
<b>Continuing operations</b>		
Current tax	18.6	8.1
Adjustment in respect of prior years – current tax	(6.4)	-
Deferred tax	(4.2)	11.6
Adjustment in respect of prior years – deferred tax	-	2.6
	<u>8.0</u>	<u>22.3</u>
<b>7. Cash flow from operating activities</b>	<b>£m</b>	<b>£m</b>
Operating profit from continuing operations	81.3	103.6
Operating profit from discontinued operations	1.9	8.5
Share of profit from associates	(2.8)	(9.6)
Profit from operations	<u>80.4</u>	<u>102.5</u>
Depreciation of property, plant & equipment	71.4	70.1
Amortisation of intangible assets	4.0	3.6
Profit on sale of property, plant & equipment	(0.2)	-
Increase/(decrease) in provisions	1.8	(0.4)
Additional pension scheme contributions	(7.6)	-
Other non-cash items	19.8	8.0
Operating cash flows before movement in working capital	<u>169.6</u>	<u>183.8</u>
Decrease/(increase) in working capital	14.1	(38.4)
Cash generated by operations	<u>183.7</u>	<u>145.4</u>
Income taxes paid	(9.7)	(13.0)
Net cash inflow from operating activities	<u>174.0</u>	<u>132.4</u>

### 8. Restructuring costs and other non-recurring items

Restructuring costs and other non-recurring items included within statutory operating profit amounted to £48.3 million (2004: £28.6 million). The main items included within this are:

- Non-recurring cost of sales £(15.9) million (2004: £nil): A £4.4 million write off of old WIP balances following the introduction of a new computer system and closure of Millville; and a £11.5 million impairment charge in relation to a small number of assets within the Fiberweb North America Hygiene business.

- Non-recurring administrative expenses £(3.2) million (2004: £nil): This relates to the write-down of a receivable due from BBA Diagnostics following the Group's decision to exit the joint venture.

- Non-recurring other operating income £3.1 million (2004: £2.0 million): Primarily relates to a curtailment gain on a post-retirement medical benefit scheme, following the amendment of member benefits.

- Non-recurring other operating expenses £(6.2) million (2004: £(3.0) million): Mainly includes costs of £4.3 million incurred to date in relation to the separation of Fiberweb ; and £1.5 million relating to the settlement of legal proceedings relating to the fuel farm operations of ASIG in Miami (The proceedings involved the period from 1996 to the spring of 2003. ASIG was acquired by BBA in July 2001).

- Restructuring costs £(24.8) million (2004: £(22.7) million): Includes costs of the closure of the Fiberweb Toronto facility; the completion of the closure of the Millville facility; the closure of a manufacturing site in the UK Landing Gear business; the completion of the integration of AGI (acquired in October 2004); and a further rationalisation in Fiberweb USA and Sweden.

- Loss on disposal of businesses £(1.3) million (2004: £(4.9) million): This relates to the loss on disposal of CSE Parts, a small aviation parts supplier based at Oxford Airport.

Net of tax and the £21.5 million net gain on disposal of discontinued business, total restructuring costs and other non-recurring items included within profit for the period amounted to £(11.1) million (2004: £(24.5) million).

## Notes to the financial statements (unaudited) (continued)

### 9. Acquisitions and disposals

On 30 June 2005, the Group purchased International Governor Services Inc. for an immediate cash consideration of \$18.0 million (£10.0 million) and a deferred contingent cash consideration of up to \$10.0 million (£5.6 million).

In 2005, the Group acquired FBOs at Heathrow, Cape Town, Le Bourget, Long Beach and Oxnard, California. The total consideration for these acquisitions was £16.8 million.

On 15 September 2005 the Group purchased Coronet Aviation Services Ltd for an immediate cash consideration of £1.0 million.

On 30 June 2005, the Group disposed of its 40% minority interest in Finotech GmbH for an immediate cash consideration of \$76.0 million (£42.6 million) and a deferred cash consideration of \$6.0 million (£3.4 million). The entire consideration was received during the second half of 2005. The profit on disposal of Finotech amounted to £23.7 million.

### 10. Dividends

Subject to shareholder approval, the final dividend will be paid on 22 May 2006 to ordinary shareholders on the register at the close of business on 18 April 2006. Shareholders are being offered the opportunity of buying additional shares in lieu of a cash dividend under the existing BBA Dividend Re-investment Plan (DRIP).