John Menzies plc - 2018 Final Results Announcement

12 March 2019

John Menzies plc

Full Year Results for the year ended 31 December 2018

Financial Summary

	2018		2017
	Reported	**Constant currency**[6]	Reported[1]
Continuing operations[1]			
Revenue	£1,291.0m	£1,318.2m	£1,273.6m
Underlying operating profit[2]	£55.1m	£57.4m	£53.1m
Operating profit	£34.0m	---	£22.4m
Underlying profit before taxation[3]	£44.1m	£46.4m	£42.3m
Profit before tax	£21.6m	---	£9.9m
Underlying earnings per share[4]	37.6p	40.4p	33.7p
Basic earnings per share	14.6p	---	0.1p
Including discontinued operations			
Operating cash flow[5]	£94.9m	---	£109.9m
Basic (loss)/earnings per share	(6.8)p	---	15.1p
Dividend per share	20.5p	---	20.5p

Overview

- Aviation pure play business created following the completion of strategic re-alignment
- Underlying operating profit for continuing business £55.1m, up 8% in constant currency
- Underlying earnings per share for continuing business 37.6p, up 20% in constant currency
- Exceptional items for continuing business were £13.5m including spend for transactions, the completion of the ASIG integration and legal and warranty claims related to the ASIG acquisition
- Menzies Aviation delivered a resilient performance despite some challenging markets
- Strong customer relationships and service excellence support a very strong contract renewal performance
- Menzies Distribution sold for an enterprise value of £74.5m
- Full year dividend in line with previous year at 20.5p

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

"I am pleased to report further progress with our aviation business.

"We continue to deliver against our excellence manifesto which will drive a differential between ourselves and others. Our industry is evolving and positioning ourselves as an airlines logistics services partner of choice will help us to grow our business.

"As I look forward I continue to see clear opportunities to sensibly grow. We have strong management teams and excellent systems and processes that will allow us to deliver service excellence and sustainable earnings growth."

Notes:

1. 2017 results for the continuing operations have been restated to exclude the results of Menzies Distribution Ltd and its associated subsidiaries that were disposed of on 4 September 2018.
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, pension and share based payments, and movements in working capital and provisions.
6. 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.

Notes to Editors:

John Menzies plc is a leading aviation services business with a network spanning six continents. The company was established in 1833 and is headquartered in Edinburgh. Its main business is Menzies Aviation.

Menzies Aviation aims to be an airline's essential services provider of choice by providing a high quality, time critical and industry leading service. Menzies Aviation is a leading global provider of passenger, ramp and cargo services. Menzies Aviation operates at 212 airports in 36 countries, supported by a team of some 32,000 highly trained people.

Each year Menzies Aviation serves over 500 customers, handling 1.3 million flights, 1.6 million tonnes of cargo and fuelling 3.9 million turnarounds. Customers include Air Canada, Air France-KLM, American Airlines, Cathay Pacific, Delta Air Lines, easyJet, IAG, Lufthansa, Norwegian, United Airlines and WestJet. Best in class safety and security is the number one priority each day and every day.

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Chairman's Statement – Dr Dermot F Smurfit

2018 was another significant year of progress for the Group.

On 4 September 2018 we celebrated a landmark day in the history of John Menzies plc with the divestment of Menzies Distribution achieving our exit from the distribution of print media and the creation of a pure play aviation services business. Our Group has been in business since 1833 and we are very proud of our heritage. By delivering this strategic objective we are now pursuing the next stage of the Group's evolution and I believe that by positioning ourselves in the attractive, structurally growing aviation services market we are well placed to grow and deliver returns for our shareholders.

During the year we have continued to expand, opening in 13 new airports and deepened our product density. We also continued the investment in our systems and people to ensure we have a solid platform for growth as we develop a market leading aviation services business.

We remain committed to pursuing our Excellence Manifesto. We aim to become the undisputed premium brand in the aviation services sector. In doing so we will set the highest standards for safety, security and performance. We will offer the deepest combination of service portfolio and geography and we will deploy the most sophisticated technical solutions. Underpinning all of this is our people, they are at the heart of everything we do, and we have a structured people agenda that allows us to attract, retain and develop each of our 32,000 employees.

Aligned with our Excellence Manifesto and as published in our Interim Results in August 2018, we also remain committed to the following principles:

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

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

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

Board Changes

During the year Geoff Eaton intimated his intention to step down at this year's Annual General Meeting in May 2019. I would like to thank Geoff for the contribution he has made to the Board. Following the announcement of this change David Garman assumed responsibilities for the Remuneration Committee and Philipp Joeinig took over as Chairman of the Nomination Committee. Both changes became effective on 1 January 2019. At this time it is my view that the Board is appropriately constituted, with the right mix of skills and strengths and whilst we will keep the structure and composition of the Board under review we will not be adding to the Board in the short term.

Employees

Our greatest asset is our people. We have 32,000 employees globally and I would like to thank them for their efforts during 2018. Staff recruitment and retention is a major focus, and we continue to invest in our people and the processes that they operate to ensure our industry leading position is maintained.

Outlook

On 17 January we were able to take full control of Airline Services following clearance from the UK Competition and Markets Authority. Integration is progressing well with synergy benefits being realised. Commercially we will look to leverage the deeper customer offering this business brings to win new business and bolster our UK operations.

Recent commercial successes include an award by Korean Airlines to handle their flights into our operations in Auckland, New Zealand building on the very positive growth across the country in 2018 and we have also expanded our relationship with World Fuel Services who have awarded us fuel facility management and into-plane fuelling business in Toulouse and Lyon. This expansion, which began during 2018, now brings our portfolio of business from World Fuels in France to five airports.

Overall trading in the first two months has been tempered by soft cargo volumes and continuing difficult labour markets in North America. Despite this, and given the opportunities ahead of us, we still remain positive about the remainder of 2019.

Looking forward, our medium term outlook remains very strong with excellent market dynamics and significant opportunities for growth.

Overview

During 2018 we delivered on our strategic objectives. Key to this plan was the disposal of our Distribution business on 4 September. This created a global pure play aviation services business with strong growth ambitions that operates in a structural growth market.

Our overall aim is to be recognised as the premium brand in our market place, delivering service excellence with the highest levels of safety and security. We will deliver this by deploying innovative system solutions, standardising processes and most importantly by investing in our biggest asset, our people.

Today we are a leading player in the aviation services market with leading positions in ground handling and into-plane fuelling. Globally we operate at over 200 airports, in 36 countries for over 500 airline customers with 32,000 employees.

As a management team we are very excited by the opportunity that exists. We operate in a growing market but we are also benefitting from an increasing addressable market, driven by both low cost carriers continuing to grow market share and from more traditional airlines looking to optimise their cost base by outsourcing ground services. In our two largest product categories, ground handling and into-plane fuelling, we see significant opportunity with aircraft traffic projected to grow by 4.7% per year and the world's aircraft fleet expected to grow by 3% annually through to 2037.

Our stated strategy is outlined in the Chairman's statement and we will seek to deliver this by leveraging our existing customer relationships to enter into new airports and markets. Our primary focus is on organic growth which we can deliver by continuing to win more contracts, by grasping cross selling opportunities, particularly in North America, where we have overlapping products and by the strategic targeting of contracts and customers. We will do this in a disciplined manner with strict contracting governance and focus on sustainable returns. We are very focused on our margins and have continual programmes in our existing operations to improve returns wherever possible whether this be through product density or increased productivity.

Our industry is continuing to grow and evolve and we will continue to put ourselves at the forefront of this development as we strive to be the logistics partner of choice for our airline and fuels customers. Airlines have a need for safe and secure on-time departure; aircraft types are changing with the introduction of carbon fibre composite fuselages and new generation engines that allow far greater distances to be flown by smaller aircraft. These new developments place a premium on service excellence from ground handling providers. Well-invested players with a focus on innovation, system deployment and first class safety records will continue to grow market share and we believe that, with our proven safety record and focus on service excellence, we are very well placed to continue to prosper.

Group Performance Review

Group performance in 2018 improved with underlying operating profit from continuing operations up 4% (8% in constant currency) and underlying profit before tax up 4% (10% in constant currency). The improvement was particularly a result of increased cargo tonnage, an extra month of ASIG trading and realisation of synergies, strong de-icing performance in EMEA and increased cargo forwarding volumes. The Group reported a profit before tax from continuing operations of £21.6m (2017: £9.9m) with stronger trading profit further enhanced by the non-recurrence of 2017 exceptional costs relating to the ASIG acquisition and integration.

The integration of the fuelling and the ground handling business acquired with ASIG in 2017 has now been completed with synergies delivered ahead of target. Contract win momentum continued with revenue at constant currency up 4% year on year, and we continue to benefit from a focus on margin control with the renewal of key contracts at increased pricing to mitigate higher staff costs. We continue to invest in people, processes and technology to drive further benefits.

The Group's revenue from continuing operations was £1,291.0m (2017: £1,273.6m). Continuing underlying profit before tax grew to £44.1m (2017: £42.3m) up 10% before the impact of foreign currency translation. Continuing profit before tax was £21.6m (2017: £9.9m). Continuing underlying earnings per share rose to 37.6p (2017: 33.7p).

The underlying post-tax profit for the year from the discontinued Distribution operations prior to their disposal on 4 September 2018 was £13.6m (2017: £19.6m for 12 months), offset by exceptional and other items of £31.5m being the loss on disposal and related transaction and separation costs.

Menzies Aviation – Business Review

2018 was another year of progress for our aviation business with underlying operating profit at £55.1m up 8% in constant currency. Overall, this represents a very resilient performance with results in line with expectations despite challenging markets, most notably in North America where previously highlighted labour shortages impacted the cost base and operational performance.

Our focus on customer relationships and service excellence was recognised by a strong contract renewal performance with 276 contracts renewed representing £152m of annualised revenue. Importantly overall contract renewals enhanced margin. Contract win momentum continued with 98 net new contracts delivering profit growth. Revenue growth was adversely impacted by some contract losses and the exiting of uneconomic contracts that had large revenue contributions. We continue to focus on matching risk with reward, and price new business and renewals at sustainable rates. This inevitably led to the loss of some older contracts that were held at uneconomic rates.

Across the network ground handling turns decreased as a result of exclusive licence losses in Panama and the Dominican Republic together with the exiting of some large contracts and the prior year impact of Hurricane Irma on our operations in St Maarten. Into-plane fuelling volumes delivered strong growth with absolute turns up 7% to 3.9 million. This was a result of underlying market growth and an additional month's trading from ASIG. Cargo handling had an excellent year with like for like tonnes up 3% resulting from market growth and contract wins, particularly in the USA and Australia.

Our ongoing investments into service excellence continued. A roll out plan to place telematics on all motorised equipment continues and is delivering real benefits. Benefits are not only financial but also include greater fleet management and safety as our system is linked to our training records which therefore prevents those not trained to use a piece of equipment from using it. We continue to innovate within the fuels business where standard industry processes are largely paper based and successful trials in North America have given us systems that will allow us to automate many processes that will deliver bottom line benefits to ourselves and our customers.

Americas

The Americas region experienced a challenging year with labour shortages in North America impacting the cost base and operational performance. Whilst we expect some of these challenges to continue the business has made significant progress in re-pricing contracts and accelerating our people agenda to help recruit and retain staff.

During the year our into-plane fuelling business continued to perform strongly. Contract renewals were excellent, reflecting the strong service provision and our moves to automate many processes. We renewed contracts with three major USA based carriers at 35 locations, securing £39m of revenue at an improved margin.

During the year we ceased to operate exclusive licences for into-plane fuelling in Panama and ground handling at two airports in the Dominican Republic. The loss of these profitable licences was disappointing.

Overall commercial activity was strong in what remains a significant growth market where we have many opportunities to grow. As a portfolio business there were contracts lost that we would have chosen to keep but we also had significant contract wins, notably Sunwing in Toronto where we will handle 4,600 flights per annum in their largest hub and Air China in Los Angeles which added to our portfolio of Chinese carriers across the network.

Europe, Middle East & Africa
Overall the region performed very strongly. In particular, Continental Europe had an excellent year winning and renewing contracts. Our strong relationship with easyJet in Continental Europe continued with the renewal of our contract in Amsterdam, one of its largest bases in the region, together with new contract awards in Gothenburg and Oslo. In October we commenced handling Czech Airlines in Prague their home airport. This is a significant hub operation operating 15,000 flights per annum. This added to the business of Travel Service, the parent company of Czech Airlines, who are already a customer and demonstrates our investments into key account management and our ability to leverage existing relationships to develop new organic business at existing locations.

The UK ground handling business, which represents less than 15% of continuing Group revenue, continued to be challenged. Operations at London Heathrow and London Gatwick performed strongly but performance outside these major hubs was disappointing as we continue to re-position the business as uneconomic contracts unwind and we right-size operations aligning ourselves to contracts where risk and reward are matched. On 14 December 2018 we were pleased to be given provisional clearance for the acquisition of the trade and assets of Airline Services Limited which was subsequently given full clearance on 17 January 2019. Whilst we were frustrated by the process and the delay this caused to our ability to run the business, raise standards and drive out the deal synergies, we are now pleased that this process has begun and we will incorporate Airline Services into the Menzies family.

Within our fuels business we continued to develop the business outside the UK adding four locations in France where we will provide fuel farm management together with into-plane fuelling operations on behalf of World Fuel Services. Performance during the year in these new airports has been good. We see collaboration with major industry players such as World Fuels as a significant avenue to grow the business throughout Continental Europe and we look forward to further progress during 2019.

Operations in Hyderabad, India ceased during the year following the completion of our highly successful joint venture. Our partner, GMR, exercised their call option after ten years, and we leave after having received market value for our proportion of the business.

Rest of World
Performance in the region was excellent. Significant contract wins at improved yields more than made up for cargo handling shortfalls created by a prior year contract loss.

Cargo handling performance, which is a significant contributor within the region, was strong. Within the ground handling business we were delighted to win the business of Singapore Airlines in Sydney. Operations started in October with 1,800 flights per annum and this award builds on our existing relationships in five other cities in the region. In New Zealand, our operations in Auckland continued to prosper with excellent new contracts. We are also developing strong relationships with Chinese carriers across the region and we will look to build on this going forward.

Operations were opened in Jakarta, Indonesia in September. Whilst the start-up operation is modest we believe there are real opportunities to grow the business locally and will look for further expansion during 2019.

Cargo Forwarding – Air Menzies International (AMI)
AMI had a record year in 2018 increasing revenue by 9% in constant currency and continuing to grow the bottom line. New management continue to energise the business and are working on plans to synergise the regional business units and upgrade the operating platform which will leave the business in a stronger position from which to grow.

Strong volumes, particularly in Australia and the UK, boosted the full year outturn as the business benefited from a generally strong year for the cargo forwarding market. Good business relationships in China and the Far East were developed and the potential to grow the business through bolt-on acquisitions is evident.

Financial Overview

Exceptional Items in Operating Profit
Exceptional items in continuing operating profit of £13.5m include acquisition and transaction costs (£2.9m) and costs to complete the integration of the ASIG acquisition (£2.1m). Also included are warranty and claim costs (£6.7m), which comprise the increase in provision for identified items relating to ASIG that occurred prior to the Group's ownership and are expected to become payable. These costs are stated before the expected recovery of these costs from the vendor under warranty and indemnity undertakings given in the sale and purchase agreement. Other items comprise the write-down in the investment in a joint venture (£3.7m) and the ongoing de-risking costs of the UK defined benefit pension scheme (£0.2m), partly offset by gains on disposal of property (£2.0m).

Finance Costs
The continuing underlying net finance charge was £11.0m (2017: £10.8m) in line with the prior year.

Taxation
As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. The Group's continuing underlying tax charge for the period was £12.4m (2017: £14.8m) representing an effective underlying tax rate of 28% (2017: 35%).

Earnings Per Share
The Group's underlying earnings per share for continuing operations was 37.6p (2017: 33.7p) as a result of the increase in underlying profits and the lower tax rate. The corresponding basic earnings per share was 14.6p (2017: 0.1p) benefitting from the reduction in non-recurring items compared with the prior year.

Defined Benefit Retirement Obligation
The reported defined benefit retirement obligation in the UK has reduced by £31.5m since December 2017 to £18.0m. As reported in 2017 the pension scheme was split into two sections ahead of the planned disposal of the Distribution business with Section B to be funded by the Distribution business and Section A to be funded by the continuing business. The reduction in deficit in 2018 is a result of the transfer of £7.0m of Section B as part of the disposal of the Distribution business, additional cash injected following the disposal and sale of related properties (£12.5m), ongoing deficit contributions (£11.3m) and the impact of higher discount rates (£17.4m), partly offset by the year end downwards revaluation of pension scheme assets (£16.7m) due to weaker equity markets.

Investments and Cash Flow
Investments by the Group in the period of £22.4m include amounts included in sundry receivables incurred ahead of the acquisition of the trade and assets of Airline Services. The Group intended to account for this transaction as an acquisition from the closing date on 4 April 2018 as the clearance of the transaction by the UK competition authorities was expected to be routine. In the event, full clearance was not received until 17 January 2019 when restrictions on the Group's ability to control the business were removed. Airline Services will be accounted for as an acquisition from 17 January 2019 in the Annual Report and Accounts 2019. The prior year comparative in the Interim Results 2019 will be amended as a result.

Operating cash flow was £94.9m (2017: £109.9m), the reduction year on year driven predominantly from the ownership of Menzies Distribution for eight months in 2018. Working capital management remains a key focus for the business. Free cash flow was £52.1m (2017: £49.2m). Net capital expenditure was £17.3m (2017: £31.8m).

Debt and Facilities
The Group continues to operate on a sound financial footing with a robust balance sheet built from strong operating cash flows. At the year end, despite £10.5m adverse impact of foreign currency movements on the retranslation of the Group's US$250m term loan facility, net debt closed ahead of the prior year at £199.6m (2017: £214.4m).

The Group's net debt to EBITDA ratio was 2.4 times at 31 December 2018 (31 December 2017: 1.9 times) and interest cover was 5.2 times (2017: 8.3 times) both within covenanted levels. The reduction in headroom in the year reflects the exclusion of profits from discontinued operations. The Group had £345.3m of committed facilities at 31 December 2018 of which £91.0m were undrawn.

Impact of Foreign Currency Movements
The majority of the Group's operations are located outside the UK and account in currencies other than the Group's reporting currency. The Group hedges the sterling exposure of foreign currency denominated assets to manage the impact of currency movements in the Group's net assets using forward contracts. The translation of profits

from overseas trading entities is not hedged and as a result the movement of exchange rates impacts the Group's reported results. In 2018 the Group's profits were impacted by unfavourable exchange rate movements against the prior year, particularly with respect to sterling against the Australian and US dollars. The year on year impact of foreign currency movement on operating profit was a £2.3m reduction. As noted above net debt is also subject to foreign currency movements on the US$250m term loan facility.

Discontinued Operations

The post-tax loss for the year from discontinued operations was £17.9m representing the profit after taxation for the eight months to 4 September 2018 of £10.4m (2017: £12.5m for 12 months), offset by the loss on disposal of £28.3m.

Dividend

As announced at the time of the sale of Menzies Distribution the Board intends to hold the total paid and proposed dividend for the year in line with the previous year. Therefore, the Board has proposed a final dividend of 14.5p per share, which is payable on 1 July 2019 to all shareholders on the register at 24 May 2019, bringing the total paid and proposed dividend for the year to 20.5p per ordinary share. Going forward the Board will look to have a progressive dividend policy with dividend cover between two and three times.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018 (year ended 31 December 2017)

	Notes	**Before exceptional and other items £m**	**Exceptional and other items £m**	**2018 £m**	Before exceptional and other items Restated (Note 1) £m	Exceptional and other items Restated (Note 1) £m	2017 Restated (Note 1) £m
Continuing operations							
Revenue	2	**1,291.0**	**-**	**1,291.0**	1,273.6	-	1,273.6
Net operating costs		**(1,244.0)**	**(19.8)**	**(1,263.8)**	(1,228.5)	(29.7)	(1,258.2)
Operating profit before joint ventures and associates		**47.0**	**(19.8)**	**27.2**	45.1	(29.7)	15.4
Share of post-tax results of joint ventures and associates		**8.1**	**(1.3)**	**6.8**	8.0	(1.0)	7.0
Operating profit	2	**55.1**	**(21.1)**	**34.0**	53.1	(30.7)	22.4
Analysed as:							
Underlying operating profit[(i)]		**55.1**	**-**	**55.1**	53.1	-	53.1
Non-recurring items – transaction related and integration	3	**-**	**(11.7)**	**(11.7)**	-	(18.5)	(18.5)
Non-recurring items – impairment, pension related and other	3	**-**	**(1.8)**	**(1.8)**	-	(4.1)	(4.1)
Acquired intangible asset amortisation	3	**-**	**(6.3)**	**(6.3)**	-	(7.1)	(7.1)
Share of joint ventures and associates interest		**-**	**0.7**	**0.7**	-	0.9	0.9
Share of joint ventures and associates tax		**-**	**(2.0)**	**(2.0)**	-	(1.9)	(1.9)
Operating profit		**55.1**	**(21.1)**	**34.0**	53.1	(30.7)	22.4
Finance income		**1.0**	**-**	**1.0**	1.2	-	1.2
Finance charges excluding retirement benefit obligation interest		**(11.2)**	**(1.4)**	**(12.6)**	(10.2)	(1.7)	(11.9)
Retirement benefit obligation interest		**(0.8)**	**-**	**(0.8)**	(1.8)	-	(1.8)
Profit before taxation		**44.1**	**(22.5)**	**21.6**	42.3	(32.4)	9.9
Taxation		**(12.4)**	**3.3**	**(9.1)**	(14.8)	4.4	(10.4)
Profit/(loss) for the year from continuing operations		**31.7**	**(19.2)**	**12.5**	27.5	(28.0)	(0.5)
Discontinued operations							
Profit/(loss) for the period from discontinued operations	15	**13.6**	**(31.5)**	**(17.9)**	19.6	(7.1)	12.5
Profit/(loss) for the year		**45.3**	**(50.7)**	**(5.4)**	47.1	(35.1)	12.0
Attributable to equity shareholders		**45.0**	**(50.7)**	**(5.7)**	47.7	(35.1)	12.6
Attributable to non-controlling interests		**0.3**	**-**	**0.3**	(0.6)	-	(0.6)
		45.3	**(50.7)**	**(5.4)**	47.1	(35.1)	12.0
Earnings per ordinary share							
Continuing operations							
Basic	5	**37.6p**	**(23.0)p**	**14.6p**	33.7p	(33.6)p	0.1p
Diluted	5	**37.5p**	**(22.9)p**	**14.6p**	33.6p	(33.5)p	0.1p
Continuing and discontinued operations							
Basic	5	**53.8p**	**(60.6)p**	**(6.8)p**	57.2p	(42.1)p	15.1p
Diluted	5	**53.7p**	**(60.5)p**	**(6.8)p**	57.0p	(41.9)p	15.1p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018 (year ended 31 December 2017)

	Notes	**2018 £m**	2017 Restated (Note 1) £m
(Loss)/profit for the year		**(5.4)**	12.0
Items that will not be reclassified subsequently to profit or loss			
Continuing operations:			
Actuarial gain on defined benefit retirement obligation	12	**3.1**	15.5
Actuarial loss on unfunded retirement benefit obligation		**(0.1)**	(0.1)
Income tax effect on defined benefit retirement obligation		**(0.5)**	(2.7)
Discontinued operations:			
Actuarial (loss)/gain on defined benefit retirement obligation	15	**(7.2)**	0.2
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		**0.6**	0.5
Income tax effect on cash flow hedges		**(0.1)**	(0.1)
Movement on net investment hedges		**0.4**	2.0
Income tax effect on net investment hedges		**(0.1)**	(0.4)
Exchange loss on translation of foreign currency net assets		**(4.3)**	(3.7)
Income tax effect of exchange loss on foreign currency net assets		**1.0**	0.7
Other comprehensive (loss)/income for the year		**(6.1)**	11.9
Total comprehensive (loss)/income for the year		**(11.5)**	23.9
Attributable to equity shareholders		**(11.8)**	24.5
Attributable to non-controlling interests		**0.3**	(0.6)
		(11.5)	23.9

CONSOLIDATED BALANCE SHEET
as at 31 December 2018 (31 December 2017)

	Notes	**2018 £m**	2017 Restated (Note 1) £m
Assets			
Non-current assets			
Intangible assets	6	**159.2**	203.7
Property, plant and equipment		**116.0**	155.6
Investments in joint ventures and associates		**19.3**	27.5
Other investments		**5.2**	0.2
Deferred tax assets		**23.2**	24.2
Derivative financial assets	8	**1.5**	0.9
		324.4	412.1
Current assets			
Inventories		**5.6**	20.9
Trade and other receivables	7	**359.0**	354.3
Derivative financial assets	8	**0.6**	1.1
Cash and cash equivalents	10	**78.0**	72.8
		443.2	449.1
Liabilities			
Current liabilities			
Borrowings	8	**(34.7)**	(5.1)
Derivative financial liabilities	8	**(0.5)**	(0.5)
Trade and other payables		**(290.5)**	(325.3)
Current income tax liabilities		**(11.6)**	(13.5)
Provisions	11	**(49.3)**	(39.4)
		(386.6)	(383.8)
Net current assets		**56.6**	65.3
Total assets less current liabilities		**381.0**	477.4
Non-current liabilities			
Borrowings	8	**(244.5)**	(283.6)
Other payables		**(3.7)**	(4.6)
Deferred tax liabilities		**(2.9)**	(4.7)
Provisions	11	**(10.6)**	(2.5)
Retirement benefit obligation	12	**(18.0)**	(49.5)
		(279.7)	(344.9)
Net assets		**101.3**	132.5
Ordinary shares		**21.1**	21.0
Share premium account		**23.1**	21.9
Treasury shares		**(2.6)**	(1.3)
Other reserves		**(8.1)**	(5.6)
Merger relief reserve		**67.3**	67.3
Retained earnings		**(17.2)**	11.4
Capital redemption reserve		**21.6**	21.6
Total shareholders' equity		**105.2**	136.3
Non-controlling interest in equity		**(3.9)**	(3.8)
Equity		**101.3**	132.5

The accounts were approved by the Board of Directors on 11 March 2019 and signed on its behalf by:

Dr Dermot F. Smurfit **Giles Wilson**

Company No. SC34970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2018 (31 December 2017)

	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 13)	-	-	-	-	-	-	-	-	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**

	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 2016	20.9	20.5	(1.6)	(4.6)	67.3	0.1	21.6	124.2	1.0	125.2
Profit/(loss) for the year	-	-	-	-	-	12.6	-	12.6	(0.6)	12.0
Other comprehensive (loss)/income	-	-	-	(1.0)	-	12.9	-	11.9	-	11.9
Total comprehensive (loss)/income	-	-	-	(1.0)	-	25.5	-	24.5	(0.6)	23.9
New share capital issued	0.1	1.4	-	-	-	-	-	1.5	-	1.5
Share-based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
Income tax effect of share-based payments	-	-	-	-	-	0.6	-	0.6	-	0.6
Subsidiaries acquired	-	-	-	-	-	-	-	-	(4.2)	(4.2)
Dividends paid (Note 4)	-	-	-	-	-	(15.9)	-	(15.9)	-	(15.9)
Disposal of Company's shares	-	-	0.3	-	-	(0.3)	-	-	-	-
At 31 December 2017	21.0	21.9	(1.3)	(5.6)	67.3	11.4	21.6	136.3	(3.8)	132.5

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018 (year ended 31 December 2017)

	Notes	**2018 £m**	2017 £m
Cash flows from operating activities			
Cash generated from operations	9	**54.9**	70.2
Interest received		**1.0**	1.2
Interest paid		**(11.8)**	(13.7)
Tax paid		**(15.3)**	(17.0)
Net cash flow from operating activities		**28.8**	40.7
Cash flows from investing activities			
Acquisitions	13	**(1.0)**	(171.3)
Advance payment for acquisition	7	**(20.2)**	-
Cash acquired with subsidiaries	13	**-**	12.9
Disposal of subsidiaries	15	**51.2**	-
Cash held by disposed subsidiaries	15	**(5.9)**	-
Investment in joint ventures	13	**(1.2)**	-
Disposal of joint venture		**6.3**	-
Purchase of property, plant and equipment		**(29.0)**	(29.8)
Intangible asset additions		**(3.2)**	(2.8)
Proceeds from sale of property, plant and equipment		**14.9**	0.8
Dividends received from equity accounted investments		**4.8**	6.3
Net cash flow from/(used in) investing activities		**16.7**	(183.9)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1.3**	1.5
Purchase of Company's shares		**(5.0)**	-
Proceeds from borrowings		**1.0**	293.4
Repayment of borrowings		**(41.7)**	(101.3)
Dividends paid to non-controlling interests		**(0.7)**	-
Dividends paid to ordinary shareholders	4	**(17.1)**	(15.9)
Net cash flow (used in)/from financing activities		**(62.2)**	177.7
(Decrease)/increase in net cash and cash equivalents		**(16.7)**	34.5
Effects of exchange rate movements		**0.3**	(1.7)
Opening net cash and cash equivalents(i)		**70.9**	38.1
Closing net cash and cash equivalents(i)	10	**54.5**	70.9

Note:
(i) Net cash and cash equivalents include cash at bank and in hand and bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Basis of preparation
These results are extracts of the consolidated financial statements, which have been prepared under the historical cost convention and in accordance with EU Endorsed International Financial Reporting Standards, 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. The accounting policies applied in these condensed consolidated financial statements are otherwise the same as those of the consolidated financial statements for the prior year ended 31 December 2017 except for the new accounting standards set out separately below.

During the current period, the Group disposed of Menzies Distribution Ltd and its subsidiaries on 4 September 2018. This business is therefore presented as a discontinued operation. As a result of this, these consolidated financial statements have been represented and restated where required as if operations discontinued during the current year had been discontinued from the start of the comparative year. Note 15 sets out the details and impact of discontinued operations.

The Group has restated the prior year comparatives to reclassify certain liabilities from accruals to provisions, largely in respect of the Group's insurance, legal and employee related claims to reflect the uncertain timing or amount and nature of these liabilities. The Group has comprehensive cover in respect of aviation motor, property and individual insurance claims. The Group previously measured insurance claim accruals based on the cost it expected to incur net of any amounts to be settled directly by insurers. Having reclassified these accruals as provisions the Group has adjusted its prior year Balance Sheet presentation to show its gross insurance claims in provisions and a reimbursement asset in receivables in respect of amounts recoverable from the insurers. This has resulted in an increase in other receivables in the prior year of £4.1m (2016: £2.3m), a corresponding increase in the insurance provision of £18.3m (2016: £15.5m) and a net reduction in accruals of £14.2m (2016: £13.2m) with no impact on the consolidated net assets or Income Statement in either year. Other liabilities of £5.3m (2016: £4.3m) have also been reclassified from accruals to provisions with no impact on the consolidated net assets or Income Statement in either year.

New accounting standards and amendments
Four new accounting standards and amendments are applicable for the first time in 2018. They have no material impact on the consolidated financial statements or the Group. These are:
IFRS 15 Revenue from Contracts with Customers - effective 1 January 2018
IFRS 9 Financial Instruments - effective 1 January 2018
IFRS 2 Classification and Measurement of Share Based Payment Transactions - effective 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration - effective 1 January 2018
Further details on IFRS 15 and IFRS 9 are set out below.

Standards and amendments to standards that have been issued that are applicable for the Group but are not effective for 2018 and have not been early adopted in these financial statements are:
IFRS 16 Leases - effective 1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments - effective 1 January 2019
Annual improvements to IFRS 2015-2017 cycle(i) - effective 1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement(i) - effective 1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures(i) - effective 1 January 2019
Amendment to IFRS 3 Business Combinations(i) - effective 1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material(i) - effective 1 January 2020

Note:
(i) Annual improvements 2015-2017, IAS 19 amendments, IAS 28 amendments, IFRS 3 amendment and IAS 1/IAS 8 amendments are not yet adopted for use in the European Union.

Standards and amendments that are not effective in 2018 will be adopted in accordance with their effective dates and for standards with a future effective date, the Group is in the process of assessing the likely impact and look to finalisation of the standards before formalising a view. The impact of IFRS 16 Leases has been assessed separately and is set out below.

IFRS 15 Revenue from Contracts with Customers

On 1 January 2018 the Group adopted IFRS 15 using the modified retrospective method. Results for reporting periods beginning on or after 1 January 2018 have and will be presented under IFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting under IAS 18. The Group has not identified any changes to revenue recognition practices under IFRS 15. The Group's continuing revenue is primarily based on fees for services.

The presentation of trade and other receivables and trade and other payables has been amended by the new standard. There is no impact on the measurement of the total balances recognised with accrued income and deferred income being separately presented in receivables and payables respectively. Revenue from contracts with customers disaggregated by the timing of performance obligations being satisfied is presented in Note 2. The estimate of sales returns in the Group's discontinued operation is based on past experience and has required judgement.

IFRS 9 Financial Instruments

With regard to IFRS 9, there are no significant changes to the Group. The impact on accounting for hedging arrangements is minimal and the expected credit loss model for impairment reviews does not have an overall impact on the consolidated financial statements. There have been no classification changes and the hedging requirements of IAS 39 continue to be applied. The expected credit loss approach has resulted in an impact on the retained earnings of individual entities within the Group due to the potential additional impairment provision for some of the longer term intercompany receivables. These intragroup provisions for potential impairments do not impact the consolidated financial statements.

IFRS 9 requires equity investments that fall within the scope of the standard to be measured at fair value with changes in fair value charged through profit and loss or recognised within Other Comprehensive Income under an irrevocable election. As part of the disposal arrangement relating to the Distribution business in the current year the Group acquired a 10% equity investment in Endless Newco1 Ltd, the company established to hold the trade of the Distribution business disposed of during the year. The Group has elected to recognise future changes in the fair value of this equity investment within Other Comprehensive Income.

IFRS 16 Leases

Ahead of the adoption of IFRS 16 Leases on 1 January 2019, Management has been collating information to ensure compliance with the new standard for lessees. The standard removes the distinction between operating leases and finance leases and will result in a significant number of leased assets being recognised as non-current assets representing the right to use the underlying asset with a corresponding liability shown as debt. This will materially gross up the Balance Sheet with the recognition of a new right of use asset which will be depreciated through the Income Statement and a lease liability on which interest will be charged through the Income Statement. There will be no change to the reporting of net cash flows.

The Group plans to utilise the modified retrospective method of application on 1 January 2019 and anticipates recognising approximately £190m of lease liabilities and approximately the same amount of right of use assets. Although going forward the aggregate Income Statement impact of each lease over its life will not change, the Income Statement impact of generally straight line profile of operating lease expenses will be recognised earlier under IFRS 16 due to the interest on the lease liability being higher in the first year of adoption. Therefore, subject to any material changes in the portfolio of leases, annual operating lease expenses are expected to be replaced by higher levels of depreciation and interest expense such that an adverse impact on profit before tax in the region of £3m is expected in 2019, the year of transition.

The practical expedients expected to be utilised under the modified retrospective approach are that: there will be no restatement of comparative periods; recognition exemptions for leases ending within 12 months of 1 January 2019 and for low value assets; a single discount rate to a portfolio of leases with reasonably similar characteristics will be applied; the standard will only be applied to contracts that were previously classified as leases; and no new onerous lease assessments will be required on transition due to the ability to rely on previous assessments.

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

For the majority of the Group's right of use assets the initial lease liability will equal the right of use asset on 1 January 2019. For one long term property lease, the Group will utilise the option to measure the initial lease liability and right of use asset at the inception of the lease. As the lease liability will exceed the right of use asset a minor amount will be recognised in equity as a transition adjustment.

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 7. 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, the Group has 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 has utilised this category as the investment is not held for trading purposes. Gains and losses on this financial asset will not be recognised in the Income Statement. Dividends from this investment will be recognised as other income in the Income Statement when the right of payment is established. Equity instruments designated at fair value through Other Comprehensive Income are not subject to impairment assessment.

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 7 includes disclosures relating to trade receivables including accrued income and Note 8 includes disclosures relating to instruments at fair value through Other Comprehensive Income.

The Group recognises an allowance for expected credit losses (ECLs) 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 applies a simplified approach in calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs 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.

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.

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 other wholly owned businesses.

Turnover
Turnover is no longer employed as a non-GAAP measure as the metric is less meaningful following the step acquisitions of the joint ventures in the Distribution business in the prior year.

Underlying operating profit
As disclosed on the face of the Income Statement, underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, 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.

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

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

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

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.

	2018 **£m**	2017 £m
Cash generated from operations	**54.9**	70.2
Adjusted for:		
Net interest paid	**(10.8)**	(12.5)
Exceptional interest paid	**0.6**	0.6
Tax paid	**(15.3)**	(17.0)
Dividends received from equity accounted investments	**4.8**	6.3
Purchase of property, plant and equipment	**(29.0)**	(29.8)
Intangible asset additions	**(3.2)**	(2.8)
Proceeds from sale of property, plant and equipment	**14.9**	0.8
Additional retirement benefit obligation contribution	**24.8**	11.3
Exceptional cash spend	**10.4**	22.1
Free cash flow	**52.1**	49.2

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

	2018 **£m**	2017 £m
Free cash flow as set out above	**52.1**	49.2
Adjusted for:		
Purchase of property, plant and equipment	**29.0**	29.8
Intangible asset additions	**3.2**	2.8
Proceeds from sale of property, plant and equipment	**(14.9)**	(0.8)
Net interest paid excluding exceptional interest	**10.2**	11.9
Tax paid	**15.3**	17.0
Underlying operating cash flow	**94.9**	109.9

2. Segment Information

For management purposes the Group has historically been organised into two operating divisions, Aviation and Distribution, and a central Corporate function. The two operating divisions were organised and managed separately based upon their key markets. The Aviation division provides ground handling and cargo services as well as into-plane fuelling and fuel farm management services across the world. Prior to disposal on 4 September 2018 the Distribution division provided newspaper and magazine distribution and other services in the United Kingdom and the Republic of Ireland. Following this disposal the Corporate function was subsumed into the Aviation division on 31 December 2018.

The information presented to the Board for the purpose of resource allocation and assessment of segment performance has been focused on the performance of each of the two divisions and the performance information on a number of operating segments within the Aviation division. From 31 December 2018 onwards the resource allocation and assessment will be focused on the operating segments within the Aviation division. The Board assesses the performance of the operating segments based on a measure of adjusted segment result before exceptional items, intangible amortisation and share of interest and tax on joint ventures and associates.

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

Business segment information

	Revenue		Underlying operating profit/(loss)	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Continuing operations				
Aviation				
Americas	**463.8**	460.4	**19.2**	23.0
EMEA	**517.3**	508.2	**18.7**	14.9
Rest of World	**157.6**	162.6	**15.9**	15.5
Cargo Forwarding	**152.3**	142.4	**7.2**	5.4
	1,291.0	1,273.6	**61.0**	58.8
Corporate	**-**	-	**(5.9)**	(5.7)
	1,291.0	1,273.6	**55.1**	53.1

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

2018	Notes	Aviation £m	Corporate £m	Total £m
Operating profit/(loss) before joint ventures and associates		**33.7**	**(6.5)**	**27.2**
Share of post-tax results of joint ventures and associates		**6.8**	**-**	**6.8**
Operating profit/(loss)		**40.5**	**(6.5)**	**34.0**
Analysed as:				
Underlying operating profit/(loss)[i]		**61.0**	**(5.9)**	**55.1**
Exceptional transaction related items	3	**(11.3)**	**(0.4)**	**(11.7)**
Exceptional impairment and other items	3	**(1.6)**	**(0.2)**	**(1.8)**
Acquired intangible asset amortisation	3	**(6.3)**	**-**	**(6.3)**
Share of joint ventures and associates interest		**0.7**	**-**	**0.7**
Share of joint ventures and associates tax		**(2.0)**	**-**	**(2.0)**
Operating profit/(loss)		**40.5**	**(6.5)**	**34.0**
Net finance expense				**(12.4)**
Profit before taxation				**21.6**
Taxation				**(9.1)**
Profit for the year from continued operations				**12.5**

2017	Notes	Aviation £m	Corporate £m	Total £m
Operating profit/(loss) before joint ventures and associates		28.2	(12.8)	15.4
Share of post-tax results of joint ventures and associates		7.0	-	7.0
Operating profit/(loss)		35.2	(12.8)	22.4
Analysed as:				
Underlying operating profit/(loss)[(i)]		58.8	(5.7)	53.1
Exceptional transaction related items	3	(15.5)	(3.0)	(18.5)
Exceptional pension de-risking costs	3	-	(4.1)	(4.1)
Acquired intangible asset amortisation	3	(7.1)	-	(7.1)
Share of joint ventures and associates interest		0.9	-	0.9
Share of joint ventures and associates tax		(1.9)	-	(1.9)
Operating profit/(loss)		35.2	(12.8)	22.4
Net finance expense				(12.5)
Profit before taxation				9.9
Taxation				(10.4)
Loss for the year from continued operations				(0.5)

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

At 31 December 2018 the assets and liabilities of the Group were that of the Aviation business. The prior year comparative information is set out below.

2017	Aviation £m	Corporate £m	Distribution £m	Group £m
Segment assets	574.0	6.9	179.2	760.1
Unallocated assets				97.0
Total assets				857.1
Segment liabilities	(241.6)	(25.9)	(100.2)	(367.7)
Unallocated liabilities including retirement benefit obligation				(356.9)
Total liabilities				(724.6)
Segment net assets/(liabilities)	332.4	(19.0)	79.0	392.4
Unallocated net liabilities including retirement benefit obligation				(259.9)
Net assets				132.5

Unallocated assets comprise deferred assets, cash and cash equivalents. Unallocated liabilities comprise retirement benefit obligation, borrowings, current income tax liabilities and deferred tax liabilities.

Geographic information

	Revenue		Non-current assets[(i)]	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Continuing operations				
United States of America	**370.0**	362.0	**140.7**	136.3
United Kingdom	**264.5**	287.6	**55.1**	70.7
Australia	**164.0**	168.2	**18.7**	27.3
Others	**492.5**	455.8	**85.2**	93.9
	1,291.0	1,273.6	**299.7**	328.2

Note:
[(i)] Non-current assets exclude deferred tax assets and derivative financial assets. Prior year figures have been restated for discontinued operations.

Revenue by performance obligation

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

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

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

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

	2018 £m	2017 £m
Acquisition and other transaction related costs(i)	**(2.9)**	(4.6)
Acquisition integration costs(ii)	**(2.1)**	(13.9)
Acquisition warranties and claims(iii)	**(6.7)**	-
Impairment(iv)	**(3.7)**	-
Property and pension items(v)	**1.9**	(4.1)
	(13.5)	(22.6)

Notes:

(i) Acquisition and transaction related costs comprise £1.5m relating to the acquisition of the trade and assets of Airline Services Ltd, £0.8m loss on disposal of Hyderabad Menzies Air Cargo Private Ltd and £0.6m other transaction related costs. In the prior year transaction related costs reflect £2.2m pre-acquisition costs relating to the ASIG acquisition, £1.2m increase in onerous lease provision, £0.4m transaction related costs relating to the disposal of Hyderabad Menzies Air Cargo Private Ltd, and £0.8m other transaction related costs.

(ii) Acquisition integration costs £2.1m (2017: £13.9m) relate to the ASIG acquisition where the costs comprise integration team, IT consultancy and systems related costs and rationalisation.

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

(iv) Impairment costs comprise a £3.3m write-down in the investment in Menzies Bobba Ground Handling Services Private Ltd to its recoverable amount of fair value less costs to sell of £2.5m and £0.4m of related tax receivables. The impairment of the investment has been performed based on the investment being categorised at Level 3 in the fair value hierarchy with the recoverability being assessed using the estimated net realisable value of the Group's share of the net assets of the company.

(v) Property and pension items comprise £2.1m gain on disposal of property partly offset by £0.2m of pension de-risking costs and past service costs relating to the need to equalise men's and women's pension entitlement for some of the members in the Menzies Pension Fund. In the prior year costs related to fees to close the Company's defined benefit pension scheme in the United Kingdom to future accrual and in relation to the sectionalisation of the scheme ahead of the disposal of the Distribution business.

Exceptional items included in finance charges

	2018 £m	2017 £m
Transaction related finance costs[(i)]	**(0.6)**	(0.7)
Unwind discount costs[(ii)]	**(0.1)**	(0.1)

Notes:
[(i)] Transaction related finance costs comprise syndicated facility fees and break costs relating to the disposal of the Distribution business. In the prior year, acquisition related financing costs comprised of the write off of bilateral facility fees, pre-acquisition ticking fees and amortisation of underwriting fees on the financing facilities to fund the ASIG acquisition.
[(ii)] Unwind discount costs relate to deferred consideration and onerous lease provisions.

Acquired intangible assets amortisation included in operating profit

Acquired intangible asset amortisation costs incurred were £6.3m (2017: £7.1m). 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 credit of £1.0m (2017: net credit of £1.9m) in relation to tax deductions available for a proportion of the exceptional costs arising during the year.

4. Dividends

Dividends paid on ordinary shares	**2018 £m**	2017 £m
Interim paid in respect of 2018, 6.0p per share	**5.0**	-
Final paid in respect of 2017, 14.5p per share	**12.1**	-
Interim paid in respect of 2017, 6.0p per share	**-**	5.0
Final paid in respect of 2016, 13.1p per share	**-**	10.9
	17.1	15.9

Dividends of £0.1m were waived on Treasury shares (2017: £Nil).

The Directors are proposing a final dividend in respect of the year to 31 December 2018 of 14.5p per ordinary share, which will absorb an estimated £12.2m of shareholders' funds. Payment will be made on 1 July 2019 to shareholders on the register at the close of business on 24 May 2019.

5. Earnings Per Share

	Basic		Underlying[(i)]	
	2018 £m	2017 £m	**2018 £m**	2017 £m
(Loss)/profit for the year after tax as set out in the Income Statement	**(5.4)**	12.0	**45.3**	47.1
Adjustment to exclude result relating to non-controlling interests	**(0.3)**	0.6	**(0.3)**	0.6
(Loss)/earnings for the year attributable to equity shareholders	**(5.7)**	12.6	**45.0**	47.7
Basic earnings per ordinary share				
(Loss)/earnings per ordinary share	**(6.8)p**	15.1p		
Diluted (loss)/earnings per ordinary share	**(6.8)p**	15.1p		
Underlying earnings per ordinary share[(i)]				
Earnings per ordinary share			**53.8p**	57.2p
Diluted earnings per ordinary share			**53.7p**	57.0p
Number of ordinary shares in issue				
Weighted average (million)	**83.7**	83.4		
Diluted weighted average (million)	**83.8**	83.7		
Continuing operations				
(Loss)/profit for the year after tax as set out in the Income Statement	**(5.4)**	12.0	**45.3**	47.1

Adjustment to exclude result from discontinued operations	**17.9**	(12.5)	**(13.6)**	(19.6)
Adjustment to exclude result relating to non-controlling interest	**(0.3)**	0.6	**(0.3)**	0.6
(Loss)/earnings for the year attributable to equity shareholders	**12.2**	0.1	**31.4**	28.1
Basic				
Earnings per ordinary share	**14.6p**	0.1p		
Diluted earnings per ordinary share	**14.6p**	0.1p		
Underlying				
Earnings per ordinary share			**37.6p**	33.7p
Diluted earnings per ordinary share			**37.5p**	33.6p
Discontinued operations				
(Loss)/profit for the year after tax as set out in the Income Statement	**(5.4)**	12.0	**45.3**	47.1
Adjustment to exclude result from continuing operations	**(12.5)**	0.5	**(31.7)**	(27.5)
(Loss)/earnings for the year attributable to equity shareholders	**(17.9)**	12.5	**13.6**	19.6
Basic				
(Loss)/earnings per ordinary share	**(21.4)p**	15.0p		
Diluted (loss)/earnings per ordinary share	**(21.4)p**	14.9p		
Underlying				
Earnings per ordinary share			**16.2p**	23.5p
Diluted earnings per ordinary share			**16.2p**	23.4p

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

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 0.1m (2017: 0.3m) and there is no anti-dilutive impact on basic EPS.

6. Intangible Assets

	Goodwill £m	Contracts, customer relationship and brand £m	Computer software £m	Total £m
Cost				
At 31 December 2017	147.7	138.1	35.9	321.7
Subsidiaries sold	(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	-	(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

	Goodwill £m	Contracts, customer relationship and brand £m	Computer software £m	Total £m
Cost				
At 31 December 2016	77.1	101.1	35.0	213.2
Acquisitions	78.0	42.4	-	120.4
Additions	-	-	2.8	2.8
Disposals	-	(3.1)	(1.9)	(5.0)
Currency translation	(7.4)	(2.3)	-	(9.7)
At 31 December 2017	147.7	138.1	35.9	321.7
Amortisation and impairment				
At 31 December 2016	25.3	58.7	25.2	109.2
Amortisation charge	-	10.5	3.4	13.9
Released on disposal	-	-	(1.9)	(1.9)
Currency translation	(2.3)	(0.9)	-	(3.2)
At 31 December 2017	23.0	68.3	26.7	118.0
Net book value				
At 31 December 2017	124.7	69.8	9.2	203.7
At 31 December 2016	51.8	42.4	9.8	104.0

7. Trade and Other Receivables

	2018 £m	2017[(i)] £m
Trade receivables	**174.7**	287.5
Less: sales returns	**-**	(23.7)
Less: provision for doubtful debts	**(3.9)**	(4.4)
Net trade receivables	**170.8**	259.4
Accrued income	**22.2**	34.8
Consortium related receivables	**97.9**	27.4
Prepayments	**15.4**	17.1
Current income tax receivables	**0.8**	-
Other receivables	**51.9**	15.6
	359.0	354.3

Note:
[(i)] As set out in Note 1 other receivables have been restated to include £4.1m of insurance receivables.

The average credit period on sale of goods is 48 days (2017: 42 days). Interest is not charged on trade receivables.

Consortium related receivables include re-billable expenses and restricted cash related 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 management expenses within 12 months and is therefore classified as a current asset.

Included within other receivables is a total of £20.2m relating to the planned acquisition of the trade and assets of Airline Services Ltd in the United Kingdom. The Group made a payment of £14.4m to the vendor on 4 April 2018 but was not able to control the business until the conclusion of an investigation by the UK Competition and Markets Authority. The transaction has not been treated as a business combination in the 2018 consolidated financial statements with the payment to acquire the business and the funding of its activities since being included in other receivables. The Competition and Markets Authority cleared the transaction on 17 January 2019 and the business will be treated as an acquisition in the 2019 consolidated financial statements from that date.

8. Financial Instruments

Derivative financial instruments

Recognised in Balance Sheet

	2018	2017
	£m	£m
Non-current asset	**1.5**	0.9
Current asset	**0.6**	1.1
Current liability	**(0.5)**	(0.5)
Net fair value	**1.6**	1.5

Adjusted to fair value through the Statement of Other Comprehensive Income

	2018	2017
	Level 2	Level 2
	£m	£m
Cash flow hedges:		
Foreign exchange forward contracts	**0.2**	0.1
Interest rate swaps	**1.5**	0.9
Foreign currency net investment hedges:		
Foreign exchange contracts	**(0.1)**	0.5
Net fair value	**1.6**	1.5

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. These condensed financial statements do not include all financial risk management information and disclosures required in the annual consolidated statements. They should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018.

There have been no material changes in any of the Group's significant financial risk management policies since 31 December 2017. The Group only enters into derivative financial instruments that are designated as hedging instruments. The fair values of foreign currency instruments are calculated by reference to current market rates. During the year, all derivative financial instruments were measured using Level 2 fair value measurements.

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

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

	2018	2017	
	Assets	Assets	Liabilities
	£m	£m	£m
Fair value of cash flow hedges – currency forward contracts	**0.2**	0.3	(0.2)
Fair value of cash flow hedges – interest rate swaps	**1.5**	0.9	-
	1.7	1.2	(0.2)
Current value	**0.2**	0.3	(0.2)
Non-current value	**1.5**	0.9	-
	1.7	1.2	(0.2)

Foreign currency net investment hedges

	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Fair value of foreign currency net investment hedges	**0.4**	**(0.5)**	0.8	(0.3)
Current value	**0.4**	**(0.5)**	0.8	(0.3)

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.

	2018	2017
	£m	£m
PlaneBiz 2015 Ltd	**3.3**	3.2
Gold Coast Air Terminal Services Pty Ltd	**0.4**	0.8

Interest-bearing loans and borrowings

		2018	2017
	Maturity	**£m**	£m
Bank overdrafts	On demand	**23.5**	1.9
Amortising sterling term loan	Settled	**-**	7.1
Non-amortising sterling bank loans	June 2021	**59.0**	93.6
Amortising US dollar term loan	June 2021	**195.3**	184.7
Preference shares	Non-redeemable	**1.4**	1.4
		279.2	288.7
Current value		**34.7**	5.1
Non-current value		**244.5**	283.6
		279.2	288.7

The Group's current bank facilities were drawn down on 1 February 2017 and comprise a US$250m amortising term loan and a £150m revolving credit facility, both with a maturity of June 2021. At 31 December 2018 the average interest rates on these US dollar and sterling loans were 4.1% and 2.7%, respectively.

The amortising US dollar term loan is repayable between 2019 and 2021. The loan has a weighted average maturity of three years.

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing in June 2021.

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 debt

	2018	2017
	£m	£m
Interest-bearing loans and borrowings	**279.2**	288.7
Derivative financial instruments	**(1.6)**	(1.5)
Total borrowings	**277.6**	287.2
Less: cash at bank, cash in hand and short-term deposits	**78.0**	72.8
	199.6	214.4

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

	2018		2017	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Short-term borrowings	**11.2**	**11.2**	3.2	3.4
Medium-term borrowings	**16.7**	**16.7**	14.1	14.3
Long-term borrowings	**227.8**	**227.8**	269.5	269.5
Derivative financial instruments	**(1.6)**	**(1.6)**	(1.5)	(1.5)
Bank overdrafts	**23.5**	**23.5**	1.9	1.9
Total financial liabilities	**277.6**	**277.6**	287.2	287.6
Less: cash at bank, cash in hand and short-term deposits	**78.0**	**78.0**	72.8	72.8
Net debt	**199.6**	**199.6**	214.4	214.8

Undrawn committed facilities of £91.0m expire between two and five years (2017: £56.5m between two and five years).

9. Cash Generated from Operations

Continuing and discontinued operations	**2018 £m**	2017 £m
Operating profit before joint ventures and associates	**13.1**	31.4
Depreciation	**24.9**	27.8
Amortisation of intangible assets	**8.8**	13.9
Share-based payments expense	**1.6**	1.4
Non-exceptional onerous lease provision release	**-**	(0.8)
Cash spend on onerous leases	**(1.5)**	(1.0)
Gain on sale of property, plant and equipment	**(1.6)**	(0.1)
Pension charge	**1.4**	2.2
Pension contributions in cash	**(24.9)**	(12.5)
Transaction and related exceptional items	**13.5**	27.1
Loss on disposal and other related costs	**30.3**	-
Cash spend on exceptional items	**(8.9)**	(21.1)
(Increase)/decrease in working capital	**(1.8)**	1.9
	54.9	70.2

10. Changes in net borrowings

	31 December 2017 £m	Cash flows £m	Fair value movements £m	Currency translation £m	**31 December 2018 £m**
Cash at bank and in hand	72.8	4.9	-	0.3	**78.0**
Bank overdrafts	(1.9)	(21.6)	-	-	**(23.5)**
Net cash and cash equivalents	70.9	(16.7)	-	0.3	**54.5**
Bank loans due within one year	(3.2)	(8.0)	-	-	**(11.2)**
Preference shares	(1.4)	-	-	-	**(1.4)**
Debt due after one year	(282.2)	49.6	-	(10.5)	**(243.1)**
Net derivative liabilities	1.5	(0.9)	1.0	-	**1.6**
Net debt	(214.4)	24.0	1.0	(10.2)	**(199.6)**

As set out in the cash flow statement, proceeds from borrowings were £1.0m (2017: £293.4m) and repayments of borrowings were £41.7m (2017: £101.3m).

Currency translation movements result from the Group's policy of hedging overseas net assets, which are denominated mainly in US dollars, euros and Australian dollars. The translation effect on net debt is offset by the translation effect on net assets which resulted in an overall net exchange loss of £3.0m (2017: loss of £1.4m). The net loss is recognised in other comprehensive income.

11. Provisions

	Insurance £m	Legal and employee related £m	Property and equipment £m	Other £m	Group £m
At 31 December 2017 restated	**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**

	Insurance £m	Legal and employee related £m	Property and equipment £m	Other £m	Group £m
At 31 December 2016 restated	13.2	6.5	5.9	0.1	25.7
Provided during year	11.2	2.8	0.4	0.3	14.7
Utilised during year	(5.1)	(0.3)	(1.2)	(1.4)	(8.0)
Reclassifications	-	(0.5)	-	0.4	(0.1)
Subsidiaries acquired	-	4.2	1.0	6.1	11.3
Currency translation gain	(1.0)	(0.4)	(0.1)	(0.2)	(1.7)
At 31 December 2017 restated	18.3	12.3	6.0	5.3	41.9
Current	18.3	12.3	3.5	5.3	39.4
Non-current	-	-	2.5	-	2.5
	18.3	12.3	6.0	5.3	41.9

As set out in Note 1 insurance provisions have been reclassified from accruals with effect from 31 December 2016. Additionally other reclassifications of provisions from accruals were recognised during the current year and prior year.

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 not immediately reclaimable from the vendor 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. The pre-acquisition ASIG related claims exclude any expected reimbursement from the vendor under warranty and indemnity undertakings given in the sale and purchase agreement.

The property related provisions are in respect of obligations for vacated leasehold properties where applicable sublet income may be insufficient to meet obligations under head leases. The provisions for property costs unwind over the period between 2019 and 2043. Other provisions include warranty claims, onerous contracts and redundancy costs.

12. Retirement Benefit Obligation

Defined benefit scheme

The principal Group-funded defined benefit pension scheme is the Menzies Pension Fund (the Fund) in the United Kingdom. The Fund closed to future accrual in March 2017. In the prior year the Fund was split into two sections Section A and Section B. Section B transferred to the new owner of the Distribution business on completion of the disposal transaction. The information presented below in the current year relates to Section A only.

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

	2018			2017		
	Quoted £m	**Unquoted[(i)] £m**	**Total £m**	Quoted £m	Unquoted[(i)] £m	Total £m
Equities	**74.6**	**-**	**74.6**	120.1	-	120.1
Bonds	**90.7**	**-**	**90.7**	80.8	-	80.8
Investment funds	**6.6**	**38.3**	**44.9**	6.3	-	6.3
Liability driven investment funds	**-**	**57.2**	**57.2**	-	127.4	127.4
Property	**-**	**24.4**	**24.4**	-	26.4	26.4
Annuity contracts[(ii)]	**-**	**4.9**	**4.9**	-	6.1	6.1
Cash	**8.3**	**-**	**8.3**	6.9	-	6.9
Other	**-**	**-**	**-**	0.4	-	0.4
Assets	**180.2**	**124.8**	**305.0**	214.5	159.9	374.4
Defined benefit obligation			**(323.0)**			(423.9)
Recognised in Balance Sheet			**(18.0)**			(49.5)
Related deferred tax asset			**3.1**			8.4
Net retirement obligation			**(14.9)**			(41.1)

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

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

	2018 £m	2017 £m
Returns on assets excluding interest income	**(16.7)**	18.2
Changes in demographic assumptions	**2.1**	7.1
Changes in financial assumptions	**17.4**	(6.2)
Experience	**0.3**	(3.4)
Actuarial gain	**3.1**	15.7

Changes in Fund assets and defined benefit obligation

	2018[(i)] £m	2017 £m
Fair value of assets at start of year	**309.9**	368.9
Interest income	**7.9**	9.7
Returns on assets excluding interest income	**(16.7)**	18.2
Company contributions	**23.6**	12.5
Employee contributions	**-**	0.2
Effect of settlement	**-**	-
Benefits and expenses paid	**(19.7)**	(35.1)
Fair value of assets at end of year	**305.0**	374.4
Return on scheme assets including interest income	**(8.8)**	27.9

	2018[(i)] £m	2017 £m
Defined benefit obligation at start of year	**352.4**	439.9
Service cost	**1.4**	2.2
Exceptional curtailments	**-**	2.7
Interest cost	**8.7**	11.5
Employee contributions	**-**	0.2
Benefits and expenses paid	**(19.7)**	(35.1)
Changes in demographic assumptions	**(2.1)**	(7.1)
Changes in financial assumptions	**(17.4)**	6.2
Experience	**(0.3)**	3.4
Defined benefit obligation at end of year	**323.0**	423.9

Note:
[(i)] Current year excludes discontinued operations.

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 Fund 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 £9.5m (2017: £11.8m) to the Fund during the year to 31 December 2019.

13. Acquisitions

There were no acquisitions during the year.

The Group invested £0.4m for a controlling share of a new start-up operation in Indonesia and recognised £0.3m of non-controlling interest on acquisition. The Group also invested £1.0m in Menzies Aviation Cairns Pty Ltd, a 50% joint venture, and £0.2m in Smarter Asset Management Ltd, a 26% joint venture.

As set out in Note 7, an advance payment was paid during the year for the trade and assets of Airline Services Ltd. Following regulatory approval on 17 January 2019 this transaction will be recognised as an acquisition in the 2019 consolidated financial statements.

Contingent and deferred consideration

Contingent consideration in continuing operations of £0.4m relating to the acquisition of Gold Coast Air Terminal Services Pty Ltd was cash settled in April 2018. Deferred consideration in discontinued operations of £0.2m relating to the acquisition of AJG Parcels Ltd was cash settled in May 2018.

14. 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 £m	Amounts owed to related party at 31 December 2018 £m	Amounts owed by related party at 31 December 2018 £m
Menzies Bobba Ground Handling Services Private Ltd	51	0.1	-	-
Menzies Aviation Bobba (Bangalore) Private Ltd	49	0.1	-	-
Menzies Macau Airport Services Ltd	29	0.3	-	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.

	2018 £m	2017 £m
Short-term employee benefits	**5.3**	6.8

Post-employment pension and medical benefits	**0.4**	0.5
Share-based payments	**1.6**	1.4
	7.3	8.7

15. Discontinued Operations

On 26 July 2018 the Group announced the conditional disposal of Menzies Distribution Ltd and its subsidiaries to Endless LLP. Completion occurred on 4 September 2018 for a total consideration of £56.2m including cash of £51.2m and with the Group receiving a 10% equity interest in Endless Newco1 Ltd, the holding company of the disposed business, valued at £5.0m. The sale consisted of 100% of ordinary shares, 100% of 6% cumulative preference shares and 100% of 3% non-cumulative preference shares of £1 each in the capital of the disposed holding company.

At the half year to 30 June 2018 the Distribution business was classified as held for sale and the operations were classified as discontinued in the half year financial statements with the disposal group being held at the lower of its carrying amount and fair value less costs to sell. The comparative consolidated income statement has been restated to show the discontinued operation separately from continuing operations.

The post-tax loss on disposal of discontinued operations was determined as set out below.

	2018 £m
Consideration received[(i)]	**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 discontinued operations after tax	**(28.3)**

Note:
[(i)] Consideration received includes cash of £51.2m.

Results of discontinued operations

	Before exceptional and other items £m	**Exceptional and other items £m**	**2018 £m**	Before exceptional and other items £m	Exceptional and other items £m	2017 £m
Revenue	**789.5**	**-**	**789.5**	1,186.9	-	1,186.9
Net operating costs	**(772.4)**	**(3.3)**	**(775.7)**	(1,163.0)	(7.9)	(1,170.9)
Operating profit before joint ventures and associates	**17.1**	**(3.3)**	**13.8**	23.9	(7.9)	16.0
Share of post-tax results of joint ventures and associates	**-**	**-**	**-**	0.9	(0.1)	0.8
Operating profit/(loss)	**17.1**	**(3.3)**	**13.8**	24.8	(8.0)	16.8
Analysed as:						
Underlying operating profit[(i)]	**17.1**	**-**	**17.1**	24.8	-	24.8
Non-recurring items – transaction related	**-**	**(2.4)**	**(2.4)**	-	(3.2)	(3.2)
Non-recurring items – pension related	**-**	**-**	**-**	-	(1.3)	(1.3)
Acquired intangible asset amortisation	**-**	**(0.9)**	**(0.9)**	-	(3.4)	(3.4)

Share of tax on joint ventures and associates	**-**	**-**	**-**	-	(0.1)	(0.1)
Operating profit/(loss)	**17.1**	**(3.3)**	**13.8**	24.8	(8.0)	16.8
Other finance charge - pensions	**(0.1)**	**-**	**(0.1)**	-	-	-
Profit/(loss) before taxation	**17.0**	**(3.3)**	**13.7**	24.8	(8.0)	16.8
Taxation	**(3.4)**	**0.1**	**(3.3)**	(5.2)	0.9	(4.3)
Profit/(loss) for the period	**13.6**	**(3.2)**	**10.4**	19.6	(7.1)	12.5
Loss on disposal of discontinued operations after tax	**-**	**(28.3)**	**(28.3)**	-	-	-
Profit/(loss) for the period from discontinued operations	**13.6**	**(31.5)**	**(17.9)**	19.6	(7.1)	12.5

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

Exceptional items

	2018	2017
	£m	£m
Transaction related costs(i)	**(2.4)**	(3.2)
Pension related costs(ii)	**-**	(1.3)
	(2.4)	(4.5)

Notes:
(i) The £2.4m transaction related costs comprise separation costs incurred subsequent to the disposal of the Distribution business. In the prior year transaction costs of £3.2m related to the aborted demerger of the Distribution business and the step acquisition of EM News Distribution (Ireland) Ltd and EM News Distribution (NI) Ltd.
(ii) In the prior year pension related costs incurred were fees and charges incurred in order to close the defined benefit scheme to future accrual.

Acquired intangible assets amortisation

Acquired intangible asset amortisation costs incurred were £0.9m (2017: £3.4m). The amortisation relates to contract intangible assets recognised on the acquisition of businesses. Amortisation ceased from 31 March 2018 when the business was classified as held for sale.

Tax effect of exceptional items

The taxation effect of the exceptional items is a net debit of £0.4m (2017: net credit of £0.3m) in relation to tax deductions available for a proportion of the exceptional costs arising during the year.

Cash flows from/(used in) discontinued operations

	2018	2017
	£m	£m
Net cash inflow from operating activities	**8.9**	31.9
Net cash outflow used in investing activities	**(0.2)**	(5.0)
Net cash flows for the period	**8.7**	26.9

Retirement benefit obligation of discontinued operations

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

	2018	2017
	£m	£m
Returns on assets excluding interest income	**(8.5)**	1.2
Changes in demographic assumptions	**(0.4)**	-
Changes in financial assumptions	**1.4**	(0.7)
Experience	**0.3**	(0.3)
Actuarial (loss)/gain	**(7.2)**	0.2

16. Events after the Reporting Period

The acquisition of the trade and assets of Airline Services Ltd will be recognised on 17 January 2019 following clearance from the UK Competition and Markets Authority. As set out in Note 7, cash consideration of £14.4m along with £5.8m incurred funding the business from 4 April 2018 to 31 December 2018 has been included within other receivables in the consolidated financial statements. The business provides de-icing and aircraft presentation services at UK airports together with ground handling operations at London Gatwick airport. The acquisition accounting is not yet complete as control has recently been obtained. No further disclosures are provided on the assets and liabilities acquired.

17. Annual Report and Accounts

The figures used in this statement, which was approved by the Directors on 12 March 2019, 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 5 April 2019 and the Annual General Meeting will be held at the Principal Charlotte Square in Edinburgh on 17 May 2019 at 2.00pm. Statutory accounts for the year ended 31 December 2017 have been delivered to the Registrar of Companies and those for the year to 31 December 2018 will be delivered following the Company's Annual General Meeting.