



**BBA Aviation plc**  
**2010 Interim Financial Report**  
**Results for the half year ended**  
**30 June 2010**

For further information please contact:

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A video interview with Chief Executive Officer Simon Pryce is now available on [www.bbaaviation.com](http://www.bbaaviation.com) and [www.cantos.com](http://www.cantos.com).

An audio webcast of the analyst presentation will also be available from 09:00 today on [www.bbaaviation.com](http://www.bbaaviation.com) and [www.cantos.com](http://www.cantos.com).

## INTERIM FINANCIAL REPORT FOR PERIOD ENDED 30 JUNE 2010

Results in brief (£m)	Underlying results*			Statutory results		
	2010	2009	% Change	2010	2009	% Change
Revenue	<b>587.4</b>	550.2	7%	<b>587.4</b>	550.2	7%
Operating Profit <sup>1</sup>	<b>53.6</b>	50.6	6%	<b>47.5</b>	38.0	25%
Profit before tax	<b>45.1</b>	38.4	17%	<b>39.0</b>	25.8	51%
Earnings per share <sup>2</sup>	<b>8.4p</b>	7.2p	17%	<b>7.3p</b>	5.0p	46%
Free Cash Flow <sup>3</sup>				<b>35.2</b>	65.8	(47)%
Net Debt (09: year-end)				<b>406.6</b>	391.6	
Dividend per share				<b>2.40p</b>	2.30p	4%

\* As defined below.

(1) Underlying operating profit being total operating profit (including associates) before exceptional items.

(2) Basic earnings per share adjusted to exclude the after-tax impact of exceptional items.

(3) Cash generated by operations, plus dividends from associates, less tax, net interest and net capital expenditure (excluding Ontic licence acquisitions).

These definitions as outlined above are consistently applied throughout this interim financial report.

### Financial highlights

- Underlying operating profit of £53.6m up 6%, profit before tax up 17%
- Group operating margins on a constant fuel price basis rose 40bps to 9.6%
- Adjusted earnings per share of 8.4p up 17%
- Strong cash generation with free cash flow of £35.2m
- Net debt reduced by £15.4m on a constant currency basis with net debt to EBITDA maintained at 2.8x (2009 year-end: 2.8x)
- Interest cover 8.6 times (2009: 6.4 times)
- Dividend growth recommenced, interim dividend increased by 4% to 2.40p

### Operational highlights

In Flight Support (60% of Group EBIT):

- Signature benefitting from growth in US B&GA flying hours and continued market share gain
- ASIG seeing positive contribution from new business wins supported by strong operational performance

In Aftermarket Services and Systems (40% of Group EBIT):

- Later cycle Engine Repair beginning to see positive impact of increased B&GA activity with June backlog substantially higher than the prior year
- Legacy Support continuing to build capability to support growth opportunities
- APPH took further steps to address cost base and footprint

### Simon Pryce, BBA Aviation Chief Executive Officer, commented:

"BBA Aviation had a good first half and continues to trade well. We have now seen 8 months of growth in North American B&GA movements and most of our businesses continue to outperform their markets. Operational improvements and effective cost management are contributing to the steadily improving performance of our Flight Support division, with our later cycle Aftermarket division expected to benefit during the second half of the year.

While the recovery profile remains difficult to predict given ongoing economic uncertainty, the extensive management actions taken over the last two years position us to deliver more effectively on cyclical recovery, structural growth and consolidation opportunities in our major markets as and when they arise.

We continue to focus on cash generation and debt reduction and expect to make good underlying progress for the year. Having maintained the dividend during the downturn, BBA Aviation's performance and prospects now give the Board confidence to declare an increased interim dividend."

## **INTERIM FINANCIAL REPORT 2010**

### **Overview**

These are encouraging results for BBA Aviation following the downturn over the last two years. Our Flight Support division has been experiencing solid growth compared with the prior period, and both the Flight Support and Aftermarket divisions are benefiting from management actions taken over the last two years.

US dollar exchange rates had a limited impact on the comparison of profit and loss figures with the prior year, with average rates slightly higher than the comparative period at \$1.53 (H1 2009: \$1.50). However, the lower period end spot rate of \$1.50 (December 2009: \$1.61; June 2009: \$1.65) has increased reported net debt, whereas net debt has actually been further reduced by £15.4m on a constant currency basis since the year-end.

Revenue increased by 7% with the impact of higher fuel prices partially offset by the adverse impact of the higher average exchange rate. Excluding the impact of exchange rates, fuel prices and acquisitions and disposals, the organic revenue increase was 3%.

Underlying operating profits of £53.6m were 6% higher (2009: £50.6m) as a result of increased activity in our Flight Support division, the incremental benefit of cost reduction initiatives undertaken in 2009 and £3.0m net pensions curtailment gain in the period which arose as a result of the benefit changes to the Group's UK defined benefit pension scheme in March 2010. The pension gain offsets the absence of a similar sized profit realised in H1 2009 on accelerated engine sales in ERO. The European airspace closure in April and May resulted in a loss of activity which had an adverse operating profit impact of £0.6m in Flight Support. Operating margins for the Group were broadly flat at 9.1% (2009: 9.2%) although the comparison is adversely affected by the higher fuel prices. On a constant fuel price basis operating margins increased by 0.4% to 9.6%, with the increase primarily driven by increased activity in Flight Support.

The net interest charge was £8.5m (2009: £12.2m) with the reduction over the prior period mostly due to the lower net debt and lower interest rates. Interest cover was 8.6 times (2009: 6.4 times).

Underlying profit before tax increased by 17% to £45.1m (2009: £38.4m). Adjusted earnings per share increased to 8.4p (2009: 7.2p) due to the improvement in EBIT, reduced interest charge and slightly lower tax rate of 21.3% (2009: 22.5%).

Profit before tax increased by 51% to £39.0m (2009: £25.8m) due to reduced exceptional items amounting to £6.1m (2009: £12.6m) of which £1.9m was non-cash. The exceptional items include £4.1m in restructuring expenses (2009: £3.7m) associated primarily with the closure of APPH's Bolton landing gear facility. Amortisation of acquired intangibles amounted to £1.8m (2009: £1.8m). The prior period included a £5.6m non-cash impairment charge against our investment in ASIG Thailand and a £1.5m loss on the closure of a small engineering business. Unadjusted earnings per share were 7.3p (2009: 5.0p).

Building on an exceptional cash flow performance in the prior year, cash generation in the period was strong with cash conversion of 92% and free cash flow of £35.2m (2009: £65.8m). Free cash flow in the period included a working capital outflow of £8.7m (2009: inflow £30.8m) which was partly as a result of an increased number of engines in the overhaul shops and partly due to reduced payables linked to the terms of a global fuel purchasing agreement in Signature. Capital expenditure increased to £13.9m (2009: £9.3m) driven by the previously announced expenditure on the PT6T (Twinpac) engine overhaul authorisation for Europe. Having now seen 8 months of growth in Business and General Aviation ("B&GA") flying activity we are now more confident in taking advantage of selected value creative growth opportunities. Tax payments were reduced to £1.7m (2009: £5.5m) with the prior period including final payments in relation to 2008. Free cash flow in the prior period included a £12.8m inflow in relation to the accelerated sale and leaseback of a number of engines by Dallas Airmotive.

The cash dividend payment in the period was reduced to £11.6m (2009: £15.8m) as a result of a 48% take-up of the scrip dividend alternative for the final 2009 dividend paid in May 2010. There was an underlying reduction in net debt with a net cash inflow of £15.4m (2009: £46.1m) but headline net debt increased by £15.0m to £406.6m (2009 year end: £391.6m) due to an adverse £30.4m foreign exchange movement as a result of the strengthening of the US dollar against sterling at the period end date. Net debt to EBITDA was unchanged from the position at the end of 2009 at 2.8 times, but would have shown an improvement to 2.7 times if debt had been translated at average rates. We expect to make further progress on debt reduction and leverage improvement in the second half of the year.

Having maintained the dividend through the downturn, the Board is now declaring an interim dividend of 2.40p (2009: 2.30p), an increase of 4% over last year, reflecting the Board's confidence in the outlook for the business, whilst at the same time meeting the Board's intention to grow dividend cover over time. A scrip alternative will again be offered giving shareholders the opportunity to increase their shareholding without incurring dealing costs or stamp duty.

## **Business Review**

### **Flight Support**

Against the backdrop of continued improvement in flight activity, Flight Support revenue increased by 14% to £370.1m with the impact of higher fuel prices (£29.9m) partially offset by the adverse impact of higher average exchange rates (£5.3m). Overall there was an organic revenue increase of 6%. Underlying operating profits increased by 14% to £35.2m (2009: £30.9m) and by 15% on a constant currency basis, due principally to the impact of higher activity levels. Operating margins were broadly in line with last year at 9.5% (2009: 9.6%), although at constant fuel prices would have been 10.3%.

The Flight Support businesses generated operating cash flow of £36.1m compared with £33.5m in the prior period, an increase of 8%, with a cash conversion ratio of 103% against 108% previously. The return on invested capital (including goodwill previously written off to reserves)<sup>†</sup> increased to 8.9% (2009 full year: 7.9%).

### **Signature**

In the last quarter of 2009 North American B&GA activity returned to growth for the first time since 2007. This has continued in the first half of 2010 with market growth for the period of 12% over the first half of 2009. Despite this, as at June the market remained 21% below its 2007 peak. As expected, Signature has continued to perform ahead of the market with organic volume growth of 15% in North America which accounts for 80% of Signature's revenue. In Europe, market activity was up slightly having been moderately affected by the closure of European airspace in April and May.

Revenue of £258.4m (2009: £214.1m) increased by 23% on a constant currency basis, with an overall organic increase of 8%, and the balance accounted for by higher fuel prices (£28.6m). In the USA revenue increased by 10% organically and in Europe by 1%.

In addition to the operational improvements delivered throughout Signature over the last 2 years, significant effort has been devoted to reinvigorating Signature's customer focus. In January, Signature announced the launch of its customer loyalty programme, Signature Status. The programme rewards loyal customers with value-added benefits and promotes the use of Signature's worldwide network of FBOs. The programme has been well received and customer satisfaction measures have shown steady improvement. Signature also completed a global fuel purchasing agreement during the first half and continues to work on a number of other initiatives which are expected to enhance operational performance over time.

### **ASIG**

ASIG achieved organic revenue growth of 2% in the period with revenue of £111.7m (2009: £109.2m) despite de-icing revenue being slightly below last year's levels. In North America flight activity decreased by 1% and in Europe flight activity was flat although this was in part as a result of the European airspace closures in April and May.

During the period ASIG entered the Orlando ground handling market when it was selected by Allegiant Air to provide ground handling, cabin cleaning and passenger handling services, and also signed a 5 year renewal of its luggage logistics contract with Disney at Orlando, a service that builds on ASIG's strengths and extends its reach beyond the boundaries of the airport environment to non-traditional customers. ASIG also commenced into-plane re-fuelling at Chicago O'Hare for American Eagle, the regional carrier for American Airlines, which represented the first time that American Airlines has outsourced their fuelling service. At Los Angeles International ASIG won a competitive tender to provide equipment maintenance and operation services for Terminal 3 providing 24/7 maintenance for the entire terminal, including loading bridges, baggage systems, cooling systems, emergency equipment and electrical services, increasing ASIG's penetration of the technical services market. In total these new contracts are expected to generate £4m of revenue in a full year.

<sup>†</sup> Based on 12 month rolling operating profit and annual average capital employed at constant currency

In June ASIG acquired SAS Ground Services UK Limited (“SGS”) for a cash consideration of £2.9m. This bolt-on acquisition gives ASIG access to the passenger and ground handling markets in Heathrow and Aberdeen, a new location for ASIG. SGS contributed revenue of £1.0m in the period and is expected to generate incremental revenues of approximately £18m in the first full year of ownership and be earnings enhancing. In addition in Europe, ASIG increased its into-plane re-fuelling services to include a further three UK airports; London City, Leeds Bradford and Belfast City, bringing the total to 13 airports in Europe.

### **Aftermarket Services and Systems**

Revenue in our Aftermarket Services and Systems division decreased by 4% to £217.3m (2009: £226.9m). The organic revenue decline was 3% with the balance of the reduction relating to exchange rates. The organic revenue decline was driven, as expected, by weakness in APPH in the first quarter. It is anticipated that our later-cycle Aftermarket division will begin to benefit from the improvement in B&GA flying hours in the second half of the year. Operating profits of £23.8m fell by 3%, and by 2% on a constant currency basis (2009: £24.6m). Operating margins were in line with the prior period at 11.0% (2009: 10.8%).

Operating cash flow for the division amounted to £22.6m, a reduction of 56% over the prior year (2009: £50.9m), with a cash conversion ratio of 95% (2009: 207%). Included within the operating cash flow in the prior period was £12.8m in relation to the accelerated sale of engines. The return on invested capital (including goodwill previously written off to reserves) for the first half increased to 9.0% (2009 full year: 8.9%).

### **Engine Repair and Overhaul**

In Engine Repair and Overhaul (ERO) revenue declined by 2% to £168.4m (2009: £172.2m), and by 1% on an organic basis, excluding the impact of exchange rates. Overhauls for B&GA aircraft, which account for approximately two-thirds of ERO’s revenue, were slow to recover as anticipated, due to the lag to the increase in B&GA flying hours by roughly 6-9 months. As the period progressed order demand increased and ended June with order backlogs substantially higher than a year earlier.

As part of an on-going review of overhaul capacity, ERO took steps to consolidate its footprint at its Neosho, Missouri overhaul facility whilst establishing centres of excellence for major product lines and expansion of its field support offering. Work has commenced on preparing the overhaul facility for PT6T (Twinpac) at Portsmouth, CAA/FAA authorisation was achieved in the first half and this engine line is expected to be fully operational in the second half of the year generating incremental revenues of roughly £3m. ERO also renewed its PW901 APU authorisation and added capabilities for the PW901A.

### **Legacy Support<sup>‡</sup>**

Total revenue of £26.5m (2009: £27.5m) was 4% lower than the prior period and reduced by 2% on an organic basis, with the reduction due to softness in IGS and Legacy Support Houston’s MRO activities as a result of customers in-sourcing work. This was partially offset by growth in Ontic UK which has been operational since the second half of 2009. Revenue growth, in particular from the ramp up of the more recently acquired APU and landing gear licences, is expected in the second half of the year.

As OEMs seek to adjust to the longer term impacts of the economic down turn, Ontic is experiencing much more interest in licensing opportunities from a larger number of licensors and we continue to focus on identifying value creative investments. As Ontic has prepared itself for the ramp up in activity from the APU and landing gear licences, it has been addressing some existing issues and is undertaking process enhancement to ensure that over the long term it can continue to deliver successfully the high growth rates that we have seen since its acquisition in 2006.

### **Landing Gear and Hydraulics<sup>‡</sup>**

Revenue reduced as expected by 16% on an organic basis to £22.4m (2009: £26.8m), reflecting the fact that the downturn in activity in the prior year was not fully felt until the second quarter of 2009. Demand for original equipment and spares remains subdued, although demand for MRO has shown some signs of improvement and the order book for Hawk and EH101 MRO is considerably higher than at the same time last year. The increased MRO activity is being supported with staff from the landing gear OE business.

<sup>‡</sup> APPH Houston was transferred from Landing Gear and Hydraulics to Legacy Support with effect from 1 January 2010 to reflect its focus on legacy platform support. 2009 revenues in Legacy Support and Landing Gear and Hydraulics have been restated in these results accordingly.

We indicated last year that we would continue to keep the cost base of our businesses under review and take further steps as necessary. As a result, we have recently completed consultation with employees on the migration of landing gear production from Bolton in to our Runcorn facility where capacity is more than adequate to accommodate all of the OE business. The closure of the Bolton landing gear facility will be completed in the second half and the costs of closure have been included within exceptional items in the first half of the year.

### **Other Financial Information**

Unallocated central costs were £5.4m (2009: £4.9m).

The change in benefit accrual for the UK defined benefit pension scheme from a final salary basis to a career average re-valued earnings basis took effect from 1 March 2010 and as a result a £3.0m curtailment gain was realised. This has been recognised within underlying operating profit, as it represents a reversal of expenses previously charged to operating profit. The costs associated with delivering these changes amounted to £0.3m, most of which was incurred in 2009. The credit has been included within the Aftermarket division since this is largely where the cost had previously been charged. As a result of the changes to benefit accrual, employer cash contribution rates have been reduced by approximately £1m per annum with effect from July 2010.

The 2009 valuation of the UK defined benefit pension scheme was also completed during the period, resulting in a £17m deficit on a funding basis. The Company has agreed to commence deficit contribution payments in 2011 with payments of £3.75m per annum in 2011 and 2012 and £4.75m in 2013 and 2014. In addition the Company will pay the scheme expenses (circa £1m per annum) on an as incurred basis, rather than capitalising them within the deficit as has been the case historically. The next triennial valuation is due to be undertaken during 2012.

The combined accounting deficit for the UK and US pension schemes improved to £25.4m (year-end 2009: £33.2m) primarily as a result of a reduction in expected future inflation and salary increases in the UK together with the benefit changes noted above, partially offset by reduced corporate bond yields and therefore the discount rate used in both the UK and US.

Net debt at the end of the period was £406.6m (year-end 2009: £391.6m) with a net cash inflow of £15.4m and an adverse foreign exchange movement of £30.4m. At the end of the period \$364m (£243m) of the total bank facilities of \$1,075m (£717m) remained undrawn and the key leverage ratio was unchanged from year-end at 2.8x. If debt had been translated at average rates leverage would have shown an improvement to 2.7 times. Interest cover improved to 8.6 times (2009: 6.4 times).

At the end of the period the Group had \$400m and €50m of cross-currency swaps. As at 30 June 2010 the mark-to-market loss on these swaps amounted to £63.5m (year-end 2009: £47.7m). The swaps mature between 2011 and 2013 and we continue to manage our swap position through extending them, closing them out or allowing them to mature as appropriate.

### **Going Concern**

The Directors have carried out a review of the Group's trading outlook and borrowing facilities (as outlined in the section above), with due regard to the risks and uncertainties to which the Group is exposed, the uncertain economic climate 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.

### **Dividend**

Having maintained the dividend through the downturn, the Board is now declaring an interim dividend of 2.40p (2009: 2.30p), an increase of 4% over last year, reflecting the Board's confidence in the outlook for the business, whilst at the same time meeting the Board's intention to grow dividend cover over time. A scrip alternative will again be offered giving shareholders the opportunity to increase their shareholding without incurring dealing costs or stamp duty.

### **Outlook**

BBA Aviation had a good first half and continues to trade well. We have now seen 8 months of growth in North American B&GA movements and most of our businesses continue to outperform their markets. Operational improvements and effective cost management are contributing to the steadily improving performance of our Flight Support division, with our later cycle Aftermarket division expected to benefit during the second half of the year.

While the recovery profile remains difficult to predict given ongoing economic uncertainty, the extensive management actions taken over the last two years position us to deliver more effectively on cyclical recovery, structural growth and consolidation opportunities in our major markets as and when they arise.

We continue to focus on cash generation and debt reduction and expect to make good underlying progress for the year. Having maintained the dividend during the downturn, BBA Aviation's performance and prospects now give the Board confidence to declare an increased interim dividend.

### **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,

**Simon Pryce**  
Group Chief Executive

4 August 2010

**Mark Hoad**  
Group Finance Director

4 August 2010

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

This report is available in electronic format from the Company's website, [www.bbaaviation.com](http://www.bbaaviation.com)

## Consolidated Income Statement (Unaudited)

	Notes	Underlying* £m	Exceptional Items £m	First half 2010 £m	Underlying* £m	Exceptional Items £m	First half 2009 £m	Underlying* £m	Exceptional Items £m	Full year 2009 £m
Revenue	1	587.4	-	587.4	550.2	-	550.2	1080.8	-	1080.8
Cost of sales		(479.1)	-	(479.1)	(445.9)	-	(445.9)	(875.5)	-	(875.5)
Gross profit		108.3	-	108.3	104.3	-	104.3	205.3		205.3
Distribution costs		(10.6)	-	(10.6)	(10.0)	-	(10.0)	(18.3)	-	(18.3)
Administrative expenses		(44.7)	(1.8)	(46.5)	(44.1)	(1.8)	(45.9)	(87.6)	(3.8)	(91.4)
Other operating income		0.2	-	0.2	0.3	-	0.3	0.7	-	0.7
Share of profit from associates		0.6	-	0.6	0.5	-	0.5	1.1	-	1.1
Other operating expenses		(0.2)	(0.2)	(0.4)	(0.4)	(5.6)	(6.0)	(0.7)	(8.0)	(8.7)
Restructuring costs		-	(4.1)	(4.1)	-	(3.7)	(3.7)	-	(6.0)	(6.0)
Loss on disposal of businesses		-	-	-	-	(1.5)	(1.5)	-	(0.4)	(0.4)
<b>Operating profit</b>	1	<b>53.6</b>	<b>(6.1)</b>	<b>47.5</b>	50.6	(12.6)	38.0	100.5	(18.2)	82.3
Investment income		1.8	-	1.8	5.5	-	5.5	7.9	-	7.9
Finance costs		(10.3)	-	(10.3)	(17.7)	-	(17.7)	(30.2)	-	(30.2)
<b>Profit before tax</b>		<b>45.1</b>	<b>(6.1)</b>	<b>39.0</b>	38.4	(12.6)	25.8	78.2	(18.2)	60.0
Tax	4	(9.6)	1.4	(8.2)	(8.6)	1.2	(7.4)	(17.0)	2.5	(14.5)
<b>Profit for the period</b>		<b>35.5</b>	<b>(4.7)</b>	<b>30.8</b>	29.8	(11.4)	18.4	61.2	(15.7)	45.5
<b>Attributable to:</b>										
Equity shareholders of the parent		35.5	(4.7)	30.8	29.9	(9.1)	20.8	61.1	(13.2)	47.9
Ninterests		-	-	-	(0.1)	(2.3)	(2.4)	0.1	(2.5)	(2.4)
		<b>35.5</b>	<b>(4.7)</b>	<b>30.8</b>	29.8	(11.4)	18.4	61.2	(15.7)	45.5
<b>Earnings per share</b>		<b>Adjusted<sup>†</sup></b>		<b>Unadjusted</b>	<b>Adjusted<sup>†</sup></b>		<b>Unadjusted</b>	<b>Adjusted<sup>†</sup></b>		<b>Unadjusted</b>
Basic	7	8.4p		7.3p	7.2p		5.0p	14.6p		11.4p
Diluted	7	8.1p		7.0p	7.1p		5.0p	14.3p		11.2p

\* Before exceptional items.

Exceptional items are items which are material or non-recurring in nature, and the amortisation of intangibles acquired through a business combination, as set out in note 3 to the financial statements.

The consolidated income statement has been prepared in accordance with the accounting policies set out in note 2.

## Consolidated Balance Sheet (Unaudited)

	Notes	30 June 2010 £m	30 June 2009 £m	31 Dec 2009 £m
<b>Non-current assets</b>				
Intangible assets:				
Goodwill		504.2	465.5	474.9
Licences & other		102.3	96.9	98.1
Property, plant and equipment		347.6	337.4	334.7
Interests in associates		2.2	1.5	1.9
Trade and other receivables		17.8	17.4	18.2
Deferred tax asset		1.2	0.6	-
		<b>975.3</b>	<b>919.3</b>	<b>927.8</b>
<b>Current assets</b>				
Inventories		143.0	147.2	137.9
Trade and other receivables		208.8	207.0	194.2
Cash and cash equivalents		96.8	90.8	115.4
Tax recoverable		0.3	5.1	0.2
		<b>448.9</b>	<b>450.1</b>	<b>447.7</b>
<b>Total assets</b>	1	<b>1,424.2</b>	<b>1,369.4</b>	<b>1,375.5</b>
<b>Current liabilities</b>				
Trade and other payables		(264.5)	(220.3)	(230.7)
Tax liabilities		(48.9)	(47.6)	(45.6)
Obligations under finance leases		(0.9)	(0.5)	(0.9)
Bank overdrafts and loans	12	(23.4)	(28.9)	(33.1)
Provisions		(0.8)	(1.3)	(0.8)
		<b>(338.5)</b>	<b>(298.6)</b>	<b>(311.1)</b>
<b>Net current assets</b>		<b>110.4</b>	<b>151.5</b>	<b>136.6</b>
<b>Non-current liabilities</b>				
Bank loans	12	(475.4)	(507.0)	(469.4)
Other payables due after one year		(52.8)	(58.9)	(60.8)
Retirement benefit obligations	10	(25.4)	(47.0)	(33.2)
Obligations under finance leases		(3.7)	(3.0)	(3.6)
Deferred tax liabilities		(36.9)	(28.4)	(29.9)
Provisions		(21.0)	(19.7)	(20.4)
		<b>(615.2)</b>	<b>(664.0)</b>	<b>(617.3)</b>
<b>Total liabilities</b>	1	<b>(953.7)</b>	<b>(962.6)</b>	<b>(928.4)</b>
<b>Net assets</b>		<b>470.5</b>	<b>406.8</b>	<b>447.1</b>
<b>Equity</b>				
Share capital	13	127.9	125.3	126.0
Share premium account		341.5	344.1	343.4
Other reserves		3.9	3.9	3.9
Treasury reserve		(5.9)	(3.1)	(3.2)
Capital reserve		21.4	18.5	19.8
Hedging and translation reserves		9.6	4.1	10.4
Retained earnings		(25.9)	(84.3)	(51.6)
<b>Equity attributable to shareholders of BBA Aviation plc</b>		<b>472.5</b>	<b>408.5</b>	<b>448.7</b>
Non-controlling interest		(2.0)	(1.7)	(1.6)
<b>Total equity</b>		<b>470.5</b>	<b>406.8</b>	<b>447.1</b>

## Consolidated Cash Flow Statement (Unaudited)

	Note	First half 2010 £m	First half 2009 £m	Full year 2009 £m
<b>Operating activities</b>				
Net cash flow from operating activities	9	57.0	88.5	178.8
<b>Investing activities</b>				
Dividends received from associates		0.2	0.9	1.2
Purchase of property, plant and equipment		(7.6)	(6.6)	(14.2)
Purchase of intangible assets		(6.3)	(2.7)	(13.6)
Proceeds from disposal of property, plant and equipment		0.2	0.5	0.7
Acquisition of subsidiaries		(2.3)	-	-
Proceeds from disposal of subsidiaries and associates		-	0.4	3.7
Deferred consideration paid from prior year activities		(1.3)	(0.7)	(2.0)
<b>Net cash outflow from investing activities</b>		<b>(17.1)</b>	<b>(8.2)</b>	<b>(24.2)</b>
<b>Financing activities</b>				
Interest received		1.0	11.5	17.5
Interest paid		(9.1)	(25.9)	(41.3)
Interest element of finance leases paid		(0.2)	(0.4)	(0.7)
Dividends paid		(11.6)	(15.8)	(21.9)
Outflow from realised foreign exchange contracts		(1.8)	(3.6)	(1.0)
Purchase of own shares		(2.8)	-	-
Decrease in loans		(28.2)	(27.8)	(78.6)
Decrease in finance leases		(0.2)	(29.2)	(27.2)
Decrease / (increase) in overdrafts		(11.6)	33.4	31.6
<b>Net cash outflow from financing activities</b>		<b>(64.5)</b>	<b>(57.8)</b>	<b>(121.6)</b>
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(24.6)</b>	22.5	33.0
Cash and cash equivalents at beginning of period		115.4	98.4	98.4
Exchange adjustments		6.0	(30.1)	(16.0)
<b>Cash and cash equivalents at end of period</b>		<b>96.8</b>	90.8	115.4
<b>Net debt at beginning of period</b>		<b>(391.6)</b>	(554.4)	(554.4)
(Decrease) / increase in cash equivalents		(24.6)	22.5	33.0
Decrease in loans		28.2	27.8	78.6
Decrease in finance leases		0.2	29.2	27.2
(Decrease) / increase in overdrafts		11.6	(33.4)	(31.6)
		15.4	46.1	107.2
Exchange adjustments		(30.4)	59.7	55.6
<b>Net debt at end of period</b>		<b>(406.6)</b>	(448.6)	(391.6)

## Consolidated Statement of Comprehensive Income (Unaudited)

	First half 2010 £m	First half 2009 £m	Full year 2008 £m
<b>Profit for the period</b>	<b>30.8</b>	18.4	45.5
<b>Other Comprehensive Income:</b>			
Exchange difference on translation of foreign operations	56.6	(150.0)	(121.4)
Gains/(losses) on net asset hedges	(50.2)	121.4	100.6
Fair value movements in foreign exchange cash flow hedges	(3.1)	8.5	6.9
Fair value movements in interest rate cash flow hedges	(10.6)	11.4	0.1
Actuarial gains / (losses) on defined benefit pension schemes	5.2	(27.5)	(13.4)
Tax relating to components of other comprehensive income	1.3	(0.8)	(3.2)
Transfer to profit or loss from equity on foreign exchange cash flow hedges	2.6	5.0	5.6
Transfer to profit or loss from equity on interest rate cash flow hedges	3.9	(3.1)	7.7
<b>Total comprehensive income for the period</b>	<b>36.5</b>	(16.7)	28.4
<b>Attributable to:</b>			
Shareholders of BBA Aviation plc	36.5	(14.2)	30.8
Non-controlling interests	-	(2.5)	(2.4)
	<b>36.5</b>	(16.7)	28.4

## Consolidated Statement of Changes in Equity (Unaudited)

	Share Capital £m	Share Premium £m	Retained Earnings £m	Other Reserves £m	Non- controlling Interests £m	Total Equity £m
Balance at 1 January 2009	122.7	346.4	(62.1)	30.2	0.8	<b>438.0</b>
Total comprehensive income for the period	-	-	(7.4)	(6.8)	(2.5)	<b>(16.7)</b>
Equity dividends	-	-	(15.8)	-	-	<b>(15.8)</b>
Issue of share capital	2.6	(2.3)	-	-	-	<b>0.3</b>
Movement on treasury reserve	-	-	-	(0.2)	-	<b>(0.2)</b>
Credit to equity for equity-settled share-based payments	-	-	-	1.2	-	<b>1.2</b>
Transfer to retained earnings	-	-	1.0	(1.0)	-	-
<b>Balance at 30 June 2009</b>	<b>125.3</b>	<b>344.1</b>	<b>(84.3)</b>	<b>23.4</b>	<b>(1.7)</b>	<b>406.8</b>
Balance at 1 January 2010	126.0	343.4	(51.6)	30.9	(1.6)	<b>447.1</b>
Total comprehensive income for the period	-	-	37.3	(0.8)	-	<b>36.5</b>
Equity dividends	-	-	(11.6)	-	-	<b>(11.6)</b>
Issue of share capital	1.9	(1.9)	-	-	-	-
Movement on treasury reserve	-	-	-	(2.9)	-	<b>(2.9)</b>
Credit to equity for equity-settled share-based payments	-	-	-	1.8	-	<b>1.8</b>
Changes in non-controlling interests	-	-	-	-	(0.4)	<b>(0.4)</b>
<b>Balance at 30 June 2010</b>	<b>127.9</b>	<b>341.5</b>	<b>(25.9)</b>	<b>29.0</b>	<b>(2.0)</b>	<b>470.5</b>

# Notes to the Consolidated Financial Statements (Unaudited)

## 1. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. The Group provides information to the Chief Executive on the basis of components that are substantially similar within the segments in the following aspects:

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

Based on the above, the primary reportable segments of the Group have been deemed to be Flight Support, which comprises Signature Flight Support and ASIG, and Aftermarket Services and Systems, which comprises Engine Repair and Overhaul, Legacy and APPH. The components of these two segments are substantially similar in the aspects above and are therefore deemed to be the primary segments of the Group.

The businesses within the Flight Support segment provide re-fuelling, ground handling and other services to the business, general and commercial aviation markets. The businesses within the Aftermarket Services and Systems segment maintain, manufacture and support engines and aerospace components, sub-systems and systems.

There has been no change to the Group's reportable segments since the last annual report.

Sales between segments are immaterial.

<b>Business Segments</b>	<b>Flight Support £m</b>	<b>Aftermarket Services &amp; Systems £m</b>	<b>Total Aviation £m</b>	<b>Unallocated Corporate £m</b>	<b>Total £m</b>
<b>First half 2010</b>					
External revenue	370.1	217.3	587.4	-	587.4
Underlying operating profit	35.2	23.8	59.0	(5.4)	53.6
Exceptional items	(1.6)	(4.0)	(5.6)	(0.5)	(6.1)
Segment result*	33.6	19.8	53.4	(5.9)	47.5
<i>Underlying operating margin</i>	9.5%	11.0%	10.0%	-	9.1%
*Segment result includes £0.6 million profit of associates within Flight Support.					
Capital additions	4.5	9.3	13.8	0.1	13.9
Depreciation and amortisation	15.2	5.9	21.1	0.1	21.2
Total Assets	832.1	482.2	1,314.3	109.9	1,424.2
Total Liabilities	(111.9)	(91.4)	(203.3)	(750.4)	(953.7)
Net Assets	720.2	390.8	1,111.0	(640.5)	470.5
<b>First half 2009</b>					
External revenue	323.3	226.9	550.2	-	550.2
Underlying operating profit	30.9	24.6	55.5	(4.9)	50.6
Exceptional Items	(8.7)	(3.6)	(12.3)	(0.3)	(12.6)
Segment result*	22.2	21.0	43.2	(5.2)	38.0
<i>Underlying operating margin</i>	9.6%	10.8%	10.1%	-	9.2%
*Segment result includes £0.5 million profit of associates within Flight Support					
Capital additions	3.9	5.4	9.3	-	9.3
Depreciation and amortisation	15.6	6.0	21.6	0.1	21.7
Total Assets	756.5	475.6	1,232.1	137.3	1,369.4
Total Liabilities	(104.3)	(83.2)	(187.5)	(775.1)	(962.6)
Net Assets	652.2	392.4	1,044.6	(637.8)	406.8

## Notes to the Consolidated Financial Statements (Unaudited)

### 1. Segmental information (Continued)

<b>Business Segments</b>	<b>Flight Support £m</b>	<b>Aftermarket Services &amp; Systems £m</b>	<b>Total Aviation £m</b>	<b>Unallocated Corporate £m</b>	<b>Total £m</b>
<b>Full Year 2009</b>					
External revenue	643.8	437.0	1080.8	-	1080.8
Underlying operating profit	61.8	48.5	110.3	(9.8)	100.5
Exceptional Items	(9.9)	(5.1)	(15.0)	(3.2)	(18.2)
Segment Result *	51.9	43.4	95.3	(13.0)	82.3
<i>Underlying operating margin</i>	9.6%	11.1%	10.2%	-	9.3%
Segment result includes £1.1 million profit of associates within Flight Support					
Capital additions	11.0	16.7	27.7	0.1	27.8
Depreciation and amortisation	30.8	11.6	42.4	0.2	42.6
Total Assets	785.5	455.1	1240.6	134.9	1375.5
Total Liabilities	(120.4)	(87.6)	(208.0)	(720.4)	(928.4)
Net Assets	665.1	367.5	1,032.6	(585.5)	447.1

<b>Geographical Segments</b>	<b>Revenue by destination £m</b>	<b>Revenue by origin £m</b>	<b>Capital additions £m</b>	<b>Non current Assets £m</b>
<b>First half 2010</b>				
United Kingdom	65.6	100.4	7.4	107.6
Mainland Europe	45.0	13.4	0.1	28.8
North America	446.5	471.9	6.4	835.3
Rest of World	30.3	1.7	-	3.6
Total	587.4	587.4	13.9	975.3
<b>First half 2009</b>				
United Kingdom	65.3	97.0	1.7	102.4
Mainland Europe	39.3	13.5	-	30.7
North America	411.7	438.2	7.6	783.1
Rest of World	33.9	1.5	-	3.1
Total	550.2	550.2	9.3	919.3
<b>Full year 2009</b>				
United Kingdom	125.1	191.5	4.0	104.6
Mainland Europe	81.3	29.0	0.2	31.5
North America	814.4	857.1	23.6	788.3
Rest of World	60.0	3.2	-	3.4
Total	1,080.8	1,080.8	27.8	927.8

# Notes to the Consolidated Financial Statements (Unaudited)

## 1. Segmental information (Continued)

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

	Revenue from sale of goods		Revenue from services	
	£m	£m	£m	£m
	First Half 2010	First Half 2009	First Half 2010	First Half 2009
Flight Support	240.9	195.7	129.2	127.5
Aftermarket Service and Systems	55.5	63.1	161.8	163.9
<b>Total</b>	<b>296.4</b>	<b>258.8</b>	<b>291.0</b>	<b>291.4</b>

A portion of the Group's revenue from the sale of goods and services denominated in foreign currencies is cash flow hedged. The amounts disclosed above for revenue from the sale of goods include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a gain of £3.1 million (Half year 2009: £5.7 million loss; Full year 2009: £5.5 million loss).

## 2. Basis of preparation and accounting policies

The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by the way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The condensed set of financial statements included in this interim financial report for the six months ended 30 June 2010 have been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards and International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies and methods of computation are followed in the annual financial statements, as published by the company on 24 February 2010, (which are available on the company's website, [www.bbaaviation.com](http://www.bbaaviation.com)), with the exception of the adoption of IFRS3 (Revised) Business Combinations and IAS27 (Revised) 'Consolidated and separate financial statements' as described below. The condensed set of financial statements included in this interim financial report do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009.

IFRS 3 (Revised) 'Business combinations' was issued in January 2008 and applies to business combinations arising from 1st January 2010. Amongst other changes, the new Standard will require recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill, and transaction costs to be recognised immediately in the income statement.

IAS 27 (Revised) 'Consolidated and separate financial statements' was issued in January 2008 and will be implemented at the same time as IFRS 3 (Revised). In respect of transactions with non-controlling interests in Group entities that do not result in a change of control, the revised Standard requires that the difference between the consideration paid or received and the recorded non-controlling interest is recognised in equity. In the case of divestment of a subsidiary, any retained interest will be remeasured to fair value and the difference between fair value and the previous carrying value will be recognised immediately in the income statement.

IFRS 3 (Revised) and IAS 27 (Revised) will both be applied prospectively to transactions occurring on or after 1st January 2010.

The exchange rates used in respect of the US Dollar are:

	30 Jun 2010	30 Jun 2009	31 Dec 2009
Average for the period	\$1.53	\$1.50	\$1.56
At the period end	\$1.50	\$1.65	\$1.61

## Notes to the Consolidated Financial Statements (Unaudited)

### 3. Exceptional items

Exceptional items amounted to a charge of £6.1 million (first half 2009: £12.6 million, full year 2009: £18.2 million). The main items included within this are:

First half 2010: Administrative expenses of £1.8 million relating to amortisation of intangible assets acquired and valued in accordance with IFRS 3, and restructuring costs of £4.1 million relating primarily to the planned closure of APPH Bolton (£2.5 million) and severance costs at Dallas Airmotive (£1.4 million). Other non recurring operating expenses of £0.2 million are comprised principally of costs relating to an acquisition, offset by a gain arising from this acquisition where the fair value of the assets acquired exceeded the consideration. The details of the acquisition are included in note 5 to these consolidated financial statements.

First half 2009: Administrative expenses of £1.8 million relating to amortisation of intangible assets acquired and valued in accordance with IFRS 3, and restructuring costs of £3.7 million relating to a number of restructuring initiatives and an impairment charge of £5.6m relating to the Group's investment in ASIG Thailand and a £1.5 million loss on disposal of a small engineering business.

Full year 2009: Administrative expenses of £3.8 million relating to amortisation of intangible assets acquired and valued in accordance with IFRS 3 and restructuring costs of £6.0 million relating to a number of restructuring initiatives, other operating expenses of £8.0 million which relate principally to an impairment of £5.5 million of our investment in ASIG Thailand and costs of £2.3 million relating to an onerous lease; and a net loss on the disposal of businesses of £0.4 million.

On the face of the income statement underlying profit is shown before exceptional items because the directors consider that this gives a useful indication of underlying performance

### 4. Taxation

	First half 2010 £m	First half 2009 £m	Full year 2009 £m
Current and deferred tax :			
Corporate income tax	5.0	5.5	12.2
Deferred tax	3.2	1.9	2.3
<b>Total tax charge</b>	<b>8.2</b>	<b>7.4</b>	<b>14.5</b>
Current and deferred tax :			
UK	1.8	3.7	9.8
Overseas	6.4	3.7	4.7
<b>Total tax charge</b>	<b>8.2</b>	<b>7.4</b>	<b>14.5</b>

Corporation tax for the interim period is charged at an effective rate of 21.3% on underlying profit before tax (first half 2009: 22.5%; full year 2009: 21.7%), representing the best estimate of the weighted average annual corporation tax expected for the full financial year.

The total tax charge is net of a £1.4 million tax credit (2009: £1.2 million) relating to exceptional items.

## Notes to the Consolidated Financial Statements (Unaudited)

### 5. Acquisition of subsidiary undertakings

On 10 June 2010, the Group acquired 100 per cent of the issued share capital of SAS Ground Services UK Limited. The total initial cash consideration for the business amounted to £2.7 million, with a maximum deferred cash consideration of £0.2 million. The directors performed an exercise to establish the fair value of the assets and liabilities of the acquisition. The net assets acquired and the gain arising on the acquisition are as set out below:

	First half 2010 Book value £m	First Half 2010 Fair value £m
Intangible Assets	-	1.0
Property, plant and equipment	1.9	1.4
Inventories	-	-
Receivables	3.5	3.5
Payables	(1.9)	(1.9)
Taxation	(0.3)	(0.3)
Net assets acquired	3.2	3.7
Goodwill		(0.8)
Total consideration		2.9
Satisfied by:		
Cash		2.7
Deferred consideration		0.2
Net		2.9
Net cash outflow arising on acquisition:		
Cash Consideration		2.7
Cash and cash equivalents acquired*		(0.9)
Directly attributable costs		0.5
		2.3

\* There is an obligation to return the cash and cash equivalents acquired to the vendor and as such this has not been included in the underlying assets of the business acquired as disclosed above.

In the period from acquisition to 30 June 2010, the revenue from the acquisition was £1.0 million and would have been approximately £8.3 million if the acquisition had been completed on 1 January 2010. Contribution to profit for the period was immaterial.

The Net Assets exceeded the total consideration by £0.8m which primarily represents a discount for the risk associated in generating future profitability from existing customer contracts.

### 6. Dividends

The 2010 interim dividend of 2.4 pence per share (2009: 2.30 pence per share) was approved by the Board of Directors on 4 August 2010 and will be paid on 29th October 2010 to ordinary shareholders registered on 27th August 2010. This interim dividend has not been included as a liability as at 30 June 2010.

The Company proposes to again operate a Scrip Dividend Scheme which provides shareholders with the opportunity to receive their dividends in the form of ordinary shares in the Company instead of cash. A circular setting out the terms and conditions of the proposed Scrip Dividend Scheme will be sent to shareholders. Mandate forms containing elections to join the Scrip Dividend Scheme must be received by the Company's registrar no later than 5pm on 1 October 2010 in order to be effective for the 2010 interim dividend.

## Notes to the Consolidated Financial Statements (Unaudited)

### 7. Earnings per share

#### Earnings

	First half 2010 £m	First half 2009 £m	Full year 2009 £m
<b>Basic:</b>			
<b>Earnings</b>			
Profit for the period	30.8	18.4	45.5
Non-controlling interests	-	2.4	2.4
Basic earnings attributable to ordinary shareholders	30.8	20.8	47.9
Exceptional items	4.7	9.1	13.2
Adjusted earnings	35.5	29.9	61.1

#### Diluted:

#### Earnings

Basic earnings attributable to ordinary shareholders	30.8	20.8	47.9
Diluted earnings attributable to ordinary shareholders	30.8	20.8	47.9
Exceptional items	4.7	9.1	13.2
Adjusted diluted earnings	35.5	29.9	61.1

#### Number of shares

#### Weighted average number of 29 16/21p ordinary shares:

For basic earnings per share	424.6	414.5	418.4
Exercise of share options	13.9	5.6	9.8
For diluted earnings per share	438.5	420.1	428.2

#### Earnings per share

##### Basic:

Adjusted	8.4p	7.2p	14.6p
Unadjusted	7.3p	5.0p	11.4p

##### Diluted:

Adjusted	8.1p	7.1p	14.3p
Unadjusted	7.0p	5.0p	11.2p

Adjusted earnings per share is shown calculated on earnings before exceptional items because the directors consider that this gives a better indication of underlying performance.

The diluted earnings per share for comparative periods have been restated due to an adjustment required for the expected exercise of share options.

### 8. Contingent liabilities

There has been no material change in the contingent liabilities as disclosed on page 94 of the Group's 31 December 2009 financial statements.

## Notes to the Consolidated Financial Statements (Unaudited)

### 9. Cash flow from operating activities

	First half 2010 £m	First half 2009 £m	Full year 2009 £m
Operating profit from continuing operations	47.5	38.0	82.3
Share of profit from associates	(0.6)	(0.5)	(1.1)
Profit from operations	46.9	37.5	81.2
Depreciation of property, plant & equipment	17.1	18.3	35.2
Amortisation of intangible assets	4.1	3.4	7.4
(Profit) / loss on sale of property, plant & equipment	-	(0.2)	0.2
Share-based payment expense	1.5	1.2	2.5
Increase / (decrease) in provisions	0.7	(1.0)	(0.7)
Pension scheme payments	(1.3)	(1.7)	(2.7)
Other non-cash items	(1.8)	-	1.9
Unrealised foreign exchange movements	0.2	-	1.7
Non-cash impairments	-	5.7	5.4
Gain on disposal of businesses	-	-	0.4
Operating cash flows before movements in working capital	67.4	63.2	132.5
(Increase) / decrease in working capital	(8.7)	30.8	57.9
Cash generated by operations	58.7	94.0	190.4
Income taxes paid	(1.7)	(5.5)	(11.6)
<b>Net cash flow from operating activities</b>	<b>57.0</b>	<b>88.5</b>	<b>178.8</b>
Dividends received from associates	0.2	0.9	1.2
Purchase of property, plant and equipment	(7.6)	(6.6)	(14.2)
Purchase of intangible assets	(6.3)	(2.7)	(4.5)
Proceeds from disposal of property, plant and equipment	0.2	0.5	0.7
Interest received	1.0	11.5	17.5
Interest paid	(9.1)	(25.9)	(41.3)
Interest element of finance leases paid	(0.2)	(0.4)	(0.7)
<b>Free cash flow</b>	<b>35.2</b>	<b>65.8</b>	<b>137.5</b>

### 10. Retirement benefit obligations

The defined benefit obligation at 30 June 2010 is estimated based on the latest actuarial valuation at 31 March 2009, with assumptions updated to reflect market conditions at 30 June 2010 where appropriate. The defined benefit plan assets have been updated to reflect their market value as at 30 June 2010.

As at 30 June 2010 the update of the actuarial valuation of the UK Income and Protection Plan indicates a net deficit of £1.9 million (H1 2009: £28.3 million surplus, Full Year 2009: £14.2 million deficit). The same approach has been taken in updating the valuation of the US defined benefit plans. This update indicates a net deficit as at 30 June 2010 of £23.5 million (H1 2009: £18.7 million, Full Year 2009: £19.0 million).

The following key assumptions were used in estimating the defined benefit obligation:

p.a. %	UK		US	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Discount rate	5.3	5.5	5.3	5.8
Rate of increase to pensionable salaries	3.6	3.9	4.0	4.0
Price Inflation	3.1	3.4	2.2	2.2
Rate of increase to pensions in payment	3.0	3.2	-	-

On 1 March 2010, the future service benefits provided by the UK Income and Protection Plan were changed from a final salary to a CARE basis. At the same time, all benefits accrued prior to 1 March 2010 were changed so that these now increase in line with inflation rather than future salary increases. This resulted in a curtailment gain of £3.0 million (net of expenses), calculated using assumptions based on market conditions as at 1 March 2010.

## Notes to the Consolidated Financial Statements (Unaudited)

### 11. Related party transactions

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

	Sale of Goods			Purchases of Goods		
	First half 2010 £m	First half 2009 £m	Full year 2009 £m	First half 2010 £m	First half 2009 £m	Full year 2009 £m
Associates	1.8	1.6	2.3	67.9	37.6	80.8

	Amounts owed by related parties			Amounts owed to related parties		
	First half 2010 £m	First half 2009 £m	Full year 2009 £m	First half 2010 £m	First half 2009 £m	Full year 2009 £m
Associates	1.7	0.2	0.3	3.7	4.1	6.6

Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

At the balance sheet date, Group companies had loan receivables from an associated undertaking of £1.8 million (first half 2009: £1.7 million, full year 2009: £1.4 million). The loans are unsecured and will be settled in cash, and were made on terms which reflect the relationships between the parties.

### 12. Bank overdrafts and loans

Drawings of \$25.0 million (£16.3 million) and £10.0 million were repaid across the Group's loan facilities during the period. These repayments resulted from cash generation in the period.

In the prior period, the Group purchased \$46.8 million (£31.2 million) of its own Industrial Revenue Bonds and now holds these with a view to remarketing them in the future. As a result of this, drawings under the Group's loan facilities increased by \$46.8 million (£31.2 million), and amounts payable under finance leases decreased by \$43.7 million (£29.1 million) and other borrowings decreased by \$3.1 million (£2.1 million).

### 13. Share capital

Ordinary share capital as at 30 June 2010 amounted to £127.9 million. During the period, the Group issued 36,779 shares to satisfy the exercise of employee share options and 6,462,119 shares to satisfy subscriptions under the Scrip Dividend scheme. This increased the number of shares in issue from 423.3 million to 429.8 million.

### 14. Financial calendar

The preliminary announcement of results for the year ending 31 December 2010 will be made in early March 2011.

## Regulatory Matters

### Risks and Uncertainties

There are a number of 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.

BBA Aviation is ultimately exposed to the amount of flying activity undertaken principally by business and general aviation aircraft and to a lesser extent by commercial and military aircraft. The number of hours flown directly impacts our flight support organisation but also, over the longer term, our aftermarket services businesses. The key risks that impact the level of flying activity are:

- terrorist attacks and threats of attacks together with recent international conflicts have impacted regional and international air travel. There can be no absolute assurance that we will avoid adverse consequences of any future attacks or threats, notwithstanding the preventative measures that we undertake in co-operation with airport authorities and other government agencies;
- a very high price per barrel for crude and a corresponding rise in jet fuel prices for a prolonged period which particularly impacts the commercial market;
- general economic conditions and business and consumer confidence; and
- legislation impacting air travel.

The Group has significant operations in the USA with approximately 78% of pre-tax profits being denominated in US dollars. Although we are seeking to expand our operations in Europe and the rest of the world the majority of all business and general aviation aircraft are located in North America and it will remain the dominant market in the years ahead. Consequently our financial performance in sterling terms is subject to the effects of fluctuations in foreign exchange rates, in particular the rate of exchange between US dollar and sterling.

The Group has a number of contingent liabilities that might impact its future performance. These are analysed in note 25 of the Group's 2009 Consolidated Financial Statements.

Retaining our key management is of critical importance to the Group. To aid this, work is in hand to improve our performance and talent management processes and give sharper focus to ensuring that our compensation and benefits offerings remain competitive.

There have been no significant changes to the principal risks and uncertainties facing the Group during the period - these are set out in full in the 31 December 2009 annual report on page 12.

# Independent Review Report to BBA Aviation plc

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2010 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of comprehensive income and the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 14. 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 Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them 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 interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, 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 interim 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 interim 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 Auditing Practices Board 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 Ireland) 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 interim financial report for the six months ended 30 June 2010 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 Services Authority.

## Deloitte LLP

Chartered Accountants and Statutory Auditors

4 August 2010

London, UK