

19 August 2014

John Menzies plc

Half Year Results for the Period Ended 30 June 2014

H1 2014 – Financial Highlights

	<u>Reported</u>	<u>Constant</u> <u>Currency</u>	
	<u>2014</u>	<u>2014</u>	<u>2013</u>
	£m	£m	£m
Turnover (including JVs & Associates)	992.6	1,025.0	997.9
Underlying operating profit ^[1]	24.0	26.2	26.1
Underlying profit before taxation ^[2]	20.7	22.9	22.8
Profit before tax	14.2	16.4	18.4
Operating cash flow ^[3]	29.0	---	24.6
Underlying earnings per share ^[4]	24.7p	---	28.2p
Earnings per share	16.2p	---	22.0p
Dividend	8.1p	---	7.7p

Highlights

- Momentum continues across the Group
- Group Turnover up 3%, Aviation 7%
- Strong operating cash flow at £29.0m (H1 2013: £24.6m)
- Dividend increased by 5% to 8.1p (H1 2013: 7.7p)

- Aviation continues to progress against its objectives
 - Underlying operating profit up 7%, excluding start-up costs
 - Strong contract wins and renewals during the period helps grow market share
 - Entry into new markets provides platforms for future growth
 - Cargo handling continues to deliver improved performance
 - Start-up costs to support contract wins impact first half results
 - Short term operational challenges in the UK

- Positive first half in Distribution boosted by collectible sales

Iain Napier, Chairman said:

“The Group continues to progress despite challenges faced in Aviation in terms of continued airline pricing pressure and operational issues within our UK ground handling business. Notwithstanding these, we have enjoyed a very strong contract win season and Aviation remains well placed to continue to grow in a market with positive growth dynamics. Distribution has had a good first half and we look forward to seeing the benefits of our rationalisation programme which will conclude at the end of 2015. Overall, I am pleased that the Group continues on a strong financial footing with excellent prospects.”

Notes	
1	<i>Underlying operating profit is consistently presented adjusting for non-recurring exceptional items, intangible amortisation associated with goodwill impairment on joint venture assets and contract amortisation, and the Group's share of interest and tax on joint ventures and associates to provide an</i>

	<i>appreciation of the impact of those items on operating profit.</i>
2	<i>Underlying profit before taxation is defined as profit before taxation, intangible amortisation and exceptional items.</i>
3	<i>Operating cash flow is defined as operating profit adjusted for depreciation, amortisation, income and dividends from joint ventures and associates, movements in working capital and provisions, and before special pension payments.</i>
4	<i>Underlying earnings per share is profit after taxation and non-controlling interest but before intangible amortisation and exceptional items, divided by the weighted average number of ordinary shares in issue.</i>
5	<i>Performance at constant currency has been calculated by translating non-Sterling earnings for the six months to 30 June 2014 into Sterling at the exchange rates used for the same period in 2013.</i>

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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 distinct B2B 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, Scotland. Today the company is an international business with operations worldwide.
2. Menzies Aviation is a leading global provider of passenger, ramp and cargo services. It also owns AMI, the world's only trade-only global airfreight and express wholesaler. The Menzies Aviation business is highly successful, operating at 149 airports in 31 countries, with annual revenue in excess of US\$1.1 billion and supported by a team of over 20,000 highly-trained people. Menzies Aviation serves over 500 customers, handling over 1 million flights and 1.5 million tonnes of cargo per annum. Customers include easyJet, Cathay Pacific, British Airways, Alaska Airlines, Lufthansa, Thai Airways, Flybe and many others. Best in class safety and security, the most resilient and innovative technology in its peer group and flawless customer service sets Menzies Aviation apart from other service providers.
3. Menzies Distribution is a leading provider of added-value distribution and marketing services to the newspaper and magazine supply chain in the UK and Ireland. The division handles around 5 million newspapers and 2 million magazines (covering some 3,000 magazine titles) each day, with deliveries to around 25,000 customers. The division employs 3,600 people at 36 sites throughout the UK and Ireland and is a strongly cash generative business, with around 45% of the newspaper and magazine wholesale distribution market in the UK. It has a track record of investment in innovation and customer service delivery.
4. Further information on John Menzies plc can be found at: www.johnmenziesplc.com, www.menziesdistribution.com and www.menziesaviation.com.

BUSINESS OVERVIEW

Group Performance

Overall we are progressing all of our objectives as set out for 2014. Following a material market decline of magazine sales in 2013 we responded with new plans to rationalise our distribution network and these are delivering to plan, underpinning future cost savings. Media decline tracked within our estimates and together with World Cup fever for stickers, H1 profit did not disappoint. Although challenging trading conditions prevail, Aviation secured a record number of new contracts and the business remains well placed to provide sustainable growth for the Group.

On a constant currency basis Group turnover was up £27.1m to £1,025.0m (H1 2013: £997.9m) with underlying operating profit marginally ahead at £26.2m (H1 2013: £26.1m).

Aviation has had a very busy first six months, winning and retaining contracts, and pursuing new business opportunities. On a constant currency basis turnover was up 7% to £386.3m. Underlying operating profit was level at £15.5m. Excluding start-up costs of £1.8m (H1 2013: £0.6m) for new contract wins, underlying operating profit was up 7%.

The ground handling market continues to defend airline pricing pressure whilst maintaining operational service levels. As a consequence of such yield pressure we continue to make decisions not to renew contracts at rates where we believe an economic return cannot be generated. As a result the ground handling margin has reduced in the first half. This is offset by improved margins in cargo handling and driving increased volume through existing facilities.

Distribution had a positive first half of the year. Turnover as expected was similar to the prior year at £638.7m (H1 2013: £636.6m) with underlying operating profit marginally up at £12.0m (H1 2013: £11.8m). Trading performance at Distribution was boosted by a better than expected contribution from 2014 FIFA World Cup stickers and a slower than expected rate of decline in newspapers and magazines revenue.

The rationalisation of our distribution network is performing to plan and the exceptional cost of this restructure was £1.8m in the first half of 2014. The programme is planned to complete at the end of 2015, whereby the number of hub operations will substantially reduce.

Underlying earnings per share was 24.7p (H1 2013: 28.2p), directly impacted by foreign exchange headwinds.

Taxation

As a multinational business the Group is liable to taxation in multiple jurisdictions around the world. The Group's underlying tax charge for the half year was £5.6m (H1 2013: £5.7m), representing an underlying effective tax rate of 27% (H1 2013: 25%). The increase reflects the ongoing rising proportion of profits in higher tax rate jurisdictions.

Cash Flow and Investment

Delivering strong cash flows is a key area of focus and we are pleased to report an operating cash flow of £29.0m (H1 2013: £24.6m). Free cash flow was £12.1m (H1 2013: £6.0m). Net capital expenditure totalled £10.1m (H1 2013: £10.8m).

Treasury

The Group continues to maintain a strong financial footing. We have a robust balance sheet built from strong operating cash flows across our divisions and the total debt to EBITDA ratio of 1.8 times at 30 June 2014 is well within our covenant levels. Our interest cover is 11.3 times.

At the end of the half the Group had net debt of £113.4m (2013 H1: £110.5m) which is comfortably below the available committed lending facilities.

The majority of Menzies Aviation's stations are located outside of the UK and operate in currencies other than Sterling. The Group attempts to minimise the volatility of transactional foreign exchange as far as possible through the use of foreign exchange forward contracts. The translation of profits from overseas trading entities are not hedged and as a result the movement of exchange rates directly affect the Group reported results, which in the half year ended June 2014 was an adverse variance of £2.2m when compared to the rates for the same period in the prior year. In particular the recent adverse movements have been in the Australian dollar, South African rand, Indian rupee and US dollar.

Dividend

The Board has recommended an interim dividend of 8.1p per share (H1 2013: 7.7p) which is payable on 21 November 2014 to all shareholders on the register at 24 October 2014.

OPERATING REVIEW

MENZIES AVIATION

Performance

On a constant currency basis, underlying operating profit was level with last year, as the first half of 2014 saw many challenges but also some great opportunities to expand our business in existing and new airports. We had our most successful contract gain season with a number of significant new contracts secured. This was very pleasing with the gains being spread across the network, with new and existing customers, and in both our main product categories of ground and cargo handling. To support the start-up of these contracts, costs have been incurred that have impacted the first half result but the long term benefit will be realised over the life of the contracts.

A strong contract win season resulted in a net gain of 49 contracts adding some £38.4m of additional annual revenue. In total 80 new contracts were secured in the half year. In cargo handling we won contracts with Etihad to provide services across Australia and also at Amsterdam and a four airport deal to provide services to Air France/KLM across Canada. The latter deal provides a scale operation in Canada and allows us to explore other opportunities in an attractive market. In ground handling, we were awarded a key out-sourcing contract with Delta Airlines at their hub operation in Detroit. This contract will see Menzies handle some 250 flights per day and represents real progress with a major American carrier in the USA. We also won a number of contracts across Europe with airlines including Thomson, Norwegian, Monarch and BA CityFlyer.

The number of contracts lost, 31, is higher than normal and reflects the very competitive markets that currently exist, particularly in Europe. Yield pressure is intense and we have lost a number of contracts on price. We believe in our product offering and our commitment to safety and service. To deliver this we must achieve an economic price. It is our belief that a more orderly market will return following further market consolidation and the recognition that good service can only be delivered at an economic rate.

In the UK our ground handling business is facing a number of challenges. At London Heathrow, we are currently suffering as British Airways have accelerated their move from Terminal One to Terminal Five which has resulted in some 10,000 turns moving to their self-handled operation. In addition, there has been unprecedented operational upheaval with the opening of Terminal Two and a rotation of contracts as fifteen airlines changed their handling agent. As a result of this, we expect earnings from the UK ground handling business to be significantly down on the previous year. Excluding the UK, all other regions are trading positively and continue to deliver to plan.

Overall ground handling volumes were strong with like-for-like turns up 2.4% and absolute turns up 15.7%. Absolute turn growth was driven by the prior year acquisitions and the start-up in Detroit which is a large number of turns but is predominantly small aircraft with lower turnaround fees. Cargo handling continues to perform well. Like-for-like tonnes were up 3.4% with absolute tonnes up 4.7%. The increase in absolute tonnes is particularly pleasing and represents the effect of solid contract gains, particularly in Amsterdam.

Air Menzies International (AMI), our cargo forwarding business, is performing in line with our expectations and has opened new offices in Australia and the Netherlands.

To counter the difficult trading environment there has been an increased focus on cost control and productivity and each region is working to drive efficiency from its cost base.

The medium and long term outlook for the business remains positive. The contract pipeline is strong, new licence opportunities are coming on stream and we continue to pursue acquisition opportunities. We believe in providing a premium service at the right price and that by continuing to pursue our strategy we are building a strong business that will prosper in the coming years.

MENZIES DISTRIBUTION

Performance

The first half of the year has been positive. Sales in the core product categories have been slightly better than our internal forecasts and sales of stickers relating to the 2014 FIFA World Cup have been very positive. In addition, good progress has been made on the rationalisation of the branch network and the delivery of cost saving initiatives.

Overall, absolute sales across the newspaper and magazine categories are down 2.7% (2.1% on a like-for-like basis). The main driver of this has been Monday to Friday newspaper sales where a number of cover price increases has been made. Magazines sales value on a like-for-like basis was down 5% and newspapers down 1%. The magazine category has benefited from a number of promotions, one-off 2014 FIFA World Cup editions and no major title closures. Stickers relating to the World Cup have performed strongly and exceeded sales from the 2010 competition.

Branch rationalisation plans are continuing. Four branches (Scarborough, Scunthorpe, Dumfries and Bangor) have now been closed. Magazine packing for the South of England has now been consolidated into our Maidstone facility and we are now serving some 6,000 retail customer from a single unit. Operational standards have been maintained during this period of change and the targeted cost savings are being achieved.

Orbital Marketing Services continues to trade in line with expectations. Over the next 12 months further integration into the core business will be pursued.

The extension of logistics services using our existing network and fleet has expanded. The venture is still in its early stages but there are real signs that further expansion is possible in collaboration with others and through additional print products.

BOARD AND MANAGEMENT CHANGES

Silla Maizey joined as Non-executive Director on 19 May 2014, bringing extensive aviation experience gained during a career with British Airways. Silla is currently Chairman of NHS Business Service Authority.

We welcomed Forsyth Black to the senior team as Managing Director of Distribution. Forsyth has been with John Menzies Group for 15 years and helped develop our Aviation business in South Africa. We are delighted to draw from Forsyth's extensive commercial experience as he now leads one of our key divisions.

On 11 August 2014 we announced that we are conducting a search to appoint a Chief Executive Officer for John Menzies plc and that Craig Smyth, Managing Director of our Aviation division tendered his resignation on 8 August 2014. Craig is under a notice period of 12 months and he has agreed to fulfil all of his contractual obligations.

OUTLOOK

Menzies Distribution has delivered on all fronts in the first half and network rationalisation plans will be the key focus over the next 18 months. We are well placed to benefit from resulting cost savings.

The beginning of the second half of the year has been affected by operational challenges in the UK caused by unusual level of airport and airline customer changes with the resulting disruption impacting full year progress. Busy summer schedules and stronger cargo volumes together with record contract wins in the first half provide confidence for earnings growth in 2015.

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 2014 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 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 2014 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
18 August 2014

GROUP INCOME STATEMENT (unaudited)

for the half year to 30 June 2014

	Notes	Before exceptional and other items £m	Exceptional and other items £m	Half year to 30 June 2014 £m	Before exceptional and other items £m	Exceptional and other items £m	Half year to 30 June 2013 £m
Revenue	3	944.4	-	944.4	951.8	-	951.8
Net operating costs		(925.1)	(5.3)	(930.4)	(929.4)	(3.1)	(932.5)
Operating profit		19.3	(5.3)	14.0	22.4	(3.1)	19.3
Share of post-tax results of joint ventures and associates		4.7	(0.7)	4.0	3.7	(1.1)	2.6
Operating profit after joint ventures and associates	3	24.0	(6.0)	18.0	26.1	(4.2)	21.9
<i>Analysed as</i>							
Underlying operating profit*	3	24.0	-	24.0	26.1	-	26.1
Non-recurring items	4(a)	-	(1.8)	(1.8)	-	-	-
Joint venture goodwill impairment	4(c)	-	-	-	-	(0.7)	(0.7)
Contract amortisation	4(c)	-	(3.5)	(3.5)	-	(3.1)	(3.1)
Share of interest on joint ventures and associates		-	0.2	0.2	-	0.2	0.2
Share of tax on joint ventures and associates		-	(0.9)	(0.9)	-	(0.6)	(0.6)
Operating profit after joint ventures and associates		24.0	(6.0)	18.0	26.1	(4.2)	21.9
Finance income	5	0.3	-	0.3	0.3	-	0.3
Finance charges	5	(2.7)	(0.5)	(3.2)	(2.4)	(0.2)	(2.6)
Other finance charge – pensions	14(b)	(0.9)	-	(0.9)	(1.2)	-	(1.2)
Profit before taxation		20.7	(6.5)	14.2	22.8	(4.4)	18.4
Taxation	6	(5.6)	1.3	(4.3)	(5.7)	0.6	(5.1)
Profit for the period		15.1	(5.2)	9.9	17.1	(3.8)	13.3
Attributable to equity shareholders		15.1	(5.2)	9.9	17.1	(3.8)	13.3
Earnings per ordinary share	8						
Basic		24.7p	(8.5)p	16.2p	28.2p	(6.3)p	22.0p
Diluted		24.6p	(8.5)p	16.1p	28.1p	(6.2)p	21.9p

GROUP INCOME STATEMENT
for the full year to 31 December 2013

	Notes	Before exceptional and other items £m	Exceptional and other items £m	Full year to 31 December 2013 £m
Revenue	3	1,905.4	-	1,905.4
Net operating costs		(1,852.7)	(7.3)	(1,860.0)
Operating profit		52.7	(7.3)	45.4
Share of post-tax results of joint ventures and associates		7.4	(2.5)	4.9
Operating profit after joint ventures and associates	3	60.1	(9.8)	50.3
<i>Analysed as</i>				
Underlying operating profit*	3	60.1	-	60.1
Non-recurring items	4(a)	-	(0.7)	(0.7)
Joint venture goodwill impairment	4(c)	-	(1.4)	(1.4)
Contract amortisation	4(c)	-	(6.6)	(6.6)
Share of interest on joint ventures and associates		-	0.5	0.5
Share of tax on joint ventures and associates		-	(1.6)	(1.6)
Operating profit after joint ventures and associates		60.1	(9.8)	50.3
Finance income	5	0.7	-	0.7
Finance charges	5	(5.3)	(1.2)	(6.5)
Other finance charge - pensions	14(b)	(2.4)	-	(2.4)
Profit before taxation		53.1	(11.0)	42.1
Taxation	6	(13.3)	1.6	(11.7)
Profit for the year		39.8	(9.4)	30.4
Attributable to equity shareholders		39.8	(9.4)	30.4
Earnings per ordinary share	8			
Basic		65.6p	(15.5)p	50.1p
Diluted		65.4p	(15.4)p	50.0p

*Underlying operating profit is consistently presented adjusting for non-recurring exceptional items, intangible amortisation associated with goodwill impairment on joint venture assets and 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 2014

	Notes	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Profit for the period		9.9	13.3	30.4
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (loss)/gain on defined benefit pensions	14(b)	(8.9)	10.8	9.4
Actuarial gain on unfunded pension arrangements		-	-	0.2
Income tax effect		1.8	(2.5)	(2.2)
Impact of rate change on deferred tax		-	-	(1.4)
Items that may be reclassified subsequently to profit or loss:				
Movement on cash flow hedges		0.2	(0.2)	(0.2)
Movement on net investment hedges		(0.9)	(1.2)	3.5
Income tax effect		0.2	0.3	(0.8)
Exchange (loss)/gain on translation of foreign operations		(2.7)	1.8	(10.7)
Other comprehensive income for the period, net of tax attributable to equity shareholders		(10.3)	9.0	(2.2)
Total comprehensive income for the period attributable to equity shareholders		(0.4)	22.3	28.2

GROUP BALANCE SHEET (unaudited)

as at 30 June 2014

	Notes	As at 30 June 2014 £m	As at 30 June 2013 £m	As at 31 December 2013 £m
Assets				
Non-current assets				
Intangible assets	9	121.7	122.7	126.8
Property, plant and equipment		111.4	116.2	114.3
Investments accounted using the equity method		26.6	29.8	26.3
Deferred tax assets		10.0	11.4	9.2
		269.7	280.1	276.6
Current assets				
Inventories		15.2	14.3	14.5
Trade and other receivables		193.0	186.3	183.5
Derivative financial assets	10	3.5	1.3	3.9
Cash and cash equivalents	10	25.2	27.7	33.8
		236.9	229.6	235.7
Liabilities				
Current liabilities				
Borrowings	10	(3.8)	(43.8)	(49.5)
Derivative financial liabilities	10	(0.6)	(2.4)	(0.3)
Trade and other payables		(213.2)	(200.6)	(202.2)
Current income tax liabilities		(8.2)	(9.2)	(8.2)
Provisions		(3.0)	(2.0)	(3.5)
		(228.8)	(258.0)	(263.7)
Net current assets/(liabilities)		8.1	(28.4)	(28.0)
Total assets less current liabilities		277.8	251.7	248.6
Non-current liabilities				
Borrowings	10	(137.7)	(93.3)	(91.4)
Other payables		(2.6)	(9.7)	(10.5)
Provisions		(3.5)	(7.7)	(4.6)
Retirement benefit obligations	14	(50.2)	(48.6)	(45.8)
		(194.0)	(159.3)	(152.3)
Net assets		83.8	92.4	96.3
Shareholders' equity				
Ordinary shares		15.4	15.3	15.4
Share premium account		20.3	19.1	20.2
Treasury shares		(1.9)	(3.2)	(3.3)
Other reserves		(16.6)	(4.5)	(13.4)
Retained earnings		44.6	43.6	55.3

Capital redemption reserve	21.6	21.6	21.6
Total shareholders' equity	83.4	91.9	95.8
Non-controlling interest in equity	0.4	0.5	0.5
Total equity	83.8	92.4	96.3

GROUP STATEMENT OF CHANGES IN EQUITY (unaudited)
for the half year to 30 June 2014

	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 2013	15.4	20.2	(3.3)	(0.8)	(12.6)	55.3	21.6	95.8	0.5	96.3
Profit for the period	-	-	-	-	-	9.9	-	9.9	-	9.9
Other comprehensive income	-	-	-	0.2	(3.4)	(7.1)	-	(10.3)	-	(10.3)
Total comprehensive income	-	-	-	0.2	(3.4)	2.8	-	(0.4)	-	(0.4)
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.7	-	0.7	-	0.7
Dividends paid	-	-	-	-	-	(11.8)	-	(11.8)	(0.1)	(11.9)
Repurchase of own shares	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Disposal of own shares	-	-	2.4	-	-	(2.4)	-	-	-	-
At 30 June 2014	15.4	20.3	(1.9)	(0.6)	(16.0)	44.6	21.6	83.4	0.4	83.8
At 31 December 2012	15.3	18.6	(4.1)	(0.6)	(4.6)	36.8	21.6	83.0	0.5	83.5
Profit for the period	-	-	-	-	-	13.3	-	13.3	-	13.3
Other comprehensive income	-	-	-	(0.2)	0.9	8.3	-	9.0	-	9.0
Total comprehensive income	-	-	-	(0.2)	0.9	21.6	-	22.3	-	22.3
New share capital issued	-	0.5	-	-	-	-	-	0.5	-	0.5
Share-based payments	-	-	-	-	-	0.7	-	0.7	-	0.7
Dividends paid	-	-	-	-	-	(11.2)	-	(11.2)	-	(11.2)
Repurchase of own shares	-	-	(3.4)	-	-	-	-	(3.4)	-	(3.4)
Disposal of own shares	-	-	4.3	-	-	(4.3)	-	-	-	-
At 30 June 2013	15.3	19.1	(3.2)	(0.8)	(3.7)	43.6	21.6	91.9	0.5	92.4
At 31 December 2012	15.3	18.6	(4.1)	(0.6)	(4.6)	36.8	21.6	83.0	0.5	83.5
Profit for the year	-	-	-	-	-	30.4	-	30.4	-	30.4
Other comprehensive income	-	-	-	(0.2)	(8.0)	6.0	-	(2.2)	-	(2.2)
Total comprehensive income	-	-	-	(0.2)	(8.0)	36.4	-	28.2	-	28.2
New share capital issued	0.1	1.6	-	-	-	-	-	1.7	-	1.7
Share-based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
Income tax effect of share-based payments	-	-	-	-	-	0.9	-	0.9	-	0.9
Dividends paid	-	-	-	-	-	(15.9)	-	(15.9)	-	(15.9)
Repurchase of own shares	-	-	(3.5)	-	-	-	-	(3.5)	-	(3.5)
Disposal of own shares	-	-	4.3	-	-	(4.3)	-	-	-	-
At 31 December 2013	15.4	20.2	(3.3)	(0.8)	(12.6)	55.3	21.6	95.8	0.5	96.3

GROUP STATEMENT OF CASH FLOWS (unaudited)
for the half year to 30 June 2014

	Notes	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Cash flows from operating activities				
Cash generated from operations	11	17.6	16.6	49.5
Interest received		0.1	0.1	0.6
Interest paid		(3.5)	(2.9)	(5.3)
Tax paid		(3.4)	(5.0)	(10.1)
Net cash from operating activities		10.8	8.8	34.7
Cash flows from investing activities				
Acquisitions		(1.9)	(0.9)	(10.5)
Net cash acquired with subsidiaries		-	-	0.3
Purchase of property, plant and equipment		(9.9)	(10.0)	(19.4)
Intangible asset additions		(0.6)	(1.0)	(3.9)
Proceeds from sale of property, plant and equipment		0.4	0.2	2.4
Dividends received from equity accounted investments		3.3	1.7	4.4
Net cash used in investing activities		(8.7)	(10.0)	(26.7)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		0.1	0.5	1.7
Purchase of own shares		(1.0)	(3.4)	(3.5)
Repayment of borrowings		(44.5)	(2.8)	(2.2)
Proceeds from borrowings		46.3	12.2	13.0
Dividends paid to ordinary shareholders		(11.8)	(11.2)	(15.9)
Net cash used in financing activities		(10.9)	(4.7)	(6.9)
(Decrease)/increase in net cash and cash equivalents	10	(8.8)	(5.9)	1.1
Effects of exchange rate movements		(0.5)	(0.2)	(1.6)
Opening net cash and cash equivalents		33.3	33.8	33.8
Closing net cash and cash equivalents*	10	24.0	27.7	33.3

*Net cash and cash equivalents include cash at bank and in hand and bank overdrafts.

Notes to the Interim Accounts

1. INTRODUCTION

These interim consolidated financial statements for the half year to 30 June 2014 are unaudited but have been formally reviewed by the Auditors and their report to the Company is set out on page 6. They were approved by the Board on 18 August 2014. These interim 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 2013, prepared in accordance with IFRS, have been filed with Registrar of Companies. The report of the Auditors included in that 2013 Annual Report was unqualified and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, the Disclosure and Transparency Rules of the Financial Conduct Authority and the basis of the accounting policies set out in the Group's 2013 Annual Report, except for the adoption of new standards and interpretations effective from 1 January 2014 as noted below.

These interim 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

The following accounting standards and interpretations have been adopted in these accounts and have not had a material impact on the Group's accounts in the period of initial application.

IFRS 10 Consolidated Financial Statements sets forth the requirements for the preparation and presentation of consolidated financial statements and supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. The standard defines a uniformly applicable control concept for all company forms to serve as the basis for determining which companies are to be fully consolidated. Control is only deemed to exist if the Group is exposed, or has rights, to variable returns from its involvement with a company and has the ability to use its power over that company to affect the amount of that company's returns.

IFRS 11 Joint Arrangements prescribes the accounting for joint arrangements and supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. A joint arrangement is deemed to exist if the Group through a contractual agreement jointly controls activities managed with a third party. Joint control is only deemed to exist if decisions regarding the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures. The Group recognises the share of assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with its rights and obligations. The investment in a joint venture is accounted for using the equity method in accordance with the provisions of the amended IAS 28 Investments in Associates and Joint Ventures. Following reassessment, Menzies Macau Airport Services Ltd has been reclassified from an associate to a joint venture with no impact on the primary statements.

IFRS 12 Disclosure of Interests in Other Entities prescribes the information to be disclosed in the notes to the financial statements about interests in subsidiaries, associates, joint arrangements and structured entities. In the 2014 Annual Report this will result in additional disclosures.

The revised IAS 27 Separate Financial Statements is now devoted entirely to accounting for interests in subsidiaries, associates and joint ventures under IFRS separate financial statements.

The application of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and the amendments to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures is mandatory in the European Union for annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement provides a uniform definition of fair value and how it is measured. Fair value is now defined as the price that would be received to sell an asset or paid to transfer a liability. IFRS 13 also requires specific notes to the consolidated financial statements for assets and liabilities measured at fair value. The publication of IFRS 13 Fair Value Measurement in May 2011 was revised in May 2013. The recoverable amount of a cash-generating unit now only has to be disclosed for periods in which an impairment loss has been recognised or reversed. Additional

disclosures are required when an impairment loss is recognised and the recoverable amount is based on fair value less costs of disposal. The amendments are to be applied for the annual periods beginning on or after 1 January 2014.

In May 2013, the IFRS IC issued the interpretation IFRIC 21 Levies. The interpretation covers the accounting for government-imposed levies with the exception of income taxes covered by IAS 12 Income Taxes. It also provides guidance on when to recognise a liability for a levy. The interpretation is to be applied for annual periods beginning on or after 1 January 2014.

3. SEGMENT INFORMATION

For management purposes the Group is organised into two operating divisions: Distribution and Aviation. These two divisions are organised and managed separately based upon their key markets. The Distribution segment provides newspaper and magazine distribution services across the UK and Ireland along with marketing services. 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 intangibles amortisation. Net finance income and expenditure are not allocated to segments as this type of activity is driven by the central treasury function.

Segment information is presented in respect of the Group's reportable segments together with additional geographic and specific 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 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Distribution	638.7	636.6	1,277.5	12.0	11.8	24.3
Aviation						
Ground handling	228.6	226.0	454.0	6.6	9.3	21.9
Cargo handling	71.3	75.3	149.8	5.1	4.6	11.7
Cargo forwarding	54.0	60.0	119.0	1.6	1.6	4.2
	353.9	361.3	722.8	13.3	15.5	37.8
Corporate	-	-	-	(1.3)	(1.2)	(2.0)
	992.6	997.9	2,000.3	24.0	26.1	60.1
Joint ventures and associates	(48.2)	(46.1)	(94.9)	-	-	-
	944.4	951.8	1,905.4	24.0	26.1	60.1

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

(a) Half year to 30 June 2014	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	8.5	6.8	(1.3)	14.0
Share of post-tax results of joint ventures and associates	0.7	3.3	-	4.0
Operating profit/(loss) after joint ventures and associates	9.2	10.1	(1.3)	18.0
Net finance expense				(3.8)

Profit before tax	14.2
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<i>Analysed as</i>				
Pre-exceptional operating profit/(loss)*	12.0	13.3	(1.3)	24.0
Rationalisation costs (Note 4(a))	(1.2)	-	-	(1.2)
Onerous lease provision (Note 4(a))	(0.6)	-	-	(0.6)
Contract amortisation (Note 4(c))	(0.8)	(2.7)	-	(3.5)
Share of interest on joint ventures and associates	-	0.2	-	0.2
Share of tax on joint ventures and associates	(0.2)	(0.7)	-	(0.9)
Operating profit/(loss) after joint ventures and associates	9.2	10.1	(1.3)	18.0

(b) Half year to 30 June 2013	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	10.3	10.2	(1.2)	19.3
Share of post-tax results of joint ventures and associates	0.7	1.9	-	2.6
Operating profit/(loss) after joint ventures and associates	11.0	12.1	(1.2)	21.9
Net finance expense				(3.5)
Profit before tax				18.4

<i>Analysed as</i>				
Pre-exceptional operating profit/(loss)*	11.8	15.5	(1.2)	26.1
Joint venture goodwill impairment (Note 4(c))	-	(0.7)	-	(0.7)
Contract amortisation (Note 4(c))	(0.8)	(2.3)	-	(3.1)
Share of interest on joint ventures and associates	-	0.2	-	0.2
Share of tax on joint ventures and associates	-	(0.6)	-	(0.6)
Operating profit/(loss) after joint ventures and associates	11.0	12.1	(1.2)	21.9

(c) Full year to 31 December 2013	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	21.2	26.3	(2.1)	45.4
Share of post-tax results of joint ventures and associates	1.1	3.8	-	4.9
Operating profit/(loss) after joint ventures and associates	22.3	30.1	(2.1)	50.3
Net finance expense				(8.2)
Profit before tax				42.1

<i>Analysed as</i>				
Pre-exceptional operating profit/(loss)*	24.3	37.8	(2.0)	60.1
Acquisition related costs	-	(0.6)	(0.1)	(0.7)
Joint venture goodwill impairment (Note 4(c))	-	(1.4)	-	(1.4)
Contract amortisation (Note 4(c))	(1.7)	(4.9)	-	(6.6)
Share of interest on joint ventures and associates	-	0.5	-	0.5

Share of tax on joint ventures and associates	(0.3)	(1.3)	-	(1.6)
Operating profit/(loss) after joint ventures and associates	22.3	30.1	(2.1)	50.3

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

Capital expenditure

	Distribution £m	Aviation £m	Corporate £m	Group £m
(a) Half year to 30 June 2014				
Property, plant and equipment	1.6	8.3	-	9.9
Intangible assets	-	0.6	-	0.6
(b) Half year to 30 June 2013	£m	£m	£m	£m
Property, plant and equipment	2.2	7.7	0.1	10.0
Intangible assets	-	1.0	-	1.0
(c) Full year to 31 December 2013	£m	£m	£m	£m
Property, plant and equipment	2.3	17.0	0.1	19.4
Intangible assets	1.9	1.6	0.4	3.9

Geographic information

	Revenue		
	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
United Kingdom	700.7	706.7	1,418.0
Continental Europe	81.7	82.0	160.5
Americas	77.4	74.1	150.9
Rest of the World	84.6	89.0	176.0
	944.4	951.8	1,905.4

4 (a) EXCEPTIONAL ITEMS

	Notes	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Rationalisation costs	(i)	(1.2)	-	-
Onerous lease provisions	(ii)	(0.6)	-	-
Acquisition related transaction costs	(iii)	-	-	(0.7)
		(1.8)	-	(0.7)

- (i) Costs of rationalising excess capacity in the half year to 30 June 2014 comprised asset write-downs and staff redundancy costs in Distribution £1.2m (half year to 30 June 2013: £Nil and full year to 31 December 2013: £Nil).
- (ii) The onerous lease provisions in the half year to 30 June 2014 relate to future lease obligations in Distribution (half year to 30 June 2013: £Nil and full year to 31 December 2013: £Nil).
- (iii) Costs relating to the acquisition of subsidiaries in the year to 31 December 2013 were £0.7m.

4 (b) EXCEPTIONAL ITEMS INCLUDED IN FINANCE CHARGES

	Note	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Unwind discount	(i)	(0.3)	-	(0.7)
		(0.3)	-	(0.7)

- (i) Relating to contingent consideration and onerous lease provisions.

4 (c) GOODWILL IMPAIRMENT AND CONTRACT AMORTISATION

	Notes	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Joint venture goodwill impairment	(i)	-	(0.7)	(1.4)
Contract amortisation	(ii)	(3.5)	(3.1)	(6.6)
		(3.5)	(3.8)	(8.0)

- (i) The impairment charge in prior periods relates to assets that were previously capitalised as goodwill and reclassified as other intangible assets as permitted under transitional requirements of IFRS 1 with respect of the restatement of acquisition accounting of business combinations completed prior to the transition date. The charge reflected the remaining life of the licence at Menzies Macau Airport Services Ltd. The goodwill relating to this licence is now fully impaired.
- (ii) Relates to contracts capitalised as intangible assets on the acquisition of businesses.

The taxation effect of the exceptional items is a credit of £0.4m (half year to 30 June 2013: £Nil and full year to December 2013: £Nil).

5. FINANCE COSTS (pre-exceptional)

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Finance income			
Bank deposits	0.3	0.3	0.7
	0.3	0.3	0.7
Finance charges			
Bank loans and overdrafts	(2.6)	(2.3)	(5.2)
Preference dividends	(0.1)	(0.1)	(0.1)
	(2.7)	(2.4)	(5.3)
Net finance costs	(2.4)	(2.1)	(4.6)

6. TAXATION

The underlying effective tax rate for the full year 2014 is estimated at 27% (2013: 25%). Therefore the underlying effective tax rate used for the half year 2014 was 27% (half year 2013: 25%). The share of results from the joint ventures and associates for the half year is after taxation of £0.9m (half year to June 2013: £0.6m and full year to December 2013: £1.6m).

In March 2013, the UK Government announced its intention to reduce the main rate of corporation tax from 23%, which applied from 1 April 2013, to 20%. The fall is being phased in over a period of two years, with a 2% reduction to 21% from 1 April 2014, and a subsequent 1% reduction to 20% from 1 April 2015. The reduction in the main rate of corporation tax to 20%, which was substantively enacted at 31 December 2013, reduced the tax rate expected to apply when temporary differences reverse and had the effect of reducing the UK deferred tax assets and liabilities at that date. As the effect of the reduction in the main corporation tax rate to 20% was reflected in the UK deferred tax assets and liabilities at 31 December 2013, the reduction has not had any effect on the effective tax rate or on profit for the half year to 30 June 2014.

7. DIVIDENDS

		Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Dividends on equity shares				
Ordinary	Final paid in respect of 2013, 18.8p per share	11.5	-	-
	Interim paid in respect of 2013, 7.7p per share	-	-	4.7
	Final paid in respect of 2012, 17.85p per share	-	10.8	10.8
	Paid in respect of performance share plans	0.3	0.4	0.4
		11.8	11.2	15.9

Dividends of £0.1m were waived on Treasury shares during the half year to 30 June 2014.

The Directors are proposing an interim dividend in respect of the half year to 30 June 2014 of 8.1p per ordinary share, which will absorb an estimated £5.0m of shareholders' funds. Payment will be made on 21 November 2014 to shareholders on the register at the close of business on 24 October 2014.

8. EARNINGS PER SHARE

	Basic			Underlying*		
	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Operating profit	14.0	19.3	45.4	14.0	19.3	45.4
Share of post-tax results of joint ventures and associates	4.0	2.6	4.9	4.0	2.6	4.9
add back: exceptional items	-	-	-	1.8	-	0.7
intangible amortisation	-	-	-	3.5	3.8	8.0
share of interest on joint ventures and associates	-	-	-	(0.2)	(0.2)	(0.5)
share of tax on joint ventures and associates	-	-	-	0.9	0.6	1.6
Net finance costs	(3.8)	(3.5)	(8.2)	(3.3)	(3.3)	(7.0)
Profit before taxation	14.2	18.4	42.1	20.7	22.8	53.1
Taxation	(4.3)	(5.1)	(11.7)	(4.3)	(5.1)	(11.7)
Exceptional tax	-	-	-	(1.3)	(0.6)	(1.6)
Earnings for the period	9.9	13.3	30.4	15.1	17.1	39.8

Basic

Earnings per ordinary share (pence)	16.2p	22.0p	50.1p
Diluted earnings per ordinary share (pence)	16.1p	21.9p	50.0p

Underlying*

Earnings per ordinary share (pence)	24.7p	28.2p	65.6p
Diluted earnings per ordinary share (pence)	24.6p	28.1p	65.4p

Number of ordinary shares in issue (millions)

Weighted average	61.181	60.544	60.645
Diluted weighted average	61.355	60.809	60.826

The weighted average number of fully paid shares in issue during the period excludes Treasury shares. The diluted weighted average is calculated by adjusting for all outstanding share options which are potentially dilutive, i.e. where the exercise price is less than the average market price of the shares during the period.

*Underlying earnings are presented as an additional performance measure. They are stated before exceptional items and intangible amortisation.

9. INTANGIBLE ASSETS

Intangible assets comprise goodwill of £46.5m (June 2013: £50.6m and December 2013: £47.5m), contracts of £62.9m (June 2013: £59.9m and December 2013: £66.9m) and capitalised software development costs of £12.3m (June 2013: £12.2m and December 2013: £12.4m).

There is no remaining goodwill within investments relating to joint ventures or associates. At June 2013 this goodwill was £0.7m (December 2013: £Nil).

10. ANALYSIS OF CHANGES IN NET BORROWINGS

	As at 31 December 2013 £m	Half year cash flows £m	Currency translation £m	As at 30 June 2014 £m
Cash at bank and in hand	33.8	(8.1)	0.5	25.2
Bank overdrafts	(0.5)	(0.7)	-	(1.2)
Net cash and cash equivalents	33.3	(8.8)	(0.5)	24.0
Bank loans due within one year	(48.7)	46.4	-	(2.3)
Preference shares	(1.4)	-	-	(1.4)
Finance leases and borrowings	(0.3)	-	-	(0.3)
Debt due after one year	(90.0)	(46.3)	-	(136.3)
Net derivative assets/(liabilities)	3.6	(1.9)	1.2	2.9
Net debt	(103.5)	(10.6)	0.7	(113.4)

Current borrowings of £3.8m in the Balance Sheet include bank overdrafts of £1.2m, bank loans of £2.3m and finance leases of £0.3m. Non-current borrowings in the balance sheet of £137.7m include preference shares of £1.4m and bank debt of £136.3m. Net derivative assets of £2.9m shown above include derivative financial assets of £3.5m and derivative financial liabilities of £0.6m as shown on the Balance Sheet.

Facilities that were due for renewal in the first six months of 2014 were renegotiated and increased by approximately £55m to create appropriate headroom to support business growth.

11. CASH GENERATED FROM OPERATIONS

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Operating profit	14.0	19.3	45.4
Depreciation	10.9	10.7	19.4
Amortisation of intangible assets	4.2	3.7	9.6
Share-based payments	0.7	0.7	1.4
Onerous lease provision	0.6	-	-
Cash spend on onerous leases	(1.8)	(0.9)	(2.1)
Gain on sale of property, plant and equipment	(0.2)	(0.1)	(0.3)
Pension charge	1.7	1.5	3.4
Pension credit	-	(0.2)	-
Pension contributions in cash	(7.1)	(5.6)	(13.1)
Rationalisation costs	1.2	-	-
Cash spend on rationalisation costs	(0.7)	(1.0)	(1.2)
Increase in inventories	(0.7)	(0.2)	(0.4)
Decrease/(increase) in trade and other receivables	(8.8)	(2.8)	4.8
Increase/(decrease) in trade and other payables and provisions	3.6	(8.5)	(17.4)
	17.6	16.6	49.5

12. FINANCIAL INSTRUMENTS

The objectives, policies and strategies pursued by the Group in relation to financial instruments are described within the 2013 Annual Report.

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

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.

	Half year to 30 June 2014 Book Value £m	Half year to 30 June 2014 Fair Value £m	Half year to 30 June 2013 Book Value £m	Half year to 30 June 2013 Fair Value £m	Full year to 31 December 2013 Book Value £m	Full year to 31 December 2013 Fair Value £m
Current borrowings	(3.8)	(4.0)	(43.8)	(44.1)	(49.5)	(49.8)
Non-current borrowings	(137.7)	(139.3)	(93.3)	(95.9)	(91.4)	(93.2)

Derivative financial instruments

The Group only enters into derivative financial instruments that are designated as hedging instruments. The Group holds foreign exchange forward contracts designated as Cash Flow Hedges and Foreign Currency Net Investment Hedges.

The fair values of foreign currency instruments are calculated by reference to current market values.

Fair value hierarchy

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.

	Half year to 30 June 2014 £m	Half year to June 2013 30 £m	Full year to 31 December 2013 £m
	Level 2	Level 2	Level 2
Derivative assets at fair value through the Income Statement			
Foreign exchange contracts - hedged	3.5	1.3	3.9
Derivative liabilities at fair value through the Income Statement			
Foreign exchange contracts - hedged	(0.6)	(2.4)	(0.3)

During the half year ended 30 June 2014 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.

Contingent consideration

The consideration to acquire Orbital Marketing Services Group includes contingent consideration based on future targets being met. The contingent consideration's range is between a minimum of £6.0m and a maximum of £12.2m and becomes payable in 2015. The fair value of contingent consideration is the present value of expected future cash flows based on latest forecasts of future performance. A purchase price adjustment of £0.1m was settled in March 2014.

The consideration to acquire Fore Partnership includes contingent consideration based on future targets being met. The contingent consideration's range is between a minimum of £Nil and a maximum of £4.0m and becomes payable in 2016. The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance. During 2013 an initial £0.2m down payment was made.

The consideration to acquire Desacol S.A. includes contingent consideration based upon meeting an initial entry level cumulative EBITDA target by 2016 with the consideration being a multiple of average EBITDA over the following three years. The contingent consideration's range is between £Nil and a maximum of £3.0m. The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance.

These liabilities for contingent consideration are Level 3 derivative financial instruments under IFRS 7.

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Full year to 31 December 2013 £m
Fair value of the contingent consideration			
Orbital Marketing Services Group	8.0	7.7	7.7
Fore Partnership	0.9	1.1	0.9
Desacol S.A.	1.2	-	1.3

13. CONTINGENT LIABILITIES

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

14. RETIREMENT BENEFIT OBLIGATIONS

The Actuary undertook a valuation of the Menzies Pension Fund ("the Fund") as at 30 June 2014 (30 June 2013 and 31 December 2013) under IAS 19.

(a) In deriving the results the Actuary used the projected unit method and the following financial assumptions:

	Half year to 30 June 2014 %	Half year to 30 June 2013 %	Full year to 31 December 2013 %
Rate of increase in salaries	3.3	3.2	3.3
Rate of increase in pensions prior to 1 May 2006	3.7	3.6	3.7
Rate of increase in pensions from 1 May 2006 to 1 June 2010	2.2	2.3	2.4
Rate of increase in pensions after 1 June 2010	1.0	1.0	1.0
Price inflation	3.3	3.2	3.3
Discount rate	4.4	4.8	4.6

Fair value of assets and reconciliation to the Balance Sheet	£m	£m	£m
Total value of assets	292.8	268.3	282.0
Defined benefit obligation	(343.0)	(316.9)	(327.8)
Recognised in Balance Sheet	(50.2)	(48.6)	(45.8)
Related deferred tax asset	10.0	11.2	9.2
Net pension liabilities	(40.2)	(37.4)	(36.6)

(b) Components of pension expense

	Half year to 30 June 2014	Half year to 30 June 2013	Full year to 31 December 2013
	£m	£m	£m
Amounts charged/(credited) to operating profit			
Current service cost	1.0	1.0	1.8
Administrative costs	0.7	0.5	1.6
Past service costs including curtailments	-	(0.2)	-
	1.7	1.3	3.4
Amounts included in finance costs			
Interest income on Fund assets	6.5	5.6	11.3
Interest cost on defined benefit obligation	(7.4)	(6.8)	(13.7)
Net financial charge	(0.9)	(1.2)	(2.4)
Pension expense	2.6	2.5	5.8
Amounts recognised in the Statement of Comprehensive Income	£m	£m	£m
Returns on assets excluding amounts included in net interest	2.7	4.7	16.1
Changes in financial assumptions	(11.6)	6.1	(6.7)
Actuarial (loss)/gain	(8.9)	10.8	9.4
Change in scheme assets during the period	£m	£m	£m
Fair value of assets at start of period	282.0	257.2	257.2
Interest income	6.5	5.6	11.3
Company contributions	7.1	5.6	13.1
Employee contributions	0.4	0.4	0.9
Effect of settlements	(0.1)	-	(0.4)
Benefits and expenses paid	(5.8)	(5.2)	(16.2)
Returns on assets excluding amounts included in net interest	2.7	4.7	16.1
Fair value of assets at end of period	292.8	268.3	282.0

The actual return on scheme assets in the half year to 30 June 2014 was a gain of £9.2m (half year to 30 June 2013: a gain of £10.3m and full year to 31 December 2013: a gain of £27.4m).

Change in defined benefit obligation during the period	£m	£m	£m
Defined benefit obligation at start of period	327.8	319.7	319.7
Total service cost	1.7	1.5	3.4
Interest cost	7.4	6.8	13.7

Effect of settlements	(0.1)	(0.2)	(0.4)
Employee contributions	0.4	0.4	0.9
Benefits and expenses paid	(5.8)	(5.2)	(16.2)
Changes in financial assumptions	11.6	(6.6)	6.7
Experience	-	0.5	-
Defined benefit obligation at end of period	343.0	316.9	327.8

15. FOREIGN CURRENCY SENSITIVITY

For the period, if the UK pound had weakened/strengthened by 10% on currencies that have a material impact on the Group, with all other variables held constant the effect would have been:

		Half year to 30 June 2014		Full year to 31 December 2013	
		Effect on Profit Before Tax £m	Effect on Equity £m	Effect on Profit Before Tax £m	Effect on Equity £m
Change in rate					
US dollar	+10%	0.4	1.9	0.6	2.2
US dollar	-10%	(0.3)	(1.6)	(0.5)	(1.8)
Euro	+10%	0.2	2.2	0.7	2.3
Euro	-10%	(0.2)	(1.8)	(0.6)	(1.9)
Australian dollar	+10%	0.2	1.6	0.8	1.2
Australian dollar	-10%	(0.2)	(1.3)	(0.6)	(1.0)
Indian rupee	+10%	0.2	1.2	0.5	1.1
Indian rupee	-10%	(0.2)	(1.0)	(0.4)	(0.9)
South African rand	+10%	0.2	0.8	0.4	0.6
South African rand	-10%	(0.2)	(0.6)	(0.3)	(0.5)

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

16. ACQUISITIONS

Deferred consideration of £1.8m for Skystar Airport Services was settled in February 2014. A purchase price adjustment of £0.1m for Orbital Marketing Services Group was settled in March 2014.

17. RELATED PARTY TRANSACTIONS

At 30 June 2014 the Group owed EM News Distribution (NI) Ltd, a joint venture company, £5.6m (at 30 June 2013: £5.8m and at 31 December 2013: £7.1m). At 30 June 2014 the Group was owed £3.0m by another joint venture company EM News Distribution (Ireland) Ltd (at 30 June 2013: £1.3m and at 31 December 2013: £1.8m).

RISKS & UNCERTAINTIES

The principal risks and uncertainties affecting the business activities of the Group remain those detailed in the 2013 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 Disclosure and Transparency Rules of the Financial Conduct Authority, paragraphs DTR 4.2.7 and DTR 4.2.8. The Directors of John Menzies plc are listed in the John Menzies plc 2013 Annual Report. A list of current Directors is maintained on the John Menzies plc website: www.johnmenziesplc.com.