John Menzies plc

Interim Results Announcement

14 August 2018

John Menzies plc

Half year results for the six months ended 30 June 2018

Financial Summary

	2018				2017
	Reported	Add back discontinued operations	**Group**	**Group constant currency[6]**	Reported
Turnover[1]	£641.4m	£606.7m	**£1,248.1m**	**£1,271.6m**	£1,216.8m
Underlying operating profit[2]	£20.9m	£13.0m	**£33.9m**	**£35.5m**	£30.1m
Operating profit	£14.1m	£(11.2)m	**£2.9m**	---	£7.1m
Underlying profit before taxation[3]	£15.5m	£13.0m	**£28.5m**	**£30.1m**	£24.7m
Profit before tax	£8.3m	£(11.2)m	**£(2.9)m**	---	£0.5m
Operating cash flow[4]			**£38.4m**	---	£35.5m
Underlying earnings per share[5]	13.0p	12.3p	**25.3p**	---	21.8p
Basic earnings per share	6.7p	(16.3)p	**(9.6)p**	---	(4.3)p
Dividend per share			**6.0p**	---	6.0p

For like-for-like comparative purposes with the prior period, certain reported figures are shown above adjusted to add back the Menzies Distribution business, which since 1 April 2018 has been classified as an asset held for sale and is presented in the Income Statement as a discontinued operation. These interim results and prior year comparatives are unaudited.

Overview:

Financial highlights

- Group performance in the first half improved significantly
- Group underlying profit before taxation up 15% to £28.5m
- Menzies Aviation underlying operating profit up 9% to £23.7m
- Exceptional charge was £26.0m (H1 2017: £17.6m) relating to impairment of Distribution non-current assets, corporate transaction costs and defined benefit pension de-risking
- Underlying earnings per share up 16.1% to 25.3p (H1 2017: 21.8p)
- Interim dividend maintained at 6.0p, notwithstanding the Distribution conditional sale

Operational and strategic highlights

- Aviation pure play business set to be created following the completion of strategic realignment
- Menzies Distribution conditional sale agreed post period end for an enterprise value of £74.5m
- Menzies Aviation produced a strong first half performance
- Contract win and renewal momentum across the network continues
- Investments in people and processes underpin our growth agenda

Forsyth Black, CEO (designate) of John Menzies plc said:

"I am very pleased to have concluded our strategic realignment that, subject to shareholder approval, will see the creation of John Menzies plc as a global pure play aviation business and allow us to focus our management and capital resources on expanding our position in the structurally growing aviation services market.

"We hold a strong position in a growing marketplace and our aim is to build on this by continuing to pursue our established strategy, by continuing to invest in our technologies and most importantly to invest in our people in order to drive growth.

"As a Board, we aim to create long-term shareholder value by continuing to grow our business, while following our Excellence Manifesto and ensuring we deliver the highest levels of service to our customers."

Notes:

1. Turnover comprises the Group's revenue from subsidiaries and the Group's share of revenue from joint ventures and associates. 2017 turnover has been restated upward by £0.2m for the impact of recognising a sales return reserve movement (see note 16).
2. Underlying operating profit is operating profit adjusted for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract and customer relationship intangibles, and the Group's share of interest and tax on joint ventures and associates.
3. Underlying profit before taxation is underlying operating profit less net finance charges.
4. 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.
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. Performance at constant currency has been calculated by translating non-sterling earnings for the current period into sterling at the exchange rates used for the same period in the prior year.

Notes to Editors:

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

2. Menzies Aviation is a leading global provider of passenger, ramp and cargo services. Menzies Aviation operates at 219 airports in 37 countries, supported by a team of some 33,000 highly-trained people. Each year Menzies Aviation serves some 1,000 customers, handling 1.4 million flights, 1.6 million tonnes of cargo and fuelling four million turnarounds. Customers include Air Canada, Air France-KLM, American Airlines, Cathay Pacific, Delta Air Lines, easyJet, Emirates, Frontier Airlines, IAG, Lufthansa, Norwegian Air Shuttle, Air Canada, United Airlines and China Airlines. Best in class safety and security is the number one priority each day and every day.

For further information:

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Forsyth Black, Chief Executive Officer (designate)
Giles Wilson, Chief Financial Officer
John Geddes, Corporate Affairs Director

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Jonathon Brill/Alex Beagley

Chairman's Statement

I am pleased with the progress that the Group has made in the past six months. On 26 July 2018, we announced the sale of Menzies Distribution to Endless LLP for an enterprise value of £74.5m, which completes our strategic realignment and positions John Menzies plc as a pure play aviation services business with many exciting opportunities. We are very pleased to be one of the world's leading players in a structural growth market, expanding both in size from underlying aviation growth dynamics and also where the market continues to grow as airlines outsource services.

The Board intends to build on this strong position by continuing to pursue our proven strategy, by continuing to invest in our technologies and most importantly to invest in our people in order to drive growth.

As a Board, we aim to create long-term shareholder value by growing our business in a structured and sensible way, while following our Excellence Manifesto thus ensuring we deliver the highest levels of service to our customers.

To support this and in light of our corporate change as an aviation services pure play the Board has adopted the following strategic principles:

Pursue our excellence manifesto: we aim to become the undisputed premium brand in the aviation services sector. In doing so we will set the highest standards for safety, security and performance. We will offer the deepest combination of service portfolio and geographic locations and we will deploy the most sophisticated technical solutions. Underpinning all of this is our people, they are at the heart of everything we do and we have a structured people agenda that allows us to attract, retain and develop each of our 33,000 employees.

Organic growth: we seek to grow both within our existing footprint by winning more contracts and deepening our relationships with growing airlines in growing markets. We will do this organically by entering new markets either with existing customers or through a new scale customer that provides the certainty of operations to allow the setting up of a new base.

Acquisitive growth: we will make acquisitions where the strategic fit is right to bolster existing operations and products or to enter new markets. These investments may be through participating in market consolidation or by entering joint ventures which allow us to enter new markets or to participate in airline outsourcing, particularly at hub locations.

Deliver shareholder returns: we are focused on progressively growing our margin. We aim for top line growth of 8% per annum and target a minimum EPS growth of 10% per annum. Our target net debt will be between 1.5 and 2.0 times EBITDA and we will look to continue with a progressive dividend policy where cover lies between 2 and 3 times.

Outlook

Trading since the half year continues to be in line with expectations and the Board remains confident we are on track to meet the Board's expectations for the full year.

The second half has started well with ground handling turns in the key summer period in line and cargo volumes continuing to deliver good returns. We continue to make progress expanding our fuelling business and were pleased to be awarded an exclusive contract to provide fuel farm management and into-plane fuelling by World Fuel Services at Paris Le Bourget.

We continue to focus on margin improvement by winning contracts at acceptable rates and where possible re-pricing existing contracts to match local market dynamics. In September, we are opening our newest station in South East Asia with operations starting in Jakarta, Indonesia.

The sale of Menzies Distribution is conditional on shareholder approval and we expect to secure this on 22 August 2018, which will allow the disposal to complete shortly thereafter. This will allow management to focus their attention solely on growing our aviation services business.

Overall, we have an exciting pipeline of opportunities across our portfolio and we look forward to expanding our business, growing our margin and delivering sustainable returns for our shareholders.

Group Performance Review

Group performance in the first half of 2018 improved significantly with underlying operating profit up 13% (18% in constant currency) and underlying profit before tax up 15% (22% in constant currency). The improvement was a result of a strong performance at Menzies Aviation, particularly from new operations, increased cargo tonnage and contract wins in EMEA and the Rest of World. The Group reported a loss before tax of £2.9m (H1 2017: profit £0.5m) with stronger trading profit offset by exceptional and other items, particularly relating to the integration of acquisitions, the impact of the disposal of Menzies Distribution and the continuing de-risking of the defined benefit pension scheme.

Menzies Aviation continues to consolidate its position of strength. The integration of the fuelling and the ground handling business acquired with ASIG in 2017 is now largely complete and synergies have been delivered ahead of expectations. Contract win momentum continued with turnover at constant currency up 6% year on year, and we continue to benefit from our investments into infrastructure and innovation. Menzies Distribution remains a solid business. The half year benefited from the expected gain from collectibles relating to the 2018 FIFA World Cup and performed well despite cost and volume pressures.

The Group's turnover, adding back that of the discontinued Distribution segment, was £1,248.1m (H1 2017: £1,216.8m). Group underlying profit before tax grew to £28.5m (H1 2017: £24.7m) following the strong performance in Menzies Aviation, partly offset by foreign exchange translation. The Group's loss before tax was £2.9m (H1 2017: profit £0.5m). Group underlying earnings per share rose to 25.3p (H1 2017: 21.8p).

In the continuing Aviation and Corporate segments, turnover was £641.4m (H1 2017: £625.4m). Continuing underlying operating profit grew to £20.9m (H1 2017: £19.3m) reflecting core growth in EMEA, Oceania and Cargo Forwarding and an extra month of ASIG acquired in 2017, partly offset by foreign exchange translation.

Menzies Aviation

The first half of 2018 has started well. Our teams have been busy winning and starting up new business. Underlying operating profit increased to £23.7m (H1 2017: £21.7m), up 17% in constant currency. This increase demonstrates the momentum within the division following good contract wins and renewal performance, a clear focus on productivity and continuing development of our commercial team to work with our customers to deepen relationships. The integration of the fuelling and ground handling businesses acquired with ASIG is now largely complete and the synergy benefit has exceeded expectations. Our drive internally for margin improvement continues to deliver benefits with progress made at stations delivering insufficient returns.

Overall, ground handling turns were down 6% but this was a result of our disciplined approach to risk and reward during 2017 and our decision to re-tender for historically challenged contracts only at acceptable rates. This discipline resulted in some historical poorly priced contracts being lost as previously disclosed. After allowing for the loss of these contracts, ground handling turns were up 3%.

Our into-plane fuelling business handled 2.0m aircraft turns in the first half in Americas and EMEA. Fuelling turns are up 18%, primarily as a result of the extra month of trading in 2018. In Americas, like-for-like turns were up 8% reflecting gains in San Francisco and Denver. In EMEA, our first new locations in continental Europe helped drive like-for-like turns 2% higher.

Cargo handling tonnes were up 1%. However, this figure is distorted by the loss of a significant contract in Q4 of 2017. Generally, volumes throughout the network have been strong, particularly in Americas and in EMEA where tonnages have benefited from the businesses in Budapest and the Gold Coast that were acquired during 2017. Together with strong volume, improved cargo handling yields have enhanced profitability in all our regions. To further pursue our cargo agenda we have appointed a new global head of cargo handling to reinforce our commitment to expanding this important range of services to our customers.

Our focus on commercial activities continued and we were the net winners of 55 contracts. Contract gains were well spread across the network. We are particularly pleased that wins included 23 in the fuelling business and a number of contracts at our lounge in Copenhagen demonstrating our commitment to developing our executive services offering. There were also 100 contract renewals in the period, securing some £51m of annual revenue.

Looking at segmental performance, our Americas region has performed well in the face of tough labour markets. Our management focus has been completing the integration of the fuelling and ground handling businesses acquired with ASIG and dealing with the upward pressure on living wage rates experienced by many of our stations and other businesses in the USA. Our customers are generally receptive to price increases that pass on mandated wage increases for our staff, however, wage rates in certain locations remain low and this drives staff turnover. We are developing a number of initiatives and they are already gaining traction. Cargo handling tonnages improved significantly in Dallas Fort Worth and Los Angeles and the fuelling operations profitability was enhanced by significant wins at San Francisco, Los Angeles and Cincinnati.

It is encouraging that Sint Maarten is recovering after the devastating hurricane last year. However, the almost total reduction in operations impacted the first half result and it may take time for it to reach the capacity it used to enjoy.

Profitability in EMEA continues to improve. Revenues were boosted by the new easyJet contract at Nice, British Airways passenger handling operations in Germany and higher turns across continental Europe and Africa. Contract wins included Air China at Heathrow and Martinair at Amsterdam. The new station in Dublin has started well, adding Icelandair to its core IAG customer base. The fuelling business performed well particularly the stations opening in France at Nice, Bordeaux and recently Paris Le Bourget.

We acquired the trade and assets of Airline Services Limited on 4 April 2018 with 12 locations in the UK including four new stations of Liverpool, Exeter, Newcastle and Bournemouth. We welcome 900 new employees to Menzies Aviation. The acquisition will strengthen our existing UK market position by expanding our service offering at a wider range of locations. We continue to follow competition clearance procedures with the CMA. We were disappointed that, following a detailed phase one review, the CMA announced on 7 August 2018 that they wish to refer the acquisition to a phase two investigation. We will continue to work with the CMA and look to find an acceptable outcome in due course.

In the Rest of World, trading momentum continues with both cargo and ground handling delivering positive results. We have seen ground handling renewals with Jetstar across New Zealand, cargo handling wins with Virgin Atlantic and Vietnam Airlines and the launch of a new freight forwarding trucking service at Sydney. The integration of Gold Coast Air Terminal Services in Queensland has strengthened our cargo handling offering and is performing ahead of expectations. The new operations in Indonesia are due to start in September, another step in widening our footprint in South East Asia and China.

In Cargo Forwarding, our global cargo consolidation and forwarding business, AMI, continued to perform well during the period with trading remaining strong, particularly in the UK and the USA. The new leadership team is in place to expand the geographies in which we operate and the product offerings that we provide. Key to success will be continuing to invest in enhanced systems for our customers and to optimise performance.

We continue to challenge our local teams to improve margins and this is delivering benefits. We are targeting improvements by extending our product offering such as de-icing and executive services. Technology can also play a part in improving productivity and driving better returns.

Our drive to be the market leader in our industry continues. We are investing in infrastructure and innovation across the whole of our business from the equipment that we use every day to the systems and back office functions on which our success is built. We believe that as a professional aviation services business with global operations, our customers can benefit from our innovation. Our airline customers value the automation and innovation that we are bringing to drive out costs and improve passenger and cargo services. This value enables us to win business and drive profitability.

Menzies Distribution

Menzies Distribution delivered an improved result with operating profit at £13.0m (H1 2017: £10.8m) after benefiting from a £1.5m reduction in depreciation and amortisation charges with the business being classified as an asset held for sale from 1 April 2018. On a like-for-like basis the underlying operating profit was £11.5m.

Financial Overview

Exceptional and other items in operating profit

A £20.8m impairment charge of intangibles and other non-current assets has been taken as an exceptional item in the half year reflecting the impact of accounting for the proposed sale of the Distribution business. Included in the Group's exceptional items in operating profit were transaction related costs of £4.6m, primarily relating to the integration of acquisitions, and the preparation for the disposal of Menzies Distribution. The costs of continued de-risking of the defined pension scheme were an additional £0.6m. Of the total £26.0m exceptional items (H1 2017: £17.6m), £2.7m (H1 2017: £13.0m) was in respect of the continuing business.

Finance costs

The Group's underlying net finance charge in the period was £5.4m (H1 2017: £5.4m) in line with the prior period.

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 £7.3m (H1 2017: £6.9m), representing an effective underlying tax rate of 26% (H1 2017: 28%).

Earnings per share

The Group's underlying earnings per share were 25.3p (H1 2017: 21.8p) as a result of the increase in profits. The corresponding basic loss per share was 9.6p (H1 2017: 4.3p) impacted by non-recurring items.

Cash flow and investments

Investments by the Group in the period were £15.4m, primarily relating to the acquisition of the trade and assets of Airline Services Limited in Menzies Aviation.

Operating cash flow was £38.4m (H1 2017: £35.5m). Working capital management remains a key focus for the business. Free cash flow was £16.4m (H1 2017: £5.4m). Net capital expenditure totalled £9.8m (H1 2017: £15.3m).

Debt and facilities

The Group continues to operate on a strong financial footing with a robust balance sheet built from strong operating cash flows across both divisions. At the period end, net debt was £231.8m (H1 2017: £235.4m) similar to the prior period.

The Group's net debt to EBITDA ratio was 2.1 times at 30 June 2018 (30 June 2017: 2.3 times) and interest cover was 8.4 times (H1 2017: 9.7 times), which were both well within covenanted levels. The Group had £344.8m of committed facilities at 30 June 2018 of which £52.0m were undrawn.

Impact of foreign exchange movements

The majority of Menzies Aviation's stations are located outside the UK and operate in currencies other than sterling. The Group hedges the 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 directly affects the Group's reported results. In the first half of 2018, the Group was impacted by unfavourable movements against the prior year, particularly with respect to sterling against the US and Australian dollars.

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 2018 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 2018 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
13 August 2018

GROUP INCOME STATEMENT (unaudited)

for the half year to 30 June 2018

	Notes	**Before exceptional and other items £m**	**Exceptional and other items £m**	**Half year to 30 June 2018 £m**	Before exceptional and other items restated (Note 15) £m	Exceptional and other items restated (Note 15) £m	Half year to 30 June 2017 restated (Note 15) £m
Continuing operations							
Revenue	3	**627.2**	**-**	**627.2**	611.7	-	611.7
Net operating costs		**(610.3)**	**(6.1)**	**(616.4)**	(596.0)	(16.5)	(612.5)
Operating profit before joint ventures and associates		**16.9**	**(6.1)**	**10.8**	15.7	(16.5)	(0.8)
Share of post-tax results of joint ventures and associates		**4.0**	**(0.7)**	**3.3**	3.6	(0.4)	3.2
Operating profit	3	**20.9**	**(6.8)**	**14.1**	19.3	(16.9)	2.4
Analysed as:							
Underlying operating profit[(i)]	3	**20.9**	**-**	**20.9**	19.3	-	19.3
Non-recurring items – transaction related and integration	4	**-**	**(2.1)**	**(2.1)**	-	(9.2)	(9.2)
Non-recurring items – pension related	4	**-**	**(0.6)**	**(0.6)**	-	(3.8)	(3.8)
Contract amortisation	4	**-**	**(3.4)**	**(3.4)**	-	(3.5)	(3.5)
Share of joint ventures and associates interest		**-**	**0.3**	**0.3**	-	0.5	0.5
Share of joint ventures and associates tax		**-**	**(1.0)**	**(1.0)**	-	(0.9)	(0.9)
Operating profit		**20.9**	**(6.8)**	**14.1**	19.3	(16.9)	2.4
Finance income		**0.5**	**-**	**0.5**	0.6	-	0.6
Finance charges excluding retirement benefit obligation interest		**(5.3)**	**(0.4)**	**(5.7)**	(5.0)	(1.2)	(6.2)
Retirement benefit obligation interest		**(0.6)**	**-**	**(0.6)**	(1.0)	-	(1.0)
Profit before taxation		**15.5**	**(7.2)**	**8.3**	13.9	(18.1)	(4.2)
Taxation	5	**(4.6)**	**1.9**	**(2.7)**	(4.6)	2.1	(2.5)
Profit / (loss) for the period from continuing operations		**10.9**	**(5.3)**	**5.6**	9.3	(16.0)	(6.7)
Discontinued operations							
Profit/(loss) for the period from discontinued operations	15	**10.3**	**(23.9)**	**(13.6)**	8.5	(5.8)	2.7
Profit / (loss) for the period		**21.2**	**(29.2)**	**(8.0)**	17.8	(21.8)	(4.0)
Attributable to equity shareholders		**21.2**	**(29.2)**	**(8.0)**	18.2	(21.8)	(3.6)
Attributable to non-controlling interests		**-**	**-**	**-**	(0.4)	-	(0.4)
		21.2	**(29.2)**	**(8.0)**	17.8	(21.8)	(4.0)
Earnings per ordinary share							
Continuing and discontinued operations							
Basic	6	**25.3p**	**(34.9)p**	**(9.6)p**	21.8p	(26.1)p	(4.3)p
Diluted	6	**25.3p**	**(34.8)p**	**(9.5)p**	21.8p	(26.1)p	(4.3)p
Continuing operations							
Basic	6	**13.0p**	**(6.3)p**	**6.7p**	11.6p	(19.2)p	(7.6)p
Diluted	6	**13.0p**	**(6.3)p**	**6.7p**	11.6p	(19.2)p	(7.6)p

Note:
(i) Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract and customer relationship 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 2017

	Notes	Before exceptional and other items restated (Note 15) £m	Exceptional and other items restated (Note 15) £m	Full year to 31 December 2017 restated (Note 15) £m
Continuing operations				
Revenue	3	1,273.6	-	1,273.6
Net operating costs		(1,228.5)	(29.7)	(1,258.2)
Operating profit before joint ventures and associates		45.1	(29.7)	15.4
Share of post-tax results of joint ventures and associates		8.0	(1.0)	7.0
Operating profit	3	53.1	(30.7)	22.4
Analysed as:				
Underlying operating profit(i)	3	53.1	-	53.1
Non-recurring items – transaction related and integration	4	-	(18.5)	(18.5)
Non-recurring items – pension related	4	-	(4.1)	(4.1)
Contract amortisation	4	-	(7.1)	(7.1)
Share of joint ventures and associates interest		-	0.9	0.9
Share of joint ventures and associates tax		-	(1.9)	(1.9)
Operating profit		53.1	(30.7)	22.4
Finance income		1.2	-	1.2
Finance charges excluding retirement benefit obligation interest		(10.2)	(1.7)	(11.9)
Retirement benefit obligation interest		(1.8)	-	(1.8)
Profit before taxation		42.3	(32.4)	9.9
Taxation	5	(14.8)	4.4	(10.4)
Profit / (loss) for the year from continuing operations		27.5	(28.0)	(0.5)
Discontinued operations				
Profit for the year from discontinued operations	15	19.6	(7.1)	12.5
Profit for the year		47.1	(35.1)	12.0
Attributable to equity shareholders		47.7	(35.1)	12.6
Attributable to non-controlling interests		(0.6)	-	(0.6)
		47.1	(35.1)	12.0
Earnings per ordinary share				
Continuing and discontinued operations				
Basic	6	57.2p	(42.1)p	15.1p
Diluted	6	57.0p	(41.9)p	15.1p
Continuing operations				
Basic	6	33.7p	(33.6)p	0.1p
Diluted	6	33.6p	(33.5)p	0.1p

Note:
(i) Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract and customer relationship 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 2018

	Notes	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
(Loss)/profit for the period		**(8.0)**	(4.0)	12.0
Items that will not be reclassified subsequently to profit or loss				
Continuing operations:				
Actuarial gain on defined benefit retirement obligation	12	**14.6**	17.5	15.7
Actuarial loss on unfunded retirement benefit obligation		**-**	-	(0.1)
Income tax effect on defined benefit retirement obligation		**(2.4)**	(3.4)	(2.7)
Impact of UK rate change on deferred tax on retirement benefit obligation		**-**	0.5	-
Discontinued operations:				
Actuarial loss on defined benefit retirement obligation	15	**(6.7)**	-	-
Income tax effect on defined benefit retirement obligation		**1.2**	-	-
Items that may be reclassified subsequently to profit or loss				
Movement on cash flow hedges		**1.2**	0.7	0.5
Income tax effect on cash flow hedges		**(0.2)**	(0.1)	(0.1)
Movement on net investment hedges		**0.9**	0.6	2.0
Income tax effect on net investment hedges		**(0.2)**	(0.1)	(0.4)
Exchange loss on translation of foreign currency net assets		**(5.2)**	(1.9)	(3.7)
Income tax effect of exchange loss on foreign currency net assets		**0.4**	(0.3)	0.7
Other comprehensive income for the period		**3.6**	13.5	11.9
Total comprehensive income for the period		**(4.4)**	9.5	23.9
Attributable to equity shareholders		**(4.4)**	9.9	24.5
Attributable to non-controlling interests		**-**	(0.4)	(0.6)
		(4.4)	9.5	23.9

GROUP BALANCE SHEET (unaudited)
as at 30 June 2018

	Notes	**30 June 2018**	30 June 2017 restated (Note 16)	31 December 2017
		£m	£m	£m
Assets				
Non-current assets				
Intangible assets	7	**167.9**	202.3	203.7
Property, plant and equipment		**128.8**	160.4	155.6
Investments in joint ventures and associates		**27.4**	27.1	27.7
Deferred tax assets		**22.1**	23.7	24.2
Derivative financial assets	8	**2.3**	-	0.9
		348.5	413.5	412.1
Current assets				
Inventories		**6.4**	18.9	20.9
Trade and other receivables		**322.4**	331.2	350.2
Derivative financial assets	8	**1.2**	0.7	1.1
Cash and cash equivalents	10	**65.7**	67.0	72.8
Assets held for sale	15	**146.2**	-	-
		541.9	417.8	445.0
Liabilities				
Current liabilities				
Borrowings	10	**(18.3)**	(10.3)	(5.1)
Derivative financial liabilities	8	**(0.6)**	(1.4)	(0.5)
Trade and other payables		**(306.0)**	(317.6)	(344.8)
Current income tax liabilities		**(9.9)**	(12.2)	(13.5)
Provisions		**(13.2)**	(9.1)	(15.8)
Liabilities held for sale	15	**(102.6)**	-	-
		(450.6)	(350.6)	(379.7)
Net current assets		**91.3**	67.2	65.3
Total assets less current liabilities		**439.8**	480.7	477.4
Non-current liabilities				
Borrowings	10	**(290.8)**	(291.4)	(283.6)
Other payables		**(4.6)**	(4.9)	(4.6)
Deferred tax liabilities		**(4.1)**	(9.2)	(4.7)
Provisions		**(3.7)**	(2.8)	(2.5)
Retirement benefit obligation	12	**(23.5)**	(52.1)	(49.5)
		(326.7)	(360.4)	(344.9)
Net assets		**113.1**	120.3	132.5
Shareholders' equity				
Ordinary shares		**21.0**	20.9	21.0
Share premium account		**22.2**	20.7	21.9
Treasury shares		**(3.2)**	(1.3)	(1.3)
Other reserves		**(8.7)**	(5.7)	(5.6)
Merger relief reserve		**67.3**	67.3	67.3
Retained earnings		**(3.6)**	0.6	11.4
Capital redemption reserve		**21.6**	21.6	21.6
Total shareholders' equity		**116.6**	124.1	136.3
Non-controlling interest in equity		**(3.5)**	(3.8)	(3.8)
Total equity		**113.1**	120.3	132.5

GROUP STATEMENT OF CHANGES IN EQUITY (unaudited)

as at 30 June 2018

	Ordinary shares	Share premium account	Treasury shares	Translation and hedge reserves	Merger relief reserve	Retained earnings	Capital redemption reserve	Total shareholders' equity	Non-controlling equity	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
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 own shares	-	-	(3.3)	-	-	-	-	(3.3)	-	(3.3)
Disposal of own 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**

	Ordinary shares	Share premium account	Treasury shares	Translation and hedge reserves	Merger relief reserve	Retained earnings	Capital redemption reserve	Total shareholders' equity	Non-controlling equity	Total equity
At 31 December 2016	20.9	20.5	(1.6)	(4.6)	67.3	0.1	21.6	124.2	1.0	125.2
Loss for the period	-	-	-	-	-	(3.6)	-	(3.6)	(0.4)	(4.0)
Other comprehensive (loss)/income	-	-	-	(1.1)	-	14.6	-	13.5	-	13.5
Total comprehensive (loss)/income	-	-	-	(1.1)	-	11.0	-	9.9	(0.4)	9.5
New share capital issued	-	0.2	-	-	-	-	-	0.2	-	0.2
Share-based payments	-	-	-	-	-	0.6	-	0.6	-	0.6
Subsidiaries acquired	-	-	-	-	-	-	-	-	(4.4)	(4.4)
Dividends approved	-	-	-	-	-	(10.9)	-	(10.9)	-	(10.9)
Disposal of own shares	-	-	0.3	-	-	(0.2)	-	0.1	-	0.1
At 30 June 2017	20.9	20.7	(1.3)	(5.7)	67.3	0.6	21.6	124.1	(3.8)	120.3

	Ordinary shares	Share premium account	Treasury shares	Translation and hedge reserves	Merger relief reserve	Retained earnings	Capital redemption reserve	Total shareholders' equity	Non-controlling equity	Total equity
At 31 December 2016	20.9	20.5	(1.6)	(4.6)	67.3	0.1	21.6	124.2	1.0	125.2
Profit/(loss) for the year	-	-	-	-	-	12.6	-	12.6	(0.6)	12.0
Other comprehensive (loss)/income	-	-	-	(1.0)	-	12.9	-	11.9	-	11.9
Total comprehensive (loss)/income	-	-	-	(1.0)	-	25.5	-	24.5	(0.6)	23.9
New share capital issued	0.1	1.4	-	-	-	-	-	1.5	-	1.5
Share-based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
Income tax effect of share-based payments	-	-	-	-	-	0.6	-	0.6	-	0.6
Subsidiaries acquired	-	-	-	-	-	-	-	-	(4.2)	(4.2)
Dividends paid	-	-	-	-	-	(15.9)	-	(15.9)	-	(15.9)
Disposal of own shares	-	-	0.3	-	-	(0.3)	-	-	-	-
At 31 December 2017	21.0	21.9	(1.3)	(5.6)	67.3	11.4	21.6	136.3	(3.8)	132.5

GROUP STATEMENT OF CASH FLOWS (unaudited)
for the half year to 30 June 2018

	Notes	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Cash flows from operating activities				
Cash generated from operations	9	**23.5**	15.6	70.2
Interest received		**0.5**	0.6	1.2
Interest paid		**(5.2)**	(8.4)	(13.7)
Tax paid		**(7.5)**	(7.0)	(17.0)
Net cash flow from operating activities		**11.3**	0.8	40.7
Cash flows from investing activities				
Acquisitions		**(15.4)**	(172.1)	(171.3)
Cash acquired with subsidiaries	13	**-**	12.7	12.9
Purchase of property, plant and equipment		**(9.7)**	(15.7)	(29.8)
Intangible asset additions		**(0.8)**	(0.4)	(2.8)
Proceeds from sale of property, plant and equipment		**0.7**	0.8	0.8
Dividends received from equity accounted investments		**2.5**	3.5	6.3
Net cash flow used in investing activities		**(22.7)**	(171.2)	(183.9)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**0.3**	0.3	1.5
Purchase of own shares		**(3.3)**	-	-
Proceeds from borrowings		**5.2**	198.4	293.4
Repayment of borrowings		**(1.6)**	(5.2)	(101.3)
Dividends paid to ordinary shareholders		**-**	-	(15.9)
Net cash flow from financing activities		**0.6**	193.5	177.7
(Decrease)/increase in net cash and cash equivalents		**(10.8)**	23.1	34.5
Effects of exchange rate movements		**(0.6)**	(1.3)	(1.7)
Opening net cash and cash equivalents		**70.9**	38.1	38.1
Closing net cash and cash equivalents(i)	10	**59.5**	59.9	70.9

Note:
(i) Net cash and cash equivalents include 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 2018 and are unaudited but have been formally reviewed by the Auditors and their report to the Company is set out on page 8. They were approved by the Board on 13 August 2018. 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 2017, prepared in accordance with IFRS, have been filed with the Registrar of Companies. The report of the Auditors included in that 2017 Annual Report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

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 2017 Annual Report, except for the adoption of new standards and interpretations effective from 1 January 2018 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.

New accounting standards and amendments

Several new accounting standards and amendments are applicable for the first time in 2018. However, they have no material impact on the annual consolidated financial statements or the interim condensed financial statements of the Group. These are:
IFRS 15 Revenue from Contracts with Customers - effective date 1 January 2018
IFRS 9 Financial Instruments - effective date 1 January 2018
IFRS 2 Classification and Measurement of Share Based Payment Transactions - effective date 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration - effective date 1 January 2018

On 1 January 2018 the Group adopted IFRS 15 using the modified retrospective method applied to those contracts which were not completed as of 1 January 2018. Results for reporting periods beginning on or after 1 January 2018 have and will be presented under IFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting under IAS 18.

The Group has not identified any changes to revenue recognition practices under IFRS 15. The Group's revenue is primarily based on fees for services and the transfer of goods. The individual contract terms determine whether and when revenue is recognised and the amount. The presentation of trade and other receivables and trade and other payables is impacted by the new standard, however there is no impact on the total balances recognised. Revenue from contracts with customers disaggregated by the timing of performance obligations being satisfied is presented in Note 3. The estimate of sales returns is based on past experience and requires judgement.

As set out in the Annual Report and Accounts 2017, the historic approach to accounting for sales returns in the Distribution Division in the period in which they occurred was adjusted. A restatement has been made to the 30 June 2017 Balance Sheet to recognise an adjustment to receivables and corresponding payables to reflect contractual obligations in relation to returns. The Income Statement for the six months ended 30 June 2017 has also been restated to reflect the change in sales and net operating costs as a result of the movements in these amounts. See Note 16 for detail. For clarity, there has been no impact from these adjustments on prior period reported profit before taxation or earnings per share. Following the restatement, there were no further impacts from the accounting for sales returns assets and liabilities on implementation of IFRS 15 on 1 January 2018.

With regard to IFRS 9 Financial Instruments, the impact on hedging arrangements is minimal and the expected credit loss model for impairment reviews does not have an overall impact on the Group. There have been no classification changes and the hedging requirements of IAS 39 continue to be applied. The expected credit loss approach may impact the individual retained earnings of individual entities within the Group due to the potential additional impairment provision for long term intercompany receivables. These potential impairments do not impact on the Group as they would be intragroup items.

Standards and amendments to standards that have been issued but are not effective for 2018 and have not been early adopted are:
IFRS 16 Leases - effective date 1 January 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation – effective date 1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments[(i)] – effective date 1 January 2019
Annual Improvements to IFRS 2015-2017 cycle[(i)] – effective date 1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement[(i)] – effective date 1 January 2019
IFRS 17 Insurance Contracts[(i)] – effective date 1 January 2021
Amendments to IAS 28: Long-term Interests in Associated and Joint Ventures[(i)] – effective date 1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards[(i)] – effective date 1 January 2020

Note:
(i) Not yet adopted for use in the European Union.

Ahead of the adoption of IFRS 16 Leases on 1 January 2019, Management is collating information to ensure compliance with the new standard. The new standard removes the distinction between operating leases and finance leases and will result in a significant number of leased assets being recognised as non-current assets with a corresponding liability shown as debt. This will materially gross up the Balance Sheet with the recognition of a new right of use asset which will be depreciated through the Income Statement and a lease liability on which interest will be charged through the Income Statement.

Non-GAAP measures

The Group's reported results are prepared in accordance with IFRSs 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 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 for underlying business performance.

The Group's share of post-tax profit relating to joint ventures and associates is included within operating profit. IAS 1 Presentation of Financial Statements does not prescribe where the investors' share of post-tax profit is presented in the Income Statement but Management presents the results within operating profit after joint ventures and associates given the similarity of those operations to other wholly owned businesses.

The Group's definitions of non-GAAP measures are set out below and provide reconciliations to relevant GAAP measures.

Turnover

Turnover comprises the Group's revenue from subsidiaries and the Group's share of revenue from joint ventures and associates.

	Half year to 30 June 2018 £m	Half year to 30 June 2017 restated (Note 16) £m	Full year to 31 December 2017 £m
Continuing operations			
Revenue	**627.2**	611.7	1,273.6
Share of revenue of joint ventures and associates	**14.2**	13.7	28.6
	641.4	625.4	1,302.2
Discontinued operations			
Revenue	**606.7**	562.6	1,186.9
Share of revenue of joint ventures and associates	**-**	28.8	28.6
	606.7	591.4	1,215.5
Combined turnover	**1,248.1**	1,216.8	2,517.7

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, amortisation relating to acquired contract and customer relationship 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.

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.

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 2018 £m	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Cash generated from operations	**23.5**	15.6	70.2
Adjusted for:			
Net interest paid	**(4.7)**	(4.3)	(12.5)
Exceptional interest paid	**-**	(3.5)	0.6
Tax paid	**(7.5)**	(7.0)	(17.0)
Dividends received from equity accounted investments	**2.5**	3.5	6.3
Purchase of property, plant and equipment	**(9.7)**	(15.7)	(29.8)
Intangible asset additions	**(0.8)**	(0.4)	(2.8)
Proceeds from sale of property, plant and equipment	**0.7**	0.8	0.8
Special pension contribution	**5.8**	5.4	11.3
Exceptional cash spend	**6.6**	11.0	22.1
Free cash flow	**16.4**	5.4	49.2

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 2018 £m	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Free cash flow as set out above	**16.4**	5.4	49.2
Adjusted for:			
Purchase of property, plant and equipment	**9.7**	15.7	29.8
Intangible asset additions	**0.8**	0.4	2.8
Proceeds from sale of property, plant and equipment	**(0.7)**	(0.8)	(0.8)
Net interest paid excluding exceptional interest	**4.7**	7.8	11.9
Tax paid	**7.5**	7.0	17.0
Underlying operating cash flow	**38.4**	35.5	109.9

3. SEGMENT INFORMATION

For management purposes the Group has been organised into two Operating Divisions, Aviation and Distribution, and a central Corporate function. The two Operating Divisions are organised and managed separately based upon their key markets. The Aviation Division provides ground handling and cargo services as well as into-plane fuelling and fuel farm management services across the world. The Distribution Division provides newspaper and magazine distribution services along with marketing and logistics services across the United Kingdom and the Republic of Ireland. The Distribution Division is classified as held for sale.

The information presented to the Board for the purpose of resource allocation and assessment of segment performance is focused on the performance of each Division as a whole but also contains performance information on a number of operating segments within the Aviation Division. 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 joint ventures and associates interest and tax. Net finance income and expenditure is not allocated to segments as this activity is managed by a central treasury function.

Segment information is presented in respect of the Group's reportable segments together with additional geographic and Balance Sheet information. Transfer prices between segments are set on an arm's length basis.

Business segments

	Revenue			Underlying operating profit/(loss)		
	Half year to 30 June 2018 £m	Half year to 30 June 2017 restated (Note 16) £m	Full year to 31 December 2017 £m	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Continuing operations						
Aviation						
Americas	**230.2**	226.5	460.4	**11.0**	11.9	23.0
EMEA	**258.6**	248.2	525.1	**4.1**	1.8	14.9
Rest of World	**80.6**	84.6	173.3	**5.8**	6.1	15.5
Cargo Forwarding	**72.0**	66.1	143.4	**2.8**	1.9	5.4
	641.4	625.4	1,302.2	**23.7**	21.7	58.8
Corporate	**-**	-	-	**(2.8)**	(2.4)	(5.7)
	641.4	625.4	1,302.2	**20.9**	19.3	53.1
Joint ventures and associates	**(14.2)**	(13.7)	(28.6)	**-**	-	-
	627.2	611.7	1,273.6	**20.9**	19.3	53.1

Discontinued operations						
Distribution	**606.7**	591.4	1,215.5	**13.0**	10.8	24.8
Joint ventures and associates	**-**	(28.8)	(28.6)	**-**	-	-
	606.7	562.6	1,186.9	**13.0**	10.8	24.8

The reconciliation of segmental underlying operating profit/(loss) to the profit/(loss) for the period is provided below.

Half year to 30 June 2018	Notes	Aviation £m	Corporate £m	Total £m
Operating profit/(loss) before joint ventures and associates		**15.2**	**(4.4)**	**10.8**
Share of post-tax results of joint ventures and associates		**3.3**	**-**	**3.3**
Operating profit/(loss)		**18.5**	**(4.4)**	**14.1**
Analysed as:				
Underlying operating profit/(loss)[(i)]		**23.7**	**(2.8)**	**20.9**
Exceptional transaction related items	4	**(1.1)**	**(1.6)**	**(2.7)**
Contract amortisation	4	**(3.4)**	**-**	**(3.4)**
Share of interest on joint ventures and associates		**0.3**	**-**	**0.3**
Share of tax on joint ventures and associates		**(1.0)**	**-**	**(1.0)**
Operating profit/(loss)		**18.5**	**(4.4)**	**14.1**
Net finance expense				**(5.8)**
Profit before taxation				**8.3**
Taxation				**(2.7)**
Profit for the period from continued operations				**5.6**
Loss for the period from discontinued operations	15			**(13.6)**
Loss for the period				**(8.0)**

Half year to 30 June 2017	Notes	Aviation £m	Corporate £m	Total £m
Operating profit/(loss) before joint ventures and associates		7.3	(8.1)	(0.8)
Share of post-tax results of joint ventures and associates		3.2	-	3.2
Operating profit/(loss)		10.5	(8.1)	2.4
Analysed as:				
Underlying operating profit/(loss)[(i)]		21.7	(2.4)	19.3
Exceptional transaction related items	4	(7.3)	(5.7)	(13.0)
Contract amortisation	4	(3.5)	-	(3.5)
Share of interest on joint ventures and associates		0.5	-	0.5
Share of tax on joint ventures and associates		(0.9)	-	(0.9)
Operating profit/(loss)		10.5	(8.1)	2.4
Net finance expense				(6.6)
Loss before taxation				(4.2)
Taxation				(2.5)
Loss for the period from continued operations				(6.7)

Profit for the period from discontinued operations	15			2.7
Loss for the period				(4.0)

Full year to 31 December 2017	Notes	Aviation £m	Corporate £m	Total £m
Operating profit/(loss) before joint ventures and associates		28.2	(12.8)	15.4
Share of post-tax results of joint ventures and associates		7.0	-	7.0
Operating profit/(loss)		35.2	(12.8)	22.4
Analysed as:				
Underlying operating profit/(loss)(i)		58.8	(5.7)	53.1
Exceptional transaction related items	4	(15.5)	(3.0)	(18.5)
Exceptional pension de-risking costs	4	-	(4.1)	(4.1)
Contract amortisation	4	(7.1)	-	(7.1)
Share of interest on joint ventures and associates		0.9	-	0.9
Share of tax on joint ventures and associates		(1.9)	-	(1.9)
Operating profit/(loss)		35.2	(12.8)	22.4
Net finance expense				(12.5)
Profit before taxation				9.9
Taxation				(10.4)
Loss for the year from continued operations				(0.5)
Profit for the year from discontinued operations	15			12.5
Profit for the year				12.0

Note:
(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.

Capital expenditure

	Continuing operations		Discontinued operations	
Half year to 30 June 2018	Aviation £m	Corporate £m	Distribution £m	Total £m
Property, plant and equipment	**8.3**	**-**	**1.1**	**9.4**
Intangible assets	**0.1**	**-**	**0.7**	**0.8**
Half year to 30 June 2017				
Property, plant and equipment	14.1	0.3	0.5	14.9
Intangible assets	0.1	-	0.3	0.4
Full year to 31 December 2017				
Property, plant and equipment	26.5	0.3	2.1	28.9
Intangible assets	1.9	-	0.9	2.8

Revenue by country

	Half year to 30 June 2018 £m	Half year to 30 June 2017 restated (Note 16) £m	Full year to 31 December 2017 £m
Continuing operations			
United States of America	**182.0**	179.7	362.0
United Kingdom	**131.0**	134.4	284.4
Others	**314.2**	297.7	627.2
	627.2	611.7	1,273.6

Discontinued operations			
United Kingdom	**568.4**	555.3	1,139.3
Other	**38.3**	7.3	47.6
	606.7	562.6	1,186.9
Combined revenue	**1,233.9**	1,174.3	2,460.5

Revenue by performance obligation

	Half year to 30 June 2018 £m
Continuing operations	
At the point of service	**616.7**
Other	**10.5**
	627.2
Discontinued operations	
On the transfer of goods	**561.5**
At the point of service	**41.3**
Other	**3.9**
	606.7
Combined revenue	**1,233.9**

At the point of service

The Aviation Division 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.

In addition, 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.

In the Distribution business, revenue from delivery charges for goods, publications and parcels is recognised at the point when the service is provided, at the contractual rate. Distribution also undertakes storage and fulfilment services for customers whereby revenue is recognised at agreed rates per contract for storage, and a contractual rate per despatch.

On the transfer of goods

In the Distribution business, print media revenues arise from the sale and distribution of time-sensitive newspapers and magazines to retailers and is recognised at the point of delivery to the retailer. Sales to retailers are made with a right of return for unsold publications and is estimated at the point of revenue recognition. The estimate of sales returns is based on past experience and requires judgement.

4. EXCEPTIONAL AND OTHER ITEMS

Exceptional items included in operating profit

Continuing operations	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Acquisition and transaction related costs(i)	**(0.3)**	(3.8)	(4.6)
Acquisition integration costs(ii)	**(1.8)**	(5.4)	(13.9)
Pension de-risking costs(iii)	**(0.6)**	(3.8)	(4.1)
	(2.7)	(13.0)	(22.6)

Notes:

(i) Acquisition and transaction related costs primarily relate to the acquisition of the trade and assets of Airline Services Limited.

In the prior year transaction related costs reflect £2.2m pre-acquisition costs relating to the acquisition of ASIG Holdings Ltd and ASIG Holdings Corp. (ASIG), £1.2m increase in onerous lease provision, £0.4m transaction related costs relating to Hyderabad Menzies Air Cargo Private Ltd, £0.4m transaction related costs relating to the planned acquisition of a joint venture business in Oman and acquisition of Gold Coast Air Terminal Services Pty Ltd.

(ii) Acquisition integration costs £1.8m relate to the ASIG acquisition and Airline Services acquisition where the costs comprise integration team, IT consultancy and systems related costs and rationalisation. In the prior year the costs related to ASIG integration costs only.

(iii) Pension de-risking costs relate to fees and charges incurred to remove cost and volatility from retirement benefit obligations. In the prior year costs related to fees to close the Company's defined benefit pension scheme to future accrual and in relation to the sectionalisation of the scheme.

Exceptional items included in finance charges

Continuing operations	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Unwind discount costs(i)	**(0.1)**	(0.1)	(0.1)
Acquisition related financing costs(ii)	**-**	(0.6)	(0.7)

Notes:

(i) Unwind discount costs relate to deferred consideration and onerous lease provisions.

(ii) In the prior year, acquisition related financing costs related to write-off bilateral facility fees, pre-acquisition ticking fees and amortisation of underwriting fees on the financing facilities agreed in 2016 to fund the acquisition of ASIG in 2017.

Intangible assets amortisation included in operating profit

Continuing operations	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Contract amortisation(i)	**(3.4)**	(3.5)	(7.1)

Note:

(i) Contract amortisation relates to contract and customer relationships capitalised as intangible assets on the acquisition of businesses.

5. TAXATION (CONTINUING AND DISCONTINUED OPERATIONS)

The underlying effective tax rate for the full year 2018 is estimated at 26% (full year 2017: 30%). Therefore, the underlying effective tax rate used for the half year 2018 was 26% (half year 2017: 28%). The share of results from the joint ventures and associates for the half year is after taxation of £1.0m (half year to 30 June 2017: £1.0m and full year to 31 December 2017: £2.0m).

The taxation effect of the exceptional items is a £0.5m net credit (half year to 30 June 2017: £1.4m net credit, full year to 31 December 2017: £2.2m net credit) in relation to tax deductions available for a proportion of the exceptional costs arising during the period.

6. EARNINGS PER SHARE

	Basic			Underlying[(i)]		
	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Continuing and discontinued operations						
(Loss)/profit for the period as set out in the Income Statement	**(8.0)**	(4.0)	12.0	**21.2**	17.8	47.1
Adjustment for loss relating to non-controlling interests	**-**	0.4	0.6	**-**	0.4	0.6
Earnings for the period attributable to equity shareholders	**(8.0)**	(3.6)	12.6	**21.2**	18.2	47.7
Basic						
Earnings per ordinary share	**(9.6)p**	(4.3)p	15.1p			
Diluted earnings per ordinary share	**(9.5)p**	(4.3)p	15.1p			
Underlying						
Earnings per ordinary share				**25.3p**	21.8p	57.2p
Diluted earnings per ordinary share				**25.3p**	21.8p	57.0p
Number of ordinary shares in issue						
Weighted average (million)	**83.7**	83.4	83.4			
Diluted weighted average (million)	**83.9**	83.4	83.7			
Continuing operations						
(Loss)/profit for the period as set out in the Income Statement	**(8.0)**	(4.0)	12.0	**21.2**	17.8	47.1
Adjustment to exclude result from discontinued operations	**13.6**	(2.7)	(12.5)	**(10.3)**	(8.5)	(19.6)
Adjustment for loss relating to non-controlling interest	**-**	0.4	0.6	**-**	0.4	0.6
Earnings for the period attributable to equity shareholders	**5.6**	(6.3)	0.1	**10.9**	9.7	28.1
Basic						
Earnings per ordinary share	**6.7p**	(7.6)p	0.1p			
Diluted earnings per ordinary share	**6.7p**	(7.6)p	0.1p			
Underlying						
Earnings per ordinary share				**13.0p**	11.6p	33.7p
Diluted earnings per ordinary share				**13.0p**	11.6p	33.6p
Discontinued operations						
(Loss)/profit for the period as set out in the Income Statement	**(8.0)**	(4.0)	12.0	**21.2**	17.8	47.1
Adjustment to exclude result from continuing operations	**(5.6)**	6.7	0.5	**(10.9)**	(9.3)	(27.5)
Earnings for the period attributable to equity shareholders	**(13.6)**	2.7	12.5	**10.3**	8.5	19.6
Basic						
Earnings per ordinary share	**(16.3)p**	3.2p	15.0p			
Diluted earnings per ordinary share	**(16.2)p**	3.2p	14.9p			

Underlying			
Earnings per ordinary share	**12.3p**	10.2p	23.5p
Diluted earnings per ordinary share	**12.3p**	10.2p	23.4p

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

The weighted average number of fully paid shares in issue during the period 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 period).

7. INTANGIBLE ASSETS

Intangible assets for the continuing and discontinued operations comprise goodwill of £118.6m (June 2017: £117.0m, December 2017: £124.7m), contracts and customer relationship intangibles of £65.2m (June 2017: £76.5m, December 2017: £69.8m) and capitalised software costs of £8.8m (June 2017: £8.8m, December 2017: £9.2m). The principal cause of the £11.1m decrease in intangible assets in the period relates to the impairment relating to the Distribution business as set out in Note 15, partly offset by goodwill and customer relationship intangibles recognised on acquisition of the trade and assets of Airline Services Limited as set out in Note 13. Intangible assets relating to continuing operations are £167.9m as set out on the Balance Sheet and discontinued operations £24.7m as set out in Note 15.

8. FINANCIAL INSTRUMENTS

Derivative financial instruments

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.

Fair value

The Group uses three levels for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs that have a significant effect on the recorded fair value not based on observable market data.

As at 30 June 2018, the Group had the following financial instruments held at fair value with movements recognised through the Statement of Other Comprehensive Income:

	30 June 2018 Level 2 £m	30 June 2017 Level 2 £m	31 December 2017 Level 2 £m
Financial assets:			
Foreign exchange contracts – hedged	**1.2**	0.7	1.1
Interest rate swaps – hedged	**2.3**	-	0.9
Financial liabilities:			
Foreign exchange contracts – hedged	**0.6**	1.4	0.5

During the half year to 30 June 2018 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

All financial assets and liabilities, with the exception of borrowings, have a carrying value that approximates to fair value due to their short term nature.

	30 June 2018		30 June 2017		31 December 2017	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m	Book value £m	Fair value £m
Current borrowings	**18.3**	**18.5**	10.3	10.5	5.1	5.3
Non-current borrowings	**290.8**	**290.9**	291.4	291.8	283.6	283.8

Contingent consideration

The acquisition of Gold Coast Air Terminal Services Pty Ltd included an earn-out target, which should it be met would require the Group to pay the vendor up to an additional £0.4m in 2019. This earn-out target is based on an annualised EBITDA level and, should the minimum target not be met, no further payment would be required. The difference between the fair value at the date of acquisition and the maximum payable contingent consideration is not considered to be material. Management expects that the target will be met and therefore the contingent consideration has been provided for. During the period ended 30 June 2018, contingent consideration of £0.4m was cash settled.

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 30% of the share capital, exercisable in 2018 and 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 contingent consideration and other acquisition related amounts are Level 3 derivative financial instruments.

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Fair value of contingent and other acquisition related amounts:			
Gold Coast Air Terminal Services Pty Ltd	**0.4**	0.8	0.8
PlaneBiz 2015 Ltd	**3.2**	3.4	3.2

9. CASH GENERATED FROM OPERATIONS

Continuing and discontinued operations	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Operating (loss)/profit before joint ventures and associates	**(0.4)**	3.2	31.4
Depreciation	**13.0**	13.3	27.8
Amortisation of intangible assets	**5.4**	6.5	13.9
Share-based payments	**0.7**	0.7	1.4
Non-exceptional onerous lease provision charge/(release)	**0.7**	1.3	(0.8)
Cash spend on onerous leases	**(1.9)**	(0.6)	(1.0)
(Gain)/loss on sale of property, plant and equipment	**(0.2)**	0.1	(0.1)
Pension charge	**0.6**	1.4	2.2
Pension contributions in cash	**(5.9)**	(6.5)	(12.5)
Acquisition and related exceptional items	**5.2**	16.3	27.1
Impairment loss	**20.8**	-	-
Cash spend on exceptional items	**(4.7)**	(10.4)	(21.1)

Increase in inventories	**(0.5)**	(2.9)	(4.9)
Increase in trade and other receivables	**(20.8)**	(109.9)	(25.4)
Increase in trade and other payables and provisions	**11.5**	103.1	32.2
	23.5	15.6	70.2

10. CHANGES IN NET BORROWINGS

	31 December 2017 £m	Half year cash flows £m	Fair value movements £m	Currency translation £m	**30 June 2018 £m**
Cash at bank and in hand	72.8	2.2	-	(0.6)	**74.4**
Bank overdrafts	(1.9)	(13.0)	-	-	**(14.9)**
Net cash and cash equivalents	70.9	(10.8)	-	(0.6)	**59.5**
Bank loans due within one year	(3.2)	(0.2)	-	-	**(3.4)**
Preference shares	(1.4)	-	-	-	**(1.4)**
Debt due after one year	(282.2)	(2.7)	-	(4.5)	**(289.4)**
Net derivative assets (at fair value)	1.5	(0.7)	2.1	-	**2.9**
Net debt	(214.4)	(14.4)	2.1	(5.1)	**(231.8)**

As set out in Note 15, discontinued operations includes cash of £8.7m. All other amounts set out above relate to continuing operations and are presented in the Balance Sheet.

As set out in the cash flow statement, proceeds from borrowings were £5.2m (full year to 31 December 2017: £293.4m) and repayments of borrowings were £1.6m (full year to 31 December 2017: £101.3m).

Current borrowings of £18.3m in the Balance Sheet include bank overdrafts of £14.9m and bank loans of £3.4m. Non-current borrowings in the Balance Sheet of £290.8m include preference shares of £1.4m and bank debt of £289.4m. Net derivative assets of £2.9m shown above include derivative financial assets of £3.5m and derivative financial liabilities of £0.6m as set out on the Balance Sheet.

11. 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 accounts. These include pre-acquisition claims against ASIG that Management expects to be largely recoverable from the previous owners.

12. 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 to which employees have contributed until the Fund closed to future accrual in the prior year. Additionally, in the prior year the Fund was split into two sections Section A and Section B. Section B is expected to be transferred to the new owner of the Distribution business and for the half year to 30 June 2018 is set out in the discontinued operations Note 15. In accordance with IAS 19 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 2018 (30 June 2017 and 31 December 2017). In deriving the results the Actuary used the following financial assumptions:

	Half year to 30 June 2018	Half year to 30 June 2017	Full year to 31 December 2017
	%	%	%
Price inflation	**3.0**	3.2	3.1
Discount rate	**2.7**	2.6	2.5
Rate of increase on pensions accrued pre-2006	**3.5**	3.6	3.6
Rate of increase on pensions accrued post-2006	**2.1**	2.2	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 are:

	Half year to 30 June 2018	Half year to 30 June 2017	Full year to 31 December 2017
	£m	£m	£m
Total value of assets	**304.9**	372.2	374.4
Defined benefit obligation	**(328.4)**	(424.3)	(423.9)
Recognised in Balance Sheet	**(23.5)**	(52.1)	(49.5)
Related deferred tax asset	**4.0**	8.9	8.4
Net pension liabilities	**(19.5)**	(43.2)	(41.1)

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 the pension expense are:

	Half year to 30 June 2018	Half year to 30 June 2017	Full year to 31 December 2017
	£m	£m	£m
Amounts charged to operating profit			
Current service cost	**-**	0.6	0.6
Administrative costs	**0.6**	0.8	1.6
Effect of curtailments and settlements	**-**	2.7	2.7
Total service cost	**0.6**	4.1	4.9
Amounts included in finance costs			
Interest cost on defined benefit obligation	**4.4**	5.9	11.5
Interest income on Fund assets	**(3.9)**	(4.9)	(9.7)
Net finance charge	**0.5**	1.0	1.8
Pensions expense	**1.1**	5.1	6.7

The amounts recognised in the Statement of Comprehensive Income are:

	Half year to 30 June 2018	Half year to 30 June 2017	Full year to 31 December 2017
	£m	£m	£m
Returns on assets excluding interest income	**(3.0)**	6.1	18.2
Changes in demographic assumptions	**1.7**	7.1	7.1

Changes in financial assumptions	**15.9**	0.7	(6.2)
Experience	**-**	3.6	(3.4)
Actuarial gain	**14.6**	17.5	15.7

Changes in Fund assets and defined benefit obligation

The change in scheme assets during the period is:

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Fair value of assets at start of period	**309.9**	368.9	368.9
Interest income	**3.9**	4.9	9.7
Returns on assets excluding interest income	**(3.0)**	6.1	18.2
Company contributions	**5.5**	6.5	12.5
Employee contributions	**-**	0.2	0.2
Benefits and expenses paid	**(11.4)**	(14.4)	(35.1)
Fair value of assets at end of period	**304.9**	372.2	374.4
Return on scheme assets including interest income	**0.9**	11.0	27.9

The change in defined benefit obligation during the period is:

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Defined benefit obligation at start of period	**352.4**	439.9	439.9
Total service cost	**0.6**	1.4	2.2
Exceptional curtailments	**-**	2.7	2.7
Interest cost	**4.4**	5.9	11.5
Employee contributions	**-**	0.2	0.2
Benefits and expenses paid	**(11.4)**	(14.4)	(35.1)
Changes in demographic assumptions	**(1.7)**	(7.1)	(7.1)
Changes in financial assumptions	**(15.9)**	(0.7)	6.2
Experience	**-**	(3.6)	3.4
Defined benefit obligation at end of period	**328.4**	424.3	423.9

13. ACQUISITIONS

On 4 April 2018 the Group acquired the trade and assets of Airline Services Limited. 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.

	Half year to 30 June 2018 £m	Full year to 31 December 2017 £m
Purchase consideration:		
Cash paid	**14.4**	172.8
Impact of assets not transferred	**-**	(2.2)
Contingent consideration	**-**	0.8
Fair value of existing equity interest in joint ventures	**-**	5.8

	14.4	177.2
Less: non-controlling interest acquired	**-**	4.2
Less: fair value of net assets acquired	**6.1**	95.0
Goodwill	**8.3**	78.0

Goodwill recognised with respect to Airline Services is primarily attributable to workforce expertise and synergies with other Group companies.

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

	Half year to 30 June 2018 £m	Full year to 31 December 2017 £m
Intangible assets – contracts and customer relationships	**2.5**	35.8
Intangible assets – brand	**-**	6.6
Deferred tax assets	**-**	3.6
Property, plant and equipment	**4.0**	31.9
Inventory	**1.1**	5.0
Trade and other receivables	**-**	101.5
Cash	**-**	12.9
Trade and other payables	**(0.2)**	(83.6)
Provisions	**(0.9)**	(11.3)
Current income tax liabilities	**-**	(1.1)
Deferred tax liability	**(0.4)**	(6.3)
Net assets acquired at fair value	**6.1**	95.0

The fair values of the net assets acquired remain provisional pending the formal completion of the valuation process.

On 5 February 2018 the Group invested £0.4m for a controlling share of a new start-up operation in Indonesia.

Contingent and deferred consideration

Contingent consideration in continuing operations of £0.4m relating to the acquisition of Gold Coast Air Terminal Services Pty Ltd was cash settled in April 2018. Deferred consideration in discontinued operations of £0.3m relating to the acquisition of AJG Parcels Ltd was cash settled in May 2018.

14. FOREIGN CURRENCY SENSITIVITY

For the period to 30 June 2018, 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 2018		Full year to 31 December 2017	
	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%	**1.0**	**(0.2)**	2.0	1.6
US dollar	(10)%	**(0.8)**	**0.1**	(1.6)	(1.3)
Australian dollar	10%	**0.6**	**1.4**	1.4	1.6
Australian dollar	(10)%	**(0.5)**	**(1.2)**	(1.2)	(1.3)
Euro	10%	**0.5**	**(0.3)**	1.1	(0.8)

Euro	(10)%	**(0.4)**	**0.2**	(0.9)	0.7
Indian rupee	10%	**0.3**	**1.6**	0.7	1.3
Indian rupee	(10)%	**(0.3)**	**(1.3)**	(0.6)	(1.1)
Canadian dollar	10%	**0.3**	**0.7**	0.5	0.7
Canadian dollar	(10)%	**(0.3)**	**(0.6)**	(0.4)	(0.6)
South African rand	10%	**-**	**0.5**	-	0.5
South African rand	(10)%	**-**	**(0.4)**	-	(0.4)

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

15. ASSETS AND ASSOCIATED LIABILITIES CLASSIFIED AS HELD FOR SALE

As announced in November 2017, the Board conducted a strategic review of the Distribution business with the objective of assessing the optimum route to split the Group and create two strong market players. Following the review, a sale process for Menzies Distribution began in April 2018 at which point all assets and liabilities of the Distribution business were classified as held for sale and the operations classified as discontinued. On 26 July 2018 the Group announced the conditional disposal of the Distribution business to a third party. Completion is conditional on certain regulatory approvals and is expected to complete in Q3 2018.

The Menzies Distribution business was not previously classified as held for sale or a discontinued operation. The comparative consolidated income statement has been restated to show the discontinued operation separately from continuing operations.

Results of discontinued operations

	Before exceptional and other items £m	**Exceptional and other items £m**	**Half year to 30 June 2018 £m**	Before exceptional and other items restated (Note 16) £m	Exceptional and other items restated (Note 16) £m	Half year to 30 June 2017 restated (Note 16) £m
Revenue	**606.7**	**-**	**606.7**	562.6	-	562.6
Net operating costs	**(593.7)**	**(24.2)**	**(617.9)**	(552.6)	(6.0)	(558.6)
Operating profit before joint ventures and associates	**13.0**	**(24.2)**	**(11.2)**	10.0	(6.0)	4.0
Share of post-tax results of joint ventures and associates	**-**	**-**	**-**	0.8	(0.1)	0.7
Operating profit / (loss)	**13.0**	**(24.2)**	**(11.2)**	10.8	(6.1)	4.7
Analysed as:						
Underlying operating profit[(i)]	**13.0**	**-**	**13.0**	10.8	-	10.8
Non-recurring items – impairment	**-**	**(20.8)**	**(20.8)**	-	-	-
Non-recurring items – transaction related and integration	**-**	**(2.5)**	**(2.5)**	-	(4.6)	(4.6)
Contract amortisation	**-**	**(0.9)**	**(0.9)**	-	(1.4)	(1.4)
Share of tax on joint ventures and associates	**-**	**-**	**-**	-	(0.1)	(0.1)
Operating profit/(loss)	**13.0**	**(24.2)**	**(11.2)**	10.8	(6.1)	4.7
Profit / (loss) before taxation	**13.0**	**(24.2)**	**(11.2)**	10.8	(6.1)	4.7
Taxation	**(2.7)**	**0.3**	**(2.4)**	(2.3)	0.3	(2.0)
Profit / (loss) for the period	**10.3**	**(23.9)**	**(13.6)**	8.5	(5.8)	2.7

Note:
(i) Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract and customer relationship 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.

	Before exceptional and other items £m	Exceptional and other items £m	Full year to 31 December 2017 £m
Revenue	1,186.9	-	1,186.9
Net operating costs	(1,163.0)	(7.9)	(1,170.9)
Operating profit before joint ventures and associates	23.9	(7.9)	16.0
Share of post-tax results of joint ventures and associates	0.9	(0.1)	0.8
Operating profit / (loss)	24.8	(8.0)	16.8
Analysed as:			
Underlying operating profit[(i)]	24.8	-	24.8
Non-recurring items – transaction related	-	(4.5)	(4.5)
Contract amortisation	-	(3.4)	(3.4)
Share of tax on joint ventures and associates	-	(0.1)	(0.1)
Operating profit/(loss)	24.8	(8.0)	16.8
Profit before taxation	24.8	(8.0)	16.8
Taxation	(5.2)	0.9	(4.3)
Profit for the year	19.6	(7.1)	12.5

Note:
(i) Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract and customer relationship 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.

Exceptional items

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Impairment of non-current assets[(i)]	**(20.8)**	-	-
Transaction related costs[(ii)]	**(2.5)**	(3.3)	(3.2)
Pension related costs[(iii)]	**-**	(1.3)	(1.3)
	(23.3)	(4.6)	(4.5)

Notes:
(i) The Group has considered the requirements to ensure that the disposal group held for sale is held at the lower of carrying amount and fair value less costs to sell. This has resulted in an impairment of £20.8m, with £15.5m allocated against goodwill and the remainder allocated on a pro rata basis to intangible assets (£3.5m) and property, plant and equipment (£1.8m).
(ii) Transaction related costs include costs relating to the disposal of the Distribution business. In the prior year costs of £1.1m related to the aborted demerger of the Distribution business and the step acquisition of EM News Distribution (Ireland) Ltd and EM News Distribution (NI) Ltd.
(iii) Pension related costs incurred in the prior year relate to fees and charges incurred in order to close the defined benefit scheme to future accrual.

Intangible assets amortisation

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Full year to 31 December 2017 £m
Contract amortisation[(i)]	**(0.9)**	(1.4)	(3.4)

Note:
(i) Contract amortisation relates to contract and customer relationships capitalised as intangible assets on the acquisition of businesses. Amortisation ceased from 31 March 2018 when the business was held for sale.

Effect of the disposal group on financial position of the Group

	30 June 2018 £m
Assets held for sale	
Non-current assets	
Intangible assets	**24.7**
Property, plant and equipment	**24.5**
Deferred tax assets	**1.5**
	50.7
Current assets	
Inventories	**15.0**
Trade and other receivables	**71.8**
Cash and cash equivalents	**8.7**
	95.5
Total assets held for sale	**146.2**
Liabilities held for sale	
Current liabilities	
Trade and other payables	**(86.2)**
Current income tax liabilities	**(2.8)**
	(89.0)
Non-current liablities	
Provisions	**(0.2)**
Retirement benefit obligation	**(13.4)**
	(13.6)
Total liabilties held for sale	**(102.6)**
Net assets held for sale	**43.6**

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 to which employees have contributed until the Fund closed to future accrual in 2017. In July 2017 the fund was sectionalised and Section B is expected to transfer to the new owners of the Menzies Distribution business.

Fund financial assumptions and information
The Actuary undertook a valuation of Section B as at 30 June 2018. In deriving the results the Actuary used the following financial assumptions:

	Half year to 30 June 2018 %
Price inflation	**3.1**
Discount rate	**2.5**
Rate of increase on pensions accrued pre-2006	**3.6**
Rate of increase on pensions accrued post-2006	**2.1**

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 are:

	Half year to 30 June 2018 £m
Total value of assets	**54.7**
Defined benefit obligation	**(68.1)**
Recognised in Balance Sheet	**(13.4)**
Related deferred tax asset	**2.3**
Net pension liabilities	**(11.1)**

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 in finance costs are:

	Half year to 30 June 2018 £m
Interest cost on defined benefit obligation	**0.8**
Interest income on Fund assets	**(0.7)**
Net finance charge	**0.1**

The amounts recognised in the Statement of Comprehensive Income are:

	Half year to 30 June 2018 £m
Returns on assets excluding interest income	**(9.0)**
Changes in demographic assumptions	**0.4**
Changes in financial assumptions	**1.9**
Actuarial loss	**(6.7)**

Changes in Fund assets and defined benefit obligation

The change in scheme assets during the period is:

	Half year to 30 June 2018 £m
Fair value of assets at start of period	**64.5**
Interest income	**0.7**
Returns on assets excluding interest income	**(9.0)**
Contributions	**0.4**
Benefits and expenses paid	**(1.9)**
Fair value of assets at end of period	**54.7**
Return on scheme assets including interest income	**(8.3)**

The change in defined benefit obligation during the period is:

	Half year to 30 June 2018 £m
Defined benefit obligation at start of period	**71.5**
Interest cost	**0.8**
Benefits and expenses paid	**(1.9)**
Changes in demographic assumptions	**(0.4)**
Changes in financial assumptions	**(1.9)**

Defined benefit obligation at end of period	**68.1**

16. PRIOR YEAR ADJUSTMENT

As set out in the Annual Report and Accounts 2017, Management's review of the impact of IFRS 15 Revenue from Contracts with Customers highlighted that the historic accounting treatment did not comply fully with IAS 18 Revenue. Although the historic approach adopted was not materially misstated, it was considered qualitatively material and therefore there is a need for a restatement to the historic Group Balance Sheet to recognise a sales returns asset and corresponding liability. The movement in these amounts also requires to be shown in the Group Income Statement. There is no impact from this restatement on the Group Statement of Comprehensive Income, the Group Cash Flow Statement or the Group's earnings per share.

Following the classification of the Distribution Division as a discontinued operation, the results for that business for the six months ended 30 June 2017 are presented as one set of post-tax results both before and after exceptional items. Although the impact of this prior year adjustment increased revenue by £0.2m and decreased costs by £0.2m, there is no net impact to profit after tax both before and after exceptional items.

Impact on Group Balance Sheet

	As at 30 June 2017		
	As previously reported £m	Prior year adjustment £m	As restated £m
Assets			
Non-current assets	413.5	-	413.5
Current assets			
Inventories	18.9	-	18.9
Trade and other receivables	352.6	(21.4)	331.2
Derivative financial assets	0.7	-	0.7
Cash and cash equivalents	67.0	-	67.0
	439.2	(21.4)	417.8
Liabilities			
Current liabilities			
Borrowings	(10.3)	-	(10.3)
Derivative financial liabilities	(1.4)	-	(1.4)
Trade and other payables	(335.9)	18.3	(317.6)
Current income tax liabilities	(12.2)	-	(12.2)
Provisions	(9.1)	-	(9.1)
	(368.9)	18.3	(350.6)
Net current assets/(liabilities)	70.3	(3.1)	67.2
Total assets less current liabilities	483.8	(3.1)	480.7
Non-current liabilities	(360.4)	-	(360.4)
Net assets	123.4	(3.1)	120.3
Shareholders' equity			
Ordinary shares	20.9	-	20.9
Share premium account	20.7	-	20.7
Treasury shares	(1.3)	-	(1.3)
Other reserves	(5.7)	-	(5.7)
Merger relief reserve	67.3	-	67.3
Retained earnings	3.7	(3.1)	0.6
Capital redemption reserve	21.6	-	21.6
	127.2	(3.1)	124.1

Non-controlling interest in equity	(3.8)	-	(3.8)
Equity	123.4	(3.1)	120.3

Impact on Group Statement of Changes in Equity

Retained earnings at 30 June 2017 has been reduced by £3.1m.

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 Rules 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.