John Menzies plc

Interim Results Announcement
16 August 2016

John Menzies plc

Half Year Results for the six months ended 30 June 2016

Financial Summary

	2016 Reported	2016 Constant currency[6]	2015
Turnover[1]	£1,002.2m	£995.3m	£1,001.4m
Underlying operating profit[2]	£21.1m	£20.4m	£20.2m
Underlying profit before taxation[3]	£18.1m	£17.4m	£17.0m
Profit before tax	£3.0m	£2.3m	£5.8m
Operating cash flow[4]	£31.0m	---	£26.4m
Underlying earnings per share[5]	20.4p	---	18.8p
Reported earnings per share	(2.4)p	---	4.7p
Interim dividend proposed	5.4p	---	5.0p

Overview

- Group has had a positive first half
- Aviation turnover up 7%
  - Clear strategy delivering benefits
  - Ground handling profitability improving, particularly in the UK
  - Joint Venture with Oman Air secured
- Distribution delivered steady performance
  - Media declines offset by strong Euro 2016 stickers sales
  - Diversification away from the core print media business continues
  - Secured a three-year national distribution services contract for WHSmith
- Favourable foreign exchange rates producing increased earnings
- Continuing strong cash generation – robust balance sheet
- Exceptional items charged in the period were £10.0m (2015: £6.2m) relating to a goodwill write-down (£7.2m) and net transactional costs of £2.8m
- Interim dividend up 8% to 5.4p

Dr Dermot F Smurfit, Chairman of John Menzies plc said:

"I am pleased that the underlying financial performance in the first half was ahead of 2015, reflecting the positive impact of Aviation ground handling gains, the start-up of our acquisition in Bermuda and the return of stable operations at London Gatwick.

"Menzies Distribution performed to expectations, with print media declines largely mitigated by strong sticker sales associated with the European football championships and our expanding e-commerce business.

"The Group continues to make positive progress and the Board expects the full year outturn to be in line with our expectations even before allowing for the positive impact of foreign exchange rates.

"Nevertheless, as shareholders will be aware the Group has underperformed in the past and the Board is determined to address historic performance shortfalls including a review of the Group structure."

Notes	
1	*Turnover is group revenue plus the group's share of revenue from joint ventures and associates.*
2	*Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation, 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.*
3	*Underlying operating 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 period ended 30 June 2016 into Sterling at the exchange rates used for the same period in 2015.*
7	*Additional analysis of non-GAAP measures are set out in Note 2 of the financial statements.*

For further information:

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Notes to Editors

1. John Menzies plc is one of Scotland's largest companies. The group has two operating divisions, Menzies Aviation and Menzies Distribution. Both divisions operate in sectors 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 business with operations worldwide.

2. Menzies Aviation is a leading global provider of passenger, ramp and cargo services. The Menzies Aviation business is highly successful, operating at 149 airports in 32 countries, supported by a team of over 20,000 highly-trained people. Menzies Aviation serves over 500 customers, handling over 1.2 million flights and 1.5 million tonnes of cargo per annum. Customers include Air France/KLM, Alaska Airlines, Cathay Pacific, easyJet, Etihad, Emirates, IAG, Lufthansa, Norwegian Air Shuttle, Thai Airways and United Airlines. Best in class safety and security is the division's number one priority each day and every day.

3. Menzies Distribution operates one of the largest overnight logistics networks in the UK, providing final mile delivery for around 110 million delivery units each year serving customers in the press, travel and third-party logistics sectors. From 43 sites across Britain and Ireland, a team of around 3,500 employees pick, pack and cross-dock clients' materials, driving some 150,000 miles each day to bring them to their ultimate destination.

   In addition to its core role within the UK print media supply chain, delivering around six million magazines and newspapers every day, the division is expanding into both UK retail logistics and neutral consolidation within the fast-growing parcel delivery market.

Chairman's Statement

I am delighted to make my first statement since my appointment as Chairman on 25 July 2016. John Menzies is an exceptionally strong brand; I believe there is a great amount of potential to be unlocked within the Group and I will work hard with the Board and management team to assist the Group in achieving significant growth in the coming years.

We have delivered a good set of results with continued progress being made at Aviation, winning and renewing contracts and delivering against our strategy. At Distribution, we continue to trade well in the face of continuing volume declines and the impact of the National Living Wage.

Group structure

As Chairman, one of my tasks will be to review the structure of the Group in order that we can maximise shareholder value. This will include looking at whether our two operating businesses are best placed to prosper while they are part of one Group. The situation is complex, particularly with regard to our pension schemes. Management have already engaged with specialist advisers and our pension trustees, and work is underway to structure the pension scheme in such a way as to give the Board the maximum amount of flexibility in future. I expect this work to take up to 12 months and we will update shareholders when appropriate.

Board changes

During the period, there were a number of Board changes in addition to my own appointment. Paul Baines, Giles Wilson and Forsyth Black joined the Board, while Iain Napier, Jeremy Stafford and Paula Bell stepped down.

Following the Annual General Meeting on 20 May 2016, Iain Napier retired from his role as Chairman after eight years on the Board. He was replaced on an interim basis by Dermot Jenkinson, a longstanding non-executive Director. I would like to take this opportunity to thank Iain for his time as Chairman.

On the same date, Paula Bell stepped down from her role as Chief Financial Officer and left the business on 29 July 2016. To replace Paula, we appointed Giles Wilson on 1 June 2016. Giles has been with the Group for over five years in a variety of senior roles including Finance Director of Menzies Aviation. Most recently he had been based in Dubai as Senior Vice President of our Middle East, India and African region. Prior to joining John Menzies plc, Giles held a number of senior finance positions in both publically listed and privately owned companies.

Also on 1 June 2016, Paul Baines joined the Board as a non-executive Director, bringing with him a wealth of corporate finance experience having held a number of senior executive posts in the City.

On 13 January 2016 Jeremy Stafford resigned from his position as Chief Executive Officer. On that date Forsyth Black, previously Managing Director of Menzies Distribution, was appointed to the Board as Managing Director of Menzies Aviation. Forsyth has been with the Group for over 16 years in a number of senior aviation roles and brings with him a wealth of knowledge of our businesses.

Dividend

The Board has proposed an interim dividend of 5.4p per share reflecting the Board's progressive dividend policy, which is payable on 18 November 2016 to all shareholders on the register at 7 October 2016.

Outlook

The Group continues to make positive progress and the Board expects the full year outturn to be in line with our expectations even before allowing for the positive impact of foreign exchange rates.

Aviation is performing well and the pipeline of opportunities is strong. We continue to make progress in the formation of our joint venture in Oman and expect to start operations later this year. Our investment in infrastructure and systems is already well underway and we anticipate tangible benefits from 2017. Since the period end the division has been successful in securing a new contract to handle some 22,000 turnarounds per annum for Frontier Airlines at the Denver base, building on our existing presence in Denver with United Airlines.

Menzies Distribution has benefitted from an increased volume of football related sticker sales but continues to work hard to mitigate volume declines and increased costs relating to the National Living Wage. Away from the core business, our parcels and trucking operations are gaining traction and we see opportunities to further utilise our vehicle and property assets during daylight hours in what is a rapidly expanding market place.

We continue to execute against our strategy and remain confident in delivering long-term shareholder value. The Group will continue to seek opportunities to grow through acquisition where these are seen to be value adding to shareholders.

Group Performance Review

Group turnover for the period was £1,002.2m (H1 2015: £1,001.4m). Underlying profit before tax rose to £18.1m (H1 2015: £17.0m) as a result of the favourable foreign exchange rates and an improvement in profitability in the Aviation division. The increase in underlying profit before tax had a consequential impact on our underlying earnings per share which rose 8.5% to 20.4p (H1 2015: 18.8p). Profit before tax was £3.0m (H1 2015: £5.8m), with the reduction reflecting the impact of £10.0m of exceptional costs (H1 2015: £6.2m).

On a constant currency basis Group turnover was down 1% to £995.3m (H1 2015: £1,001.4m) with underlying operating profit £0.2m higher at £20.4m (H1 2015: £20.2m).

It is too early to know the implications of the decision to leave the European Union, but it is probable that the UK economy will face a period of uncertainty. We will continue to monitor the situation closely, however, with around 80% of our Aviation revenues generated outside of the UK, we would expect our sales and financial performance to benefit should sterling remain at current levels or depreciate further.

Financial Overview

Finance costs

The net underlying finance charge in the period was £3.0m (H1 2015: £3.2m). The level of cost reflects lower pension interest charges.

Exceptional and other items

Exceptional costs of £10.0m in the period substantially relate to two items. The largest of which was a non-cash cost of £7.2m relating to the goodwill impairment of assets in our Netherlands cargo business in June 2016. Additionally, net transaction related costs of £2.8m were incurred in the period.

Tax and Earnings per Share

As a multinational business, the Group is liable for taxation in multiple jurisdictions around the world. Our underlying tax charge for the period was £5.8m (H1 2015: £5.4m), representing a continuing effective underlying tax rate of 32% (H1 2015 and FY 2015: 32%).

Underlying earnings per share were 20.4p (H1 2015: 18.8p), benefitting from the improvement in profits. Earnings per share were (2.4)p (H1 2015: 4.7p), reflecting the impact of exceptional and other items.

Defined benefit pension scheme

As at 30 June 2016, the scheme showed a deficit of £52.7m (H1 2015: £40.1m), an increase of £12.6m driven by lower corporate bond yields which have resulted in the discount rate reducing from 4.0% at 30 June 2015 (4.0% at 31 December 2015) to 3.2%, partly offset by continued additional cash payments.

Cash flow and investment

Investments in the period included initial investment of £3.3m for the acquisitions of Renaissance Aviation in Bermuda and Thistle Couriers, as well as a £1.3m earn-out payment relating to the Fore Partnership. Operating cash flow was £31.0m (H1 2015: £26.4m). Working capital management has been strong again in the first half of 2016 and remains a key focus for the business. Free cash flow at £16.4m was £4.8m higher than H1 2015. Net capital expenditure totalled £6.9m (H1 2015: £8.7m).

Treasury

The Group continues to operate on a strong financial footing. We benefit from a robust balance sheet built from strong operating cash flows across our divisions. At the end of the period net debt was £126.6m (H1 2015: £120.8m), reflecting a higher opening position and an adverse currency impact, improved by lower acquisition spend.

Our net debt to EBITDA ratio was 1.7 times and interest cover was 9.3 times at 30 June 2016, well within our covenanted levels. In addition, we have £55.5m of undrawn committed bank facilities.

Three existing bank facilities totalling £65.0m are due to expire in January 2017. The Board does not envisage any issue in refinancing these facilities.

The majority of Menzies Aviation's stations are located outside the UK and operate in currencies other than Sterling. The Group attempts to minimise the volatility of transactional foreign exchange as far as possible by using foreign exchange 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 period, there were favourable movements on the majority of currencies, particularly the US dollar and Czech koruna.

The Group continues to invest in infrastructure to strengthen the existing business and build a platform for expansion. In particular, we have invested in systems to enhance scheduling, recruitment and training as well as the resilience of our IT platform and risk management processes.

Menzies Aviation

Performance

Aviation performed strongly in the first half. Growth was underpinned by higher ground handling volumes in Continental Europe and the return to profitable operations at London Gatwick. Underlying operating profit benefited from favourable foreign exchange rates and was up £1.0m to £10.4m on turnover of £396.6m, up £25.8m. On a constant currency basis, turnover was up 5% to £390.3m and underlying operating profit was £0.3m higher at £9.7m.

During the period we continued to pursue and make tangible progress against our five strategic goals: focusing on key customers; pursuing hubs and bases; accelerating our complementary services offering; re-focusing on geographical investment and expanding into emerging markets.

In the first six months of the year we handled over 600,000 flight movements, up 4% on a like-for-like basis, excluding contracts won and lost in both periods. The most significant growth driver was the annualisation of 2015 hub and base contract wins with Norwegian Air Shuttle in Oslo and Copenhagen and with United Airlines in Cincinnati, Wichita, Tucson and Lubbock. Our cargo business handled over 750,000 tonnes of cargo in the period, a like-for-like decline of 2%, affected by a challenging start to the year and the strong volumes experienced in North America in the first half of 2015 due to the West Coast seaport strikes.

We continue to review our geographical investment, and our new presence in the Middle East has paid dividends with the signing of a memorandum of understanding with Oman Air to form a joint venture to handle their ground handling services at nine airports in Oman, including their hub operation in Muscat. This is a very exciting opportunity that represents Menzies Aviation's first significant operational presence in the region, where we will handle some 50,000 flights per annum.

A number of significant contract gains were made during the period. Our focus on key customers helped to deliver the award of a five-year contract with British Airways and Iberia at Copenhagen. There were 43 ground handling contract gains in the period, adding over £24m of annualised revenue. The most significant was to provide de-icing services to Norwegian Air Shuttle at their hub in Oslo. This win further enhances our relationship with the airline in their home hub. Since the period end we have also been successful in winning a contract to provide some 22,000 annual turnarounds for Frontier Airlines at their key hub in Denver. This win builds on our existing business with United Airlines in Denver.

We were successful in securing another hub operation in North America with the award by Virgin America of a five-year contract to provide ground handling services at Los Angeles. Virgin America is a returning customer and this win is recognition of our focus on service delivery. Other hub locations continue to perform well, providing strong returns and generating excellent customer feedback.

Our review of under-performing stations continued and we chose to close sub scale ground handling operations in Southampton, UK and Hamilton Island, Australia in the first half and we also gave notice on six contracts with four airlines across the network that were unsustainable.

During the period we won 12 cargo contracts, the largest of which were with AirBridge Cargo at Malmo, and a four station deal with Air Canada in Sydney, Melbourne, Brisbane and Prague. In total the new contracts will add over £6.5m of annualised revenue to the business.

At the end of 2015 we secured preferred supplier status with Etihad Cargo. Also within cargo handling we renewed one of our key contracts in Australia with Thai Airways at five stations.

Overall, we were net winners of 33 contracts generating some £17.4m of net annualised revenue and we renewed 75 contracts securing £46m of annualised revenue.

As previously announced, we acquired Renaissance Aviation, the exclusive ground handling licence holder in Bermuda in February. The integration is progressing smoothly and the business is trading in line with management's expectations.

Our complementary services offering continued to grow with new lounge facilities in Copenhagen, Windhoek and Queenstown and we now have line maintenance operations in Bermuda, New Zealand and Macau.

Our focus on being the best handler was supported by a significant investment into systems, people and infrastructure. This support has increased our ongoing contribution to our operational excellence programme by £1.5m in the first half. This investment is to ensure our airport operations run at the optimum efficiency levels and to ensure we provide our customers with the service levels they demand.

As previously communicated, Martinair, a subsidiary of KLM/Air France, continue to reduce freighter volume through Amsterdam. Martinair is our anchor customer in Amsterdam and this reduction is impacting returns. Reductions in volume are forecast to increase in 2017 and we are working on solutions to mitigate the loss of earnings.

AMI, our global cargo consolidation and forwarding company, continues to perform in line with expectations, however, we still see room for improvement. The South Africa business results were boosted by new contracts and overall our margin continues to benefit from a move towards international e-commerce traffic from the more traditional airfreight wholesale model.

Menzies Distribution

Performance

Distribution performed in line with expectations in the period, with underlying operating profit of £12.0m (H1 2015: £12.2m). This trading performance benefitted from strong sticker sales, boosted by the European Championships, which largely offset core media declines and the impact of the extra week in the comparative period.

Sales of newspapers during the period were 3.7% down on a like-for-like basis, (adjusting for any new or lost business since 1 January 2015). We benefitted from cover price increases in the period and from one-off events such as the EU referendum and the home nations' performances in the European football championships.

Sales declines of 4.7% were seen across magazine categories on a like-for-like basis. Monthlies in particular benefitted from successful film launches in the period, helping to offset market wide declines.

In July we signed a five-year contract renewal with Northern & Shell which continues our long relationship where we will distribute their titles including Daily Express, Daily Star and OK magazine.

Our Parcels business, where we act largely as a neutral consolidator, continues to perform well. A year on from the acquisition of AJG Parcels, the core parcels business is trading as expected and is complemented by the integration of recent acquisitions. Menzies Parcels now delivers 3.1 million parcels per annum. We continue to establish a niche in the growing UK e-commerce fulfilment market and look to build our position going forward.

During the period we completed the acquisition of Thistle Couriers. Formed in 1998, Thistle Couriers provides a UK-wide same-day service and delivers around 1,000 overnight parcels in the Aberdeen area.

Menzies Response, our fulfilment and brochure distribution business, has been adversely impacted by operational challenges in the period. Measures have been put in place to remedy these issues and we expect that operations will return to normal early in the third quarter. A new management team is in place and we continue to be positive on the growth opportunities for the business.

Our trucking business expanded during the period winning a three-year national distribution services contract for WHSmith. This is a key contract win and represents our first national distribution contract. The growth in this business stream is down to our ability to utilise our vehicle and property assets during daylight hours. Added to the existing contracts with Card Factory, WnDirect and B2C, our trucking operation has a fleet of over 1,700 vehicles across the UK.

The new UK National Living Wage legislation commenced in April 2016 and as expected, has had a significant impact on our Distribution business. The additional cost in 2016 is now estimated to be £1.6m, and we are on track to mitigate this increase with a number of improvement initiatives. This cost increase headwind is likely to prevail thereafter and we will continue to seek new ways to improve productivity to help mitigate the costs.

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 2016 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 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent mis-statements 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 the 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 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 Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Glasgow
15 August 2016

GROUP INCOME STATEMENT (unaudited)
for the half year to 30 June 2016

	Notes	**Before exceptional and other items £m**	**Exceptional and other items £m**	**Half year to 30 June 2016 £m**	Before exceptional and other items £m	Exceptional and other items £m	Half year to 30 June 2015 £m
Revenue	3	**956.0**	**-**	**956.0**	954.1	-	954.1
Net operating costs		**(939.2)**	**(13.9)**	**(953.1)**	(938.4)	(9.9)	(948.3)
Operating profit		**16.8**	**(13.9)**	**2.9**	15.7	(9.9)	5.8
Share of post-tax results of joint ventures and associates		**4.3**	**(0.8)**	**3.5**	4.5	(0.9)	3.6
Operating profit after joint ventures and associates	3	**21.1**	**(14.7)**	**6.4**	20.2	(10.8)	9.4
Analysed as:							
Underlying operating profit*	3	**21.1**	**-**	**21.1**	20.2	-	20.2
Exceptional transaction related and rationalisation items	4	**-**	**(2.8)**	**(2.8)**	-	(1.5)	(1.5)
Exceptional impairment charges	4	**-**	**(7.2)**	**(7.2)**	-	(4.7)	(4.7)
Contract amortisation	4	**-**	**(3.9)**	**(3.9)**	-	(3.7)	(3.7)
Share of interest on joint ventures and associates		**-**	**0.3**	**0.3**	-	0.3	0.3
Share of tax on joint ventures and associates		**-**	**(1.1)**	**(1.1)**	-	(1.2)	(1.2)
Operating profit after joint ventures and associates		**21.1**	**(14.7)**	**6.4**	20.2	(10.8)	9.4
Finance income	5	**0.3**	**-**	**0.3**	0.5	-	0.5
Finance charges	5	**(2.4)**	**(0.4)**	**(2.8)**	(2.7)	(0.4)	(3.1)
Other finance charge – pensions	14	**(0.9)**	**-**	**(0.9)**	(1.0)	-	(1.0)
Profit before taxation		**18.1**	**(15.1)**	**3.0**	17.0	(11.2)	5.8
Taxation	6	**(5.8)**	**1.1**	**(4.7)**	(5.4)	2.6	(2.8)
Profit/(loss) for the period		**12.3**	**(14.0)**	**(1.7)**	11.6	(8.6)	3.0
Attributable to equity shareholders		**12.5**	**(14.0)**	**(1.5)**	11.5	(8.6)	2.9
Attributable to non-controlling interests		**(0.2)**	**-**	**(0.2)**	0.1	-	0.1
		12.3	**(14.0)**	**(1.7)**	11.6	(8.6)	3.0
Earnings per ordinary share	8						
Basic		**20.4p**	**(22.8)p**	**(2.4)p**	18.8p	(14.1)p	4.7p
Diluted		**20.4p**	**(22.8)p**	**(2.4)p**	18.8p	(14.1)p	4.7p

*Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation 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
For the full year to 31 December 2015

	Notes	Before exceptional and other items £m	Exceptional and other items £m	Full year to 31 December 2015 £m
Revenue	3	1,899.2	-	1,899.2
Net operating costs		(1,862.8)	(17.6)	(1,880.4)
Operating profit		36.4	(17.6)	18.8
Share of post-tax results of joint ventures and associates		8.5	(1.5)	7.0
Operating profit after joint ventures and associates	3	44.9	(19.1)	25.8
Analysed as:				
Underlying operating profit*	3	44.9	-	44.9
Exceptional rationalisation and acquisition related items	4	-	(5.8)	(5.8)
Exceptional impairment charges	4	-	(4.7)	(4.7)
Contract amortisation	4	-	(7.1)	(7.1)
Share of interest on joint ventures and associates		-	0.7	0.7
Share of tax on joint ventures and associates		-	(2.2)	(2.2)
Operating profit after joint ventures and associates		44.9	(19.1)	25.8
Finance income	5	0.8	-	0.8
Finance charges	5	(5.6)	(0.9)	(6.5)
Other finance charge - pensions	14	(1.9)	-	(1.9)
Profit before taxation		38.2	(20.0)	18.2
Taxation	6	(12.2)	3.9	(8.3)
Profit for the year		26.0	(16.1)	9.9
Attributable to equity shareholders		26.2	(16.1)	10.1
Attributable to non-controlling interests		(0.2)	-	(0.2)
		26.0	(16.1)	9.9
Earnings per ordinary share	8			
Basic		42.7p	(26.2)p	16.5p
Diluted		42.7p	(26.3)p	16.4p

*Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation 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 2016

	Note	**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
(Loss)/profit for the period		**(1.7)**	3.0	9.9
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (loss)/gain on defined benefit pensions	14	**(13.8)**	14.3	5.6
Income tax effect		**2.6**	(2.9)	(1.1)
Impact of rate change on deferred tax		**-**	-	(0.9)
Items that may be reclassified subsequently to profit or loss:				
Movement on cash flow hedges		**0.2**	(0.4)	(0.1)
Income tax effect		**-**	0.1	-
Movement on net investment hedges		**(9.5)**	3.9	(1.5)
Income tax effect		**-**	(0.8)	0.3
Exchange gain/(loss) on translation of foreign operations		**22.2**	(10.0)	(3.9)
Income tax effect of exchange loss on foreign operations		**-**	-	0.6
Other comprehensive income/(loss) for the period		**1.7**	4.2	(1.0)
Total comprehensive income for the period		**-**	7.2	8.9
Attributable to equity shareholders		**0.2**	7.1	8.9
Attributable to non-controlling interests		**(0.2)**	0.1	-
		-	7.2	8.9

GROUP BALANCE SHEET (unaudited)
as at 30 June 2016

	Notes	**30 June 2016 £m**	30 June 2015 £m	31 December 2015 £m
Assets				
Non-current assets				
Intangible assets	9	**104.3**	110.2	108.3
Property, plant and equipment		**119.3**	113.1	114.4
Investments accounted using the equity method		**29.6**	26.0	26.4
Deferred tax assets		**13.0**	7.8	12.2
		266.2	257.1	261.3
Current assets				
Inventories		**14.1**	13.0	14.7
Trade and other receivables		**225.7**	206.2	201.9
Derivative financial assets	12	**-**	4.4	0.6
Cash and cash equivalents	10	**46.2**	37.2	34.1
		286.0	260.8	251.3
Liabilities				
Current liabilities				
Borrowings	10	**(68.5)**	(7.2)	(3.4)
Derivative financial liabilities	12	**(9.8)**	(1.1)	(2.3)
Trade and other payables		**(233.4)**	(221.6)	(217.3)
Current income tax liabilities		**(8.8)**	(7.1)	(10.0)
Provisions		**(5.5)**	(2.8)	(4.9)
		(326.0)	(239.8)	(237.9)
Net current (liabilities)/assets		**(40.0)**	21.0	13.4
Total assets less current liabilities		**226.2**	278.1	274.7
Non-current liabilities				
Borrowings	10	**(94.5)**	(154.1)	(152.2)
Other payables		**(3.8)**	(3.3)	(3.5)
Deferred tax liabilities		**-**	-	(1.5)
Provisions		**(3.1)**	(2.7)	(2.9)
Retirement benefit obligation	14	**(52.7)**	(40.1)	(43.4)
		(154.1)	(200.2)	(203.5)
Net assets		**72.1**	77.9	71.2
Shareholders' equity				
Ordinary shares		**15.4**	15.4	15.4
Share premium account		**20.5**	20.4	20.4
Treasury shares		**(1.7)**	(1.7)	(1.8)
Other reserves		**(8.7)**	(24.0)	(21.6)
Retained earnings		**23.6**	44.4	35.6
Capital redemption reserve		**21.6**	21.6	21.6
		70.7	76.1	69.6
Non-controlling interest in equity		**1.4**	1.8	1.6
Total equity		**72.1**	77.9	71.2

GROUP STATEMENT OF CHANGES IN EQUITY (unaudited)

as at 30 June 2016

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Total equity £m
At 31 December 2015	15.4	20.4	(1.8)	(0.9)	(20.7)	35.6	21.6	69.6	1.6	71.2
Loss for the period	-	-	-	-	-	(1.5)	-	(1.5)	(0.2)	(1.7)
Other comprehensive income/(loss)	-	-	-	0.2	12.7	(11.2)	-	1.7	-	1.7
Total comprehensive income/(loss)	-	-	-	0.2	12.7	(12.7)	-	0.2	(0.2)	-
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.8	-	0.8	-	0.8
Disposal of own shares	-	-	0.1	-	-	(0.1)	-	-	-	-
At 30 June 2016	**15.4**	**20.5**	**(1.7)**	**(0.7)**	**(8.0)**	**23.6**	**21.6**	**70.7**	**1.4**	**72.1**
At 31 December 2014	15.4	20.3	(2.0)	(0.8)	(16.0)	29.5	21.6	68.0	1.7	69.7
Profit for the period	-	-	-	-	-	2.9	-	2.9	0.1	3.0
Other comprehensive (loss)/income	-	-	-	(0.3)	(6.9)	11.4	-	4.2	-	4.2
Total comprehensive (loss)/income	-	-	-	(0.3)	(6.9)	14.3	-	7.1	0.1	7.2
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.7	-	0.7	-	0.7
Disposal of own shares	-	-	0.3	-	-	(0.1)	-	0.2	-	0.2
At 30 June 2015	15.4	20.4	(1.7)	(1.1)	(22.9)	44.4	21.6	76.1	1.8	77.9
At 31 December 2014	15.4	20.3	(2.0)	(0.8)	(16.0)	29.5	21.6	68.0	1.7	69.7
Profit/(loss) for the year	-	-	-	-	-	10.1	-	10.1	(0.2)	9.9
Other comprehensive (loss)/income	-	-	-	(0.1)	(4.7)	3.6	-	(1.2)	0.2	(1.0)
Total comprehensive (loss)/income	-	-	-	(0.1)	(4.7)	13.7	-	8.9	-	8.9
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.5	-	0.5	-	0.5
Dividends paid	-	-	-	-	-	(8.0)	-	(8.0)	(0.1)	(8.1)
Repurchase of own shares	-	-	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Disposal of own shares	-	-	0.3	-	-	(0.1)	-	0.2	-	0.2
At 31 December 2015	15.4	20.4	(1.8)	(0.9)	(20.7)	35.6	21.6	69.6	1.6	71.2

GROUP STATEMENT OF CASH FLOWS (unaudited)
for the half year to 30 June 2016

	Notes	**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Cash flows from operating activities				
Cash generated from operations	11	**20.4**	13.5	35.9
Interest received		**0.3**	0.2	0.8
Interest paid		**(2.7)**	(2.4)	(5.9)
Tax paid		**(5.3)**	(3.9)	(7.7)
Net cash flow from operating activities		**12.7**	7.4	23.1
Cash flows from investing activities				
Acquisitions		**(4.6)**	(14.4)	(15.1)
Cash acquired with subsidiaries	15	**0.3**	1.3	1.3
Investment in associate		**(0.3)**	-	-
Purchase of property, plant and equipment		**(7.9)**	(9.2)	(22.2)
Intangible asset additions		**(0.4)**	(0.2)	(2.6)
Proceeds from sale of property, plant and equipment		**1.4**	0.7	4.5
Proceeds on redemption of joint venture preference shares		**-**	0.8	0.8
Dividends received from equity accounted investments		**1.8**	2.0	6.5
Net cash flow used in investing activities		**(9.7)**	(19.0)	(26.8)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**0.1**	0.1	0.1
Disposal/(purchase) of own shares		**-**	0.2	(0.1)
Repayment of borrowings	10	**(2.8)**	(0.1)	(0.4)
Proceeds from borrowings	10	**8.7**	14.0	15.3
Dividends paid to ordinary shareholders		**-**	-	(8.0)
Net cash flow from financing activities	10	**6.0**	14.2	6.9
Increase in net cash and cash equivalents	10	**9.0**	2.6	3.2
Effects of exchange rate movements	10	**3.0**	(1.7)	(1.5)
Opening net cash and cash equivalents		**33.9**	32.2	32.2
Closing net cash and cash equivalents*	10	**45.9**	33.1	33.9

*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 2016 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 15 August 2016. 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 2015, prepared in accordance with IFRS, have been filed with the Registrar of Companies. The report of the Auditors included in that 2015 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 Rules and Transparency Rules of the Financial Conduct Authority and the basis of the accounting policies set out in the 2015 Annual Report, except for the adoption of new standards and interpretations effective from 1 January 2016 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.

Changes to accounting policies

There are no immediate changes to UK financial and corporate reporting requirements following the UK's decision to leave the European Union on 23 June 2016.

Several new accounting standards and amendments are applicable for the first time in 2016. However, they do not impact on the annual consolidated financial statements or the interim condensed financial statements of the Group. The European Markets and Securities Authority has issued 'Guidelines on Alternative Performance Measures' which are effective from 3 July 2016 and which have been followed in explaining the Group's use of non-GAAP measures in this interim statement.

- Amendments to IAS 27: Equity Method in Separate Financial Statements – effective date 1 January 2016
- Amendments to IAS 1: Disclosure Initiative – effective date 1 January 2016
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation – effective date 1 January 2016
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations – effective date 1 January 2016
- Annual Improvements to IFRSs – 2012 to 2014 cycle – effective date 1 January 2016

Standards and amendments to standards that have been issued but are not effective for 2016 and have not been early adopted are:

- Amendments to IAS 7: Disclosure Initiative* - effective date 1 January 2017
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses* - effective date 1 January 2017
- IFRS 9 Financial Instruments* - effective date 1 January 2018
- IFRS 15 Revenue from Contracts with Customers* - effective date 1 January 2018
- IFRS 16 Leases* - effective date 1 January 2019
- IFRS 2 Classification and Measurement of Share Based Payment Transactions* - effective date 1 January 2018

*Not yet adopted for use in the European Union.

Non-GAAP measures

Our reported interim results are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures. We believe this information, along with comparable GAAP measurements, is useful to investors in providing a basis for measuring our operational performance. Our management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our 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.

Below we set out our definitions of non-GAAP measures and provide reconciliations to relevant GAAP measures.

Turnover

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

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Revenue	**956.0**	954.1	1,899.2
Share of joint ventures and associates revenue	**46.2**	47.3	94.1
Turnover	**1,002.2**	1,001.4	1,993.3

Underlying operating profit

Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation 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 operating profit and the reconciliation to operating profit are set out on the face of the Income Statement.

Underlying profit before taxation

Underlying profit before taxation is defined as underlying operating profit less net finance charges.

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

Underlying earnings per share

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.

The calculation of underlying earnings per share is set out in Note 8.

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, cash raised, ordinary dividends and net spend on shares.

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Cash generated from operations	**20.4**	13.5	35.9
Adjusted for:			
net interest paid	**(2.4)**	(2.2)	(5.1)
tax paid	**(5.3)**	(3.9)	(7.7)
dividends received from equity accounted investments	**1.8**	2.0	6.5
purchase of property, plant and equipment	**(7.9)**	(9.2)	(22.2)
intangible asset additions	**(0.4)**	(0.2)	(2.6)
proceeds from sale of property, plant and equipment	**1.4**	0.7	4.5
special pension contribution	**5.6**	5.8	11.6
exceptional cash spend	**3.2**	5.1	10.8
Free cash flow	**16.4**	11.6	31.7

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 2016 £m	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m

Free cash flow (as set out above)	**16.4**	11.6	31.7
Adjusted for:			
purchase of property, plant and equipment	**7.9**	9.2	22.2
intangible asset additions	**0.4**	0.2	2.6
proceeds from sale of property, plant and equipment	**(1.4)**	(0.7)	(4.5)
net interest paid	**2.4**	2.2	5.1
tax paid	**5.3**	3.9	7.7
Underlying operating cash flow	**31.0**	26.4	64.8

3. SEGMENT INFORMATION

For management purposes the Group is organised into two operating divisions: Distribution and Aviation. The two divisions are organised and managed separately based upon their key markets. The Distribution segment provides newspaper and magazine distribution services along with marketing and logistics services across the UK and Ireland. The Aviation segment provides cargo and passenger ground handling services across the world.

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 and intangible amortisation. Net finance income and expenditure are not allocated to segments as this activity is managed by the 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 segment information

	Revenue			Pre-exceptional operating profit/(loss)		
	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m	**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Distribution	**605.6**	630.6	1,244.0	**12.0**	12.2	25.1
Aviation						
Ground Handling	**271.5**	240.9	490.0	**2.8**	0.8	4.1
Cargo Handling	**72.7**	72.5	146.8	**6.0**	6.9	14.7
Cargo Forwarding	**52.4**	57.4	112.5	**1.6**	1.7	4.3
	396.6	370.8	749.3	**10.4**	9.4	23.1
Corporate	**-**	-	-	**(1.3)**	(1.4)	(3.3)
	1,002.2	1,001.4	1,993.3	**21.1**	20.2	44.9
Joint ventures and associates	**(46.2)**	(47.3)	(94.1)	**-**	-	-
	956.0	954.1	1,899.2	**21.1**	20.2	44.9

A reconciliation of segment pre-exceptional operating profit/(loss) to profit before taxation is provided below.

Half year to 30 June 2016	**Distribution £m**	**Aviation £m**	**Corporate £m**	**Group £m**
Operating profit/(loss)	**9.9**	**(3.1)**	**(3.9)**	**2.9**
Share of post-tax results of joint ventures and associates	**0.8**	**2.7**	**-**	**3.5**
Operating profit/(loss) after joint ventures and associates	**10.7**	**(0.4)**	**(3.9)**	**6.4**
Net finance expense				**(3.4)**

Profit before taxation				**3.0**

Analysed as:				
Pre-exceptional operating profit/(loss)*	**12.0**	**10.4**	**(1.3)**	**21.1**
Exceptional transaction related items (Note 4)	**0.3**	**(0.5)**	**(2.6)**	**(2.8)**
Exceptional impairment charges (Note 4)	**-**	**(7.2)**	**-**	**(7.2)**
Contract amortisation (Note 4)	**(1.4)**	**(2.5)**	**-**	**(3.9)**
Share of interest on joint ventures and associates	**-**	**0.3**	**-**	**0.3**
Share of tax on joint ventures and associates	**(0.2)**	**(0.9)**	**-**	**(1.1)**
Operating profit/(loss) after joint ventures and associates	**10.7**	**(0.4)**	**(3.9)**	**6.4**

Half year to 30 June 2015	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	10.1	(1.5)	(2.8)	5.8
Share of post-tax results of joint ventures and associates	0.7	2.9	-	3.6
Operating profit/(loss) after joint ventures and associates	10.8	1.4	(2.8)	9.4
Net finance expense				(3.6)
Profit before taxation				5.8

Analysed as:				
Pre-exceptional operating profit/(loss)*	12.2	9.4	(1.4)	20.2
Exceptional rationalisation and acquisition related items (Note 4)	(0.1)	-	(1.4)	(1.5)
Exceptional impairment charges (Note 4)	-	(4.7)	-	(4.7)
Contract amortisation (Note 4)	(1.1)	(2.6)	-	(3.7)
Share of interest on joint ventures and associates	-	0.3	-	0.3
Share of tax on joint ventures and associates	(0.2)	(1.0)	-	(1.2)
Operating profit/(loss) after joint ventures and associates	10.8	1.4	(2.8)	9.4

Full year to 31 December 2015	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	16.8	7.0	(5.0)	18.8
Share of post-tax results of joint ventures and associates	1.6	5.4	-	7.0
Operating profit/(loss) after joint ventures and associates	18.4	12.4	(5.0)	25.8
Net finance expense				(7.6)
Profit before taxation				18.2

Analysed as:				
Pre-exceptional operating profit/(loss)*	25.1	23.1	(3.3)	44.9
Exceptional rationalisation and acquisition related items (Note 4)	(3.9)	(0.2)	(1.7)	(5.8)
Exceptional impairment charges (Note 4)	-	(4.7)	-	(4.7)
Contract amortisation (Note 4)	(2.5)	(4.6)	-	(7.1)
Share of interest on joint ventures and associates	-	0.7	-	0.7
Share of tax on joint ventures and associates	(0.3)	(1.9)	-	(2.2)
Operating profit/(loss) after joint ventures and associates	18.4	12.4	(5.0)	25.8

* Pre-exceptional operating profit/(loss) is defined as operating profit/(loss) excluding intangible amortisation and exceptional items (both set out in Note 4) but including the pre-tax share of results from joint ventures and associates.

Capital expenditure

Half year to 30 June 2016	**Distribution £m**	**Aviation £m**	**Corporate £m**	**Group £m**
Property, plant and equipment	**1.3**	**6.5**	**0.1**	**7.9**
Intangible assets	**0.2**	**0.2**	**-**	**0.4**
Half year to 30 June 2015				
Property, plant and equipment	1.2	6.6	-	7.8
Intangible assets	0.1	0.1	-	0.2
Full year to 31 December 2015				
Property, plant and equipment	4.4	16.4	-	20.8
Intangible assets	2.1	0.5	-	2.6

Geographic information

	Revenue		
	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
UK	**664.0**	687.8	1,363.1
Continental Europe	**100.3**	85.9	171.2
USA	**77.3**	68.6	140.3
Rest of world	**114.4**	111.8	224.6
	956.0	954.1	1,899.2

4. EXCEPTIONAL AND OTHER ITEMS

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the Income Statement to enable a full understanding of the Group's financial performance. These exclude certain elements of intangible asset impairment and amortisation, which are also presented separately in the Income Statement.

Transactions which may give rise to exceptional items include restructuring of business activities (in terms of rationalisation costs and onerous lease provisions), gains or losses on the disposal of businesses and transaction and other related costs including changes in deferred consideration.

Exceptional items included in operating profit

	Notes	**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Acquisition related earn-out adjustment	(i)	**0.3**	0.5	(0.2)
Transaction related costs	(ii)	**(3.1)**	(0.1)	(0.4)
Rationalisation costs	(iii)	**-**	(0.5)	(3.5)
Management restructure and strategic review	(iv)	**-**	(1.4)	(1.7)
		(2.8)	(1.5)	(5.8)

(i) Contingent consideration relating to the acquisition of Fore Partnership was settled for £1.3m being £0.3m lower than anticipated at 31 December 2015 in Distribution. The credit in the prior half year related to the settlement of contingent consideration for Orbital Marketing Services Group for £9.9m which was £0.5m lower than anticipated at 31 December 2014.

(ii) Relating to the acquisition of Thistle Couriers Ltd in February 2016 in Distribution and Renaissance Aviation Ltd, Bermuda, in February 2016 in Aviation, aborted disposal transactions either by the Group or by the prospective parties of £0.9m, incomplete transactions of £1.9m and other costs £0.2m.
(iii) Costs of rationalising excess capacity in the prior half year comprised redundancy, property and other related restructuring costs in Distribution.
(iv) Redundancy and advisory costs in the prior half year related to the work performed to reshape the senior management team and review the strategic direction of the business in order to prioritise the opportunities for growth.

Exceptional items included in finance charges

	Note	**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Unwind discount	(i)	**(0.1)**	(0.1)	(0.2)

(i) Relating to deferred consideration and onerous lease provisions.

Intangible assets amortisation and impairment included in operating profit

	Notes	**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Contract amortisation	(i)	**(3.9)**	(3.7)	(7.1)
Net impairment loss	(ii)	**(7.2)**	(4.7)	(4.7)
		(11.1)	(8.4)	(11.8)

(i) Contracts capitalised as intangible assets on the acquisition of businesses.
(ii) An impairment of goodwill of £7.2m triggered by an aborted disposal transaction and recognising the loss of volumes with key customers at the cargo operations in Amsterdam and the impact this has on the overall business. In the prior half year operations were restructured in Spain following the loss of licences. An impairment charge of £4.7m was recognised representing a write-off of intangible assets of £4.1m and other associated assets of £0.6m.

5. FINANCE COSTS (pre-exceptional)

Underlying interest income and charges, other than the pension charge, are:

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Finance income			
Bank deposits	**0.3**	0.5	0.8
Finance charges			
Bank loans and overdrafts	**(2.3)**	(2.6)	(5.5)
Preference dividends	**(0.1)**	(0.1)	(0.1)
	(2.4)	(2.7)	(5.6)
Net finance costs	**(2.1)**	(2.2)	(4.8)

6. TAXATION

The underlying effective tax rate for the full year 2016 is estimated at 32% (full year 2015: 32%). Therefore the underlying effective tax rate used for the half year 2016 was 32% (half year 2015: 32%). The share of results from the joint ventures and associates for the half year is after taxation of £1.1m (half year to 30 June 2015: £1.2m and full year to 31 December 2015: £2.2m).

The Finance Act (No 2) 2015, which was substantively enacted on 26 October 2015, includes legislation reducing the main rate of corporation tax in the UK from 20% to 18%. This decrease is to be phased in with a reduction to 19% effective from 1 April 2017 and a reduction to 18% effective from 1 April 2020. The Finance Bill 2016, which has not been substantively enacted at the half year 2016, will amend and reduce the rate to 17% with effect from 1 April 2020.

The taxation effect of the exceptional and other items is £Nil (half year to 30 June 2015: £1.4m credit, full year to 31 December 2015: £1.7m credit).

7. DIVIDENDS

Dividends paid on equity shares		**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Ordinary	Interim paid in respect of 2015, 5.0p per share	**-**	-	3.0
	Final paid in respect of 2014, 8.1p per share	**-**	-	5.0
		-	-	8.0

The 2015 final dividend of 11.8p per ordinary share, which absorbed £7.2m of shareholders' funds, was paid on 1 July 2016 to shareholders on the register of John Menzies plc at close of business on 27 May 2016.

The Directors are proposing an interim dividend in respect of the half year to 30 June 2016 of 5.4p per ordinary share. This will absorb an estimated £3.3m of shareholders' funds. Payment will be made on 18 November 2016 to shareholders on the register of John Menzies plc at the close of business on 7 October 2016.

8. EARNINGS PER SHARE

	Basic			Underlying(i)		
	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m	**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Operating profit	**2.9**	5.8	18.8	**2.9**	5.8	18.8
Share of post-tax results of joint ventures and associates	**3.5**	3.6	7.0	**3.5**	3.6	7.0
add back: exceptional items	**-**	-	-	**2.8**	1.5	5.8
intangible amortisation and impairment	**-**	-	-	**11.1**	8.4	11.8
share of interest on joint ventures and associates	**-**	-	-	**(0.3)**	(0.3)	(0.7)
share of tax on joint ventures and associates	**-**	-	-	**1.1**	1.2	2.2
Net finance costs	**(3.4)**	(3.6)	(7.6)	**(3.0)**	(3.2)	(6.7)
Profit before taxation	**3.0**	5.8	18.2	**18.1**	17.0	38.2
Taxation	**(4.7)**	(2.8)	(8.3)	**(4.7)**	(2.8)	(8.3)
Tax on exceptional items and share of tax on joint ventures and associates	**-**	-	-	**(1.1)**	(2.6)	(3.9)
Non-controlling interests	**0.2**	(0.1)	0.2	**0.2**	(0.1)	0.2
Earnings for the period	**(1.5)**	2.9	10.1	**12.5**	11.5	26.2
Basic						
Earnings per ordinary share (pence)	**(2.4)p**	4.7p	16.5p			
Diluted earnings per ordinary share (pence)	**(2.4)p**	4.7p	16.4p			
Underlying						
Earnings per ordinary share (pence)				**20.4p**	18.8p	42.7p

Diluted earnings per ordinary share (pence)				**20.4p**	18.8p	42.7p
Number of ordinary shares in issue						
Weighted average (million)	**61.3**	61.3	61.3			
Diluted weighted average (million)	**61.4**	61.4	61.4			

[(i)]Underlying earnings are 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, that is where the exercise price is less than the average market price of the shares during the period.

9. INTANGIBLE ASSETS

Intangible assets comprise goodwill of £49.0m (June 2015: £50.9m, December 2015: £52.3m), contracts of £45.8m (June 2015: £48.1m, December 2015: £45.5m) and capitalised software costs of £9.5m (June 2015: £11.2m, December 2015: £10.5m). Currency movements contributed to a £5.3m increase to intangible assets in the period (June 2015: reduction of £2.9m, December 2015: reduction of £1.5m).

10. ANALYSIS OF CHANGES IN NET BORROWINGS

	31 December 2015 £m	Half year cash flows £m	Subsidiaries acquired £m	Currency translation £m	**30 June 2016 £m**
Cash at bank and in hand	34.1	8.8	0.3	3.0	**46.2**
Bank overdrafts	(0.2)	(0.1)	-	-	**(0.3)**
Net cash and cash equivalents	33.9	8.7	0.3	3.0	**45.9**
Bank loans due within one year	(2.7)	(65.1)	-	-	**(67.8)**
Preference shares	(1.4)	-	-	-	**(1.4)**
Finance leases	(0.5)	0.3	(0.2)	-	**(0.4)**
Debt due after one year	(150.8)	57.7	-	-	**(93.1)**
Net derivative (liabilities)/assets	(1.7)	1.2	-	(9.3)	**(9.8)**
Net debt	(123.2)	2.8	0.1	(6.3)	**(126.6)**

Current borrowings of £68.5m in the Balance Sheet include bank overdrafts of £0.3m, bank loans of £67.8m and finance leases of £0.4m. Non-current borrowings in the Balance Sheet of £94.5m include preference shares of £1.4m and bank debt of £93.1m. Net derivative liabilities of £9.8m shown above include derivative financial assets of £Nil and derivative financial liabilities of £9.8m as shown on the Balance Sheet.

11. CASH GENERATED FROM OPERATIONS

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
Operating profit	**2.9**	5.8	18.8
Depreciation	**10.6**	11.5	21.0
Amortisation of intangible assets	**5.3**	4.3	10.6
Share-based payments	**0.6**	0.7	0.5
Onerous lease provision	**-**	-	0.3
Cash spend on onerous leases	**(0.7)**	(0.9)	(2.8)

Gain on sale of property, plant and equipment	**(0.1)**	-	(0.6)
Pension charge	**1.6**	1.6	3.3
Pension credit	**-**	(0.1)	(1.1)
Pension contributions in cash	**(7.0)**	(7.1)	(14.1)
Rationalisation and transaction related costs	**3.1**	2.0	5.3
Cash spend on rationalisation and other exceptional costs	**(2.5)**	(4.2)	(8.0)
Acquisition related earn out adjustment	**(0.3)**	(0.5)	0.2
Net impairment loss	**7.2**	4.7	4.7
Decrease/(increase) in inventories	**0.6**	-	(1.8)
Increase in trade and other receivables	**(23.7)**	(20.4)	(16.2)
Increase in trade and other payables and provisions	**22.8**	16.1	15.8
	20.4	13.5	35.9

12. 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 hierarchy

As at 30 June 2016, the Group had the following financial instruments held at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For financial instruments that are recognised at the fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivative financial instruments at fair value through other comprehensive income.

	30 June 2016 Level 2 £m	30 June 2015 Level 2 £m	31 December 2015 Level 2 £m
Financial assets:			
Foreign exchange contracts – hedged	**-**	4.4	0.6
Financial liabilities:			
Foreign exchange contracts - hedged	**9.8**	1.1	2.3

During the half year to 30 June 2016 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 2016		30 June 2015		31 December 2015	
	Book Value £m	**Fair Value £m**	Book Value £m	Fair Value £m	Book Value £m	Fair Value £m

Current borrowings	**68.5**	**68.8**	7.2	7.5	3.4	3.7
Non-current borrowings	**94.5**	**95.4**	154.1	155.3	152.2	153.1

Contingent consideration

The acquisition of PlaneBiz 2015 Ltd in 2014 includes 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.

These liabilities for contingent consideration and other acquisition related amounts are Level 3 derivative financial instruments under IFRS 7.

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Fair value of the contingent consideration:			
Fore Partnership	**-**	0.9	1.6
Fair value of other contingent acquisition related amounts:			
PlaneBiz 2015 Ltd	**3.1**	2.5	2.7

13. CONTINGENT LIABILITIES

In the normal course of business, the Company has guaranteed certain trading obligations of its subsidiaries.

14. RETIREMENT BENEFIT OBLIGATION

The professional advisor undertook a valuation of the Menzies Pension Fund (the "Fund") as at 30 June 2016 (30 June 2015 and 31 December 2015) under IAS 19.

In deriving the results the professional advisor used the projected unit method and the following financial assumptions:

	Half year to 30 June 2016 %	Half year to 30 June 2015 %	Full year to 31 December 2015 %
Rate of increase in salaries	**2.8**	3.2	3.0
Rate of increase in pensions prior to 1 May 2006	**3.5**	3.6	3.5
Rate of increase in pensions from 1 May 2006 to 1 June 2010	**2.1**	2.2	2.1
Rate of increase in pensions after 1 June 2010	**1.0**	1.0	1.0
Price inflation	**2.8**	3.2	3.0
Discount rate	**3.2**	4.0	4.0

Fair value of the Fund assets and liabilities	**£m**	£m	£m
Total value of assets	**347.0**	319.4	312.4
Defined benefit obligation	**(399.7)**	(359.5)	(355.8)
Recognised in Balance Sheet	**(52.7)**	(40.1)	(43.4)
Related deferred tax asset	**9.5**	8.0	7.8
Net pension liabilities	**(43.2)**	(32.1)	(35.6)

Pension expense

The components of the pension expense are:

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Full year to 31 December 2015 £m
The amounts charged/(credited) to operating profit are:			
Current service cost	**0.9**	1.0	2.0
Administrative costs	**0.7**	0.6	1.3
Effect of settlements and curtailments	**-**	(0.1)	(1.1)
	1.6	1.5	2.2
The amounts included in finance costs are:			
Interest cost on defined benefit obligation	**7.0**	6.8	13.4
Interest income on Fund assets	**(6.1)**	(5.8)	(11.5)
Net financial charge	**0.9**	1.0	1.9
Pension expense	**2.5**	2.5	4.1

The amounts of changes in the Fund assets and liabilities recognised in the Statement of Comprehensive Income are:

	£m	£m	£m
Returns on assets excluding amounts included in net interest	**30.4**	0.8	(4.9)
Changes in financial assumptions	**(44.2)**	13.5	10.5
Actuarial (loss)/gain	**(13.8)**	14.3	5.6

Changes in the Fund assets and defined benefit obligation

The change in scheme assets during the period is:

	£m	£m	£m
Fair value of assets at start of period	**312.4**	312.9	312.9
Interest income	**6.1**	5.8	11.5
Company contributions	**7.0**	7.1	14.1
Employee contributions	**0.3**	0.6	0.7
Effect of settlements	**-**	(0.2)	(2.2)
Benefits and expenses paid	**(9.2)**	(7.6)	(19.7)
Returns on assets excluding amounts included in net interest	**30.4**	0.8	(4.9)
Fair value of assets at end of period	**347.0**	319.4	312.4

The actual return on scheme assets in the half year to 30 June 2016 was a gain of £36.5m (half year to 30 June 2015: £6.6m and full year to 31 December 2015: £6.6m).

The change in defined benefit obligation during the period is:

	£m	£m	£m
Defined benefit obligation at start of period	**355.8**	371.9	317.9
Total service cost	**1.6**	1.6	3.3
Interest cost	**7.0**	6.8	13.4
Effect of settlements	**-**	(0.3)	(3.3)
Employee contributions	**0.3**	0.6	0.7
Benefits and expenses paid	**(9.2)**	(7.6)	(19.7)
Changes in financial assumptions	**44.2**	(13.5)	(10.5)
Defined benefit obligation at end of period	**399.7**	359.5	355.8

15. ACQUISITIONS

During the period the Group acquired 100% of the share capital of Renaissance Aviation Ltd and Thistle Couriers Ltd.

On 9 February 2016 the Group acquired Renaissance Aviation Ltd, a ground handling company based in Bermuda. The Group has acquired the company to develop our presence in the region. These interim financial statements include the impact of four months' trading results.

On 9 February 2016 the Group acquired Thistle Couriers Ltd, a logistics company based in Scotland. The Group has acquired the company to realise the potential of the existing UK logistics network. These interim financial statements include the impact of four months' trading results.

Division	**Aviation**	**Distribution**		
Name	**Renaissance Aviation Ltd Half year to 30 June 2016 £m**	**Thistle Couriers Ltd Half year to 30 June 2016 £m**	**Total acquisitions Half year to 30 June 2016 £m**	Total acquisitions Full year to 31 December 2015 £m
Purchase consideration				
Cash paid	**2.3**	**1.1**	**3.4**	6.8
Deferred consideration	**0.2**	**0.3**	**0.5**	0.7
Total purchase consideration	**2.5**	**1.4**	**3.9**	7.5
Less: fair value of net assets acquired	**2.5**	**1.1**	**3.6**	3.3
Goodwill	**-**	**0.3**	**0.3**	4.2

Goodwill recognised with respect to Thistle Couriers Ltd is primarily attributable to the expertise in hard-to-reach logistic locations in the UK and synergies with the Group.

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

	Renaissance Aviation Ltd Half year to 30 June 2016 £m	**Thistle Couriers Ltd Half year to 30 June 2016 £m**	**Total acquisitions Half year to 30 June 2016 £m**	Total acquisitions Full year to 31 December 2015 £m
Non-current assets				
Intangible assets (contracts)	**1.9**	**0.6**	**2.5**	1.7
Property, plant and equipment	**0.1**	**0.4**	**0.5**	1.3
Current assets	**0.6**	**0.7**	**1.3**	2.1
Cash	**0.1**	**0.2**	**0.3**	1.3
Current liabilities	**(0.2)**	**(0.6)**	**(0.8)**	(2.4)
Finance leases	**-**	**(0.2)**	**(0.2)**	(0.7)
Net assets acquired at fair value	**2.5**	**1.1**	**3.6**	3.3

Current assets acquired with Renaissance Aviation Ltd and Thistle Couriers Ltd included £0.5m and £0.6m of trade receivables at fair value respectively, the gross amount acquired. The fair values of the net assets of both companies acquired remain provisional pending the formal completion of the valuation process.

The acquired businesses contributed £0.2m profit before taxation and £2.5m revenue from acquisition date. If the businesses had been acquired on 1 January 2016, Group revenue and profit before taxation for continuing operations would have been £956.7m and £3.1m respectively. Transaction fees of £0.1m relating to these acquisitions were incurred and expensed during the period.

On 4 April 2016 the Group acquired 20% of the share capital of Hamilton Aero Maintenance Ltd for a consideration of £0.3m. The company provides line maintenance and engineering support services and is based in Hamilton, New Zealand.

Contingent and deferred consideration

As set out in Note 4, contingent consideration of £1.3m relating to the Fore Partnership was settled in March 2016. Deferred consideration of £0.3m relating to the acquisition of Menzies Parcels Ltd (formerly known as AJG Parcels Ltd) was cash settled in May 2016.

16. RELATED PARTY TRANSACTIONS

At 30 June 2016 the Group owed EM News Distribution (NI) Ltd, a joint venture company, £7.2m (at 30 June 2015: £5.0m, 31 December 2015: £5.0m). At 30 June 2016 the Group owed £3.3m to another joint venture company EM News Distribution (Ireland) Ltd (at 30 June 2015: £0.1m owed by joint venture, 31 December 2015: £1.1m owed by joint venture).

17. FOREIGN CURRENCY SENSITIVITY

For the period to 30 June 2016, if Sterling had weakened/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 2016		Full year to 31 December 2015	
	Changes in rate	**Effect on profit before tax £m**	**Effect on equity £m**	Effect on profit before tax £m	Effect on equity £m
US dollar	+10%	**0.7**	**2.9**	1.0	2.1
US dollar	- 10%	**(0.6)**	**(2.4)**	(0.8)	(1.7)
Australian dollar	+10%	**0.3**	**1.7**	0.9	1.6
Australian dollar	- 10%	**(0.3)**	**(1.4)**	(0.7)	(1.3)
Indian rupee	+10%	**0.3**	**1.1**	0.6	0.6
Indian rupee	- 10%	**(0.2)**	**(0.9**	(0.5)	(0.5)
Euro	+10%	**0.1**	**0.4**	0.5	0.9
Euro	- 10%	**(0.1)**	**(0.3)**	(0.4)	(0.7)
South African rand	+10%	**(0.1)**	**0.7**	-	0.6
South African rand	- 10%	**-**	**(0.5)**	-	(0.5)

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

RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the business activities of the Group remain those detailed in the 2015 Annual Report, 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 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 2015 Annual Report. A list of current Directors is maintained on the Company website: www.johnmenziesplc.com.