John Menzies plc
2019 Full Year Results Announcement

10 March 2020

John Menzies plc

Full Year Results for the Year Ended 31 December 2019

Financial Summary

	2019 Reported	2019 Constant currency[6]	2018 Reported[1]
Continuing operations[1]			
Revenue	£1,325.6m	£1,321.5m	£1,291.0m
Underlying operating profit[2]	£52.5m	£51.9m	£55.1m
Operating profit	£39.6m	---	£34.0m
Underlying profit before taxation[3]	£30.4m	£29.8m	£44.1m
Profit before tax	£17.3m	---	£21.6m
Underlying earnings per share[4]	24.9p	---	37.6p
Basic earnings per share	10.8p	---	14.6p
Including discontinued operations			
Operating cash flow[5]	£134.9m	---	£94.9m
Basic earnings/(loss) per share	12.8p	---	(6.8)p

Corporate Highlights

- Decisive actions taken to right size business and position the Group for sustainable growth.
- Strengthened executive team and management structure.
- Revitalised commercial approach resulting in a return to organic growth.
- Cost and efficiency programme completed.
- Robust results in challenging trading environment.

Financial Highlights

- Top line revenue of £1,325.6m, up 2% on 2018 at constant currency.
- Underlying operating profit of £52.5m and reported operating profit of £39.6m – a robust performance.
- Underlying earnings per share was 24.9p.
- Exceptional charge of £3.0m (2018: £43.8m) included restructuring costs and spend for transactions and their integration, offset by net recoveries on settlement of legal claims and increased disposal proceeds.

Outlook

Looking into 2020 we are pleased with how we have right-sized the business during the second half of 2019 and given the otherwise underlying positive momentum of the business, the headwind presented by COVID-19 is very disappointing.

The short term focus is on strengthening our balance sheet. A number of measures, including reduction in capital expenditure and a clampdown on discretionary spend, are already in place and we will look to materially reduce our leverage position during the year.

The Board is focused on delivering profitable growth in the 2020 full year and given the previously stated impact of COVID-19 on the operations of the Group and the ongoing uncertainty of the extent of the impact on the aviation industry, the Board believes it prudent, and in the best interests of shareholders, to suspend the dividend temporarily.

The Board is committed to a dividend strategy which prudently allocates profits between returns to shareholders and further investing in the growth potential of the Group whilst maintaining a strong balance sheet, which protects

against the risks in cyclical markets. The Board believes that this decisive action will support the company to maximise shareholder value in the short term by accelerating the pace of deleveraging the balance sheet, targeting a net debt to EBITDA leverage ratio of 2 to 2.5 times by the end 2020, whilst retaining the flexibility to grow the business.

The Board is therefore not recommending a final dividend payment for the year.

We are pleased to have completed the successful re-financing of the Group with our banking syndicate in January. As a result, the Group has extended its current levels of facilities at £325m through to 2025 with improved covenants.

Overall, we firmly believe the Group is well positioned to manage the short term issues that exist and will return to our positive growth trajectory for this year and beyond.

Giles Wilson, CEO of John Menzies plc said:

"Last year, we said we would be 'fit for 2020' by doing five things: right-sizing the business, fixing underperforming operations, improving customer engagement, investing in our team and targeting higher margin business. We've delivered on all five thanks to the hard work of all our colleagues. We now have the right team and the right structure that puts us in a strong position to seize the opportunities in this structural growth aviation market.

"As we start 2020, our short term focus is on strengthening the balance sheet and I have put in place a number of measures that I believe will make a material difference during the year."

Philipp Joeinig, Executive Chairman of John Menzies plc said:

"We are currently experiencing some headwinds due to the impact of COVID-19 on our activities but in the medium and long term we see genuine opportunities for growth.

"In 2020, we have two goals. Firstly, a significant reduction in our leverage position by the end of the year through focusing on cash and capital expenditure management. Secondly, to achieve continued growth by expanding our services to support customer growth and by moving into new higher yielding markets.

"With the investment we have made in our people this year, I am confident we have the right team to deliver. We now have a Board with a proven track record in the industry, a strengthened Executive Management Team and strong regional leaders pulling together in the right direction."

Notes

1. The prior year results, other than operating cash flow, basic profit per share and dividend per share, have been restated to exclude the results of Menzies Distribution Ltd and its associated subsidiaries that were disposed of in that year. No restatement has been made on adoption of IFRS 16 Leases.
2. Underlying operating profit is operating profit adjusted for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract, customer relationship and brand intangibles, and the Group's share of interest and tax on joint ventures and associates.
3. Underlying profit before taxation is underlying operating profit less net finance charges.
4. 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.
5. Operating cash flow is operating profit adjusted for depreciation, amortisation, income and dividends from joint ventures and associates, retirement obligation and share based payments, and movements in working capital and provisions.
6. In order to increase comparability with prior year numbers, performance at constant currency has been calculated by translating non-sterling earnings for the current year into sterling at the exchange rates used for the same period in the prior year.

Enquiries

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Analyst Presentation

There will be a presentation for analysts today at 09:30 GMT in London. There will be a live webcast on the John Menzies plc website http://www.johnmenziesplc.com. Copies of the presentation slides will be available on the website.

Executive Chairman's Statement – Philipp Joeinig

I am honoured to be Chairman of John Menzies plc in the first full year that the Group has become a pure play aviation services business.

At Menzies our great asset is our people. We have over 32,000 employees globally and I would like to thank them on behalf of the Board for their efforts during 2019.

We operate in dynamic environments, sometimes in challenging conditions but I am proud that our People deliver 24 hours a day, 365 days a year as we aim to be an employer of choice. Staff recruitment and retention are therefore a major focus as we continue to invest in our People to ensure our industry leading position is maintained. This investment is vital as we look to operate with a highly skilled and motivated workforce led by dynamic leadership whilst always working within a safe and secure environment. I want our People to feel they are part of the Menzies family, that there are genuine career paths for everyone and that Menzies is a company of which they can be proud.

In 2019, we experienced very difficult market conditions and I am therefore pleased to have delivered a solid set of results. During the year we re-shaped our organisational structure and streamlined costs to ensure the Group is in the optimum shape to hit the ground running in 2020 and deliver our exciting growth plans.

We have become a customer-centric organisation that is now fit and focused on delivering our defined strategy. By diligently following our plans, with a disciplined approach to cost control, we will deliver profitable growth that will increase our appeal to shareholders who seek to invest in a company that operates in a growth industry with a loyal shareholder base.

As I look to 2020, I am very pleased with our outlook and internal expectations for the year. We have the right team for the journey, with great experience but also lots of energy and passion. We are building our business to deliver great results and we are also looking at sustainability with sensible medium to long term planning.

New Leadership

2019 saw a period of transition for the Group's leadership with a number of key Board changes taking place to ensure that the Company has a Board with the requisite combination of skills, experience and knowledge to effectively discharge its duties whilst driving the business forward. Following full external and internal recruitment processes, Giles Wilson was appointed as Chief Executive Officer and Alvaro Gomez-Reino joined the Board as Chief Financial Officer. Both Giles and Alvaro bring strong aviation services experience and financial acumen to the Board and I firmly believe the Group now has a strong leadership team in place who are fully equipped to drive sustainable growth for the future.

Our Purpose

We provide safe and trusted aviation services to every customer, every time. Through our People, our aim is to be recognised as a solution provider and the leading aviation services brand in our marketplace, delivering services to our customers and long term sustainable value for our shareholders. We will deliver this by engaging with our customers, deploying innovative solutions and standardised processes.

Investing in the Future

We are alert to the changing and increasing expectations placed on businesses such as ours to respond to the social and environmental challenges being faced globally and within the communities we operate, with the Aviation industry perhaps under more pressure than most to reduce its carbon footprint and environmental impact. As a Board, we accept that responsibility and I firmly believe that our future-focused strategies, our investment in our People and our commitment to change will enable our business to lead the way in meeting our own challenges and in supporting our customers, providing new opportunities and ensuring we continue to evolve for a sustainable future.

I would like to thank all our customers, partners and shareholders who have worked with and supported us during the year and I look forward to building relationships and helping them to grow and deliver the service that their own customers require. We strive to be the service provider of choice for our customers wherever we operate.

I am excited as we look forward to the year ahead, working alongside our People to deliver our purpose and vision, taking pride in all that we do.

Group Overview

John Menzies plc is a leading player in the global aviation services market particularly in the ground handling and into-plane fuelling product categories. Globally we operate at over 200 airports, in 34 countries for over 500 airline customers with some 32,000 employees.

Our aim is to continue to develop our portfolio with a focus on our three main product categories namely; ground handling, cargo handling and into-plane fuelling. In our two largest product categories, ground handling and into-plane fuelling, we see significant opportunity with passenger traffic projected to grow by 4.6% per year and the world's aircraft fleet expected to grow by 3.4% annually through to 2038. In our cargo handling product category, annual air cargo volume growth rates tend to be more cyclical but have consistently trended ahead of global trade volume growths for the last four decades and our view is that they are set to do so going forward. We continue to invest in all three product categories as we see opportunities in each for sustainable growth in future years.

Group Performance Overview – Giles Wilson, Chief Executive Officer

I am proud to be announcing my first full year results as Chief Executive Officer of John Menzies plc.

Since my appointment we have taken a number of actions to re-focus the Group on what I believe to be the key priorities so we start 2020 ready to drive the business forward.

Delivering on Priorities for 2019

I set out five priorities to be delivered in 2019. These were: to reduce overhead costs; to fix underperforming operations; to re-engage with customers and drive organic growth; to focus on developing our People and recruiting the best when required; and to build plans for structural growth. Substantial progress has been made on each of the priorities.

Right-sizing the business
In December we completed a wide ranging restructuring programme that has resulted in the removal of a layer of management and certain support costs, the focusing of the Group's systems to minimise operational risk and maximise financial returns, right-sizing of three regional offices and the rationalisation of our operational asset base. The savings from this programme has incurred an exceptional charge of £8.0m and will deliver over £10m of full year benefit, the majority of which will be realised in 2020.

Fix underperforming operations
The improved responsiveness of the company to challenges and opportunities is already seeing results. Under the direction of our new Chief Operating Officer, Mervyn Walker, we have systematically implemented a range of improvements to fix operations in markets and at airports where we have underperformed financially in the past. Actions taken include seeking price increases, driving labour efficiencies, targeting new profitable contracts and where necessary closing down operations. In particular, the turnaround of the UK business is continuing apace with the new management team renewing important business, winning new contracts and driving the business forward. The win of a further five-year contract at London Luton with easyJet, one of our leading customers at their home airport, was particularly pleasing and evidence of the growing ability of our UK team to deliver.

Re-engage with customers and drive organic growth
Our global commercial team has been restructured around our customers, growing key accounts and targeting our customers' largest scale operations. We have introduced a new sales based incentive programme to retain and win profitable business. In addition, we have significantly improved our customer engagement programmes to ensure we are effectively and proactively engaging with all our customers. We have already started to see the benefits of these actions. Our contract renewal rate has been robust with key renewals secured and overall margin increased. We have won new contracts and extended our product lines following the integration of the Airline Services business in the UK.

Investment in our People
Our investment in our People has included several important initiatives to build a corporate culture that will attract and retain talent. At an operational level we have invested in training our station managers, the key position that ensures strong operational performance and customer satisfaction. We have also embarked on a global leadership development programme to support those in senior positions to be more effective and for Menzies to remain the employer of choice.

Targeting commercial growth
Looking to the future we now have sales and action plans to target commercial opportunities and exploit the changing global market to deliver success and shareholder value growth for 2020 and beyond. My senior leadership team has identified a series of strategic priorities to ensure that we are strongly positioned within the growing and dynamic aviation services market. These include business development opportunities to enter new geographic regions and countries, to rebalance and optimise our global portfolio product mix and to drive profitable complementary services.

Group Performance Review

2019 presented the business with several challenges due to weaker markets across the wider aviation sector. Cargo volumes and yields were very poor, and airlines were under pressure in part due to the grounding of the Boeing 737 Max which resulted in a lack of integrity in the flying schedules and generally through the wider

economic uncertainty that prevailed for much of the year. There have also been several airline failures in the year with the demise of Thomas Cook in the UK having the most impact on the Group.

2019 results were also impacted by prior year events, making the comparison with 2018 more challenging. These events include the loss of exclusive licences in the Dominican Republic and Panama, the conclusion of our cargo joint venture in Hyderabad and the incurrence of some central costs that are no longer absorbed by Menzies Distribution disposed of in the prior year. In response, we have taken decisive actions that have built a strong platform for future success.

Revenue was £1,325.6m (2018 continuing: £1,291.0m) a 2% growth in constant currency.

Operating profit of £39.6m was 16% ahead of the continuing business in the prior year. Excluding exceptional and other regular non-trading items, underlying operating profit from continuing operations at £52.5m was down 5% on the continuing business in the prior year, 6% in constant currency. The reduction in profit was as a result of a lower tonnage and yields in both of the cargo handling and cargo forwarding product categories, the impact of the exclusive licences lost and businesses exited in 2018 and trading effects, including the reduction in schedules as a result of the delay in the rollout of the Boeing 737 Max and a number of airline failures. These were partly offset by the net positive impact of commercial activity, overall cost savings and the impacts of the Airline Services acquisition, the new lease accounting standard and foreign currency translation.

Profit before tax was £17.3m (2018 continuing: £21.6m). Excluding exceptional and other items, underlying profit before tax at £30.4m was down 31% on the continuing business in the prior year. In addition to the impacts to underlying operating profit, underlying profit before tax was adversely impacted by the timing effect of the new lease accounting standard that replaces operating lease charges with assets that are depreciated on a straight line basis and with borrowings that have interest costs that are higher in the early years. Underlying earnings per share was 24.9p (2018 continuing: 37.6p).

Business Review

We have completed several central projects aimed at streamlining our business operations and processes, removing certain support costs to help drive improved profitability. With the investment in systems and processes in recent years, we are now able to optimise our systems to minimise operational risk and maximise financial returns. We have restructured our supporting functions and strengthened the oversight over operational performance and delivery of the important cost and efficiency programme.

In our USA business we have refreshed and restructured the operational team to ensure we are focused on service delivery for our customers and implementing actions to minimise the impact of labour turnover. Across Europe we removed a layer of senior management to improve accountability and responsiveness of our regional and local teams. Within the UK we have new teams in place in both the ground handling and cargo handling businesses and this has had an immediate impact with productivity gains, key contract wins and significant contracts renewed. As a result, the UK business is moving to overall country profitability.

The restructured global commercial function is now well positioned to focus on organic growth, to be aligned with our customer needs and to ensure each product category has the right level of support. Our emphasis on customer engagement and relationships and improved operational performance has been recognised with strong contract renewals. Over £150m of annualised revenue was renewed in the year and importantly, overall contract renewals enhanced profit. In June we won a contract for another five years with easyJet at London Luton, one of the largest single ground handling contracts in the UK. We were delighted to win contracts at three stations with Qatar Airways across Scandinavia in the fourth quarter, along with a five airport contract with Mango Airlines in South Africa. Key to securing these contracts and others in the business has been our commitment to building a continuous improvement culture, investment in process innovation and embracing technological developments where they make a real difference.

Across the Group ground handling turns were boosted by contract gains in the prior year, in particular, Singapore Airlines at Sydney and Sunwing Airlines at Toronto. However, this was more than offset by exclusive licence losses in the Dominican Republic together with a number of contract losses in 2019. On a like for like basis, ground handling turns were up 2% in the year.

The business has now been re-energised to deliver both our short term priorities for 2019 and to start building a platform for our longer-term growth aspirations.

As we drive performance in 2020 and beyond, I see our continuing success underpinned by five key pillars. These are: maintaining and enhancing the world class standards of safety and security to which we operate throughout the business; providing operational performance ahead of our customers' expectations; engaging with our People to recruit, develop and retain the best in the industry; seizing the right sustainable profitable growth opportunities wherever they occur; and creating value for our shareholders and other important stakeholders in the business. These are the standards by which we measure our success and on which our performance will be judged.

Americas

2019 has been a year of consolidation for the Americas region with revenue 3% down in constant currency on the prior year, but at a much-improved profit margin. This result can be regarded as a significant success against a background of tough short-term trading conditions and the business change headwinds from 2018. Contract gains included Frontier Airlines at Newark, United Airlines at Bozeman, Sunwing Airlines at Winnipeg and Interjet at Chicago and Toronto, and we were pleased to extend our contract with Norwegian Air Shuttle at four stations in the USA on similar terms. Renewals with improved margins included Frontier Airlines at Chicago and Korean Air at Los Angeles that helped to partly offset the impact from the losses at the end of 2018 of exclusive licences for into-plane fuelling in Panama and ground handling at two airports in the Dominican Republic, as well as other contract attrition.

Substantial progress has been made to reduce staff turnover in a difficult labour market through improved rewards and conditions, and active engagement with the station managers by way of a central programme to support and develop this critical role in the business. Significantly, much of the improved pay has been funded by price increases from our customers. During the year a successful Veterans Day event was held across the USA where our colleagues who have served in the armed forces were celebrated, recognised and thanked.

As part of our ongoing focus on improving profitability and meeting operational performance targets, we have closed a number of underperforming operations in the USA. Decisions were taken to withdraw from ground handling operations in Atlanta and Phoenix and fuelling operations in Fort Lauderdale despite every effort to turn each of these operations around. The changes have allowed Management to focus efforts and resources on other airports in the region where profitability is more sustainable.

Trading in Canada and Mexico has improved year on year. The Canadian business was buoyed by the Sunwing Airlines contract gain at Toronto in the prior year and at Winnipeg and Ottawa in 2019, along with price increases for fuel farms across a number of locations. Our businesses in Mexico and Colombia benefitted from contract wins and expanded services at some of the airports that we serve. Progress continues in Sint Maarten where flight volumes continue to increase following the hurricane devastation in 2017. Our commitment to the island has been rewarded with a new five-year concession agreement with the airport authority, extending our 22-year relationship out into 2026.

Europe, Middle East & Africa

In Europe, Middle East & Africa (EMEA) revenue increased 8% year on year in constant currency driven by ground handling contract wins in the prior year, most notably at Stockholm, Oslo and Prague, and the acquisition of Airline Services in the UK. These ground handling tailwinds were partly offset by decreases in the cargo market which has had an adverse impact on profitability. This was most marked at Amsterdam, Prague and Budapest. The cessation of operations at Hyderabad in the prior year also impacted the year on year performance of the region. Strong performances elsewhere in the region partly offset, particularly in Spain where flight volume growth helped drive revenue and profits up significantly on the prior year.

In our UK ground handling business, which has underperformed financially in recent years, we have a new and experienced management team in place that is already making a difference. We have seen key contracts being renewed with overall improved margins and we are winning new contracts, particularly within our wider product offering made possible by the acquisition of Airline Services. In July we announced the extension of our long-standing relationship with easyJet by signing a five-year ground handling contract at their home base at London Luton. In November we were delighted to renew some 19,000 turns with airlines in the Lufthansa group at London Heathrow. Other key renewals have included LOT Polish Airlines, TAP Air Portugal, Finnair, EgyptAir and Air Canada at London Heathrow and Ukraine International Airlines, Enter Air and Air Europa at London Gatwick. Ground handling contract wins included Jazeera Airways at London Gatwick and Loganair at Manchester.

The integration of Airline Services in the UK was completed ahead of the winter season. This important acquisition has delivered synergies and with our enhanced product offering has helped to secure aircraft deep cleaning contracts with British Airways at London Heathrow and regular flight cleaning contracts with easyJet at London

Luton and Edinburgh. The acquisition also brought some uneconomic ground handling contracts and the team are working to remedy these contracts where possible. As part of the active process to improve profitability, we have closed our operations at Aberdeen and Bristol after prior year contract losses and flight schedule reductions. Our UK fuelling business was buoyed by a contract win with World Fuel Services at London Gatwick.

In our Southern Europe & Africa business financial performance was strong, benefitting from increased easyJet flights across Spain and in France. We continue to provide good services at the three into-plane fuelling locations that have started up in France on behalf of World Fuel Services. We see collaboration with major industry players, such as World Fuel Services, as a significant opportunity to grow the business across Europe and we look forward to further progress in 2020. Our business in South Africa has been strengthened by increased flights and contract wins in the prior year. We were particularly pleased to win a three-year contract with Mango Airlines at five airports in South Africa handling some 23,000 turns per annum.

In our Northern Europe business, there was strong revenue growth driven by the Czech Airlines contract win at their home airport in Prague combined with wins in Scandinavia in the prior year. In November we were pleased to win the Qatar Airways contract at Stockholm, Copenhagen and Gothenburg. However, the region also saw a number of offsetting contract losses, a significant reduction in cargo volumes and tight labour markets in a number of countries that have made staff recruitment and retention a challenge. Prague and Budapest have been principally impacted with material financial underperformance from increased staff recruitment, training, agency and overtime costs. Significant management time and effort has been deployed at each of the stations to address the issues and we remain confident that 2020 will see a return to expected profitability levels in this part of the region.

Rest of World

Revenue across the Rest of World grew 5% over the prior year before the impact of currency. There was particularly strong growth at our ground handling operations in Sydney and Macau, and cargo operations in Sydney and Brisbane, driven by Singapore Airlines and Virgin Atlantic contract wins in the prior year. Despite positive revenue performance, profits declined year on year primarily due to lower cargo yields from the mix of imports and exports at some locations, albeit on slightly higher volumes.

There was significant commercial activity in the Rest of World region with a number of key customer renewals signed, safeguarding over £35m of annual revenue. In particular, the renewal of our cargo contracts with Cathay Pacific and Thai Airways across a number of airports in Australia and New Zealand further strengthens our relationship with these airlines. Further contract extensions were agreed across the region with Air Macau, Singapore Airlines, China Eastern Airlines, Garuda Indonesia, Royal Brunei Airlines, Jeju Airlines and Shanghai Airlines. In addition, there were two important contract wins at Auckland with Korean Air and Qatar Airways offsetting the loss of Delta Air Lines at Sydney.

During the year we completed the acquisition of the remaining shares in Hamilton Aero Maintenance, having initially acquired a minority shareholding in 2016. Specialising in maintenance, repair and overhaul services, the business complements our existing service offering and provides a good opportunity to add ancillary revenue in the region. The acquisition of PT Mitra Adira Utama, a specialist cargo handler in Indonesia, was completed in September to strengthen our position in the growing south east Asian market.

Cargo Forwarding

The global Air Menzies International (AMI) business had a resilient performance in challenging market conditions which saw a slowdown in the global airfreight market that particularly impacted export volumes in the UK and the USA as well as import volumes in Australia. Successes in the year included strong performance in continental Europe and South Africa, and following the new cargo screening regulations in Australia earned enhanced revenue.

In July we acquired GTO Logistics, a freight forwarding wholesaler in Canada, for a consideration of £1.7m. This acquisition represents expansion into the Canadian market for the first time and the addition of an important strategic node on the global airfreight network. We also completed a step acquisition of our Hong Kong operation and expanded our warehousing infrastructure at Manchester and Perth.

Management continues to focus on building the business and its base for future growth. An improved IT infrastructure is being rolled out and will provide simpler interfaces with our customers to drive revenue and to provide real time management information to highlight opportunities. The plans to expand the network and the footprint that we have through bolt-on acquisitions continues apace.

Impact of reporting under the new lease accounting standard

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

The financial impact of the new lease accounting standard has been to increase underlying operating profit by £3.1m and reduce underlying profit before tax by £4.5m. Underlying profit before tax is adversely impacted by the timing effect of the new lease accounting standard that replaces operating lease charges with assets that are depreciated on a straight line basis and with borrowings that have interest costs that are higher in the early years. In the Balance Sheet, the right of use asset at 31 December 2019 was £164.1m. The lease liability recognised at 31 December 2019 was £175.5m.

Exceptional items in operating profit

The Group's continuing and discontinued exceptional items in operating profit were a net £3.0m charge to profits.

Included in the net charge were several corporate transaction related costs and recoveries. Costs of £3.9m were incurred relating to due diligence on aborted potential corporate transactions and set-up costs for the joint venture in Iraq. The costs to complete the integration of the Airline Services acquisition were an additional £3.3m. These were substantially offset by a net credit of £12.3m from the final settlement of a number of claims and counterclaims relating to the acquisition of the ASIG business from BBA Aviation plc in 2017.

The costs of restructuring the head offices and delayering management structure in Europe and Americas, the closure of a number of UK stations, asset write downs and refurbishments, and the completion of the de-risking programme of the UK deferred benefit retirement obligation were £15.6m. These costs were partly offset by the net received and recoverable of £5.8m from other legal settlements and a £1.7m credit from the outcome of the outstanding items relating to the consideration received and net costs incurred in respect of the sale of Menzies Distribution in 2018.

Net finance costs

The Group's net finance costs were £22.1m (2018 continuing: £11.0m). The increase was adversely impacted by the inclusion of £7.6m of costs relating to the adoption of the new leasing accounting standard of the first time and a charge of £1.6m to hedge the year end sterling value of the US dollar loan in the uncertainty ahead of the exit of the UK from the European Union.

Taxation

As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. The Group's underlying tax charge for the year was £9.5m (2018 continuing: £12.4m) representing an effective underlying tax rate of 31% (2018 continuing: 28%). The increase was due to the de-recognition of part of the UK deferred tax asset and an increase in provisions for uncertain tax positions.

Earnings per share

The Group's underlying earnings per share was 24.9p (2018 continuing: 37.6p). The reduction was as a result of the decrease in underlying profits, the increase in the effective underlying tax rate and the impact of adopting the new lease accounting standard and the cost of the US dollar hedge on net finance costs. The corresponding combined continuing and discontinued basic earnings per share was 12.8p (2018: 6.8p loss per share).

Defined benefit retirement obligation

The reported UK defined benefit retirement obligation has reduced by £12.7m since 31 December 2018 to £5.3m primarily as a result of £12.1m ongoing deficit contributions. The £36.9m positive impact of returns on the pension scheme assets partly offset the £39.1m adverse impact of lower discount rates on future liabilities.

Investments and cash flow

Investments by the Group in the period of £7.2m include the step acquisition of Hamilton Aero Maintenance in New Zealand, and the acquisitions of Rendezvous Executive Lounge in the Isle of Man, PT Mitra Adira Utama in Indonesia and GTO Logistics in Canada. These were offset by £7.4m receipts from the disposal of the residual equity investment in Endless NewCo1, the parent of the former Menzies Distribution business and the exiting of the ground handling business in Hyderabad.

Operating cash flow was £134.9m (2018: £94.9m). The increase was largely the result of the impact of reporting under the new lease accounting standard, partly offset by the impact of the cash flow relating to the now disposed Distribution business included in the prior year. Working capital management remains a key focus for the business. Free cash flow was £81.1m (2018: £52.1m). Net capital expenditure was £21.5m (2018: £17.3m).

Net borrowings and facilities

The Group continues to operate on a sound financial footing. At 31 December 2019 net borrowings closed at £216.6m (2018: £199.6m) before accounting for the impact of reporting under the new lease accounting standard. The reported net borrowings were £391.5m reflecting the inclusion of obligations under operating leases reported as borrowings under the new lease accounting standard.

The Group's net debt to EBITDA ratio as measured for covenant testing purposes was 2.86 times at 31 December 2019 (2018: 2.41 times) and interest cover was 3.6 times (2018: 5.2 times), both within covenanted levels. The Group had £328m of committed facilities at 31 December 2019 of which £41m were undrawn.

In January 2020 the Company completed the refinance of the Group's bank facilities maturing in 2021 replacing them with a US$235m amortising term loan and a £145m revolving credit facility, both due to mature in January 2025.

Impact of foreign currency movements

The majority of the Group's operations are located outside the UK and account in currencies other than the Group's reporting currency. The Group hedges the sterling exposure of foreign currency denominated assets to manage the impact of currency movements in the Group's net assets using forward contracts. The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates impacts the Group's reported results. In 2019 the Group's profits were impacted by favourable exchange rate movements against the prior period, particularly with respect to sterling against the US dollar. The year on year impact of foreign currency movement on operating profit was a £0.6m benefit. Net borrowings are also subject to foreign currency movements on the US dollar denominated term loan.

Dividend

The Board is focused on delivering profitable growth in the 2020 full year and given the previously stated impact of COVID-19 on the operations of the Group and the ongoing uncertainty of the extent of the impact on the aviation industry, the Board believes it prudent and in the best interests of shareholders to suspend the dividend temporarily.

The Board is committed to a dividend strategy which prudently allocates profits between returns to shareholders and further investing in the growth potential of the Group whilst maintaining a strong balance sheet, which protects against the risks in cyclical markets. The Board believes that this decisive action will support the company to maximise shareholder value in the short term by accelerating the pace of deleveraging the balance sheet, targeting a net debt to EBITDA leverage ratio of 2 to 2.5 times by the end 2020, whilst retaining the flexibility to grow the business. The Board is therefore not recommending a final dividend payment for the year.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2019 (year ended 31 December 2018)

	Notes	**Before exceptional and other items £m**	**Exceptional and other items £m**	**2019 £m**	Before exceptional and other items £m	Exceptional and other items £m	2018[i] £m
Continuing operations							
Revenue	2	**1,325.6**	**-**	**1,325.6**	1,291.0	-	1,291.0
Net operating costs		**(1,280.7)**	**(11.3)**	**(1,292.0)**	(1,244.0)	(19.8)	(1,263.8)
Operating profit before joint ventures and associates		**44.9**	**(11.3)**	**33.6**	47.0	(19.8)	27.2
Share of post-tax results of joint ventures and associates		**7.6**	**(1.6)**	**6.0**	8.1	(1.3)	6.8
Operating profit	2	**52.5**	**(12.9)**	**39.6**	55.1	(21.1)	34.0
Analysed as:							
Underlying operating profit[ii]		**52.5**	**-**	**52.5**	55.1	-	55.1
Exceptional items – transaction related and integration	3	**-**	**5.1**	**5.1**	-	(11.7)	(11.7)
Exceptional items – legal settlements and other	3	**-**	**5.8**	**5.8**	-	-	-
Exceptional items – restructuring, pension and impairment related	3	**-**	**(15.6)**	**(15.6)**	-	(1.8)	(1.8)
Acquired intangible asset amortisation	3	**-**	**(6.6)**	**(6.6)**	-	(6.3)	(6.3)
Share of joint ventures and associates interest		**-**	**0.2**	**0.2**	-	0.7	0.7
Share of joint ventures and associates tax		**-**	**(1.8)**	**(1.8)**	-	(2.0)	(2.0)
Operating profit		**52.5**	**(12.9)**	**39.6**	55.1	(21.1)	34.0
Finance income		**0.6**	**-**	**0.6**	1.0	-	1.0
Finance charges excluding retirement benefit obligation interest		**(22.3)**	**(0.2)**	**(22.5)**	(11.2)	(1.4)	(12.6)
Retirement benefit obligation interest		**(0.4)**	**-**	**(0.4)**	(0.8)	-	(0.8)
Profit before taxation		**30.4**	**(13.1)**	**17.3**	44.1	(22.5)	21.6
Taxation		**(9.5)**	**1.2**	**(8.3)**	(12.4)	3.3	(9.1)
Profit/(loss) for the year from continuing operations		**20.9**	**(11.9)**	**9.0**	31.7	(19.2)	12.5
Discontinued operations							
Profit/(loss) for the period from discontinued operations	17	**-**	**1.7**	**1.7**	13.6	(31.5)	(17.9)
Profit/(loss) for the year		**20.9**	**(10.2)**	**10.7**	45.3	(50.7)	(5.4)
Attributable to equity shareholders		**21.0**	**(10.2)**	**10.8**	45.0	(50.7)	(5.7)
Attributable to non-controlling interests		**(0.1)**	**-**	**(0.1)**	0.3	-	0.3
		20.9	**(10.2)**	**10.7**	45.3	(50.7)	(5.4)
Earnings per ordinary share							
Continuing operations							
Basic	5	**24.9p**	**(14.1)p**	**10.8p**	37.6p	(23.0)p	14.6p
Diluted	5	**24.9p**	**(14.1)p**	**10.8p**	37.5p	(22.9)p	14.6p
Continuing and discontinued operations							
Basic	5	**24.9p**	**(12.1)p**	**12.8p**	53.8p	(60.6)p	(6.8)p
Diluted	5	**24.9p**	**(12.1)p**	**12.8p**	53.7p	(60.5)p	(6.8)p

Notes:
[i] Comparatives have not been restated for the adoption of IFRS 16 Leases.
[ii] Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract, customer relationship and brand intangibles and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019 (year ended 31 December 2018)

	Note	**2019 £m**	2018[i] £m
Profit/(loss) for the year		**10.7**	(5.4)
Items that will not be reclassified subsequently to profit or loss			
Continuing operations:			
Actuarial gain on defined benefit retirement obligation	14	**2.0**	3.1
Actuarial loss on unfunded retirement benefit obligation		**(0.1)**	(0.1)
Income tax effect on defined benefit retirement obligation		**(0.4)**	(0.5)
Loss on equity instrument at fair value through other comprehensive income		**(2.0)**	-
Discontinued operations:			
Actuarial loss on defined benefit retirement obligation		**-**	(7.2)
Income tax effect on defined benefit retirement obligation		**-**	1.1
Items that may be reclassified subsequently to profit or loss			
Continuing operations:			
Movement on cash flow hedges		**(1.9)**	0.6
Income tax effect on cash flow hedges		**0.3**	(0.1)
Movement on net investment hedges		**0.7**	0.4
Income tax effect on net investment hedges		**(0.1)**	(0.1)
Exchange loss on translation of foreign currency net assets		**(8.1)**	(4.3)
Income tax effect of exchange loss on foreign currency net assets		**-**	1.0
Other comprehensive loss for the year		**(9.6)**	(6.1)
Total comprehensive income/(loss) for the year		**1.1**	(11.5)
Attributable to equity shareholders		**1.2**	(11.8)
Attributable to non-controlling interests		**(0.1)**	0.3
		1.1	(11.5)

Note:
[i] Comparatives have not been restated for the adoption of IFRS 16 Leases.

CONSOLIDATED BALANCE SHEET as at 31 December 2019 (31 December 2018)			
	Notes	**2019** **£m**	2018[(i)] £m
Assets			
Non-current assets			
Intangible assets	6	**178.1**	159.2
Property, plant and equipment	7	**278.1**	116.0
Investments in joint ventures and associates		**16.2**	19.3
Other investments		**0.2**	5.2
Deferred tax assets		**23.7**	23.2
Derivative financial assets	9	**-**	1.5
		496.3	324.4
Current assets			
Inventories		**5.8**	5.6
Trade and other receivables	8	**242.7**	358.2
Current income tax receivables		**3.9**	0.8
Derivative financial assets	9	**0.8**	0.6
Cash and cash equivalents	11	**90.5**	78.0
		343.7	443.2
Liabilities			
Current liabilities			
Borrowings	9	**(91.6)**	(34.7)
Derivative financial liabilities	9	**(0.2)**	(0.5)
Trade and other payables		**(187.2)**	(290.5)
Current income tax liabilities		**(12.4)**	(11.6)
Provisions	12	**(55.2)**	(49.3)
		(346.6)	(386.6)
Net current (liabilities)/assets		**(2.9)**	56.6
Total assets less current liabilities		**493.4**	381.0
Non-current liabilities			
Borrowings	9	**(390.8)**	(244.5)
Other payables		**(0.5)**	(3.7)
Derivative financial liabilities	9	**(0.2)**	-
Deferred tax liabilities		**(3.1)**	(2.9)
Provisions	12	**(6.2)**	(10.6)
Retirement benefit obligation	14	**(5.3)**	(18.0)
		(406.1)	(279.7)
Net assets		**87.3**	101.3
Ordinary shares		**21.1**	21.1
Share premium account		**23.5**	23.1
Treasury shares		**(1.2)**	(2.6)
Other reserves		**(17.2)**	(8.1)
Merger relief reserve		**67.3**	67.3
Retained earnings		**(27.7)**	(17.2)
Capital redemption reserve		**21.6**	21.6
Total shareholders' equity		**87.4**	105.2
Non-controlling interest in equity		**(0.1)**	(3.9)
Equity		**87.3**	101.3

Note:
(i) Comparatives have not been restated for the adoption of IFRS 16 Leases.

The accounts were approved by the Board of Directors on 10 March 2020 and signed on its behalf by:

Philipp Joeinig **Alvaro Gomez-Reino**

Company No. SC34970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31 December 2019 (31 December 2018)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Translation and hedge reserves £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Equity £m
At 31 December 2018	21.1	23.1	(2.6)	(8.1)	67.3	(17.2)	21.6	105.2	(3.9)	101.3
Impact of adoption of IFRS 16 (Note 1)	-	-	-	-	-	(1.6)	-	(1.6)	-	(1.6)
Adjusted equity at 1 January 2019	21.1	23.1	(2.6)	(8.1)	67.3	(18.8)	21.6	103.6	(3.9)	99.7
Profit/(loss) for the year	-	-	-	-	-	10.8	-	10.8	(0.1)	10.7
Other comprehensive loss	-	-	-	(9.1)	-	(0.5)	-	(9.6)	-	(9.6)
Total comprehensive (loss)/income	-	-	-	(9.1)	-	10.3	-	1.2	(0.1)	1.1
New share capital issued	-	0.4	-	-	-	-	-	0.4	-	0.4
Share-based payments	-	-	-	-	-	0.8	-	0.8	-	0.8
Income tax effect of share-based payments	-	-	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Subsidiaries acquired (Note 15)	-	-	-	-	-	-	-	-	2.2	2.2
Recapitalisation of subsidiary	-	-	-	-	-	-	-	-	0.5	0.5
Expiry of acquisition related options	-	-	-	-	-	-	-	-	1.6	1.6
Dividends paid (Note 4)	-	-	-	-	-	(17.3)	-	(17.3)	(0.4)	(17.7)
Repurchase of Company's shares	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Disposal of Company's shares	-	-	2.4	-	-	(2.4)	-	-	-	-
At 31 December 2019	**21.1**	**23.5**	**(1.2)**	**(17.2)**	**67.3**	**(27.7)**	**21.6**	**87.4**	**(0.1)**	**87.3**

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Translation and hedge reserves £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Equity £m
At 31 December 2017	21.0	21.9	(1.3)	(5.6)	67.3	11.4	21.6	136.3	(3.8)	132.5
(Loss)/profit for the year	-	-	-	-	-	(5.7)	-	(5.7)	0.3	(5.4)
Other comprehensive loss	-	-	-	(2.5)	-	(3.6)	-	(6.1)	-	(6.1)
Total comprehensive (loss)/income	-	-	-	(2.5)	-	(9.3)	-	(11.8)	0.3	(11.5)
New share capital issued	0.1	1.2	-	-	-	-	-	1.3	-	1.3
Share-based payments	-	-	-	-	-	1.6	-	1.6	-	1.6
Income tax effect of share-based payments	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Subsidiaries acquired (Note 15)	-	-	-	-	-	-	-	-	0.3	0.3
Dividends paid (Note 4)	-	-	-	-	-	(17.1)	-	(17.1)	(0.7)	(17.8)
Repurchase of Company's shares	-	-	(5.0)	-	-	-	-	(5.0)	-	(5.0)
Disposal of Company's shares	-	-	3.7	-	-	(3.7)	-	-	-	-
At 31 December 2018	21.1	23.1	(2.6)	(8.1)	67.3	(17.2)	21.6	105.2	(3.9)	101.3

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019 (year ended 31 December 2018)

	Notes	**2019** **£m**	2018[i] £m
Cash flows from operating activities			
Cash generated from operations	10	**104.1**	54.9
Interest received		**0.6**	1.0
Interest paid on lease liabilities		**(7.6)**	-
Other interest paid		**(13.5)**	(11.8)
Tax paid		**(11.8)**	(15.3)
Net cash flow from operating activities		**71.8**	28.8
Cash flows from investing activities			
Acquisitions	15	**(7.2)**	(1.0)
Advance payment for acquisition	15	**-**	(20.2)
Cash acquired with subsidiaries	15	**0.4**	-
Disposal of subsidiaries	17	**-**	51.2
Cash held by disposed subsidiaries	17	**-**	(5.9)
Investment in joint ventures	15	**(0.4)**	(1.2)
Disposal of joint venture		**2.6**	6.3
Disposal of minority equity investment		**3.0**	-
Increased disposal consideration		**1.8**	-
Purchase of property, plant and equipment		**(29.7)**	(29.0)
Intangible asset additions		**(5.3)**	(3.2)
Proceeds from sale of property, plant and equipment		**13.5**	14.9
Dividends received from equity accounted investments		**6.3**	4.8
Net cash flow (used in)/from investing activities		**(15.0)**	16.7
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**0.4**	1.3
Purchase of Company's shares		**(1.0)**	(5.0)
Proceeds from borrowings		**50.0**	1.0
Repayment of borrowings excluding leases		**(10.9)**	(41.7)
Principal element of lease repayments		**(57.1)**	-
Dividends paid to non-controlling interests		**(0.4)**	(0.7)
Dividends paid to ordinary shareholders	4	**(17.3)**	(17.1)
Net cash flow used in financing activities		**(36.3)**	(62.2)
Increase/(decrease) in net cash and cash equivalents		**20.5**	(16.7)
Effects of exchange rate movements		**(3.1)**	0.3
Opening net cash and cash equivalents[ii]		**54.5**	70.9
Closing net cash and cash equivalents[ii]	11	**71.9**	54.5

Notes:
[i] Comparatives have not been restated for the adoption of IFRS 16 Leases.
[ii] Net cash and cash equivalents comprise cash at bank and in hand and bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Basis of preparation
The consolidated financial statements, which have been prepared under the historical cost convention and in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, incorporate the financial statements of the Company and its subsidiaries, joint ventures and associates from the effective date of acquisition or to the date of deemed disposal.

During the prior year, the Group disposed of Menzies Distribution Ltd and its subsidiaries on 4 September 2018. This business is therefore presented as a discontinued operation. Note 17 sets out the details and impact of discontinued operations.

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

IFRS 16 Leases – effective 1 January 2019. Further details of the impact of this standard are set out below
IFRIC 23 Uncertainty over Income Tax Treatments – effective 1 January 2019
Annual improvements to IFRS 2015-2017 cycle – effective 1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement – effective 1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures – effective 1 January 2019

Standards and amendments to standards that have been issued that are applicable for the Group but are not effective for 2019 and have not been early adopted are:
IFRS 17 Insurance Contracts[i] – effective 1 January 2021
Amendments to References to the Conceptual Framework in IFRS Standards – effective 1 January 2020
Amendments to IFRS 3 Business Combinations[i] – effective 1 January 2020
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current[i] – effective date 1 January 2022

Note:
[i] IFRS 17 and amendments to IFRS 3 and IAS 1 are not yet adopted for use in the European Union.

Standards and amendments that are not effective for 2019 will be adopted in accordance with their effective dates and the Group is in the process of assessing the likely impact before formalising a view.

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

For lessees the standard has removed the distinction between operating leases and finance leases and resulted in a significant number of leased assets being recognised as non-current assets representing the right to use the underlying asset with a corresponding liability shown as debt. This materially grossed up the Balance Sheet with the recognition of a new right of use asset that was depreciated through the Income Statement and a lease liability on which interest was charged through the Income Statement. There was no change to the reporting of net cash flows however the principal element of lease payments have been included as a financing cash flow rather than as an operating cash flow.

The Group has utilised the modified retrospective method of application on 1 January 2019 and recognised £215.2m of right of use assets and £220.2m of lease liabilities measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates as of 1 January 2019. The incremental borrowing rates applied to the lease liabilities at 1 January 2019 ranged from 1.4% to 10.8% and the Group's weighted average incremental borrowing rate was 3.8%.

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

Impact on the Income Statement	2019 Excluding IFRS 16[(i)] £m	2019 Impact of IFRS 16 £m	2019 Reported £m
Underlying operating profit			
Americas	**19.2**	**1.7**	**20.9**
EMEA	**12.4**	**1.0**	**13.4**
Rest of World	**11.8**	**0.4**	**12.2**
Cargo Forwarding	**6.0**	**-**	**6.0**
	49.4	**3.1**	**52.5**

Note:
(i) Results excluding IFRS 16 are presented as if the former leasing standard IAS 17 had continued to apply.

Impact on the Income Statement	2019 Excluding IFRS 16 £m	2019 Impact of IFRS 16 £m	2019 Reported £m
Interest charge	**(14.7)**	**(7.6)**	**(22.3)**
Profit before tax	**21.8**	**(4.5)**	**17.3**

Earnings per share have decreased by 3.7p per share for the year end 31 December 2019 as a result of the adoption of IFRS 16. As the lease liabilities were recognised on transition on 1 January 2019, the related interest charge is more front loaded than the rental charge it replaces and the impact is earnings dilutive in the early period of the lease portfolio maturity cycle and accretive in the latter period.

Impact on the Cash Flow Statement	2019 £m
Increase in operating cash inflows	**57.1**
Increase in financing cash outflows	**(57.1)**

There has been no impact on overall net cash flows.

Impact on the Balance Sheet	1 January 2019 £m
Increase in property, plant and equipment	**215.2**
Increase in deferred tax assets	**0.3**
Increase in lease liabilities	**(220.2)**
Reduction in onerous lease provisions	**3.1**
Reduction in retained earnings on transition	**1.6**

Right of use assets recognised in property, plant and equipment	1 January 2019 £m
Property	**97.3**
Equipment and vehicles	**117.9**
	215.2

Reconciliation of operating lease commitments to lease liability	£m
Operating lease commitments disclosed as at 31 December 2018	**290.8**
Non-lease component[(i)]	**(64.3)**
Impact of discounting	**(23.9)**
Short term and low value leases	**(12.6)**
Impact of IFRS 16 data review[(ii)]	**30.2**
Lease liability as at 1 January 2019	**220.2**
Current	**56.3**
Non-current	**163.9**
	220.2

Notes:

(i) The non-lease component is a contractual element of the arrangement for one significant leasing vendor that was therefore recognised as a commitment at 31 December 2018. However, for the purposes of IFRS 16, the Group has elected not to capitalise this non-lease component and therefore this is set out as a reconciling item above.

(ii) As part of the process of adopting IFRS 16, a number of operating lease commitments have been reassessed and identified as excluded from the operating lease commitments disclosure in the 2018 Annual Report and Accounts.

Practical expedients

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

Judgement has been required to determine the non-lease component for one significant leasing vendor. This non-lease component has been determined at 50% of the lease cost resulting in the remainder of the commitments being capitalised as a right of use asset. The 50% factor was determined to be the appropriate rate after reviewing a range of sample data provided by the lessor. Profit before tax would be approximately £0.2m higher/lower if this non-lease component was increased/decreased by 10%.

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

Leasing activities and how these are accounted

The Group leases various offices, warehouses, ground handling equipment and vehicles. Rental contracts are typically entered into for fixed periods of one to ten years but may have break options or extension options as set out below. Lease terms are negotiated both on an individual basis and a Group-wide basis and contain a wide range of different terms and conditions. The lease terms do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

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

Revenue recognition
Ramp, passenger, into-plane fuelling and other aviation related services income is recognised at the time the service is provided in accordance with the terms of the relevant contract. Cargo handling and cargo forwarding revenue is recognised at the point of departure for exports and at the point that the goods are ready for despatch for imports. Revenue excludes value added and sales taxes and charges collected on behalf of customers.

The timing of customer billing in relation to the satisfaction of performance obligations results in amounts being recorded in the Balance Sheet for accrued and deferred income. Individual billing arrangements vary by customer and contract. Accrued income is recognised on contracts for which performance obligations have been satisfied but have not yet been billed to customers at the Balance Sheet date. When the recovery of such amounts becomes unconditional the customer is billed and the amounts are transferred to trade receivables. Deferred income is recognised in respect of payments received from customers in advance of the Group fulfilling its performance obligations under contracts.

In the discontinued Distribution business, revenue has been recognised on the despatched value of goods sold, excluding value-added tax. Product sold to retailers has been made on a sale or return basis. Revenue for goods supplied with a right of return has been stated net of the value of returns.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Financial assets are classified at initial recognition and subsequently measured at amortised cost or fair value through Other Comprehensive Income.

In order for a financial asset such as a debt instrument to be classified and measured at amortised cost it needs to give rise to cash flows that are solely payments of principal and where applicable interest on the principal amount outstanding. This assessment is performed at an instrument level. For the purposes of subsequent measurement, the Group measures financial assets at amortised cost if the financial asset is both held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subject to impairment assessment and comprise trade receivables and accrued income as set out in Note 8. Where a provision is recognised the carrying value of the receivable is reduced with the amount of the loss recognised in the Income Statement.

Financial assets such as equity instruments and derivatives held for hedging purposes are measured through Other Comprehensive Income. In addition to the remeasurement of hedging derivatives being taken through Other Comprehensive Income, in the prior year the Group elected to irrevocably classify its equity investment in Endless Newco1 Ltd as an equity instrument designated at fair value through Other Comprehensive Income. The Group utilised this category as the investment was not held for trading purposes. Accordingly, the loss recognised on this financial asset in the current year was not recognised in the Income Statement.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset to a third party. Further disclosures relating to impairment of financial assets are set out as follows: Note 8 includes disclosures relating to trade receivables including accrued income and Note 9 includes disclosures relating to instruments at fair value through Other Comprehensive Income.

The Group recognises an allowance for expected credit losses based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted if material. For trade receivables and contract assets the Group has adopted the simplified approach in calculating expected credit losses. The Group recognises a loss allowance based on lifetime expected credit losses at each

reporting date. Provisions are calculated based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. Further information specific to credit risk management is set out in Note 8.

Financial liabilities

Financial liabilities are classified at initial recognition as borrowings, payables or derivatives designated as hedging instruments as an effective hedge. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, borrowings including bank overdrafts, and derivative financial instruments.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs, with the charge included as finance costs in the Income Statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Derivative financial instruments and hedging

For the purpose of hedge accounting, hedges are classified as either cash flow hedges when hedging the exposure to variability in cash flows or hedges of a net investment in a foreign operation.

Cash flow hedges comprise interest rate swaps and foreign exchange forward contracts that are used to hedge the risks arising from interest rates and the retranslation of foreign currency denominated items. Changes in the fair value of the effective portion of cash flow hedges are recorded in equity until such time as the forecast transaction occurs, at which time they are recognised in the Income Statement. If the transaction results in a non-financial asset or liability, amounts recycled from equity are included in the cost of the non-financial asset or liability. If the forecast transaction remains probable but ceases to be highly probable, from that point changes in fair value are recorded in the Income Statement within finance costs. Similarly if the forecast transaction ceases to be probable, the entire fair value recorded in equity and future changes in fair value are recognised in the Income Statement within finance costs.

Net investment hedges comprise derivatives that are designated as hedges of overseas net investments in foreign currency denominated entities. Changes in the fair value of the effective portion of net investment hedges are recorded in equity and are only recognised in the Income Statement on disposal of the overseas net investment.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. At inception the hedge relationship is designated and documented and the risk management objective and strategy for undertaking the hedge is noted. Derivative contracts entered into are expected to continue to be highly effective until they expire. The effectiveness of these contracts is monitored during the year.

Non-GAAP measures

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

Contract, customer relationship and brand amortisation

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

Share of earnings from joint ventures and associates

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

Underlying operating profit[(i)]

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

Note:
[(i)] As set out earlier in Note 1, the Group has adopted IFRS 16 Leases by applying the modified retrospective method of application whereby the comparatives are not restated. In order to provide comparable information with the prior year underlying operating profit adjusted for the impact of the adoption of IFRS 16 is set out below.

	2019 £m	2018 £m
Underlying operating profit	**52.5**	55.1
Impact of the adoption of IFRS 16	**(3.1)**	-
Underlying operating profit under IAS 17	**49.4**	55.1

Underlying profit before taxation[(i)]

As disclosed on the face of the Income Statement, underlying profit before taxation is defined as underlying operating profit less net finance charges and before exceptional items as set out above in the underlying operating profit definition.

Note:
[(i)] In order to provide comparable information with the prior year underlying profit before taxation adjusted for the impact of the adoption of IFRS 16 is set out below.

	2019 £m	2018 £m
Underlying profit before tax	**30.4**	44.1
Impact of the adoption of IFRS 16	**4.5**	-
Underlying profit before tax under IAS 17	**34.9**	44.1

Underlying earnings per share[(i)]

As disclosed on the face of the Income Statement, underlying earnings per share is defined as profit after taxation and non-controlling interest before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue. The calculation of underlying earnings per share is set out in Note 5.

Note:
[(i)] In order to provide comparable information with the prior year underlying earnings per share adjusted for the impact of the adoption of IFRS 16 is set out below.

	2019 Pence	2018 Pence
Underlying earnings per share	**24.9**	37.6
Impact of the adoption of IFRS 16	**3.7**	-
Underlying earnings per share under IAS 17	**28.6**	37.6

Free cash flow

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

	2019 £m	2018[i] £m
Cash generated from operations	**104.1**	54.9
Adjusted for:		
Net interest paid	**(20.5)**	(10.8)
Exceptional interest paid	**-**	0.6
Tax paid	**(11.8)**	(15.3)
Dividends received from equity accounted investments	**6.3**	4.8
Purchase of property, plant and equipment	**(29.7)**	(29.0)
Intangible asset additions	**(5.3)**	(3.2)
Proceeds from sale of property, plant and equipment	**13.5**	14.9
Additional retirement benefit obligation contribution	**12.1**	24.8
Exceptional cash spend	**12.4**	10.4
Free cash flow	**81.1**	52.1

Note:

[i] Includes both continuing and discontinued operations and not restated for IFRS 16.

Underlying operating cash flow

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

	2019 £m	2018[i] £m
Free cash flow as set out above	**81.1**	52.1
Adjusted for:		
Purchase of property, plant and equipment	**29.7**	29.0
Intangible asset additions	**5.3**	3.2
Proceeds from sale of property, plant and equipment	**(13.5)**	(14.9)
Net interest paid excluding exceptional interest	**20.5**	10.2
Tax paid	**11.8**	15.3
Underlying operating cash flow[ii]	**134.9**	94.9

Notes:

[i] Includes both continuing and discontinued operations and not restated for the impact of the adoption of IFRS 16.

[ii] In order to provide comparable information with the prior year underlying operating cash flow adjusted for the impact of the adoption of IFRS 16 is set out below.

	2019 £m	2018 £m
Underlying operating cash flow as set out above	**134.9**	94.9
Impact of the adoption of IFRS 16	**(57.1)**	-
Underlying operating cash flow under IAS 17	**77.8**	94.9

2. Segment Information

Following the disposal of the news and media distribution business in the prior year the central Corporate function was subsumed into the regional components of the former Aviation division on 31 December 2018. Subsequent to this date the reportable segments of the Group are the regional components of the former Aviation division and comparative information has been restated accordingly. The Group provides ground handling and cargo services as well as into-plane fuelling and fuel farm management services across the world. Cargo Forwarding services are separately disclosed as they are distinct from the other types of aviation related services provided and are provided around the world.

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

Business segments

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

2019	Note	**Americas £m**	**EMEA £m**	**Rest of World £m**	**Cargo Forwarding £m**	**Group £m**
Continuing operations						
Revenue		**464.3**	**552.5**	**161.3**	**147.5**	**1,325.6**
Underlying operating profit[(i),(ii)]		**20.9**	**13.4**	**12.2**	**6.0**	**52.5**
Exceptional transaction related and integration	3					**5.1**
Exceptional legal settlements and other	3					**5.8**
Exceptional restructuring and pension related items	3					**(15.6)**
Acquired intangible asset amortisation	3					**(6.6)**
Share of interest on joint ventures and associates						**0.2**
Share of tax on joint ventures and associates						**(1.8)**
Operating profit						**39.6**
Net finance expense						**(22.3)**
Profit before taxation						**17.3**

2018	Note	Americas £m	EMEA £m	Rest of World £m	Cargo Forwarding £m	Group £m
Revenue		463.8	517.3	157.6	152.3	1,291.0
Underlying operating profit[(i),(ii),(iii)]		17.2	16.6	14.8	6.5	55.1
Exceptional transaction related items	3					(11.7)
Exceptional impairment and other items	3					(1.8)
Acquired intangible asset amortisation	3					(6.3)
Share of interest on joint ventures and associates						0.7
Share of tax on joint ventures and associates						(2.0)
Operating profit						34.0
Net finance expense						(12.4)
Profit before taxation						21.6

Notes:

[(i)] Underlying operating profit is defined as operating profit excluding intangible amortisation as shown in Note 3 and exceptional items but including the pre-tax share of results from joint ventures and associates.

[(ii)] Included within underlying operating profits are the Group's share of profits of joint ventures and associates in EMEA £2.9m and Rest of World £4.7m (2018: EMEA £5.0m and Rest of World £3.1m).

[(iii)] As set out above the central Corporate function was subsumed into the regional business of the Aviation division on 31 December 2018. The prior period has been restated to present comparable information.

The information reported to the Chief Executive Officer in his capacity as chief operating decision maker does not include an analysis of assets and liabilities by segment and accordingly no such information is presented.

	Capital expenditure		Depreciation		Amortisation	
	2019	2018	**2019**	2018	**2019**	2018
	£m	£m	**£m**	£m	**£m**	£m
Continuing operations[i]						
Americas	**21.3**	14.3	**36.6**	12.4	**4.5**	4.1
EMEA	**8.2**	9.7	**33.9**	6.9	**2.2**	2.1
Rest of World	**3.3**	4.6	**10.7**	4.2	**1.2**	0.9
Cargo Forwarding	**1.4**	0.5	**3.5**	0.5	**0.3**	0.3
	34.2	29.1	**84.7**	24.0	**8.2**	7.4

Note:
[i] As set out above the central Corporate function was subsumed into the Aviation division on 31 December 2018. The prior period has been restated to present comparable information.

Geographic information

	Revenue		Non-current assets[i]	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Continuing operations				
USA	**372.1**	370.0	**192.3**	140.7
UK	**287.6**	264.5	**96.5**	55.1
Australia	**161.2**	164.0	**44.1**	18.7
Others	**504.7**	492.5	**139.7**	85.2
	1,325.6	1,291.0	**472.6**	299.7

Note:
[i] Non-current assets exclude deferred tax assets and derivative financial assets.

Revenue by performance obligation

	2019	2018
	£m	£m
Continuing operations		
At the point of service	**1,298.2**	1,268.6
Franchise and consortia fees	**27.4**	22.4
	1,325.6	1,291.0

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

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

The cargo forwarding business contracts with customers to fulfil the single performance obligation to facilitate the transportation of goods from one location to another. The business directs the performance of this obligation, selecting carriers to use. Revenue is recognised at the point of delivery as this is the point at which the revenue is significantly assured.

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

3. Exceptional and Other Items

Exceptional items included in operating profit

	2019 £m	2018 £m
Acquisition and transaction related costs(i)	**(3.9)**	(2.9)
Acquisition integration costs(ii)	**(3.3)**	(2.1)
Acquisition claims settlement(iii)	**12.3**	(6.7)
Other legal settlements(iv)	**5.8**	-
Restructuring and pension de-risking costs(v)	**(15.6)**	1.9
Impairment(vi)	**-**	(3.7)
	(4.7)	(13.5)

Notes:

(i) Acquisition and transaction related costs comprise £2.9m of costs in relation to aborted potential transactions, £0.9m of joint venture set up costs and £0.1m of other related costs. In the prior year transaction related costs reflected £1.5m relating to the acquisition of the Airline Services business, £0.8m loss on disposal of Hyderabad Menzies Air Cargo Private Ltd and £0.6m other transaction related costs.

(ii) Acquisition integration costs relate to the integration of the Airline Services business acquired during the year. Costs comprise integration team, rationalisation and rebranding. In the prior year costs of £2.1m related to the acquisition of ASIG, acquired in 2017.

(iii) Acquisition claims settlement recognised during the year were a net credit of £12.3m. The amount comprised a receivable to settle claims of £17.6m from the previous owner, partly offset by the costs of £5.3m of related customer claims and employee matters relating to the acquisition of ASIG incurred in the period prior to the Group's ownership. In the prior year costs of £6.7m related to provisions for employee and customer claims relating to ASIG incurred in the period prior to the Group's ownership.

(iv) Other legal settlements resulted in a net credit of £5.8m. Settlements comprised an excess amount recovered of £8.6m from a legacy legal claim over the costs to recover and resolve, partly offset by excess costs incurred from unauthorised employee activities £2.0m and the costs to pursue recovery and resolve £0.8m.

(v) Restructuring costs comprised £8.0m of redundancy payments incurred as part of the operational efficiency programme announced during the year, £5.4m of asset write-downs and refurbishments relating to an asset optimisation programme and £1.3m relating to station closure costs. Professional fees of £0.9m have been incurred to complete a programme to de-risk the UK defined benefit pension scheme. In the prior year property and pension items comprised a £2.1m gain on disposal of property, partly offset by £0.2m of pension de-risking costs and past service costs.

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

Exceptional items included in finance charges

	2019 £m	2018 £m
Transaction related finance costs(i)	**-**	(0.6)
Unwind discount costs(ii)	**-**	(0.1)

Notes:

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

(ii) In the prior year unwind discount costs related to deferred consideration and onerous lease provisions.

Acquired intangible assets amortisation included in operating profit

Acquired intangible asset amortisation costs incurred were £6.6m (2018: £6.3m). The amortisation relates to contract, customer relationship and brand assets recognised on the acquisition of businesses.

Tax effect of exceptional items

The taxation effect of the exceptional items is a net charge of £1.4m (2018: net credit of £1.0m) due to a taxable capital receipt and non-deductible costs incurred during the year, combined with deferred tax credits not taken in respect of tax deductions available for a proportion of the exceptional costs arising during the year, following a reassessment of the Group's corporate and operational activities in the UK.

4. Dividends

Dividends paid on ordinary shares	**2019 £m**	2018 £m
Interim paid in respect of 2019, 6.0p per share	**5.1**	-
Final paid in respect of 2018, 14.5p per share	**12.2**	-
Interim paid in respect of 2018, 6.0p per share	**-**	5.0
Final paid in respect of 2017, 14.5p per share	**-**	12.1
	17.3	17.1

Dividends of £Nil were waived on Treasury shares (2018: £0.1m).

Given the impact of COVID-19 on the operations of the Group in 2020 and the ongoing uncertainty of the extent of the impact on the aviation industry, the Board believes it prudent and in the best interests of shareholders to suspend the dividend temporarily. The Board is therefore not recommending a final dividend payment for the year.

5. Earnings Per Share

	Basic		Underlying[(i)]	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Profit/(loss) for the year after tax as set out in the Income Statement	**10.7**	(5.4)	**20.9**	45.3
Adjustment to exclude result relating to non-controlling interests	**0.1**	(0.3)	**0.1**	(0.3)
Earnings/(loss) for the year attributable to equity shareholders	**10.8**	(5.7)	**21.0**	45.0
Basic earnings per ordinary share				
Earnings/(loss) per ordinary share	**12.8p**	(6.8)p		
Diluted earnings/(loss) per ordinary share	**12.8p**	(6.8)p		
Underlying earnings per ordinary share[(i)]				
Earnings per ordinary share			**24.9p**	53.8p
Diluted earnings per ordinary share			**24.9p**	53.7p
Number of ordinary shares in issue				
Weighted average (million)	**84.2**	83.7		
Diluted weighted average (million)	**84.2**	83.8		
Continuing operations				
Profit/(loss) for the year after tax as set out in the Income Statement	**10.7**	(5.4)	**20.9**	45.3
Adjustment to exclude result from discontinued operations	**(1.7)**	17.9	**-**	(13.6)
Adjustment to exclude result relating to non-controlling interest	**0.1**	(0.3)	**0.1**	(0.3)
Earnings for the year attributable to equity shareholders	**9.1**	12.2	**21.0**	31.4
Basic				
Earnings per ordinary share	**10.8p**	14.6p		
Diluted earnings per ordinary share	**10.8p**	14.6p		
Underlying				
Earnings per ordinary share			**24.9p**	37.6p
Diluted earnings per ordinary share			**24.9p**	37.5p
Discontinued operations				
Profit/(loss) for the year after tax as set out in the Income Statement	**10.7**	(5.4)	**20.9**	45.3
Adjustment to exclude result from continuing operations	**(9.0)**	(12.5)	**(20.9)**	(31.7)
Earnings/(loss) for the year attributable to equity shareholders	**1.7**	(17.9)	**-**	13.6
Basic				
Earnings/(loss) per ordinary share	**2.0p**	(21.4)p		
Diluted earnings/(loss) per ordinary share	**2.0p**	(21.4)p		
Underlying				
Earnings per ordinary share			**-**	16.2p
Diluted earnings per ordinary share			**-**	16.2p

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

The weighted average number of fully paid shares in issue during the year excludes those held by the employee share trusts. The diluted weighted average is calculated by adjusting for all outstanding share options that are potentially dilutive (i.e. where the exercise price is less than the average market price of the shares during the

year). The impact of these share options is to increase the diluted weighted average number of shares by Nil (2018: 0.1m) and there was no anti-dilutive impact on basic EPS in the prior year.

6. Intangible Assets

	Goodwill £m	Contracts, customer relationship and brands £m	Computer software £m	Total £m
Cost				
At 31 December 2018	136.8	103.8	14.6	255.2
Subsidiaries acquired (Note 15)	20.5	6.2	-	26.7
Additions	-	-	5.3	5.3
Disposals	-	-	(0.7)	(0.7)
Currency translation	(3.7)	(1.2)	-	(4.9)
At 31 December 2019	**153.6**	**108.8**	**19.2**	**281.6**
Amortisation and impairment				
At 31 December 2018	24.4	61.5	10.1	96.0
Amortisation charge	-	6.6	1.6	8.2
Currency translation	(1.0)	0.3	-	(0.7)
At 31 December 2019	**23.4**	**68.4**	**11.7**	**103.5**
Net book value				
At 31 December 2019	**130.2**	**40.4**	**7.5**	**178.1**
At 31 December 2018	112.4	42.3	4.5	159.2

	Goodwill £m	Contracts, customer relationship and brands £m	Computer software £m	Total £m
Cost				
At 31 December 2017	147.7	138.1	35.9	321.7
Subsidiaries sold (Note 17)	(15.5)	(36.7)	(23.8)	(76.0)
Additions	-	0.7	2.5	3.2
Currency translation	4.6	1.7	-	6.3
At 31 December 2018	136.8	103.8	14.6	255.2
Amortisation and impairment				
At 31 December 2017	23.0	68.3	26.7	118.0
Subsidiaries sold (Note 17)	-	(14.0)	(18.3)	(32.3)
Amortisation charge	-	7.2	1.6	8.8
Currency translation	1.4	-	0.1	1.5
At 31 December 2018	24.4	61.5	10.1	96.0
Net book value				
At 31 December 2018	112.4	42.3	4.5	159.2
At 31 December 2017	124.7	69.8	9.2	203.7

7. Property, Plant and Equipment

	Owned freehold property £m	Leasehold property improvements £m	Right of use asset property £m	Right of use asset subleased as lessor £m	Owned plant and equipment £m	Right of use asset plant and equipment £m	Total £m
Cost							
At 31 December 2018	11.8	51.8	-	-	218.1	-	281.7
Impact of adoption of IFRS 16 (Note 1)	-	-	97.9	-	-	117.9	215.8
Adjusted balance at 1 January 2019	11.8	51.8	97.9	-	218.1	117.9	500.0
Acquisitions (Note 15)	-	0.1	-	-	4.2	2.7	7.0
Additions	0.3	1.3	-	-	27.3	-	28.9
Right of use assets recognised	-	-	15.2	0.8	-	4.5	21.1
Disposals	(6.1)	(0.4)	(0.8)	-	(9.2)	(6.6)	(23.1)
Currency translation	(0.2)	(1.3)	(2.9)	-	(6.3)	(3.0)	(13.7)
At 31 December 2019	**5.8**	**51.5**	**109.4**	**0.8**	**234.1**	**115.5**	**517.1**
Depreciation							
At 31 December 2018	5.6	33.4	-	-	126.7	-	165.7
Impact of adoption of IFRS 16 (Note 1)	-	-	0.6	-	-	-	0.6
Adjusted balance at 1 January 2019	5.6	33.4	0.6	-	126.7	-	166.3
Charge for the year	0.2	2.1	29.8	-	20.4	32.2	84.7
Disposals	(1.5)	(0.4)	(0.1)	-	(5.1)	(1.2)	(8.3)
Impairment	-	-	1.0	0.2	-	0.6	1.8
Currency translation	-	(0.6)	(0.8)	-	(3.4)	(0.7)	(5.5)
At 31 December 2019	**4.3**	**34.5**	**30.5**	**0.2**	**138.6**	**30.9**	**239.0**
Net book value							
At 31 December 2019	**1.5**	**17.0**	**78.9**	**0.6**	**95.5**	**84.6**	**278.1**
At 31 December 2018	6.2	18.4	-	-	91.4	-	116.0

	Owned freehold property £m	Leasehold property improvements £m	Right of use asset property £m	Right of use asset subleased as lessor £m	Owned plant and equipment £m	Right of use asset plant and equipment £m	Total £m
Cost							
At 31 December 2017	36.1	51.9	-	-	298.9	-	386.9
Subsidiaries sold (Note 17)	(19.0)	(1.5)	-	-	(66.5)	-	(87.0)
Additions	-	1.1	-	-	28.1	-	29.2
Disposals	(5.3)	(0.1)	-	-	(42.2)	-	(47.6)
Currency translation	-	0.4	-	-	(0.2)	-	0.2
At 31 December 2018	11.8	51.8	-	-	218.1	-	281.7
Depreciation							
At 31 December 2017	13.2	31.1	-	-	187.0	-	231.3
Subsidiaries sold (Note 17)	(6.4)	(0.6)	-	-	(53.0)	-	(60.0)
Charge for the year	0.5	3.0	-	-	21.4	-	24.9
Disposals	(1.7)	-	-	-	(27.6)	-	(29.3)
Currency translation	-	(0.1)	-	-	(1.1)	-	(1.2)
At 31 December 2018	5.6	33.4	-	-	126.7	-	165.7
Net book value							
At 31 December 2018	6.2	18.4	-	-	91.4	-	116.0
At 31 December 2017	22.9	20.8	-	-	111.9	-	155.6

8. Trade and Other Receivables

	2019 **£m**	2018 £m
Trade receivables	**142.8**	174.7
Less: provision for estimated credit loss	**(2.5)**	(3.9)
Net trade receivables	**140.3**	170.8
Accrued income	**27.3**	22.2
Consortia related receivables	**7.7**	97.9
Prepayments	**14.6**	15.4
Other receivables	**52.8**	51.9
	242.7	358.2

The average credit period on sale of goods is 39 days (2018: 48 days). Interest is not charged on trade receivables.

During the year £22.2m of accrued income at 31 December 2018 was recognised in the Income Statement (2018: £25.6m).

Consortia related receivables include re-billable expenses and restricted cash relating to fuel farm management services. Restricted cash represents funding received from customers and held in a fiduciary capacity to be used on their behalf to satisfy fuel farm cash funding requirements within 12 months and is therefore classified as a current asset. The reduction in the consortia related receivables balance in the current year reflects a change of third party cash management that resulted in less restricted cash held on behalf of customers.

9. Financial Instruments

Derivative financial instruments

Recognised in the Balance Sheet

	2019 **£m**	2018 £m
Non-current asset	**-**	1.5
Current asset	**0.8**	0.6
Current liability	**(0.2)**	(0.5)
Non-current liability	**(0.2)**	-
Net fair value	**0.4**	1.6

Adjusted to fair value through the Statement of Other Comprehensive Income

	2019 **£m**	2018 £m
Cash flow hedges:		
Foreign exchange forward contracts	**-**	0.2
Interest rate swaps	**(0.2)**	1.5
Foreign currency net investment hedges:		
Foreign exchange contracts	**0.6**	(0.1)
Net fair value	**0.4**	1.6

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. The Group only enters into derivative financial instruments that are designated as hedging instruments. The fair values of foreign currency instruments are calculated by reference to current market rates.

The Group uses a hierarchy for determining and disclosing the fair value of financial instruments by valuation technique as set out below.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

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

During the year, all derivative financial instruments were measured using Level 2 fair value measurements (2018: all Level 2). For financial instruments that are recognised at 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.

Cash flow hedges

	2019	2018
	Liabilities	Assets
	£m	£m
Fair value of cash flow hedges – currency forward contracts	**-**	0.2
Fair value of cash flow hedges – interest rate swaps	**(0.2)**	1.5
	(0.2)	1.7
Current value	**-**	0.2
Non-current value	**(0.2)**	1.5
	(0.2)	1.7

Foreign currency net investment hedges

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Fair value of foreign currency net investment hedges	**0.8**	**(0.2)**	0.4	(0.5)
Current value	**0.8**	**(0.2)**	0.4	(0.5)

Other financial instruments

Contingent consideration

The liabilities for contingent consideration and other acquisition related amounts are Level 3 derivative financial instruments. The fair value of contingent acquisition related amounts is set out below.

	2019	2018
	£m	£m
PlaneBiz 2015 Ltd	**1.6**	3.3
GTO Global Logistics Inc	**0.2**	-
Gold Coast Air Terminal Services Pty Ltd	**-**	0.4

Interest-bearing loans and borrowings

		2019	2018
	Maturity	**£m**	£m
Bank overdrafts	On demand	**18.6**	23.5
Non-amortising sterling bank loans	June 2021	**109.0**	59.0
Amortising US dollar term loan	June 2021	**177.9**	195.3
Lease liabilities	Various	**175.5**	-
Preference shares	Non-redeemable	**1.4**	1.4
		482.4	279.2
Current value		**91.6**	34.7
Non-current value		**390.8**	244.5
		482.4	279.2

The Group's current bank facilities were drawn down on 1 February 2017 and comprised a $250m US dollar denominated amortising term loan and a £150m revolving credit facility, both with a maturity of June 2021. At 31 December 2019 the average interest rates on these US dollar and sterling loans were 4.3% and 3.2%, respectively. At 31 December 2019 the amortising US dollar denominated term loan was repayable between 2020 and 2021. The loan had a weighted average maturity of one year. Non-amortising bank loans were drawn against unsecured, committed revolving bank credit facilities maturing in June 2021. In January 2020 the Group completed the refinance of the Group's bank facilities maturing in June 2021, replacing them with a $235m US

dollar denominated amortising term loan and a £145m revolving credit facility both due to mature in January 2025.

The Company has issued 1,394,587 cumulative preference shares of £1 each. These shares are not redeemable and pay an interest coupon of 9% semi-annually.

Net borrowings

	2019 £m	2018 £m
Interest-bearing loans and borrowings	**482.4**	279.2
Derivative financial instruments	**(0.4)**	(1.6)
Total borrowings	**482.0**	277.6
Less: cash at bank, cash in hand and short-term deposits	**(90.5)**	78.0
	391.5	199.6

The book and fair values of net borrowings is provided below.

	2019		2018	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Short term bank borrowings	**16.2**	**16.2**	11.2	11.2
Medium term bank borrowings	**270.7**	**270.7**	16.7	16.7
Long term preference share borrowings	**1.4**	**1.4**	227.8	227.8
Short term lease liabilities	**56.8**	**56.8**	-	-
Long term lease liabilities	**118.7**	**118.7**	-	-
Derivative financial instruments	**(0.4)**	**(0.4)**	(1.6)	(1.6)
Bank overdrafts	**18.6**	**18.6**	23.5	23.5
Total financial liabilities	**482.0**	**482.0**	277.6	277.6
Less: cash at bank, cash in hand and short term deposits	**(90.5)**	**(90.5)**	78.0	78.0
Net borrowings	**391.5**	**391.5**	199.6	199.6

At 31 December 2019 undrawn committed facilities of £41.0m expired between one and two years (2018: £91.0m between two and five years).

10. Cash Generated from Operations

	2019 £m	2018 £m
Operating profit before joint ventures and associates[(i)]	**35.3**	13.1
Depreciation[(ii)]	**84.7**	24.9
Amortisation of intangible assets	**8.2**	8.8
Share-based payments expense	**0.8**	1.6
Cash spend on onerous leases	**(0.9)**	(1.5)
Gain on sale of property, plant and equipment	**(1.7)**	(1.6)
Pension charge	**1.0**	1.4
Pension contributions in cash	**(12.1)**	(24.9)
Continuing operations exceptional items	**4.7**	13.5
Discontinued operations exceptional items	**(1.7)**	30.3
Cash spend on exceptional items	**(11.5)**	(8.9)
Increase in working capital	**(2.7)**	(1.8)
	104.1	54.9

Notes:
[(i)] Includes both continuing and discontinued operations.
[(ii)] Depreciation in the current year includes £62.0m charged on right of use assets recognised under IFRS 16 Leases.

11. Changes in Net Borrowings

	31 December 2018 £m	Lease liability recognised 1 January 2019[i] £m	Lease liabilities recognised during the year net of terminations £m	Cash flows £m	Subsidiaries acquired £m	Fair value movements £m	Currency translation £m	**31 December 2019 £m**
Cash at bank and in hand	78.0	-	-	15.0	0.4	-	(2.9)	**90.5**
Bank overdrafts	(23.5)	-	-	5.1	-	-	(0.2)	**(18.6)**
Net cash and cash equivalents	54.5	-	-	20.1	0.4	-	(3.1)	**71.9**
Bank loans due within one year	(11.2)	-	-	(5.0)	-	-	-	**(16.2)**
Lease liability due within one year	-	(56.3)	(21.5)	20.5	(0.9)	-	1.4	**(56.8)**
Preference shares	(1.4)	-	-	-	-	-	-	**(1.4)**
Debt due after one year	(243.1)	-	-	(34.1)	-	-	6.5	**(270.7)**
Lease liability due after one year	-	(163.9)	(0.3)	44.2	(1.8)	-	3.1	**(118.7)**
Net derivative assets	1.6	-	-	-	-	(1.2)	-	**0.4**
Net borrowings	(199.6)	(220.2)	(21.8)	45.7	(2.3)	(1.2)	7.9	**(391.5)**

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

As set out in the cash flow statement, proceeds from borrowings were £50.0m (2018: £1.0m) and repayments of borrowings were £10.9m (2018: £41.7m). The principal element of lease payments were £57.1m.

Currency translation movements result from the Group's policy of hedging overseas net assets, that are denominated mainly in US dollars, euros and Australian dollars. The translation effect on net debt is offset by the translation effect on net assets which resulted in an overall net exchange loss of £7.4m (2018: loss of £3.0m). The net loss is recognised in other comprehensive income.

12. Provisions

	Insurance £m	Legal and employee related £m	Property and equipment £m	Other £m	Group £m
At 31 December 2018	27.0	26.8	4.9	1.2	59.9
Impact of adoption of IFRS 16 (Note 1)	-	-	(3.1)	-	(3.1)
Adjusted balance at 1 January 2019	27.0	26.8	1.8	1.2	56.8
Provided/(released) during year	12.9	4.5	3.7	(0.5)	20.6
Utilised during year	(7.2)	(7.2)	(0.9)	(0.4)	(15.7)
Reclassifications	-	(3.1)	0.2	-	(2.9)
Subsidiaries acquired	-	-	0.6	2.6	3.2
Currency translation gain	-	(0.3)	(0.2)	(0.1)	(0.6)
At 31 December 2019	**32.7**	**20.7**	**5.2**	**2.8**	**61.4**
Current	**32.7**	**16.8**	**3.3**	**2.4**	**55.2**
Non-current	**-**	**3.9**	**1.9**	**0.4**	**6.2**
	32.7	**20.7**	**5.2**	**2.8**	**61.4**

	Insurance £m	Legal and employee related £m	Property and equipment £m	Other £m	Group £m
At 31 December 2017	18.3	12.3	6.0	5.3	41.9
Provided/(released) during year	12.3	17.8	1.5	(1.8)	29.8
Utilised during year	(4.5)	(7.2)	(2.6)	(0.2)	(14.5)
Reclassifications	-	3.4	0.2	(2.2)	1.4
Subsidiaries sold	-	-	(0.2)	-	(0.2)
Currency translation loss	0.9	0.5	-	0.1	1.5
At 31 December 2018	27.0	26.8	4.9	1.2	59.9
Current	27.0	19.5	2.1	0.7	49.3
Non-current	-	7.3	2.8	0.5	10.6
	27.0	26.8	4.9	1.2	59.9

In the current year £3.1m of legal provisions were reclassified to payables following agreement of the settlement liability. Reimbursement receivable assets of £34.4m relating to insurance and legal provisions are included in other receivables in Note 8.

Legal and employee related provisions include amounts in respect of claims for costs likely to be incurred in relation to pre-acquisition ASIG customer and employee claims and the cost of settling workers' compensation claims in the USA. The timing and amount of these liabilities is uncertain and is based on estimates using available information on the claims and historical experience of similar claims.

13. Leasing

As lessee, the Group leases various offices, warehouses, ground handling equipment and vehicles. Lease contracts are typically entered into for fixed periods of one to ten years but may have break options or extension options as set out below. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the short term lease and low value assets recognition exemptions for these leases.

Note 1 sets out the impact of adopting the new standard IFRS 16 Leases under the modified retrospective approach on 1 January 2019. Note 7 sets out the carrying amounts of right of use assets recognised and the movements during the year. Note 9 and Note 11 set out the carrying amounts of lease liabilities and the movements during the year. The maturity profile of the Group's lease liabilities based on contractual undiscounted payments are set out in Note 9 along with the currency and interest rate profile. Cash outflows relating to both capitalised and non-capitalised leases were £102.5m.

The following are the lease related amounts recognised in in the Income Statement.

	Note	**2019 £m**
Depreciation charge of right of use assets	7	**62.0**
Interest charge on lease liabilities		**7.6**
Expense relating to short term leases		**22.8**
		92.4

The Group has lease commitments relating to non-lease components of contracts as well as short term leases where the exemption from capitalisation has been utilised. Future aggregate minimum lease commitments under non-capitalised leases are set out below.

	2019 £m
Within one year	**18.7**
Between one and two years	**14.7**
Between two and three years	**14.6**
Between three and four years	**4.2**
Between four and five years	**0.2**
After five years	**0.1**
	52.5

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

As lessor, the Group has entered into one operating lease consisting of one floor of an office building. Rental income recognised by the Group during the year was £0.2m. Future minimum rentals receivable under the non-cancellable operating lease as at 31 December 2019 are £0.3m within one year and £0.8m between two and five years. This subleased asset is disclosed separately in Note 7.

The Group recognised profits of £1.4m relating to the sale and leaseback of property, a portion of which is subleased as set out above.

14. Retirement Benefit Obligation

Defined benefit scheme

The principal Group-funded defined benefit pension scheme is the Menzies Pension Fund (the Fund) in the United Kingdom. The Fund closed to future accrual in March 2017.

The components of the actuarial gain in the consolidated Statement of Comprehensive Income is set out below.

	2019 £m	2018 £m
Returns on assets excluding interest income	**36.9**	(16.7)
Changes in demographic assumptions	**2.7**	2.1
Changes in financial assumptions	**(39.1)**	17.4
Experience	**1.5**	0.3
Actuarial gain	**2.0**	3.1

Changes in Fund assets and defined benefit obligation

	2019 £m	2018 £m
Fair value of assets at start of year	**305.0**	309.9
Interest income	**8.5**	7.9
Returns on assets excluding interest income	**36.9**	(16.7)
Company contributions	**12.1**	23.6
Benefits and expenses paid	**(19.7)**	(19.7)
Fair value of assets at end of year	**342.8**	305.0
Return on scheme assets including interest income	**45.4**	(8.8)

	2019 £m	2018 £m
Defined benefit obligation at start of year	**323.0**	352.4
Administrative and service cost	**1.0**	1.4
Interest cost	**8.9**	8.7
Benefits and expenses paid	**(19.7)**	(19.7)
Changes in demographic assumptions	**(2.7)**	(2.1)
Changes in financial assumptions	**39.1**	(17.4)
Experience	**(1.5)**	(0.3)
Defined benefit obligation at end of year	**348.1**	323.0

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

	2019			2018		
	Quoted £m	**Unquoted[(i)] £m**	**Total £m**	Quoted £m	Unquoted[(i)] £m	Total £m
Equities	**89.2**	**-**	**89.2**	74.6	-	74.6
Bonds	**100.3**	**-**	**100.3**	90.7	-	90.7
Investment funds	**8.0**	**40.4**	**48.4**	6.6	38.3	44.9
Liability driven investment funds	**-**	**57.4**	**57.4**	-	57.2	57.2
Property	**-**	**24.1**	**24.1**	-	24.4	24.4
Annuity contracts[(ii)]	**-**	**5.0**	**5.0**	-	4.9	4.9
Cash	**18.4**	**-**	**18.4**	8.3	-	8.3
Assets	**215.9**	**126.9**	**342.8**	180.2	124.8	305.0
Defined benefit obligation			**(348.1)**			(323.0)
Recognised in Balance Sheet			**(5.3)**			(18.0)
Related deferred tax asset			**0.9**			3.1
Net retirement obligation			**(4.4)**			(14.9)

Notes:
(i) The valuations of unquoted assets have been determined by reference to appropriate manager valuation reports.
(ii) The Fund holds annuity contracts in respect of a number of members that provide cash flows to the Fund that match the benefit payments to these members.

Outlook

The triennial valuation process in which the Trustee and the Company agree the long term funding strategy was concluded for 31 March 2018 and a schedule of contributions agreed and dated 29 November 2018. The schedule of contributions sets out the additional contributions required to meet the funding shortfall between the value of the Fund's assets and liabilities. The additional contributions have been agreed as monthly contributions totalling £9.4m per annum rising with the higher of the UK retail price index or the annual percentage change in dividends beginning in December 2018 and continuing to the year ended 31 March 2026. The Company and the Trustee have agreed that reasonable adjustment be made for the impact of any equity raising or change in equity, recognising the actual percentage increase in dividend per share.

The value of the net liabilities of the fund at 31 March 2018 as measured on the Trustee's technical provisions basis was approximately £73m and the funding level, being the ratio of assets to liabilities measured on the technical provisions basis was 80%. The Company and the Trustee have agreed that the schedule of contributions may be revised should the funding level reach 98% following any quarter end before 31 March 2026. The purpose of any revision would be to ensure that contributions are sufficient to reach 100% by 31 March 2026 without the possibility of overfunding at that time. The next triennial valuation of the Fund will be effective as at 31 March 2021.

The Company expects to contribute around £10.3m (2018: £12.1m) to the Fund during the year to 31 December 2020.

15. Acquisitions

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

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

On 14 June 2019 the Group acquired the trade and assets of Rendezvous Executive Lounge. The business provides executive lounge services at Isle of Man airport. The acquisition expands our offering in the Isle of Man into executive services and will complement the Group's existing ground handling operations at the airport. These financial statements include the impact of six months' trading results.

On 31 July 2019 the Group acquired 100% of the share capital of GTO Global Logistics Inc. The business is a Canadian based logistics wholesaler in Vancouver. The acquisition expands our footprint in North America and the enables the Group to offer a complete range of international transportation and customs brokerage services in Canada. These financial statements include the impact of five months' trading results relating to this acquisition.

On 1 September 2019 the Group acquired a controlling 51% share of PT Mitra Adira Utama. The business is an Indonesian cargo handler in Jakarta. The acquisition supports the potential growth of the existing Indonesian ground handling operations and enables combined cargo and ground handling contracts to be negotiated. These financial statements include the impact of four months' trading results.

On 1 December 2019 the Group acquired the remaining 50% share of AMI Asia HK Ltd. The business provides cargo forwarding services in Hong Kong and this step acquisition enables the Group to realise the benefits of control. These financial statements include the impact of one months' trading results.

There were no acquisitions in the prior year although deferred consideration and business start-up payments of £1.0m were cash settled. In addition, there were £20.2m of advance cash payments and funding for the Airline Services business as set out below.

	Airline Services £m	**Hamilton Aero Maintenance Ltd £m**	**Rendezvous Executive Lounge £m**	**GTO Global Logistics Inc £m**	**PT Mitra Adira Utama £m**	**AMI Asia HK Ltd £m**	**2019 £m**
Purchase consideration:							
Cash paid(i)	**14.4**	**2.4**	**0.5**	**1.4**	**2.3**	**-**	**21.0**
Trading and working capital funding to date of completion	**6.1**	**-**	**-**	**-**	**-**	**-**	**6.1**
Working capital adjustment	**-**	**-**	**-**	**0.1**	**-**	**0.1**	**0.2**
Fair value of existing equity interest in associate(ii)	**-**	**0.6**	**-**	**-**	**-**	**0.2**	**0.8**
Deferred consideration(iii)	**-**	**-**	**-**	**0.2**	**-**	**-**	**0.2**
	20.5	**3.0**	**0.5**	**1.7**	**2.3**	**0.3**	**28.3**
Less: non-controlling interest acquired at fair value	**-**	**-**	**-**	**-**	**(2.2)**	**-**	**(2.2)**
Less: fair value of net assets acquired	**6.0**	**1.0**	**0.2**	**0.5**	**2.0**	**0.3**	**10.0**
Goodwill	**14.5**	**2.0**	**0.3**	**1.2**	**2.5**	**-**	**20.5**

Notes:

(i) An advance payment of £14.4m cash along with £5.8m trade and working capital funding totalling £20.2m was paid in the prior year relating to the acquisition of the trade and assets of Airline Services. In the current year £0.3m was invested taking the total trading and working capital funding to £6.1m as set out above. Cash invested in other acquisitions was £6.6m as set out above. In addition, £0.3m was paid for contingent consideration relating to the historic acquisition of Gold Coast Air Terminal Services Pty Ltd which was cash settled in March 2019. Total cash invested during the year was £7.2m.

(ii) The process of fair valuing the existing equity interest in Hamilton Aero Maintenance Ltd resulted in an exceptional gain of £0.1m and was included in transaction related items set out in Note 3. No adjustment was required for AMI Asia HK Ltd.

(iii) The deferred consideration recognised relating to the acquisition of GTO Global Logistics is based on the future profitability of the business. As set out in Note 9 the maximum amount payable is £0.4m and the minimum amount payable £Nil. As part of the acquisition accounting process the amount provided as deferred consideration was £0.2m.

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

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

	Airline Services £m	Hamilton Aero Maintenance Ltd £m	Rendezvous Executive Lounge £m	GTO Global Logistics Inc £m	PT Mitra Adira Utama £m	AMI Asia HK Ltd £m	2019 £m
Intangible assets – contracts and customer relationships	**2.3**	**1.0**	**0.2**	**0.3**	**2.4**	**-**	**6.2**
Other investments	**-**	**0.1**	**-**	**-**	**0.1**	**-**	**0.2**
Deferred tax assets	**-**	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Property, plant and equipment	**6.4**	**0.5**	**0.1**	**-**	**-**	**-**	**7.0**
Inventory	**1.4**	**0.2**	**-**	**-**	**-**	**-**	**1.6**
Trade and other receivables	**5.3**	**0.4**	**-**	**0.2**	**1.6**	**0.2**	**7.7**
Cash	**-**	**-**	**-**	**-**	**0.2**	**0.2**	**0.4**
Current borrowings	**(0.7)**	**(0.2)**	**-**	**-**	**-**	**-**	**(0.9)**
Trade and other payables	**(3.7)**	**(0.5)**	**-**	**-**	**(1.6)**	**(0.1)**	**(5.9)**
Provisions	**(3.2)**	**-**	**-**	**-**	**-**	**-**	**(3.2)**
Non-current borrowings	**(1.4)**	**(0.3)**	**(0.1)**	**-**	**-**	**-**	**(1.8)**
Non-current payables	**-**	**-**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Deferred tax liability	**(0.4)**	**(0.3)**	**-**	**-**	**(0.6)**	**-**	**(1.3)**
Net assets acquired at fair value	**6.0**	**1.0**	**0.2**	**0.5**	**2.0**	**0.3**	**10.0**

Current assets acquired with Airline Services included £4.7m of trade receivables at fair value, the gross amount acquired. Current assets acquired with PT Mitra Adira Utama included £0.8m of trade receivables at fair value, the gross amount acquired. Current assets acquired with other acquisitions included £0.9m of trade receivables at fair value, the gross amount acquired. The fair values of the net assets of GTO Global Logistics, PT Mitra Adira Utama and AMI Asia HK remain provisional pending the formal completion of the valuation process.

Airline Services contributed £36.7m revenue and a loss before taxation excluding integration exceptionals of £0.2m. The other acquired businesses contributed £4.7m revenue and £0.4m profit before taxation excluding the profit contributed from Hamilton Aero Maintenance Ltd as an associate undertaking and AMI Asia HK Ltd as a joint venture undertaking. If the businesses had been acquired on 1 January 2019, Group revenue and profit before taxation excluding integration exceptionals would have been £1,331.1m and £18.1m, respectively. Integration costs of £3.3m were incurred relating to the Airline Services business and transaction fees relating to all acquisitions of £0.2m were incurred and expensed during the year.

16. Related Party Transactions

During the year the Group transacted with related parties in the normal course of business and on an arm's length basis. These sales to and from related parties are made at normal market prices and details are set out below.

Related party	Group share holding %	**Sales to related party 2019 £m**	**Amounts owed by related party at 31 December 2019 £m**	Sales to related party 2018 £m	Amounts owed by related party at 31 December 2018 £m
Menzies Macau Airport Services Ltd	29	**0.5**	**0.1**	0.3	0.1
Menzies Bobba Ground Handling Services Private Ltd	51	**-**	**-**	0.1	-
Menzies Aviation Bobba (Bangalore) Private Ltd	49	**0.1**	**0.1**	0.1	-

Key Management personnel include individuals who are Directors of the Company and those having authority and responsibility for planning, directing and controlling activities of the business as disclosed in the segmental analysis. Remuneration of key Management personnel is set out below.

	2019 £m	2018 £m
Short term employee benefits	**2.6**	5.3
Post-employment pension and medical benefits	**0.4**	0.4
Termination benefits	**0.6**	-
Share-based payments	**0.8**	1.6
	4.4	7.3

17. Discontinued Operations

In the prior year the Group disposed of Menzies Distribution Ltd and its subsidiaries to Endless LLP on 4 September 2018.

In the current year an exceptional gain of £1.7m has been recognised as set out below.

Results of discontinued operations

	2019 £m	Before exceptional and other items £m	Exceptional and other items £m	2018[i] £m
Revenue	**-**	789.5	-	789.5
Net operating costs	**1.7**	(772.4)	(3.3)	(775.7)
Operating profit/(loss)	**1.7**	17.1	(3.3)	13.8
Analysed as:				
Underlying operating profit[ii]	**-**	17.1	-	17.1
Exceptional items – transaction related[iii]	**1.7**	-	(2.4)	(2.4)
Acquired intangible asset amortisation	**-**	-	(0.9)	(0.9)
Operating profit/(loss)	**1.7**	17.1	(3.3)	13.8
Other finance charge - pensions	**-**	(0.1)	-	(0.1)
Profit/(loss) before taxation	**1.7**	17.0	(3.3)	13.7
Taxation	**-**	(3.4)	0.1	(3.3)
Profit/(loss) for the year	**1.7**	13.6	(3.2)	10.4
Loss on disposal of discontinued operations after tax[iv]	**-**	-	(28.3)	(28.3)
Profit/(loss) for the year from discontinued operations	**1.7**	13.6	(31.5)	(17.9)

Notes:
(i) Comparatives have not been restated for the adoption of IFRS 16 Leases.
(ii) Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract, customer relationship and brand intangibles and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.
(iii) Transaction related items relate to the £1.8m increased consideration received in respect of the disposal of the Menzies Distribution business in the prior year following an exercise to finalise certain information regarding the members of part of the Menzies Pension Fund disposed of with the transaction. Other items include the reassessment of warranty claim provisions of £1.3m and the write off of computer software assets £1.4m. In the prior year £2.4m of transaction related costs related to separation costs incurred subsequent to the disposal of the Distribution business.
(iv) The post-tax loss on disposal of discontinued operations in the prior year was determined as set out below.

	2018 £m
Consideration received including cash of £51.2m	56.2
Less: net assets disposed	
Intangibles	(43.7)
Property, plant and equipment	(27.0)
Deferred tax asset	(1.1)
Inventories	(17.1)
Trade receivables	(102.6)
Cash	(5.9)
Trade payables	112.9
Current income tax liabilities	0.8
Provisions	0.2
Retirement benefit obligation	13.0
	(70.5)
Costs of disposal	(13.6)
Loss on disposal of discontinued operations	(27.9)
Taxation	(0.4)
Loss on disposal of a discontinued operations after tax	(28.3)

Tax effect of exceptional items

The taxation effect of the exceptional items is £Nil (2018: net charge of £0.4m).

18. Events after the Reporting Period

On 27 February 2020 the Group announced that the outbreak and continued spread of COVID-19 (coronavirus) is having a direct impact on the operations of the Group. This impact has been at its greatest within the operations in Macau and where Chinese carriers are handled across the network. The situation is still evolving, and the Group only has limited visibility of what flight schedules are being impacted into March and beyond, so it is difficult to assess how extensive the impact could be at the date of signing of the Annual Report and Accounts 2019 on 10 March 2020. The Board currently estimate that there is likely to be an adverse profit impact in 2020 of approximately £6m-£9m on the assumption that the impact of the virus subsides towards the end of the first half of the year. Wherever possible mitigation actions have been put in place along with a tight control on costs and expenditure.

19. Annual Report and Accounts

The figures used in this statement, which was approved by the Directors on 10 March 2020, are not the Group’s statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the year, but are taken from those accounts. The Auditor’s report on the statutory accounts was unqualified and did not contain a statement under section 428 (4(f)) of the Companies Act 2006.

The Annual Report and Accounts will be available on 7 April 2020 and the Annual General Meeting will be held at the InterContinental Edinburgh, The George, 19-21 George Street, Edinburgh, EH2 2PB on Friday 15 May 2020 at 2:00 p.m. Statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies and those for the year to 31 December 2019 will be delivered following the Company’s Annual General Meeting.