John Menzies plc
2019 Interim Results Announcement

13 August 2019

John Menzies plc

Half Year Results for the Six Months Ended 30 June 2019

Financial Summary

	H1 2019		H1 2018
	Reported	**Excluding IFRS 16 impact and at constant currency[1]**	Reported[2]
Continuing operations:			
Revenue	£649.9m	£645.8m	£627.2m
Underlying operating profit[3]	£17.9m	£15.6m	£20.9m
Operating profit	£5.4m	£3.1m	£14.1m
Underlying profit before taxation[4]	£8.2m	£9.8m	£15.5m
(Loss)/profit before tax	£(4.4)m	£(2.8)m	£8.3m
Underlying earnings per share[5]	6.8p	8.1p	13.0p
Including discontinued operations:			
Operating cash flow[6]	£58.9m	£30.3m	£42.3m
Basic loss per share	(3.3)p	(2.0)p	(9.6)p
Dividend per share	6.0p	---	6.0p

These half year results and prior period half year comparatives are unaudited.

Overview

- First half results impacted by business losses in H2 of 2018, weak cargo volumes and the grounding of Boeing 737 Max aircraft
- Cost and efficiency programme progressing to deliver at least £10m of annualised savings by 2020
- Decisive management action taken to right size the business
- Strong contract renewals at improved overall margin
- Top line revenue £649.9m, increase of £22.7m on H1 2018
- Underlying operating profit £17.9m, down £3.0m on H1 2018 following challenging trading period for the business, as outlined in trading update of 5 July 2019
- Exceptional net costs £6.4m, including spend for transactions and one-offs relating to cost rationalisation programme

Giles Wilson, CEO of John Menzies plc, said:

"The first half result was impacted by the loss of exclusive licences in H2 last year and generally weaker markets. To address this we have taken a number of decisive actions that we expect will improve H2 2019 and underpin our growth ambitions in 2020.

We continue to drive a Company-wide focus on cost reduction, customer engagement and operational discipline, with profitable growth at the forefront of our agenda. We have an increased awareness of our customers' needs that will ensure that we are viewed by our customers as the partner of choice and recognised for our best in class operational delivery.

We are a people business and we will continue to evolve our offering to ensure we recruit and retain the right people which will deliver a great service for our customers.

Looking forward, I continue to see clear opportunities to grow profitably. The structural dynamics of our markets remain strong in the medium and longer term. We have excellent management teams in our business and cutting edge systems that will enable us to deliver sustainable earnings growth, particularly as the market improves."

Notes:

1. In order to increase comparability with prior year numbers, two adjustments have been made to the reported numbers. The impact of IFRS 16 has been excluded, resulting in a decrease in operating profit and underlying operating profit of £1.9m and an increase in profit before tax and underlying profit before tax of £2.0m, as set out in Note 2 of the financial statements. Performance has been calculated at constant currency by translating non-sterling earnings for the current period into sterling at the exchange rates used for the same period in the prior year. The effect of this translation is to decrease all reported profit measures by £0.4m.
2. 2018 half year results, other than operating cash flow, basic loss per share and dividend per share, have been restated to exclude the results of Menzies Distribution Ltd and its associated subsidiaries that were disposed of in September 2018. The operating cash flow comparator only has been restated for the delayed Airline Services acquisition.
3. Underlying operating profit is operating profit adjusted for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contracts, customer relationship and brand intangibles, and the Group's share of interest and tax on joint ventures and associates.
4. Underlying profit before taxation is underlying operating profit less net finance charges.
5. Underlying earnings per share is profit after taxation and non-controlling interest but before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue.
6. Operating cash flow is operating profit adjusted for depreciation, amortisation, income and dividends from joint ventures and associates, pension and share based payments, and movements in working capital and provisions.

Notes to Editors:

John Menzies plc is one of Scotland's largest companies where success depends on providing an efficient, high quality, time-critical service to customers and partners. The company was established in 1833 and its head office is in Edinburgh. Today John Menzies is an international aviation services business with operations worldwide.

John Menzies is a leading global provider of passenger, ramp and cargo services through its Menzies Aviation division. Menzies Aviation operates at 212 airports in 36 countries, supported by a team of some 32,000 highly-trained people. Each year Menzies Aviation serves some 500 customers, handling 1.3 million flights, 1.6 million tonnes of cargo and fuelling 4 million turnarounds. Customers include Air Canada, Air France-KLM, American Airlines, Cathay Pacific Airways, China Airlines, Delta Air Lines, easyJet, Emirates, Frontier Airlines, IAG, Lufthansa, Norwegian Air Shuttle and United Airlines. Best in class safety and security is the number one priority each day and every day.

John Menzies operates in a structural growth market, which has strong out-sourcing trends as well as progressive market growth. As a global player in the aviation services market John Menzies is well placed to be a leading player as the market continues to professionalise and will continue to embrace and develop new technologies to provide market leading service.

For further information:

John Menzies plc

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Chairman's Statement – Philipp Joeinig

I am honoured to be appointed as Chairman of John Menzies plc. As Chairman I am committed to driving the business forward and delivering sustainable profitable growth.

Our aim is to be the undisputed premium brand in the aviation services sector by setting the highest standards for safety, security and performance. We are a people business and therefore understand the importance of recruiting and retaining excellent people which will continue to be a key focus for the Company. We will also ensure that we continue to put our customers first, listen to their views and deliver the service they expect.

Board Changes

As announced in July, Dr Dermot F Smurfit stepped down as Chairman and David Garman, the Group's senior independent director, was appointed Deputy Chairman alongside my appointment as Chairman.

Dr Smurfit joined the Board in 2016 and oversaw the recent transformation of the Group including the acquisition of the ASIG fuelling and ground handling business, the sectioning of the UK defined benefit pension scheme and the sale of Menzies Distribution, exiting the Group from the UK print media logistics sector.

The Board was delighted to announce in June that Giles Wilson, formerly our Chief Financial Officer, was appointed to lead the Group as Chief Executive Officer on a permanent basis. Giles provides continuity whilst bringing energy and enthusiasm to the role. He has strong relationships with our shareholders and customers, a sound understanding of our business and we are confident that he will provide strong leadership as we continue to drive sustainable growth in our business. The process is underway to select and appoint a new Chief Financial Officer and we expect to announce the successful candidate at the appropriate time.

At the AGM in May, Geoff Eaton stepped down from the Board after four years as a non-executive director and in May, Christian Kappelhoff-Wulff joined our Board as a non-executive director.

Dividend

The Board has declared an interim dividend of 6.0p per share which is payable on 15 November 2019 to all shareholders on the register at 18 October 2019.

Outlook

To address the current trading environment decisive actions have been taken that are delivering benefits to help underpin the outlook for 2019. We are right sizing the business and now we believe we have the platform required from which to drive the business forward. Accordingly, our expectation for 2020 remains unchanged with the expected benefit from the full year impact of the cost and efficiency improvement programme, excellent contract renewals, the renewed focus on opportunities with our key customers and the delivery of operational improvements within our underperforming stations.

We are delighted to have renewed our largest cargo contract globally with Cathay Pacific Airways in Australia and New Zealand for a further five years, we have successfully started new cabin cleaning contracts in the UK with easyJet and British Airways and recently signed a five year extension to our exclusive licence in Sint Maarten.

Looking forward, our medium to long term outlook remains positive with strong market dynamics and significant opportunities for growth underpinned by our excellent people and strong customer relationships.

Group Performance Review – Giles Wilson

The first half of 2019 has been constrained by well documented weaker markets across the wider aviation sector, which has seen a reduction in expected airline flight schedules, cargo volumes and yields in a number of locations.

The first half has also been impacted by the previously reported 2018 events and makes for a challenging year on year comparison. These include the loss of exclusive licences in the Dominican Republic and Panama, the conclusion of our cargo joint venture in Hyderabad and the incurrence of some central costs which are no longer absorbed by the now disposed Menzies Distribution.

During the first half of 2019, cargo volumes and yields have been weak and we are seeing a number of airlines failing to fly their stated schedules further compounded by the grounding of Boeing 737 Max aircraft. These issues have disproportionately impacted our first half trading, which is traditionally lower than the second half due to the impact of flight seasonality.

To mitigate these challenges decisive actions have been taken. We have implemented a cost and efficiency programme that will deliver over £10m of cost savings, the majority of which will be realised by 2020. The global commercial team has been restructured with a new sales based incentive programme put in place to ensure we return the business to organic growth. Furthermore, we have significantly improved our customer engagement programmes to ensure we are effectively and proactively engaging with all our customers.

We have already started to see the benefits of these actions during the first half of 2019. Our contract renewal rate has been excellent with key renewals secured and overall margin increased. We have won new contracts and extended our product lines following the integration of the Airline Services business in the UK. The turnaround of the UK business is gaining traction with a completely new management team in place who are driving the business forward.

We have embarked on a number of central projects aimed at streamlining our business operations and processes, removing certain support costs to help drive improved profitability. Following significant investment in systems and processes in recent years, we have focused on a programme of optimising our systems to minimise operational risk and maximise financial returns.

The Group's revenue was £649.9m (H1 2018: £627.2m), up 3% on a constant currency basis. Underlying operating profit in the first half of 2019 declined £3.0m on the continuing business comparator in 2018, a £5.3m decline before the impact of currency and of IFRS 16 Leases, the new accounting standard. Underlying profit before tax was £8.2m, £5.7m down on the continuing business comparator in 2018 in constant currency and adjusting for the impact of IFRS 16. The decline was particularly a result of the challenging market conditions in the period and licence losses in the second half of the previous year. The Group reported a continuing operations loss before tax of £4.4m (H1 2018: profit £8.3m). Continuing underlying earnings per share decreased to 6.8p, 4.9p lower in constant currency and adjusting for the impact of IFRS 16 (H1 2018: 13.0p).

The business has now been re-energised to deliver both our short term objectives and to start building a platform for our longer term growth aspirations. My short term initiatives are: fixing targeted underperforming areas; reducing cost and duplication of effort to right size the business; improving customer focus and organic growth; and refocusing our business development efforts. Significant traction has been made in all four areas and the senior management team is working closely with the regional and functional teams to ensure that proposed plans and actions are being delivered as we expedite our progress over the remainder of the year.

Looking at the longer term, the wider leadership team has identified a series of strategic priorities to ensure that we are strongly positioned within the growing and dynamic aviation services market. These include rebalancing and optimising our global portfolio product mix, driving profitable complementary services, focusing on customers and growing key accounts, targeting our customers' largest scale operations, and remaining the employer of choice.

Business Review

To ensure the Group is right sized and positioned for growth, over the period we restructured a number of areas. Within operations we have strengthened the overall oversight with the appointment of Mervyn Walker as EVP Global Operations who is focused on driving operational performance and delivering the cost and efficiency programme. In the USA we have refreshed and restructured the operational team to ensure we are focused on

operational delivery and minimising the impact of labour turnover. Within the UK we have a new team in place who have made a very positive start.

Our commercial function has been reviewed and restructured to ensure we are well positioned to grow the business organically, be aligned with our customer needs and to ensure a focus on each product category.

Our focus on customer relationships and service excellence was recognised by a strong contract renewal performance with £68m of annualised revenue renewed up to the end of June. Importantly overall contract renewals enhanced margin. Momentum is starting to build with incremental revenue from our commercial activities in the first half. At London Luton we have won a contract for another five years with easyJet representing one of the largest single ground handling contracts in the UK. Key to securing this contract, and others in the region, was our commitment to fostering a culture of continuous improvement and investment in the latest technological developments.

Across the network ground handling turns were boosted by 2018 contract gains, most notably Singapore Airlines in Sydney, and Sunwing Airlines in Toronto, however this was more than offset by 2018 exclusive licence losses in the Dominican Republic together with the exiting of some contracts. On a like for like basis, ground handling turns were up 3% on the prior period.

Americas

The Americas region experienced a stable first half as underlying operating profit was broadly flat year on year, a success against tough short-term trading conditions. The labour market remains tight but we have made progress in reducing staff turnover through improved pay and conditions, largely funded by price increases from our customers. There were a number of contract gains and renewals, primarily related to ground handling and fuelling operations including an extension of our contract with Norwegian Air Shuttle in the USA. These gains, as well as renewals at improved margins, helped to offset the impact from the losses at the end of 2018 of exclusive licences for into-plane fuelling in Panama and ground handling at two airports in the Dominican Republic, as well as other contract attrition experienced in the first half of 2019.

As part of our ongoing operational strategy, we have closed several unprofitable operations in the USA. Whilst every effort was made to turn these operations around, decisions were taken to withdraw from ground handling operations in San Francisco and Phoenix and fuelling operations in Fort Lauderdale to allow management to focus efforts and resources on other stations.

Outside the United States, there were positive half year results for Canada and Mexico as trading improved year on year. Canada was buoyed by the Sunwing Airlines contract gain in Toronto and fixed price increases at fuel farms at multiple locations. Mexico and Colombia benefitted from contract wins and additional services. In Sint Maarten, the efforts to recover from Hurricane Irma in 2017 continue to progress well as flight capacity returns. Our commitment to the island remains strong as evidenced by the recent signing of a new five year concession agreement with the airport authority, extending our 22 year relationship out into 2026.

As mentioned above, overall commercial activity across the region remained strong in what is a significant growth market that offers opportunities for organic growth. Significant contract renewals included extending our global relationship with Norwegian Air Shuttle at Hamilton and Sun Country Airlines at Newark and Alaska Airlines at 11 stations across the USA.

Europe, Middle East & Africa (EMEA)

In the EMEA region revenue increased 9% driven by ground handling contract wins in 2018, most notably in Gothenburg, Oslo and Prague, and the acquisition of Airline Services in the UK. These ground handling increases were partly offset by decreases in the cargo market which has had an adverse impact on profitability. This was most marked in Amsterdam, Prague and Budapest. The cessation of operations in Hyderabad during 2018 also impacted the year on year performance of the region. Strong performances elsewhere in the region partly offset, particularly in Spain where flight volume growth helped drive revenue and profits up significantly on the same period in the prior year.

In the UK, where the Group has underperformed financially in recent years, we have a new and experienced management team in place who are already gaining traction. Key contracts have been renewed with overall improved margins and we are winning new contracts particularly within our wider product offering following the acquisition of Airline Services. We were delighted to extend our long standing relationship with easyJet by signing a long-term ground handling contract at their home base at London Luton. Other key renewals during the period

include LOT Polish Airlines, Air Canada and EgyptAir at London Heathrow and Ukraine International Airlines at London Gatwick. The integration of Airline Services will be completed by the start of the winter season following UK CMA clearance in January. This has been a positive acquisition for the UK business and is delivering synergies and with our enhanced product offering has helped to secure aircraft deep cleaning contracts with British Airways at London Heathrow and regular flight cleaning contracts with easyJet at London Luton and Edinburgh.

In order to address the challenges and opportunities that exist in the UK business we have an ongoing active process of reviewing performance across the business. As part of these ongoing plans we have closed our operation in Aberdeen after prior period contract losses and further flight schedule reductions.

In Southern Europe & Africa performance was strong benefitting from increased flights with easyJet across Spain and in France. Our business in South Africa was bolstered by increased flights and contract wins at the end of 2018. In Northern Europe there was strong revenue growth driven by the Czech Airlines contract win at Prague, combined with wins in Scandinavia at the end of 2018. However, the region also saw a significant reduction in cargo volumes and full labour markets in a number of countries have made staff retention a challenge. Prague, Copenhagen and Gothenburg in particular have been impacted with increased staff recruitment, training and overtime costs. Measures are in place at each of the stations to address the issue. Within our fuels business, we are providing good services at the three locations that have started up in France on behalf of World Fuel Services.

Rest of World

Revenue grew across the Rest of World during the first half of 2019. There was particularly strong growth at our ground handling operations in Sydney and Macau, and cargo operations in Sydney and Brisbane, driven by Singapore Airlines and Virgin Atlantic contract wins in 2018. During the first half we completed the acquisition of the remaining shares in Hamilton Aero Maintenance, having initially acquired a minority shareholding in 2016. Specialising in maintenance, repair and overhaul services, the business complements our existing service offering and provides a good opportunity to add ancillary revenue in the region. Despite positive revenue performance, profits marginally declined due to lower cargo mix at a number of locations.

There was significant commercial activity in the region with a number of key customer renewals signed, safeguarding over £15m of annual revenue. In particular, the renewal of our cargo contract with Thai Airways across five stations in Australia and New Zealand further strengthens our relationship with the Thailand flag carrier and delivers £8m of annual revenue. Further contract extensions were agreed with Air Macau, China Eastern Airlines, Jeju Airlines, Shanghai Airlines and Royal Brunei Airlines. In addition, there were contract wins in Auckland with Korean Air and Qatar Airways. We suffered only one loss, the Delta Air Lines contract in Sydney. Recently we signed an agreement to renew a network wide contract with a key customer, Cathay Pacific Airways, who operate services at all major stations in the Oceania region. Securing a new five year contract reflects our ongoing strong relationship following the excellent service we have provided over a number of years.

Cargo Forwarding

The global Air Menzies International (AMI) business had a resilient performance in more challenging market conditions which saw a slowdown in the global airfreight market as supply outstripped demand. Exports were lower in the UK and e-commerce volumes slowed in the USA. Despite the pressures, there were a number of successes in the half year. Growth was achieved in South Africa and in Australia where we were able to capitalise on the new cargo screening regulations utilising the additional equipment purchased ahead of the changes.

AMI management continues to focus on improving long-term bottom-line profitability through the rollout of improved IT infrastructure and exploring the possibility of bolt-on acquisitions to help expand the global footprint of the business into new markets. Since the half year we have acquired GTO Logistics, a freight forwarding wholesaler in Canada for a maximum consideration of £1.9m. This acquisition represents our first steps into the Canadian market and secures an important advantage on a major global trading route.

Financial Overview

Impact of reporting under IFRS 16 Leases

From 1 January 2019 the Group has reported under IFRS 16 Leases for the first time. This has resulted in a material grossing up of the Balance Sheet with the recognition of a right of use asset and corresponding lease liability for all qualifying leased equipment and property. The Income Statement has also been impacted as the right of use asset has been depreciated and interest charged on the lease liability, largely offset by rental charges no longer recognised. There have been no changes in the reported net cash flows although operating cash flows and financing cash flows have been impacted.

The financial impact of IFRS 16 has been to increase underlying operating profit by £1.9m and reduce underlying profit before tax by £2.0m. In the Balance Sheet, the right of use asset recognised at 30 June 2019 is £203.7m and the corresponding lease liability recognised is £207.4m, with an adverse equity impact on transition of £1.9m pre deferred tax. In the Income Statement, an additional £30.1m of depreciation has been charged and an incremental interest charge of £3.9m has been recognised, largely offset by £32.0m of rental charges no longer recognised.

Exceptional items in operating profit
Included in the Group's continuing and discontinued exceptional items in operating profit were transaction related costs of £2.7m, primarily relating to diligence on potential acquisition targets and further set up costs for the proposed joint venture in Iraq. Other costs of £3.7m primarily comprise of operational restructuring expense, Airline Services integration costs, legal costs in relation to warranty claims and further pension de-risking fees, partly offset by increased consideration receivable in respect of the sale of Menzies Distribution in 2018.

Finance costs
The Group's underlying net finance charge, excluding the incremental interest accounted for as a result of reporting under IFRS 16, was slightly ahead of the prior period at £5.8m (H1 2018: £5.4m).

Taxation
As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. The Group's underlying tax charge for the period was £2.4m (continuing business H1 2018: £4.6m) representing an effective underlying tax rate of 29% (continuing business H1 2018: 30%).

Earnings per share
The Group's continuing underlying earnings per share when adjusted on a like for like basis by removing the impact of reporting under IFRS 16 and calculating earnings at a constant currency with the prior year, were 8.1p (H1 2018: 13.0p). The reduction was a result of the decrease in underlying profits. The corresponding combined continuing and discontinued basic loss per share was 2.0p (H1 2018: 9.6p loss).

Defined benefit retirement obligation
The reported UK defined benefit retirement obligation has reduced by £5.9m since December 2018 to £12.1m as a result of £4.6m ongoing deficit contributions and £28.8m from the positive impact of returns on pension scheme assets partly offset by the impact of lower discount rates (£28.0m).

Investments and cash flow
Investments by the Group in the period of £3.1m include the step acquisition of Hamilton Aero Maintenance in New Zealand.

Operating cash flow was £58.9m (H1 2018: £42.3m restated). The increase was the result of the impact of reporting under IFRS 16, partly offset by the prior period including cash flow relating to the now disposed of Distribution business. Working capital management remains a key focus for the business. Free cash flow was £26.8m (H1 2018: £20.3m restated). Net capital expenditure was £16.3m (H1 2018: £9.8m).

Debt and facilities
The Group continues to operate on a sound financial footing with a robust balance sheet built from strong operating cash flow conversion. At the period end net debt closed ahead of the prior period at £215.1m (H1 2018: £231.8m) before accounting for the impact of reporting under IFRS 16. The reported net debt was £421.8m reflecting the inclusion of obligations under operating leases reported under IFRS 16.

The Group's net debt to EBITDA ratio was 2.8 times at 30 June 2019 (30 June 2018: 2.1 times) and interest cover was 4.6 times (H1 2018: 8.4 times) both within covenanted levels. The Group had £335m of committed facilities at 30 June 2019 of which £62.0m were undrawn.

Impact of foreign currency movements
The majority of the Group's operations are located outside the UK and account in currencies other than the Group's reporting currency. The Group hedges the sterling exposure of foreign currency denominated assets to manage the impact of currency movements in the Group's net assets using forward contracts. The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates impacts the Group's

reported results. In the first half of 2019, the Group's profits were impacted by favourable exchange rate movements against the prior period, particularly with respect to sterling against the US dollar.

Independent Review Report to John Menzies plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity, Group Statement of Cash Flows and the related Notes 1 to 16. 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 guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

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

Ernst & Young LLP
Edinburgh
12 August 2019

GROUP INCOME STATEMENT (unaudited)
for the half year to 30 June 2019

	Notes	**Before exceptional and other items £m**	**Exceptional and other items £m**	**Half year to 30 June 2019 £m**	Before exceptional and other items £m	Exceptional and other items £m	Half year to 30 June 2018 £m
Continuing operations							
Revenue	3	**649.9**	**-**	**649.9**	627.2	-	627.2
Net operating costs		**(635.7)**	**(11.7)**	**(647.4)**	(610.3)	(6.1)	(616.4)
Operating profit before joint ventures and associates		**14.2**	**(11.7)**	**2.5**	16.9	(6.1)	10.8
Share of post-tax results of joint ventures and associates		**3.7**	**(0.8)**	**2.9**	4.0	(0.7)	3.3
Operating profit	3	**17.9**	**(12.5)**	**5.4**	20.9	(6.8)	14.1
Analysed as:							
Underlying operating profit[i]	3	**17.9**	**-**	**17.9**	20.9	-	20.9
Non-recurring items – transaction related and integration	4	**-**	**(5.6)**	**(5.6)**	-	(2.1)	(2.1)
Non-recurring items – restructuring and pension related	4	**-**	**(2.9)**	**(2.9)**	-	(0.6)	(0.6)
Acquired intangible asset amortisation	4	**-**	**(3.2)**	**(3.2)**	-	(3.4)	(3.4)
Share of joint venture and associate interest		**-**	**0.1**	**0.1**	-	0.3	0.3
Share of joint venture and associate tax		**-**	**(0.9)**	**(0.9)**	-	(1.0)	(1.0)
Operating profit		**17.9**	**(12.5)**	**5.4**	20.9	(6.8)	14.1
Finance income		**0.3**	**-**	**0.3**	0.5	-	0.5
Finance charges excluding retirement benefit obligation interest		**(9.8)**	**(0.1)**	**(9.9)**	(5.3)	(0.4)	(5.7)
Retirement benefit obligation interest		**(0.2)**	**-**	**(0.2)**	(0.6)	-	(0.6)
Profit/(loss) before taxation		**8.2**	**(12.6)**	**(4.4)**	15.5	(7.2)	8.3
Taxation	5	**(2.4)**	**2.0**	**(0.4)**	(4.6)	1.9	(2.7)
Profit/(loss) for the period from continuing operations		**5.8**	**(10.6)**	**(4.8)**	10.9	(5.3)	5.6
Discontinued operations							
Profit/(loss) for the period from discontinued operations	4	**-**	**2.1**	**2.1**	10.3	(23.9)	(13.6)
Profit/(loss) for the period		**5.8**	**(8.5)**	**(2.7)**	21.2	(29.2)	(8.0)
Attributable to equity shareholders		**5.7**	**(8.5)**	**(2.8)**	21.2	(29.2)	(8.0)
Attributable to non-controlling interests		**0.1**	**-**	**0.1**	-	-	-
		5.8	**(8.5)**	**(2.7)**	21.2	(29.2)	(8.0)
Earnings per ordinary share							
Continuing operations							
Basic	6	**6.8p**	**(12.6)p**	**(5.8)p**	13.0p	(6.3)p	6.7p
Diluted	6	**6.8p**	**(12.6)p**	**(5.8)p**	13.0p	(6.3)p	6.7p
Continuing and discontinued operations							
Basic	6	**6.8p**	**(10.1)p**	**(3.3)p**	25.3p	(34.9)p	(9.6)p
Diluted	6	**6.8p**	**(10.1)p**	**(3.3)p**	25.3p	(34.8)p	(9.5)p

Note:
[i] Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract, customer relationship and brand intangibles and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.

GROUP INCOME STATEMENT (continued)
for the year ended 31 December 2018

	Notes	Before exceptional and other items £m	Exceptional and other items £m	Full year to 31 December 2018 £m
Continuing operations				
Revenue	3	1,291.0	-	1,291.0
Net operating costs		(1,244.0)	(19.8)	(1,263.8)
Operating profit before joint ventures and associates		47.0	(19.8)	27.2
Share of post-tax results of joint ventures and associates		8.1	(1.3)	6.8
Operating profit	3	55.1	(21.1)	34.0
Analysed as:				
Underlying operating profit(i)	3	55.1	-	55.1
Non-recurring items – transaction related and integration	4	-	(11.7)	(11.7)
Non-recurring items – impairment, pension related and other	4	-	(1.8)	(1.8)
Acquired intangible asset amortisation	4	-	(6.3)	(6.3)
Share of joint venture and associate interest		-	0.7	0.7
Share of joint venture and associate tax		-	(2.0)	(2.0)
Operating profit		55.1	(21.1)	34.0
Finance income		1.0	-	1.0
Finance charges excluding retirement benefit obligation interest		(11.2)	(1.4)	(12.6)
Retirement benefit obligation interest		(0.8)	-	(0.8)
Profit before taxation		44.1	(22.5)	21.6
Taxation	5	(12.4)	3.3	(9.1)
Profit/(loss) for the year from continuing operations		31.7	(19.2)	12.5
Discontinued operations				
Profit/(loss) for the period from discontinued operations		13.6	(31.5)	(17.9)
Profit/(loss) for the year		45.3	(50.7)	(5.4)
Attributable to equity shareholders		45.0	(50.7)	(5.7)
Attributable to non-controlling interests		0.3	-	0.3
		45.3	(50.7)	(5.4)
Earnings per ordinary share				
Continuing operations				
Basic	6	37.6p	(23.0)p	14.6p
Diluted	6	37.5p	(22.9)p	14.6p
Continuing and discontinued operations				
Basic	6	53.8p	(60.6)p	(6.8)p
Diluted	6	53.7p	(60.5)p	(6.8)p

Note:
(i) Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract, customer relationship and brand intangibles and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.

GROUP STATEMENT OF COMPREHENSIVE INCOME (unaudited)
for the half year to 30 June 2019

	Notes	**Half year to 30 June 2019 £m**	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
Loss for the period		**(2.7)**	(8.0)	(5.4)
Items that will not be reclassified subsequently to profit or loss				
Continuing operations:				
Actuarial gain on defined benefit retirement obligation	13	**2.1**	14.6	3.1
Actuarial loss on unfunded retirement benefit obligation		**-**	-	(0.1)
Income tax effect on defined benefit retirement obligation		**(0.3)**	(2.4)	(0.5)
Discontinued operations:				
Actuarial loss on defined benefit retirement obligation		**-**	(6.7)	(7.2)
Income tax effect on defined benefit retirement obligation		**-**	1.2	1.1
Items that may be reclassified subsequently to profit or loss				
Continuing operations:				
Movement on cash flow hedges		**(1.5)**	1.2	0.6
Income tax effect on cash flow hedges		**0.3**	(0.2)	(0.1)
Movement on net investment hedges		**(0.8)**	0.9	0.4
Income tax effect on net investment hedges		**0.2**	(0.2)	(0.1)
Exchange gain/(loss) on translation of foreign currency net assets		**1.3**	(5.2)	(4.3)
Income tax effect of exchange gain/loss on foreign currency net assets		**(0.2)**	0.4	1.0
Other comprehensive income/(loss) for the period		**1.1**	3.6	(6.1)
Total comprehensive loss for the period		**(1.6)**	(4.4)	(11.5)
Attributable to equity shareholders		**(1.7)**	(4.4)	(11.8)
Attributable to non-controlling interests		**0.1**	-	0.3
		(1.6)	(4.4)	(11.5)

GROUP BALANCE SHEET (unaudited)
as at 30 June 2019

	Notes	**30 June 2019 £m**	30 June 2018 restated (Note 16) £m	31 December 2018 £m
Assets				
Non-current assets				
Intangible assets	7	**175.2**	157.1	159.2
Property, plant and equipment	8	**324.6**	125.1	116.0
Investments in joint ventures and associates		**17.2**	27.4	19.3
Other investments		**5.4**	-	5.2
Deferred tax assets		**22.8**	22.1	23.2
Derivative financial assets	9	**-**	2.3	1.5
		545.2	334.0	324.4
Current assets				
Inventories		**6.6**	5.4	5.6
Trade and other receivables		**266.2**	344.9	359.0
Derivative financial assets	9	**0.4**	1.2	0.6
Cash and cash equivalents	11	**92.5**	65.7	78.0
Assets held for sale		**-**	146.2	-
		365.7	563.4	443.2
Liabilities				
Current liabilities				
Borrowings	11	**(107.9)**	(18.3)	(34.7)
Derivative financial liabilities	9	**(0.7)**	(0.6)	(0.5)
Trade and other payables		**(208.2)**	(283.2)	(290.5)
Current income tax liabilities		**(4.6)**	(9.9)	(11.6)
Provisions		**(70.1)**	(41.5)	(49.3)
Liabilities held for sale		**-**	(102.6)	-
		(391.5)	(456.1)	(386.6)
Net current (liabilities)/assets		**(25.8)**	107.3	56.6
Total assets less current liabilities		**519.4**	441.3	381.0
Non-current liabilities				
Borrowings	11	**(406.1)**	(290.8)	(244.5)
Derivative financial liabilities		**(0.1)**	-	-
Other payables		**(3.7)**	(4.6)	(3.7)
Deferred tax liabilities		**(3.4)**	(3.7)	(2.9)
Provisions		**(8.5)**	(5.6)	(10.6)
Retirement benefit obligation	13	**(12.1)**	(23.5)	(18.0)
		(435.5)	(328.2)	(279.7)
Net assets		**85.5**	113.1	101.3
Shareholders' equity				
Ordinary shares		**21.1**	21.0	21.1
Share premium account		**23.4**	22.2	23.1
Treasury shares		**(1.2)**	(3.2)	(2.6)
Other reserves		**(8.8)**	(8.7)	(8.1)
Merger relief reserve		**67.3**	67.3	67.3
Retained earnings		**(33.9)**	(3.6)	(17.2)
Capital redemption reserve		**21.6**	21.6	21.6
Total shareholders' equity		**89.5**	116.6	105.2
Non-controlling interest in equity		**(4.0)**	(3.5)	(3.9)
Equity		**85.5**	113.1	101.3

GROUP STATEMENT OF CHANGES IN EQUITY (unaudited)
as at 30 June 2019

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Translation and hedge reserves £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Equity £m
At 31 December 2018	21.1	23.1	(2.6)	(8.1)	67.3	(17.2)	21.6	105.2	(3.9)	101.3
Impact of adoption of IFRS 16 (Note 2)	-	-	-	-	-	(1.6)	-	(1.6)	-	(1.6)
Restated equity at 1 January 2019	21.1	23.1	(2.6)	(8.1)	67.3	(18.8)	21.6	103.6	(3.9)	99.7
(Loss)/profit for the period	-	-	-	-	-	(2.8)	-	(2.8)	0.1	(2.7)
Other comprehensive (loss)/income	-	-	-	(0.7)	-	1.8	-	1.1	-	1.1
Total comprehensive (loss)/income	-	-	-	(0.7)	-	(1.0)	-	(1.7)	0.1	(1.6)
New share capital issued	-	0.3	-	-	-	-	-	0.3	-	0.3
Share-based payments	-	-	-	-	-	(0.5)	-	(0.5)	-	(0.5)
Dividends approved	-	-	-	-	-	(12.2)	-	(12.2)	(0.2)	(12.4)
Disposal of Company's shares	-	-	1.4	-	-	(1.4)	-	-	-	-
At 30 June 2019	**21.1**	**23.4**	**(1.2)**	**(8.8)**	**67.3**	**(33.9)**	**21.6**	**89.5**	**(4.0)**	**85.5**
At 31 December 2017	21.0	21.9	(1.3)	(5.6)	67.3	11.4	21.6	136.3	(3.8)	132.5
Loss for the period	-	-	-	-	-	(8.0)	-	(8.0)	-	(8.0)
Other comprehensive (loss)/income	-	-	-	(3.1)	-	6.7	-	3.6	-	3.6
Total comprehensive loss	-	-	-	(3.1)	-	(1.3)	-	(4.4)	-	(4.4)
New share capital issued	-	0.3	-	-	-	-	-	0.3	-	0.3
Share-based payments	-	-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Subsidiaries acquired	-	-	-	-	-	-	-	-	0.3	0.3
Dividends approved	-	-	-	-	-	(12.1)	-	(12.1)	-	(12.1)
Repurchase of Company's shares	-	-	(3.3)	-	-	-	-	(3.3)	-	(3.3)
Disposal of Company's shares	-	-	1.4	-	-	(1.4)	-	-	-	-
At 30 June 2018	21.0	22.2	(3.2)	(8.7)	67.3	(3.6)	21.6	116.6	(3.5)	113.1
At 31 December 2017	21.0	21.9	(1.3)	(5.6)	67.3	11.4	21.6	136.3	(3.8)	132.5
(Loss)/profit for the year	-	-	-	-	-	(5.7)	-	(5.7)	0.3	(5.4)
Other comprehensive loss	-	-	-	(2.5)	-	(3.6)	-	(6.1)	-	(6.1)
Total comprehensive (loss)/income	-	-	-	(2.5)	-	(9.3)	-	(11.8)	0.3	(11.5)
New share capital issued	0.1	1.2	-	-	-	-	-	1.3	-	1.3
Share-based payments	-	-	-	-	-	1.6	-	1.6	-	1.6
Income tax effect of share-based payments	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Subsidiaries acquired	-	-	-	-	-	-	-	-	0.3	0.3
Dividends paid	-	-	-	-	-	(17.1)	-	(17.1)	(0.7)	(17.8)
Repurchase of Company's shares	-	-	(5.0)	-	-	-	-	(5.0)	-	(5.0)
Disposal of Company's shares	-	-	3.7	-	-	(3.7)	-	-	-	-
At 31 December 2018	21.1	23.1	(2.6)	(8.1)	67.3	(17.2)	21.6	105.2	(3.9)	101.3

GROUP STATEMENT OF CASH FLOWS (unaudited)
for the half year to 30 June 2019

	Notes	**Half year to 30 June 2019 £m**	Half year to 30 June 2018 restated (Note 16) £m	Full year to 31 December 2018 £m
Cash flows from operating activities				
Cash generated from operations	10	**45.9**	27.4	54.9
Interest received		**0.3**	0.5	1.0
Interest paid[(i)]		**(9.3)**	(5.2)	(11.8)
Tax paid		**(6.8)**	(7.5)	(15.3)
Net cash flow from operating activities		**30.1**	15.2	28.8
Cash flows from investing activities				
Acquisitions		**(3.1)**	(1.0)	(1.0)
Bank overdraft acquired with subsidiary	14	**(0.1)**	-	-
Advance payment for acquisition		**-**	(18.3)	(20.2)
Disposal of subsidiaries		**-**	-	51.2
Cash held by disposed subsidiaries		**-**	-	(5.9)
Investment in joint ventures		**(0.3)**	-	(1.2)
Disposal of joint venture		**2.6**	-	6.3
Purchase of property, plant and equipment		**(15.5)**	(9.7)	(29.0)
Intangible asset additions		**(1.4)**	(0.8)	(3.2)
Proceeds from sale of property, plant and equipment		**0.6**	0.7	14.9
Dividends received from equity accounted investments		**2.5**	2.5	4.8
Net cash flow (used in)/from investing activities		**(14.7)**	(26.6)	16.7
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**0.3**	0.3	1.3
Purchase of Company's shares		**-**	(3.3)	(5.0)
Proceeds from borrowings		**28.8**	5.2	1.0
Repayment of borrowings excluding leases		**(10.9)**	(1.6)	(41.7)
Principal element of lease repayments		**(28.1)**	-	-
Dividends paid to non-controlling interests		**(0.2)**	-	(0.7)
Dividends paid to ordinary shareholders		**-**	-	(17.1)
Net cash flow (used in)/from financing activities		**(10.1)**	0.6	(62.2)
Increase/(decrease) in net cash and cash equivalents		**5.3**	(10.8)	(16.7)
Effects of exchange rate movements		**0.8**	(0.6)	0.3
Opening net cash and cash equivalents[(ii)]		**54.5**	70.9	70.9
Closing net cash and cash equivalents[(ii)]	11	**60.6**	59.5	54.5

Notes:
[(i)] Includes £3.9m interest paid relating to lease liabilities recognised under IFRS 16 Leases.
[(ii)] Net cash and cash equivalents comprise cash at bank and in hand and bank overdrafts.

Notes to the Interim Accounts

1. Introduction

These interim condensed financial statements are prepared in a consolidated format. They relate to the half year to 30 June 2019 and are unaudited but have been formally reviewed by the Auditors and their report to the Company is set out on page 10. They were approved by the Board on 12 August 2019. These interim condensed financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year to 31 December 2018, prepared in accordance with IFRS, have been filed with the Registrar of Companies. The report of the Auditors included in that 2018 Annual Report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

Seasonality of operations
The Group's trading is subject to the seasonal airline industry where our customers' flight volumes are higher during the summer in the northern hemisphere. Accordingly, the Group has traditionally reported higher revenue and profitability in the second half of the financial year.

2. Basis of preparation

These interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and the basis of the accounting policies set out in the 2018 Annual Report, except for the adoption of new standards and interpretations effective from 1 January 2019 as noted below.

These interim condensed financial statements have been prepared on a going concern basis as the Directors, having considered the available relevant information, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group has restated the prior period comparatives at 30 June 2018 as the 2018 interim accounts included the acquisition of the trade and assets of Airline Services Ltd as though it had occurred on 4 April 2018. As set out in the Annual Report and Accounts 2018, the Group made a payment of £14.4m to the vendor on 4 April 2018 but was not able to control the business until the conclusion of an investigation by the UK Competition and Markets Authority. The transaction was not treated as a business combination in the 2018 year end financial statements with the payment to acquire the business and the funding of its activities since being included in other receivables. The Competition and Markets Authority cleared the transaction on 17 January 2019 and the business was treated as an acquisition from that date. Accordingly, the presentation at 30 June 2018 has been restated to reflect an increase in other receivables of £12.5m, a reduction in intangible assets of £10.8m, a reduction in plant, property and equipment of £3.7m and other smaller items as set out in Note 16. There was no impact on the consolidated net assets or Income Statement, however there was an increase to both operating cash inflows and investing cash outflows of £3.9m with no impact on overall net cash flows.

In addition, as set out in the Annual Report and Accounts 2018, the Group has also reclassified certain liabilities from accruals to provisions, largely in respect of the Group's insurance, legal and employee related claims. Accordingly, the Group has restated the prior period comparatives at 30 June 2018 as set out in Note 16 to reflect the uncertain timing or amount and nature of these liabilities. In addition to reclassifying these accruals as provisions the Group has adjusted its prior period Balance Sheet presentation to show its gross insurance claims in provisions and a reimbursement asset in receivables in respect of amounts recoverable from insurers. This has resulted in an increase in other receivables at 30 June 2018 of £10.0m, a corresponding increase in the insurance provision of £24.9m and a net reduction in accruals of £14.9m with no impact on the consolidated net assets or Income Statement in the period. Other liabilities of £6.2m have also been reclassified from accruals to provisions as set out in Note 16 with no impact on the consolidated net assets, Income Statement or Cash Flow Statement.

New accounting standards and amendments
Five new accounting standards and amendments are applicable for the first time in 2019. However, other than IFRS 16 Leases, they have no material impact on the annual consolidated financial statements or the interim condensed financial statements of the Group. These new standards are:

IFRS 16 Leases - effective 1 January 2019. Further details of the impact of this standard are set out below.
IFRIC 23 Uncertainty over Income Tax Treatments - effective 1 January 2019

Annual improvements to IFRS 2015-2017 cycle - effective 1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement - effective 1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures - effective 1 January 2019

Standards and amendments to standards that have been issued that are applicable for the Group but are not effective for 2019 and have not been early adopted are:
IFRS 17 Insurance Contracts(i) – effective date 1 January 2021
Amendments to References to the Conceptual Framework in IFRS Standards(i) – effective date 1 January 2020
Amendments to IFRS 3 Business Combinations(i) - effective date 1 January 2020

Note:
(i) IFRS 17, amendments to references to the conceptual framework and IFRS 3 are not yet adopted for use in the European Union.

IFRS 16 Leases
The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new lease accounting rules are therefore recognised in the opening Balance Sheet on 1 January 2019.

The standard removes the distinction between operating leases and finance leases and results in a significant number of leased assets being recognised as non-current assets representing the right to use the underlying asset with a corresponding liability shown as debt. This materially grosses up the Balance Sheet with the recognition of a new right of use asset being depreciated through the Income Statement and a lease liability on which interest is charged through the Income Statement. There is no change to the reporting of net cash flows although the operating and financing cash flows are grossed up respectively.

The Group utilised the modified retrospective method of application on 1 January 2019 and recognised £214.5m of right of use assets and £216.4m of lease liabilities measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities at 1 January 2019 ranged from 1.4% to 10.8% and the Group's weighted average incremental borrowing rate was 3.8%

The impact of the new standard on the Group's reported results is set out below.

	Half year to 30 June 2019		
Impact on Income Statement	**Excluding IFRS 16 £m**	**Impact of IFRS 16 £m**	**Reported £m**
Underlying operating profit			
Americas	**9.7**	**0.9**	**10.6**
EMEA	**0.4**	**0.6**	**1.0**
Rest of World	**4.1**	**0.4**	**4.5**
Cargo Forwarding	**1.8**	**-**	**1.8**
	16.0	**1.9**	**17.9**

	Half year to 30 June 2019		
Impact on Income Statement	**Excluding IFRS 16 £m**	**Impact of IFRS 16 £m**	**Reported £m**
Interest charge	**(5.9)**	**(3.9)**	**(9.8)**
Profit before tax	**(2.4)**	**(2.0)**	**(4.4)**

Earnings per share decreased by 1.7p per share for the half year ended 30 June 2019 as a result of the adoption of IFRS 16. As the lease liabilities were recognised on transition on 1 January 2019, the related interest charge is more front loaded than the rental charge it replaces and the impact is earnings dilutive in the early phase of the lease portfolio maturity cycle and accretive in the latter.

Impact on Cash Flow Statement	Half year to 30 June 2019 £m
Increase in operating cash inflows	**28.1**
Increase in financing cash outflows	**(28.1)**

There is no impact on overall net cash flows.

Impact on Balance Sheet	1 January 2019 £m
Increase in property, plant and equipment	**214.5**
Increase in deferred tax assets	**0.3**
Increase in lease liabilities	**(216.4)**
Reduction in retained earnings on transition	**1.6**

Right of use assets recognised in property, plant and equipment	1 January 2019 £m
Properties	**98.7**
Equipment and vehicles	**115.8**
	214.5

Reconciliation of operating lease commitments to lease liability	£m
Operating lease commitments disclosed as at 31 December 2018	**290.8**
Non-lease component	**(64.3)**
Impact of discounting	**(23.9)**
Impact of IFRS 16 data review[(i)]	**26.4**
Short term and low value leases	**(12.6)**
Lease liability as at 1 January 2019	**216.4**
Current	**57.0**
Non-current	**159.4**
	216.4

Notes:
[(i)] As part of the transition to IFRS 16, a number of operating lease commitments were identified that had not been included in the 2018 Annual Report and Accounts operating lease commitments disclosure.

Practical expedients applied

The practical expedients utilised under the modified retrospective approach are that: there was no restatement of comparative periods; recognition exemptions were applied for short term leases and for low value assets; a single discount rate was applied to a portfolio of leases with reasonably similar characteristics; the standard has only been applied to contracts that were previously classified as leases; exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application and no new onerous lease assessments are required on transition due to the ability to rely on previous assessments.

Judgement was required to determine the non-lease component for one significant leasing vendor. This non-lease component was determined at 50% of the lease cost resulting in the remainder of the commitments being capitalised as a right of use asset.

For all but one of the Group's leases the Group elected to recognise the right of use asset at an amount equal to the initial lease liability on 1 January 2019. For one long term property lease, the Group utilised the option to measure the right of use at its carrying amount had IFRS 16 been applied since the inception of the lease. As the lease liability exceeded the right of use asset at 1 January 2019 an amount of £1.6m net of deferred tax was recognised in equity as a transition adjustment.

Leasing activities and how these are accounted for

The Group leases various offices, warehouses, ground handling equipment and vehicles. Rental contracts are typically entered into for fixed periods of one to ten years but may have break options or extension options as set out below. Lease terms are negotiated both on an individual basis and a Group-wide basis and contain a wide

range of different terms and conditions. The lease terms do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 December 2018 leases of property, plant and equipment were classified as either operating leases or finance leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the Income Statement on a straight-line basis over the lease term.

From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period. The right of use asset is depreciated over the lease term on a straight-line basis.

Lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments) and variable lease payments that are based on a specified index or rate. The lease payments are discounted using each lessee's incremental borrowing rate (if the interest rate implicit in the lease is not readily determinable). This rate is the interest rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value over a similar term and with similar security to the right of use asset in a similar economic environment.

Right of use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any initial direct costs, and any lease payments made at or before the commencement date. Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the Income Statement. Short term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture where the cash value when new is less than $5,000.

Certain property leases contain variable payment terms that are linked to local inflation conditions. The impact of changes in these variable lease payments are recognised in the right of use asset and lease liability in the period in which the condition that triggers those payments arises.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term applicable for accounting purposes, Management considers all facts and circumstances that create economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Non-GAAP measures

The Group's reported results are prepared in accordance with IFRS as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006. In measuring the Group's performance, the financial measures that are used include those which have been derived from the reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures. This information, along with comparable GAAP measurements, is useful to investors in providing a basis for measuring our operational performance. Management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating performance and value creation. Non-GAAP measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP. Non-GAAP financial measures as reported by the Group may not be comparable with similarly titled amounts reported by other companies.

Contract, customer relationship and brand amortisation

Contract, customer relationship and brand amortisation relates to intangible assets recognised on historic acquisitions and therefore since it is transaction related it is presented separately in order to provide stakeholders and Management with an appreciation of underlying business performance.

Share of earnings from joint ventures and associates

As disclosed in the Income Statement, the Group's share of post-tax profit relating to joint ventures and associates is included within operating profit given the similarity of those operations to other wholly owned businesses.

Underlying operating profit
As disclosed on the face of the Income Statement, underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, contract, customer relationship and brand amortisation and the Group's share of joint venture and associate interest and tax to provide an appreciation of the impact of those items on operating profit.

Underlying operating profit and the reconciliation to operating profit are set out on the face of the Income Statement.

Underlying profit before taxation
As disclosed on the face of the Income Statement, underlying profit before taxation is defined as underlying operating profit, less net finance charges and before exceptional and other items.

Underlying earnings per share
As disclosed on the face of the Income Statement, underlying earnings per share is defined as profit after taxation and non-controlling interest before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue. The calculation of underlying earnings per share is set out in Note 6.

Free cash flow
Free cash flow is defined as the cash generated after net capital expenditure, interest and taxation, before special pension contributions, acquisitions, disposals, exceptional items, cash raised, ordinary dividends and net spend on shares.

	Half year to 30 June 2019 £m	Half year to 30 June 2018 restated (Note 16) £m	Full year to 31 December 2018 £m
Cash generated from operations	**45.9**	27.4	54.9
Adjusted for:			
Net interest paid	**(9.0)**	(4.7)	(10.8)
Exceptional interest paid	**-**	-	0.6
Tax paid	**(6.8)**	(7.5)	(15.3)
Dividends received from equity accounted investments	**2.5**	2.5	4.8
Purchase of property, plant and equipment	**(15.5)**	(9.7)	(29.0)
Intangible asset additions	**(1.4)**	(0.8)	(3.2)
Proceeds from sale of property, plant and equipment	**0.6**	0.7	14.9
Additional retirement benefit obligation contribution	**4.6**	5.8	24.8
Exceptional cash spend	**5.9**	6.6	10.4
Free cash flow	**26.8**	20.3	52.1

Underlying operating cash flow
Underlying operating cash flow is free cash flow before net capital expenditure, net interest paid and taxation.

	Half year to 30 June 2019 £m	Half year to 30 June 2018 restated (Note 16) £m	Full year to 31 December 2018 £m
Free cash flow as set out above	**26.8**	20.3	52.1
Adjusted for:			
Purchase of property, plant and equipment	**15.5**	9.7	29.0
Intangible asset additions	**1.4**	0.8	3.2
Proceeds from sale of property, plant and equipment	**(0.6)**	(0.7)	(14.9)
Net interest paid excluding exceptional interest	**9.0**	4.7	10.2
Tax paid	**6.8**	7.5	15.3
Underlying operating cash flow	**58.9**	42.3	94.9

3. Segment information

Following the disposal of the Distribution business in the prior year the central Corporate function was subsumed into the regional components of the former Aviation division on 31 December 2018. Subsequent to this date the reportable segments of the Group are the regional components of the former Aviation division and comparative information has been restated accordingly. The Group provides ground handling and cargo services as well as into-plane fuelling and fuel farm management services across the world.

The Board assesses the performance of the operating segments based on a measure of adjusted segment result before exceptional items, intangible amortisation and share of interest and tax on joint ventures and associates. Transfer prices between segments are set on an arm's length basis.

Business segments

Segmental revenue and the reconciliation of segmental underlying operating profit/(loss) to profit/(loss) before tax for the period is set out below.

	Notes	**Americas £m**	**EMEA £m**	**Rest of World £m**	**Cargo Forwarding £m**	**Group £m**
Continuing operations						
Half year to 30 June 2019						
Revenue		**230.4**	**268.6**	**80.0**	**70.9**	**649.9**
Underlying operating profit[(i)]		**10.6**	**1.0**	**4.5**	**1.8**	**17.9**
Exceptional transaction related items	4					**(5.6)**
Exceptional restructuring and pension related items	4					**(2.9)**
Acquired intangible asset amortisation	4					**(3.2)**
Share of interest on joint ventures and associates						**0.1**
Share of tax on joint ventures and associates						**(0.9)**
Operating profit						**5.4**
Net finance expense						**(9.8)**
Loss before taxation						**(4.4)**

Half year to 30 June 2018	Notes	Americas £m	EMEA £m	Rest of World £m	Cargo Forwarding £m	Group £m
Revenue[(ii)]		230.2	250.2	75.2	71.6	627.2
Underlying operating profit[(i), (iii)]		10.1	3.1	5.3	2.4	20.9
Exceptional transaction related items	4					(2.7)
Acquired intangible asset amortisation	4					(3.4)
Share of interest on joint ventures and associates						0.3
Share of tax on joint ventures and associates						(1.0)
Operating profit						14.1
Net finance expense						(5.8)
Profit before taxation						8.3

Full year to 31 December 2018	Notes	Americas £m	EMEA £m	Rest of World £m	Cargo Forwarding £m	Group £m
Revenue		463.8	517.3	157.6	152.3	1,291.0
Underlying operating profit[(i), (iii)]		17.2	16.6	14.8	6.5	55.1
Exceptional transaction related items	4					(11.7)
Exceptional impairment and other items	4					(1.8)
Acquired intangible asset amortisation	4					(6.3)
Share of interest on joint ventures and associates						0.7
Share of tax on joint ventures and associates						(2.0)
Operating profit						34.0
Net finance expense						(12.4)
Profit before taxation						21.6

Notes:
[(i)] Underlying operating profit/(loss) is defined as operating profit/(loss) excluding intangible amortisation as shown in Note 4 and exceptional items but including the pre-tax share of results from joint ventures and associates.
[(ii)] Restated to exclude the Group's share of revenue relating to joint ventures following the termination of the utilisation of turnover as a non-GAAP measure in the prior year.
[(iii)] As set out above the central Corporate function was subsumed into the Aviation division on 31 December 2018. The prior period has been restated to present comparable information.

Revenue by country

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
Continuing operations			
United States of America	**184.1**	180.0	370.0
United Kingdom	**138.6**	132.3	264.5
Australia	**79.3**	77.1	164.0
Others	**247.9**	237.8	492.5
	649.9	627.2	1,291.0

Revenue by performance obligation

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
Continuing operations			
At the point of service	**636.9**	616.7	1,268.6
Franchise and consortia fees	**13.0**	10.5	22.4
	649.9	627.2	1,291.0

Revenue is earned at the point of service in each segment of the business. Franchise and consortia fees are earned in Americas and EMEA.

The business provides customers with a comprehensive handling service whilst aircraft are on the ground, encompassing a variety of critical support services including baggage handling, cleaning, fuelling, de-icing and towing. The level of service required can vary according to conditions therefore judgement is exercised in determining the distinct performance obligations under the contract. Performance obligations under ground handling and cargo handling contracts constitute a package of services provided together within a single aircraft turnaround. The interrelated activities are considered to be integrated in providing a single turnaround to customers. Revenue on these contracts is recognised according to the actual work carried out, typically governed by a schedule of agreed rates, at the time the service is provided.

The cargo forwarding business contracts with customers to fulfil the single performance obligation to facilitate the transportation of goods from one location to another. The business directs the performance of this obligation,

selecting carriers to use. Revenue is recognised at the point of delivery as this is the point at which the revenue is significantly assured.

Franchise and consortia fees represent revenue earned from periodic management fees for fuel farms and franchising arrangements, which are recognised in accordance with contractual rates.

4. Exceptional and other items

Exceptional items included in operating profit

Continuing operations	**Half year to 30 June 2019 £m**	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
Acquisition and transaction related costs[(i)]	**(2.7)**	(0.3)	(2.9)
Acquisition integration costs[(ii)]	**(1.0)**	(1.8)	(2.1)
Acquisition warranties and claims[(iii)]	**(1.9)**	-	(6.7)
Restructuring[(iv)]	**(2.3)**	-	-
Pension de-risking costs and property[(v)]	**(0.6)**	(0.6)	1.9
Impairment[(vi)]	**-**	-	(3.7)
	(8.5)	(2.7)	(13.5)

Notes:

[(i)] Acquisition and transaction related costs comprise £2.6m of costs in relation to potential acquisitions and £0.3m of joint venture, set up costs partially offset by a £0.2m exceptional gain relating to a fair value adjustment recognised on the step acquisition of Hamilton Aero Maintenance Ltd. In the prior year transaction related costs reflected £1.5m relating to the acquisition of the trade and assets of Airline Services Ltd, £0.8m loss on disposal of Hyderabad Menzies Air Cargo Private Ltd and £0.6m other transaction related costs.

[(ii)] Acquisition integration costs relate to the integration of the Airline Services business acquired during the period. Costs comprise integration team, rationalisation and rebranding. In the prior year costs of £2.1m related to the ASIG acquisition.

[(iii)] Acquisition warranty claims recognised during the period of £1.9m relate to provisions for employee and customer claims for identified items relating to ASIG that occurred prior to the Group's ownership and are expected to become payable. These amounts are stated before the expected recovery of these costs from the vendor under warranty and indemnity undertakings given in the sale and purchase agreement. In the prior year £6.7m also related to provisions for employee and customer claims.

[(iv)] Restructuring costs comprise £2.1m of redundancy payments incurred as part of the operational efficiency programme announced during the period and £0.2m relating to station closure costs.

[(v)] Professional fees of £0.6m have been incurred in respect of pension de-risking. In the prior year property and pension items comprised a £2.1m gain on disposal of property, partly offset by £0.2m of pension de-risking costs and past service costs.

[(vi)] In the prior year impairment costs comprised a £3.7m write-down of the investment in Menzies Bobba Ground Handling Services Private Ltd and related tax receivables.

Discontinued operations

An exceptional gain of £2.1m has been recognised during the period relating to increased consideration receivable in respect of the disposal of the Menzies Distribution business in the prior period. The increase follows an exercise to finalise certain information regarding the members of section B of the Menzies Pension Fund disposed of with the transaction. In accordance with the sale and purchase agreement, the £2.1m reduction in the pension obligation is due from the purchaser. In the prior year an exceptional cost of £27.9m was incurred relating to the loss on disposal and transaction related costs.

Exceptional items included in finance charges

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
Transaction related finance costs[(i)]	**-**	-	(0.6)
Unwind discount costs relating to deferred consideration	**-**	(0.1)	(0.1)

Note:

[(i)] In the prior year transaction related finance costs comprised syndicated facility fees and break costs relating to the disposal of the Distribution business.

Acquired intangible assets amortisation included in operating profit

Acquired intangible asset amortisation costs incurred were £3.2m (half year to 30 June 2018: £3.4m and full year to 31 December 2018: £7.1m). The amortisation relates to contract, customer relationship and brand assets recognised on the acquisition of businesses.

5. Taxation

The underlying effective tax rate for the full year 2019 is estimated at 29% (full year 2018: 28%). Therefore, the underlying effective tax rate used for the half year 2019 was 29% (half year 2018: 30%). The share of results from the joint ventures and associates for the half year is after taxation of £0.9m (half year to 30 June 2018: £1.0m and full year to 31 December 2018: £2.0m).

The taxation effect of the exceptional items is a £1.1m net credit (half year to 30 June 2018: £0.9m net credit, full year to 31 December 2018: £1.3m net credit) in relation to tax deductions available for a proportion of the exceptional costs arising during the half year 2019.

6. Earnings per share

	Basic			Underlying[i]		
	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m	**Half year to 30 June 2019 £m**	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
(Loss)/profit for the period as set out in the Income Statement	**(2.7)**	(8.0)	(5.4)	**5.8**	21.2	45.3
Adjustment to exclude result relating to non-controlling interests	**(0.1)**	-	(0.3)	**(0.1)**	-	(0.3)
(Loss)/earnings for the period attributable to equity shareholders	**(2.8)**	(8.0)	(5.7)	**5.7**	21.2	45.0
Basic earnings per ordinary share						
Loss per ordinary share	**(3.3)p**	(9.6)p	(6.8)p			
Diluted loss per ordinary share	**(3.3)p**	(9.5)p	(6.8)p			
Underlying earnings per ordinary share[i]						
Earnings per ordinary share				**6.8p**	25.3p	53.8p
Diluted earnings per ordinary share				**6.8p**	25.3p	53.7p
Number of ordinary shares in issue						
Weighted average (million)	**84.2**	83.7	83.7			
Diluted weighted average (million)	**84.2**	83.9	83.8			
Continuing operations						
(Loss)/profit for the period as set out in the Income Statement	**(2.7)**	(8.0)	(5.4)	**5.8**	21.2	45.3
Adjustment to exclude result from discontinued operations	**(2.1)**	13.6	17.9	**-**	(10.3)	(13.6)
Adjustment to exclude result relating to non-controlling interest	**(0.1)**	-	(0.3)	**(0.1)**	-	(0.3)
(Loss)/earnings for the period attributable to equity shareholders	**(4.9)**	5.6	12.2	**5.7**	10.9	31.4
Basic						
(Loss)/earnings per ordinary share	**(5.8)p**	6.7p	14.6p			
Diluted (loss)/earnings per ordinary share	**(5.8)p**	6.7p	14.6p			
Underlying						
Earnings per ordinary share				**6.8p**	13.0p	37.6p
Diluted earnings per ordinary share				**6.8p**	13.0p	37.5p

Discontinued operations						
(Loss)/profit for the period as set out in the Income Statement	**(2.7)**	(8.0)	(5.4)	**5.8**	21.2	45.3
Adjustment to exclude result from continuing operations	**4.8**	(5.6)	(12.5)	**(5.8)**	(10.9)	(31.7)
Earnings/(loss) for the period attributable to equity shareholders	**2.1**	(13.6)	(17.9)	**-**	10.3	13.6
Basic						
Earnings/(loss) per ordinary share	**2.5p**	(16.3)p	(21.4)p			
Diluted earnings/(loss) per ordinary share	**2.5p**	(16.2)p	(21.4)p			
Underlying						
Earnings per ordinary share				**-**	12.3p	16.2p
Diluted earnings per ordinary share				**-**	12.3p	16.2p

Note:
(i) Underlying earnings is presented as an additional performance measure and is stated before exceptional items, intangible amortisation and impairment.

The weighted average number of fully paid shares in issue during the year excludes those held by the employee share trusts. The diluted weighted average is calculated by adjusting for all outstanding share options that are potentially dilutive (i.e. where the exercise price is less than the average market price of the shares during the year). There is no impact of these share options on the diluted weighted average number of shares (half year to 30 June 2018: increase of 0.2m, full year to 31 December 2018: increase of 0.1m) and there is no anti-dilutive impact on basic EPS.

7. Intangible assets

Intangible assets comprise goodwill of £127.2m (June 2018 continuing operations: £107.1m, December 2018: £112.4m), contracts and customer relationship intangibles of £42.8m (June 2018 continuing operations: £57.5m, December 2018: £42.3m) and capitalised software costs of £5.2m (June 2018 continuing operations: £3.2m, December 2018: £4.5m). The principal cause of the £16.0m increase in intangible assets in the period relates to the acquisition of Airline Services and Hamilton Aero Maintenance as set out in Note 14.

8. Property, plant and equipment

As set out in Note 2, property, plant and equipment includes right of use assets recognised under IFRS 16 Leases. The net book value of these right of use assets at 30 June 2019 was £203.7m after charging depreciation in the period of £30.1m. Other movements in the period include right of use assets recognised on new leases of £13.3m and favourable currency translation of £3.6m.

9. Financial instruments

Derivative financial instruments

Recognised in Balance Sheet

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Non-current asset	**-**	2.3	1.5
Current asset	**0.4**	1.2	0.6
Current liability	**(0.7)**	(0.6)	(0.5)
Non-current liability	**(0.1)**	-	-
Net fair value	**(0.4)**	2.9	1.6

Adjusted to fair value through the Statement of Other Comprehensive Income

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Cash flow hedges:			
Foreign exchange contracts – hedged	**0.3**	(0.1)	0.2
Interest rate swaps – hedged	**(0.1)**	2.3	1.5
Foreign currency net investment hedges:			
Foreign exchange contracts – hedged	**(0.6)**	0.7	(0.1)
Net fair value	**(0.4)**	2.9	1.6

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. The Group only enters into derivative financial instruments that are designated as hedging instruments. The fair values of foreign currency instruments are calculated by reference to current market rates. During the period, all derivative financial instruments were measured using Level 2 fair value measurements. The Group uses a hierarchy for determining and disclosing the fair value of financial instruments by valuation technique as set out in the Annual Report and Accounts 2018.

All financial assets and liabilities approximate fair value.

Contingent consideration

The liabilities for contingent consideration and other acquisition related amounts are Level 3 derivative financial instruments.

The acquisition of PlaneBiz 2015 Ltd in 2014 included options in relation to the 40% shareholding owned by a third party. These options take the form of a put option in favour of the third party shareholders for up to 15% of the share capital, exercisable in 2019. Following the expiry of this put option the Group then has a call option, exercisable for a 60 day period, for the remaining shares that have not been exercised under the put option. The fair value of the put option has been calculated based on the expected discounted cash flows of the underlying value, which is the expected average annual EBITDA over the preceding three years multiplied by 5.5. The call option is considered to have a negligible fair value.

The liabilities for these items are set out below.

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Fair value of contingent and other acquisition related amounts:			
PlaneBiz 2015 Ltd	**3.3**	3.2	3.3
Gold Coast Air Terminal Services Pty Ltd	**-**	0.4	0.4

10. Cash generated from operations

	Half year to 30 June 2019 £m	Half year to 30 June 2018[(i),(ii)] £m	Full year to 31 December 2018[(ii)] £m
Operating profit/(loss) before joint ventures and associates	**4.6**	(0.4)	13.1
Depreciation[(iii)]	**41.0**	13.0	24.9
Amortisation of intangible assets	**3.9**	5.4	8.8
Share-based payments	**0.4**	0.7	1.6
Non-exceptional onerous lease provision charge	**-**	0.7	-
Cash spend on onerous leases	**-**	(1.9)	(1.5)
Gain on sale of property, plant and equipment	**(0.2)**	(0.2)	(1.6)
Pension charge	**-**	0.6	1.4
Pension contributions in cash	**(4.6)**	(5.9)	(24.9)
Transaction and other exceptional items	**6.4**	5.2	13.5
Impairment loss	**-**	20.8	30.3
Cash spend on exceptional items	**(5.9)**	(4.7)	(8.9)
Decrease/(increase) in working capital	**0.3**	(5.9)	(1.8)
	45.9	27.4	54.9

Notes:
(i) Restated for delayed Airline Services acquisition as set out in Note 16.
(ii) Includes both continuing and discontinued operations.
(iii) Depreciation in the current period includes £30.1m charged on right of use assets recognised under IFRS 16 Leases.

11. Changes in net borrowings

	31 December 2018 £m	Lease liability recognised 1 January 2019(i) £m	Lease liabilities recognised during the period net of terminations £m	Half year cash flows £m	Subsidiaries acquired £m	Fair value movements £m	Currency translation £m	**30 June 2019 £m**
Cash at bank and in hand	78.0	-	-	13.7	-	-	0.8	**92.5**
Bank overdrafts	(23.5)	-	-	(8.3)	(0.1)	-	-	**(31.9)**
Net cash and cash equivalents	54.5	-	-	5.4	(0.1)	-	0.8	**60.6**
Bank loans due within one year	(11.2)	-	-	(5.6)	-	-	-	**(16.8)**
Lease liability due within one year	-	(57.0)	(0.5)	0.1	(0.8)	-	(1.0)	**(59.2)**
Preference shares	(1.4)	-	-	-	-	-	-	**(1.4)**
Debt due after one year	(243.1)	-	-	(12.6)	-	-	(0.7)	**(256.4)**
Lease liability due after one year	-	(159.4)	(15.8)	31.9	(1.8)	-	(3.1)	**(148.2)**
Net derivative assets (at fair value)	1.6	-	-	0.3	-	(2.3)	-	**(0.4)**
Net debt	(199.6)	(216.4)	(16.3)	19.5	(2.7)	(2.3)	(4.0)	**(421.8)**

Note:
(i) As set out in Note 2 lease liabilities have been recognised under IFRS 16 Leases on 1 January 2019.

As set out in the Statement of Cash Flows, proceeds from borrowings excluding lease liabilities were £28.8m (full year 2018: £1.0m) and repayments of borrowings were £10.9m (full year 2018: £41.7m).

Currency translation movements result from the Group's policy of hedging overseas net assets, which are denominated mainly in US dollars, euros and Australian dollars. The translation effect on net debt is offset by the translation effect on net assets, which resulted in an overall net exchange gain of £0.6m (full year 2018: loss of £3.0m). The net loss is recognised in other comprehensive income.

12. Contingent liabilities

The Group has a number of claims in the normal course of business that Management believes should not result in a material impact to the consolidated financial statements. In addition, there are a number of employee and customer related claims against the ASIG business relating to practices prior to the Group's acquisition of the business in February 2017 that Management is assessing. To the extent that the financial impact can be reliably measured these amounts are included in provisions, whilst for certain claims where Management has determined that the outcome is currently less certain and therefore the liability cannot be reliably measured these items constitute contingent liabilities.

13. Retirement benefit obligation

Defined benefit scheme

The principal Group-funded defined benefit pension scheme is the Menzies Pension Fund ("the Fund") in the United Kingdom. The scheme valuations were assessed in accordance with independent actuarial advice from PricewaterhouseCoopers ("the Actuary").

Fund financial assumptions and information

The Actuary undertook a valuation of the Fund as at 30 June 2019 (30 June 2018 and 31 December 2018). In deriving the results the Actuary used the following financial assumptions:

	Half year to 30 June 2019 %	Half year to 30 June 2018 %	Full year to 31 December 2018 %
Price inflation	**3.2**	3.0	3.2
Discount rate	**2.3**	2.7	2.8
Rate of increase on pensions accrued before 2006	**3.6**	3.5	3.6
Rate of increase on pensions accrued after 2006	**2.2**	2.1	2.2

Assumptions regarding future mortality experience are set based on advice that uses published statistics and experience in the business.

The fair value of Fund assets and liabilities is set out below.

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Total value of assets	**336.5**	304.9	305.0
Defined benefit obligation	**(348.6)**	(328.4)	(323.0)
Recognised in Balance Sheet	**(12.1)**	(23.5)	(18.0)
Related deferred tax asset	**2.1**	4.0	3.1
Net pension liabilities	**(10.0)**	(19.5)	(14.9)

Pension expense

The charge to the Income Statement is assessed in accordance with independent actuarial advice from the Actuary using the projected unit method. The components of pension expense are set out below.

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
Amounts charged to operating profit			
Administrative costs	**0.6**	0.6	1.3
Past service cost (Note 4)	**-**	-	0.1
Total service cost	**0.6**	0.6	1.4
Amounts included in finance costs			
Interest cost on defined benefit obligation	**4.5**	4.4	8.7
Interest income on Fund assets	**(4.3)**	(3.9)	(7.9)
Net finance charge	**0.2**	0.5	0.8
Pension expense	**0.8**	1.1	2.2

The components of the actuarial gain/loss recognised in the Statement of Comprehensive Income are set out below.

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
Returns on assets excluding interest income	**28.8**	(3.0)	(16.7)
Changes in demographic assumptions	**1.3**	1.7	2.1
Changes in financial assumptions	**(28.0)**	15.9	17.4
Experience	**-**	-	0.3
Actuarial gain	**2.1**	14.6	3.1

Changes in Fund assets and defined benefit obligations

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
Fair value of assets at start of period	**305.0**	309.9	309.9
Interest income	**4.3**	3.9	7.9
Returns on assets excluding interest income	**28.8**	(3.0)	(16.7)
Company contributions	**4.6**	5.5	23.6
Benefits and expenses paid	**(6.2)**	(11.4)	(19.7)
Fair value of assets at end of period	**336.5**	304.9	305.0
Return on scheme assets including interest income	**33.1**	0.9	(8.8)

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Full year to 31 December 2018 £m
Defined benefit obligation at start of period	**323.0**	352.4	352.4
Service cost	**0.6**	0.6	1.4
Interest cost	**4.5**	4.4	8.7
Benefits and expenses paid	**(6.2)**	(11.4)	(19.7)
Changes in demographic assumptions	**(1.3)**	(1.7)	(2.1)
Changes in financial assumptions	**28.0**	(15.9)	(17.4)
Experience	**-**	-	(0.3)
Defined benefit obligation at end of period	**348.6**	328.4	323.0

14. Acquisitions

On 16 January 2019 the Group acquired the remaining 80% share of Hamilton Aero Maintenance Ltd. The business provides line maintenance and engineering support services in New Zealand and this step acquisition enables the Group to realise the benefits of control. These financial statements include the impact of five months' trading results.

As set out in Note 2, on 17 January 2019 the Group acquired the trade and assets of Airline Services Ltd. The business provides de-icing and aircraft presentation services at UK airports together with ground handling operations at London Gatwick. This acquisition expands our coverage into four new UK airports. These financial statements include the impact of five months' trading results.

On 14 June 2019 the Group acquired the trade and assets of Rendezvous Executive Lounge. The business expands our ground handling services at Isle of Man airport. These financial statements include the impact of less than one months' trading results relating to this acquisition.

There were no acquisitions in the prior year.

	Airline Services £m	**Hamilton Aero Maintenance Ltd £m**	**Rendezvous Executive Lounge £m**	**Half year to 30 June 2019 £m**
Purchase consideration:				
Cash paid(i)	**14.4**	**2.4**	**0.4**	**17.2**
Trading and working capital funding due to delay in completion	**6.1**	**-**	**-**	**6.1**
Fair value of existing equity interest in associate	**-**	**0.6**	**-**	**0.6**
Deferred consideration	**-**	**-**	**0.1**	**0.1**
	20.5	**3.0**	**0.5**	**24.0**
Less: fair value of net assets acquired	**8.3**	**1.0**	**0.2**	**9.5**
Goodwill	**12.2**	**2.0**	**0.3**	**14.5**

Note:
(i) As set out in Note 2 an advance payment of £14.4m was paid for the trade and assets of Airline Services in the prior year. In the current year £3.1m was invested in acquisitions with £2.8m invested in Hamilton Aero Maintenance Ltd and Rendezvous Executive Lounge as set out above and £0.3m paid for contingent consideration relating to the historic acquisition of Gold Coast Air Terminal Services Pty Ltd which was cash settled in March 2019.

Goodwill recognised with respect to Airline Services is primarily attributable to workforce expertise and synergies with other Group companies. Goodwill recognised with respect to Hamilton Aero Maintenance Ltd is primarily attributable to the benefit of control, workforce expertise and synergies with other Group companies. Goodwill recognised with respect to Rendezvous Executive Lounge is primarily attributable to workforce expertise and synergies with other Group companies.

The fair values of assets and liabilities arising from the acquisitions are:

	Airline Services £m	**Hamilton Aero Maintenance Ltd £m**	**Rendezvous Executive Lounge £m**	**Half year to 30 June 2019 £m**
Intangible assets – contracts and customer relationships	**2.2**	**0.9**	**0.2**	**3.3**
Other investments	**-**	**0.1**	**-**	**0.1**
Deferred tax assets	**-**	**0.1**	**-**	**0.1**
Property, plant and equipment	**6.4**	**0.5**	**0.1**	**7.0**
Inventory	**1.4**	**0.2**	**-**	**1.6**
Trade and other receivables	**5.3**	**0.4**	**-**	**5.7**
Current borrowings	**(0.7)**	**(0.2)**	**-**	**(0.9)**
Trade and other payables	**(3.6)**	**(0.4)**	**-**	**(4.0)**
Provisions	**(0.9)**	**-**	**-**	**(0.9)**
Non-current borrowings	**(1.4)**	**(0.3)**	**(0.1)**	**(1.8)**
Deferred tax liability	**(0.4)**	**(0.3)**	**-**	**(0.7)**
Net assets acquired at fair value	**8.3**	**1.0**	**0.2**	**9.5**

Current assets acquired with Airline Services include £4.7m of trade receivables at fair value, the gross amount acquired. Current assets acquired with other acquisitions include £0.4m of trade receivables at fair value, the gross amount acquired. The fair values of the net assets of all businesses acquired remain provisional pending the formal completion of the valuation process.

The acquired businesses contributed £0.2m profit before taxation excluding the amount contributed from Hamilton Aero Maintenance Ltd as an associate undertaking and £18.2m revenue from acquisition dates. If the businesses had been acquired on 1 January 2019, Group continuing revenue and loss before taxation would have been £651.8m and £(4.4)m, respectively. No transaction fees relating to the acquisitions were incurred and expensed during the period. The step acquisition of Hamilton Aero Maintenance Ltd resulted in the recognition of an exceptional gain in the Income Statement of £0.2m as set out in Note 4.

15. Foreign currency sensitivity

For the period to 30 June 2019, if sterling had weakened or strengthened by 10% on currencies that have a material impact on the Group profit before tax and equity, with all other variables held constant, the effect would have been:

		Half year to 30 June 2019		Fully year to 31 December 2018	
	Weakening/ (strengthening) of sterling	**Effect on profit before tax £m**	**Effect on equity £m**	Effect on profit before tax £m	Effect on equity £m
US dollar	10%	**1.3**	**(0.2)**	1.8	(0.9)
US dollar	(10)%	**(1.1)**	**0.2**	(1.5)	1.1
Australian dollar	10%	**0.4**	**1.6**	1.5	1.3
Australian dollar	(10)%	**(0.3)**	**(1.3)**	(1.2)	(1.1)
Euro	10%	**0.4**	**0.7**	1.4	(0.1)
Euro	(10)%	**(0.3)**	**(0.5)**	(1.1)	0.1
Indian rupee	10%	**0.2**	**0.9**	0.7	1.0
Indian rupee	(10)%	**(0.1)**	**(0.8)**	(0.6)	(0.8)

The impact of the Group's exposure to all other foreign currencies is not considered to be material to the overall results of the Group.

16. Prior year adjustment

As set out in Note 2 the Group has restated the Balance Sheet at 30 June 2018 due to the delayed acquisition of Airline Services and due to the reclassification of certain material accruals to provisions and receivables.

Impact on Group Balance Sheet

	As at 30 June 2018			
	As previously reported £m	Airline Services prior period adjustment(i) £m	Accruals and provisions prior period adjustment(ii) £m	As restated £m
Assets				
Non-current assets				
Intangible assets	167.9	(10.8)	-	157.1
Property, plant and equipment	128.8	(3.7)	-	125.1
Investments in joint ventures and associates	27.4	-	-	27.4
Deferred tax assets	22.1	-	-	22.1
Derivative financial assets	2.3	-	-	2.3
	348.5	(14.5)	-	334.0
Current assets				
Inventories	6.4	(1.0)	-	5.4
Trade and other receivables	322.4	12.5	10.0	344.9
Derivative financial assets	1.2	-	-	1.2
Cash and cash equivalents	65.7	-	-	65.7
Assets held for sale	146.2	-	-	146.2
	541.9	11.5	10.0	563.4
Liabilities				
Current liabilities				
Borrowings	(18.3)	-	-	(18.3)
Derivative financial liabilities	(0.6)	-	-	(0.6)
Trade and other payables	(306.0)	1.7	21.1	(283.2)
Current income tax liabilities	(9.9)	-	-	(9.9)
Provisions	(13.2)	0.9	(29.2)	(41.5)
Liabilities held for sale	(102.6)	-	-	(102.6)
	(450.6)	2.6	(8.1)	(456.1)
Net current assets	91.3	14.1	1.9	107.3
Total assets less current liabilities	439.8	(0.4)	1.9	441.3
Non-current liabilities				
Borrowings	(290.8)	-	-	(290.8)
Other payables	(4.6)	-	-	(4.6)
Deferred tax liabilities	(4.1)	0.4	-	(3.7)
Provisions	(3.7)	-	(1.9)	(5.6)
Retirement benefit obligation	(23.5)	-	-	(23.5)
	(326.7)	0.4	(1.9)	(328.2)
Net assets	113.1	-	-	113.1
Shareholders' equity				
Equity	113.1	-	-	113.1

Notes:

(i) The Group has restated the prior period comparatives at 30 June 2018 as the 2018 interim accounts included the acquisition of the trade and assets of Airline Services as though it had occurred on 4 April 2018. As set out in Note 2 the acquisition of the business was only cleared by the UK Competition and Markets Authority on 17 January 2019 and therefore the business has been treated as an acquisition from that date. Accordingly, the presentation at 30 June 2018 has been restated by reclassifying all related balances to other receivables, consistent with the treatment in the Annual Report and Accounts 2018. There is no impact on the consolidated net assets or Income Statement.

(ii) The Group has also reclassified certain liabilities from accruals to provisions, largely in respect of the Group's insurance, legal and employee related claims. In addition to reclassifying these accruals as provisions the Group has adjusted its prior period Balance Sheet presentation at 30

June 2018 to show its gross insurance claims in provisions and a reimbursement asset in receivables in respect of amounts recoverable from the insurers. There is no impact on the consolidated net assets or Income Statement.

Impact on Group Statement of Changes in Equity
There is no impact on equity at 30 June 2018.

Impact on Cash Flow Statement
The Airline Services restatement set out above results in an increase in operating cash inflows for the half year ended 30 June 2018 of £3.9m with an equal and corresponding increase in investing cash outflows of £3.9m resulting in no overall impact on net cash flows.

There was no impact on the Cash Flow Statement arising from the accruals and provisions reclassifications set out above.

Risks and uncertainties
The principal risks and uncertainties affecting the business activities of the Group remain those detailed in the Annual Report and Accounts, a copy of which is available on the Group website at www.johnmenziesplc.com. The Board considers that these remain a current reflection of the risks and uncertainties facing the business for the remaining six months of the financial year.

Directors' responsibility statement in respect of the condensed interim financial statements
The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and that the interim management report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, paragraphs DTR 4.2.7 R and DTR 4.2.8 R. The Directors of John Menzies plc are listed in the Annual Report and Accounts. A list of current Directors is maintained on the Company website: www.johnmenziesplc.com.