John Menzies plc

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John Menzies plc

Interim results announcement

20 August 2013

John Menzies plc

Interim Results for the period ended 30 June 2013

	H1 - 2013	H1 - 2012 (Restated)
Turnover (including JV's & Associates)	£997.9m	£988.4m
Underlying operating profit[1]	£26.1m	£27.0m
Underlying profit before tax[2]	£22.8m	£23.5m
Profit before tax	£18.4m	£16.4m
Underlying earnings per share[3]	28.2p	29.6p
Earnings per share	22.0p	19.0p
Non-recurring items[4]	-	£3.3m
Menzies Aviation - underlying operating profit [5]	£15.5m	£14.1m
Menzies Distribution - underlying operating profit [5]	£11.8m	£13.5m
Dividend	7.7p	7.35p

Note: Prior year numbers have been restated to reflect the impact of IAS 19R as described in note 2 of the financial statements.

Highlights

- Menzies Aviation
  - sustainable growth – operating profit up 10%
  - contract win momentum continues
  - two acquisitions completed post 30 June
    - strategic entry into South America
    - further growth in Australasia

- Menzies Distribution
  - key publisher contracts renewed
  - Orbital Marketing Services integration on track
  - profits decline due to a reduction in magazine volumes

- Strong Balance Sheet

- 5% increase in interim dividend reflects future confidence

Iain Napier, Chairman said:

"Despite challenging markets, the Group remains on track with an unchanged strategy delivering further growth at Menzies Aviation and cost mitigation actions at Menzies Distribution.

Menzies Aviation continues to make progress with a solid trading performance in the period and today's acquisitions continue to grow our market share in attractive existing and key new target markets. At Menzies Distribution whilst core markets remain challenging, the integration of Orbital Marketing Services is delivering to plan.

The Group is well positioned to progress in the second half and remains on track to deliver future growth for shareholders."

There will be a presentation for analysts at 9am today. The details of which can be obtained from FTI Consulting on details below.

Notes	
1	*Underlying operating profit is consistently presented adjusting for non-recurring exceptional items, intangible amortisation associated with goodwill impairment on associate assets and contract amortisation, and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.*
2	*Underlying profit before taxation is defined as profit before taxation, intangible amortisation and exceptional items.*
3	*Underlying earnings per share is profit after taxation and non-controlling interest, but before intangible amortisation and exceptional items, divided by the weighted average number of ordinary shares in issue.*
4	*Non-recurring items are those material items which, by virtue of their size or incidence, are reported separately in the income statement to enable a full understanding of the Group's financial performance.*
5	*Underlying operating profit includes each division's share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.*
6	*Operating cash flow is defined as the cash generated by the business before net capital expenditure, interest and taxation, special pension contributions, acquisitions, disposals, ordinary dividends, exceptional items and net spend on shares.*

For further information:

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Notes to Editors

1. John Menzies plc is one of Scotland's largest companies. The company has two operating divisions, Menzies Aviation and Menzies Distribution. Both divisions operate in distinct B2B sectors where success depends on providing an efficient, high quality, time-critical service to their customers and partners. The company was established in 1833 and its head office is in Edinburgh, Scotland. Today the company is an international business with operations worldwide.

2. Menzies Aviation is the second largest ground and cargo handling organisation in the world. It also owns AMI, a global wholesale freight forwarder. The business is highly successful - operating at 134 airports in 29 countries, with annual revenue in excess of US$1bn and employing some 18,000 highly trained people. Customers include easyJet, Cathay Pacific, British Airways, Emirates, Qatar, Virgin America & Australia, Jet Airways, Asiana & Singapore Airlines. Best in class safety & security as well as great customer service are core to its success and sets it apart from other handlers.

3. Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK. The division handles around 5 million newspapers and 2.0 million magazines (covering 3,000 magazine titles) each day, with deliveries to more than 25,000 customers. The division employs over 4,200 people at 47 sites throughout the UK – and is a strongly cash generative business, with around 45% of the newspaper and magazine wholesale distribution market in the UK. It has a track record of investment in innovation and customer service delivery.

4. Further information on John Menzies plc can be found at: www.johnmenziesplc.com, www.menziesdistribution.com and www.menziesaviation.com.

OPERATING REVIEW

Group Performance

John Menzies plc has made progress in the first half delivering planned growth in Aviation and is well positioned for the second half.

Group turnover rose marginally to £997.9m (H1 2012: £988.4m) as increased turnover at Menzies Aviation more than offset the expected decline at Menzies Distribution.

Underlying operating profit was £26.1m at the half year (H1 2012: £27.0m). Both periods have been re-stated to reflect an increased pension service charge as a result of the implementation of IAS 19R. The increased charge has been allocated across the operating divisions and has had the effect of reducing underlying operating profit at Menzies Aviation by £0.5m at the half year (reduction £0.4m in the first half of 2012), and at Menzies Distribution by £0.7m (reduction £0.5m in the first half of 2012). Further details are disclosed in note 2 of the half-year financial statements.

At Menzies Aviation profit momentum continued, delivering a 10% increase in operating profit to £15.5m (H1 2012: £14.1m). Trading in the period benefited from prior-year management actions, contribution from acquisitions made during 2012 and continued contract gain momentum.

Reduced magazine sales and some title closures, partly offset by the contribution from Orbital Marketing Services, acquired at the end of last year, resulted in operating profit at Menzies Distribution falling by £1.7m to £11.8m (H1 2012: £13.5m, reflecting the one-off benefit of Euro 2012 enjoyed in the first half of 2012).

There were no non-recurring items of expenditure in the half year (H1 2012: £3.3m), which drove an 8% improvement in statutory operating profit to £21.9m (H1 2012: £20.2m). The external interest charge increased marginally to £2.1m (H1 2012: £2.0m) and pension interest was £1.2m (H1 2012: £1.5m) and reflects the changes as a result of IAS 19R.

Profit before tax increased 12% to £18.4m (H1 2012: £16.4m). The underlying tax rate of 25% (H1 2012: 24%) was in line with our expectations and our estimate of the 2013 full year rate. Underlying earnings per share for the period were 28.2p (H1 2012: 29.6p) and basic earnings per share were 22.0p (H1 2012: 19.0p).

Working capital management continues to be an area of key focus and operating cashflow of £24.6m in the period was much improved on the first six months of 2012 (H1 2012 : £14.2m).

The balance sheet remains strong with a total debt to EBITDA ratio of 1.7 times at the half year remaining well within the covenant level of 3.0 times. Our interest cover is 14.4 times. The Group’s net pension liability also improved to £37.4m from £56.7m in June 2012, mainly due to an improvement in returns on the scheme’s assets.

Our banking facilities remain the same as disclosed in the 2012 Annual Report and all required facilities are secured until 2014 and beyond. Plans are underway to renew those facilities expiring in 2014.

As a signal of the Board’s confidence in the long term future of the Group we are declaring an interim dividend payment of 7.7p a 5% increase on last year. The dividend will be payable on 22 November 2013 to all shareholders on the register on 25 October 2013.

Menzies Aviation

Menzies Aviation delivered another good result with profit growth and continuing contract momentum.

During the period we were net winners of 35 contracts which will provide an additional £10.1m of annual revenue. In total, 50 contracts were won and 15 lost. Of the contract losses only 4 were as a result of price with the others relating to airline failure or airline consolidation. Yield pressure continues to be applied by airlines and this is reflected in the underlying performance of the ground handling business. However, our track record reinforces our belief that customers choose and stay with Menzies Aviation for our superior service offering. During the period we renewed 55 contracts which secured £43.2m of annual revenue.

Aircraft turns were up 9.1% which included the annualisation of contracts won and acquisitions made during 2012. Like for like turns were up 2.0% which resulted from a mix of organic growth countered by some airlines not flying their anticipated schedules which also had a negative effect on margin. Absolute cargo tonnes were down 14.5% reflecting the downsizing of our cargo operations in 2012 when decisive management action was taken to close a number of facilities in the UK and USA. Like for like tonnes were down 2.6% which was in line with our expectations and published IATA worldwide statistics.

The three acquisitions made in the second half of 2012 have been integrated and are delivering the expected returns. Business development opportunities remain strong and a number of opportunities both organic and acquisitive are being pursued. Future development will continue to focus on ground handling with cargo handling pursued where market dynamics are right and it complements an existing ground handling business. Ground handling accounts for 63% of divisional revenues and we expect this to continue to grow over the short to medium term.

Our freight forwarding business, AMI, has made good progress and is gaining traction in a number of markets. A new office in Mumbai, India has been established and AMI's leading IT offering is winning business across its network but particularly within the USA which is a very large and fragmented market.

We have made two acquisitions as part of our strategy to expand in attractive growth markets. £7.7m was invested to acquire Skystar, a ground handling business operating at eight airports across Australia and New Zealand, handling some 17,000 annual aircraft turns. Skystar is a strong strategic fit with our existing business. The acquisition consolidates the marketplace and gains us entry into ground handling at Perth International Airport which is a key gateway into Australia, it also deepens existing customer relationships. The acquisition is conditional on regulatory approval in New Zealand and it is anticipated that we will conclude the deal in the near future.

In addition, we have invested £6.4m to acquire Desacol, a ground and cargo handling business, which operates at five airports across Colombia and handles some 60,000 aircraft turns and 50,000 tonnes of cargo per annum. This acquisition provides us with entry into South America, a key target region, and provides a platform to grow our South American presence both in terms of geographical spread and customer penetration.

Menzies Distribution

Menzies Distribution experienced a challenging first six months of the year.

The first half of 2012 saw benefits provided by Euro 2012 which did not repeat in the same period 2013. This combined with reduced sales in the magazine market, with weekly titles particularly affected by declining volumes and title closures, has resulted in operating profit falling behind the same period last year.

Magazine revenue fell 11.4% (like for like down 10.8%) during the period which was worse than anticipated and there were a number of title closures, the most significant included Autotrader, More and Easy Living.

Newspaper revenue was up 3.8% during the period reflecting the new business gains resulting from the News International contract which was renewed in August 2012. Like for like sales fell 1.8% which was broadly in line with our expectations.

Cost savings of £3.2m were achieved in the first half as a result of continuous improvement initiatives and the benefits of prior year branch rationalisation.

Further progress was made in gaining contract security. Contract renewals with publishers Associated News, Telegraph Media Group and magazine distributor Comag were secured. These are in addition to the renewals with News International and Marketforce secured in the second half of 2012. These key renewals provide contract security through to 2019 and in total represent 60% of 2012 revenues. With this security it allows us to plan for the future from a secure basis and streamline our business to ensure we deliver the most cost efficient route to market for all the players in the supply chain.

Orbital Marketing Services is delivering to plan and integration has gone well with planned synergy benefits being achieved. The distribution of travel brochures is now being integrated into our own distribution network with deliveries already live in the North West England, Kent, London and East Anglia. It is our plan to gradually roll brochure distribution out across our network. The fulfilment and direct mailing business made good progress, particularly within the travel and charity sector, with a number of contract wins and we are confident of further progress.

Whilst markets remain challenging we will continue to focus on cost actions within the core distribution business while investing in diversification to grow profit in our marketing services businesses.

Outlook

At Menzies Aviation trading continues to be in line with our expectations underpinned by a strong operational performance during the key summer period. We will focus on integrating the two recent acquisitions whilst also pursuing a number of other organic and acquisitive opportunities.

Trading at Menzies Distribution continues to track our expectations. We have taken additional cost actions to mitigate the increased rate of decline within the magazine market, with the benefit to be reflected in the results for the second half.

The Group is well positioned. We have experienced teams within both operating divisions. Both divisions have growth aspirations, particularly at Menzies Aviation, where there is a large available market. The Group is on a very sound financial footing and we have the structure and resources in place to deliver further expansion. Difficult economic times persist but we are well placed to continue to deliver shareholder value.

GROUP INCOME STATEMENT (unaudited)
for the half year to 30 June 2013

	Notes	**Half year to 30 June 2013 £m**	Half year to 30 June 2012 Restated (Note 2) £m	Full year to 31 December 2012 Restated (Note 2) £m
Revenue	3	**951.8**	941.0	1,903.5
Net operating costs		**(932.5)**	(922.8)	(1,872.1)
Operating profit		**19.3**	18.2	31.4
Share of post-tax results of joint ventures and associates		**2.6**	2.0	3.8
Operating profit after joint ventures and associates	3	**21.9**	20.2	35.2
Analysed as:				
Underlying operating profit*	3	**26.1**	27.0	61.0
Non-recurring items	4(a)	**-**	(3.3)	(18.4)
Associate goodwill impairment	4(b)	**(0.7)**	(0.9)	(1.8)
Contract amortisation	4(b)	**(3.1)**	(2.2)	(4.6)
Share of interest on joint ventures and associates		**0.2**	0.3	0.6
Share of tax on joint ventures and associates		**(0.6)**	(0.7)	(1.6)
Operating profit after joint ventures and associates		**21.9**	20.2	35.2
Finance income		**0.3**	0.1	0.8
Finance charges		**(2.6)**	(2.4)	(5.2)
Other finance charge – pensions	13(b)	**(1.2)**	(1.5)	(2.7)
Profit before taxation		**18.4**	16.4	28.1
Taxation	5	**(5.1)**	(5.0)	(9.3)
Profit for the period		**13.3**	11.4	18.8
Attributable to equity shareholders		**13.3**	11.4	18.8
Earnings per ordinary share	7			
Basic		**22.0p**	19.0p	31.3p
Diluted		**21.9p**	18.9p	31.2p

*Underlying operating profit is consistently presented adjusting for non-recurring exceptional items, intangible amortisation associated with goodwill impairment on associate assets and contract amortisation, and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.

GROUP STATEMEMENT OF COMPREHENSIVE INCOME (unaudited)
for the half year to 30 June 2013

	Notes	**Half year to 30 June 2013 £m**	Half year to 30 June 2012 Restated (Note 2) £m	Full year to 31 December 2012 Restated (Note 2) £m
Profit for the period		**13.3**	11.4	18.8
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gain/(loss) on defined benefit pensions	13(b)	**10.8**	(16.3)	(6.3)
Actuarial loss on unfunded pension arrangements		**-**	-	(0.2)
Income tax effect		**(2.5)**	3.9	1.5
Impact of rate change on deferred tax		**-**	(0.7)	(1.3)
Items that may be reclassified subsequently to profit or loss:				
Movement on cash flow hedges		**(0.2)**	0.9	1.4
Income tax effect		**-**	(0.2)	(0.3)
Movement on net investment hedges		**(1.2)**	0.4	(0.4)
Income tax effect		**0.3**	(0.1)	0.1
Exchange gain/(loss) on translation of foreign operations		**1.8**	(3.1)	(4.8)
Other comprehensive income/(expense) for the period, net of tax		**9.0**	(15.2)	(10.3)
Total comprehensive income/(expense) for the period		**22.3**	(3.8)	8.5
Attributable to equity shareholders		**22.3**	(3.8)	8.5

GROUP BALANCE SHEET (unaudited)

as at 30 June 2013

	Notes	**As at 30 June 2013 £m**	As at 30 June 2012 Restated (Note 2) £m	As at 31 December 2012 Restated (Note 2) £m
Assets				
Non-current assets				
Intangible assets	8	**122.7**	105.6	123.0
Property, plant and equipment		**116.2**	118.5	116.8
Investments accounted using the equity method		**29.8**	30.5	28.9
Deferred tax assets		**11.4**	17.3	14.5
		280.1	271.9	283.2
Current assets				
Inventories		**14.3**	22.4	14.1
Trade and other receivables		**186.3**	185.8	183.5
Derivative financial assets	9	**1.3**	1.7	0.9
Cash and cash equivalents	9	**27.7**	25.1	34.0
		229.6	235.0	232.5
Liabilities				
Current liabilities				
Borrowings	9	**(43.8)**	(65.6)	(46.2)
Derivative financial liabilities	9	**(2.4)**	(1.1)	(0.6)
Trade and other payables		**(200.6)**	(207.0)	(210.4)
Current income tax liabilities		**(9.2)**	(12.0)	(9.7)
Provisions		**(2.0)**	(2.9)	(2.2)
		(258.0)	(288.6)	(269.1)
Net current liabilities		**(28.4)**	(53.6)	(36.6)
Total assets less current liabilities		**251.7**	218.3	246.6
Non-current liabilities				
Borrowings	9	**(93.3)**	(67.6)	(81.1)
Other payables		**(9.7)**	(1.5)	(10.0)
Provisions		**(7.7)**	(2.1)	(9.5)
Retirement benefit obligations	13	**(48.6)**	(74.6)	(62.5)
		(159.3)	(145.8)	(163.1)
Net assets		**92.4**	72.5	83.5
Shareholders' equity				
Ordinary shares		**15.3**	15.2	15.3
Share premium account		**19.1**	17.8	18.6

Treasury shares	**(3.2)**	(4.1)	(4.1)
Other reserves	**(4.5)**	(3.3)	(5.2)
Retained earnings	**43.6**	24.7	36.8
Capital redemption reserve	**21.6**	21.6	21.6
Total shareholders' equity	**91.9**	71.9	83.0
Non-controlling interest in equity	**0.5**	0.6	0.5
Total equity	**92.4**	72.5	83.5

GROUP STATEMENT OF CHANGES IN EQUITY (unaudited)
for the half year to 30 June 2013

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders equity £m	Non-controlling equity £m	Total equity £m
As at 31 December 2012 (as previously reported)	15.3	18.6	(4.1)	(0.6)	(4.6)	32.5	21.6	78.7	0.5	79.2
Impact of IAS 19R	-	-	-	-	-	4.3	-	4.3	-	4.3
At 31 December 2012 (Restated Note 2)	15.3	18.6	(4.1)	(0.6)	(4.6)	36.8	21.6	83.0	0.5	83.5
Profit for the period	-	-	-	-	-	13.3	-	13.3	-	13.3
Other comprehensive income	-	-	-	(0.2)	0.9	8.3	-	9.0	-	9.0
Total comprehensive income	-	-	-	(0.2)	0.9	21.6	-	22.3	-	22.3
New share capital issued	-	0.5	-	-	-	-	-	0.5	-	0.5
Share-based payments	-	-	-	-	-	0.7	-	0.7	-	0.7
Dividends paid	-	-	-	-	-	(11.2)	-	(11.2)	-	(11.2)
Repurchase of own shares	-	-	(3.4)	-	-	-	-	(3.4)	-	(3.4)
Disposal of own shares	-	-	4.3	-	-	(4.3)	-	-	-	-
As at 30 June 2013	**15.3**	**19.1**	**(3.2)**	**(0.8)**	**(3.7)**	**43.6**	**21.6**	**91.9**	**0.5**	**92.4**
As at 31 December 2011 (as previously reported)	15.2	17.4	(8.3)	(1.7)	0.5	42.4	21.6	87.1	0.6	87.7
Impact of IAS 19R	-	-	-	-	-	2.6	-	2.6	-	2.6
At 31 December 2011 (Restated Note 2)	15.2	17.4	(8.3)	(1.7)	0.5	45.0	21.6	89.7	0.6	90.3
Profit for the period (Restated Note 2)	-	-	-	-	-	11.4	-	11.4	-	11.4
Other comprehensive income	-	-	-	0.7	(2.8)	(13.1)	-	(15.2)	-	(15.2)
Total comprehensive income	-	-	-	0.7	(2.8)	(1.7)	-	(3.8)	-	(3.8)
New share capital issued	-	0.4	-	-	-	-	-	0.4	-	0.4
Share-based payments	-	-	-	-	-	0.8	-	0.8	-	0.8
Dividends paid	-	-	-	-	-	(10.9)	-	(10.9)	-	(10.9)
Repurchase of own shares	-	-	(4.3)	-	-	-	-	(4.3)	-	(4.3)
Disposal of own shares	-	-	8.5	-	-	(8.5)	-	-	-	-
As at 30 June 2012	15.2	17.8	(4.1)	(1.0)	(2.3)	24.7	21.6	71.9	0.6	72.5
As at 31 December 2011 (as previously reported)	15.2	17.4	(8.3)	(1.7)	0.5	42.4	21.6	87.1	0.6	87.7
Impact of IAS 19R	-	-	-	-	-	2.6	-	2.6	-	2.6
At 31 December 2011 (Restated Note 2)	15.2	17.4	(8.3)	(1.7)	0.5	45.0	21.6	89.7	0.6	90.3
Profit for the year (Restated Note 2)	-	-	-	-	-	18.8	-	18.8	-	18.8
Other comprehensive	-	-	-	1.1	(5.1)	(6.3)	-	(10.3)	-	(10.3)

income										
Total comprehensive income	-	-	-	1.1	(5.1)	12.5	-	8.5	-	8.5
New share capital issued	0.1	1.2	-	-	-	-	-	1.3	-	1.3
Share-based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
Income tax effect of share-based payments	-	-	-	-	-	1.7	-	1.7	-	1.7
Dividends paid	-	-	-	-	-	(15.3)	-	(15.3)	(0.1)	(15.4)
Repurchase of own shares	-	-	(4.3)	-	-	-	-	(4.3)	-	(4.3)
Disposal of own shares	-	-	8.5	-	-	(8.5)	-	-	-	-
As at 31 December 2012	15.3	18.6	(4.1)	(0.6)	(4.6)	36.8	21.6	83.0	0.5	83.5

GROUP STATEMENT OF CASH FLOWS (unaudited)
for the half year to 30 June 2013

	Notes	**Half year to 30 June 2013 £m**	Half year to 30 June 2012 £m	Full year to 31 December 2012 £m
Cash flows from operating activities				
Cash generated from operations	10	**16.6**	5.1	43.3
Interest received		**0.1**	0.2	0.6
Interest paid		**(2.9)**	(2.7)	(4.8)
Tax paid		**(5.0)**	(4.8)	(9.5)
Net cash from operating activities		**8.8**	(2.2)	29.6
Cash flows from investing activities				
Loan repaid by associate		**-**	-	0.1
Acquisitions		**(0.9)**	(1.3)	(17.2)
Net cash acquired with subsidiaries		**-**	-	2.2
Purchase of property, plant and equipment	3	**(10.0)**	(13.9)	(16.7)
Intangible asset additions	3	**(1.0)**	(0.7)	(3.1)
Proceeds from sale of property, plant and equipment		**0.2**	1.9	3.9
Dividends received from equity accounted investments		**1.7**	1.7	4.5
Net cash used in investing activities		**(10.0)**	(12.3)	(26.3)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**0.5**	0.4	1.3
Purchase of own shares		**(3.4)**	(4.3)	(4.3)
Repayment of borrowings		**(2.8)**	(32.4)	(17.9)
Proceeds from borrowings		**12.2**	49.9	44.1
Dividends paid to ordinary shareholders	6	**(11.2)**	(10.9)	(15.3)
Net cash (used in)/from financing activities		**(4.7)**	2.7	7.9
(Decrease)/increase in net cash and cash equivalents	9	**(5.9)**	(11.8)	11.2
Effects of exchange rate movements		**(0.2)**	-	(0.6)
Opening net cash and cash equivalents		**33.8**	23.2	23.2
Closing net cash and cash equivalents*	9	**27.7**	11.4	33.8

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

Notes to the Interim Accounts

1. INTRODUCTION

These interim consolidated financial statements are for the half year to 30 June 2013. They were approved by the directors on 19 August 2013 and are unaudited. These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year to 31 December 2012, prepared in accordance with IFRS, which carried an unqualified Auditor's Report and did not contain the statements under section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, the Disclosure and Transparency Rules of the Financial Conduct Authority and the basis of the accounting policies set out in the Group's 2012 Annual Report, except for the adoption of new standards and interpretations effective from 1 January 2013 as noted below. These interim financial statements have been prepared on the going concern basis as the directors, having considered the available relevant information, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Changes to accounting policies
In the current year the Group has adopted the amendments to IAS 1 'Presentation of items of Other Comprehensive Income', IAS 19R 'Employee Benefits' and IFRS 13 'Fair Value Measurement'.

The amendments to IAS 1 requires items of other comprehensive income to be grouped by those that will be reclassified subsequently to profit or loss and those that will never be reclassified subsequently to profit or loss, together with the associated income tax. The amendments have been applied retrospectively and, hence, the presentation of items in other comprehensive income have been restated to reflect the change. The effect of these changes is evident from the condensed consolidated statement of comprehensive income.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specified disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 'Financial Instruments: Disclosures'. Some of these disclosures are specifically required for financial instruments by IAS 34 and thereby affect the interim condensed consolidated financial statements period. The relevant disclosures are reflected in note 11.

Under IAS 19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, is replaced with a net interest charge that is calculated by applying the discount rate to the net defined benefit liability. In addition, administration expenses are now treated as an operating expense whereas this was previously offset against the expected return on plan assets. The impact on the results for the half year ended 30 June 2012 and the full year ended 31 December 2012 is as outlined below.

Impact on income statement

	Half year to 30 June 2012			Full year to 31 December 2012		
	As previously reported £m	Prior period adjustment £m	**As restated £m**	As previously reported £m	Prior Year adjustment £m	**As restated £m**
Revenue	941.0	-	**941.0**	1,903.5	-	**1,903.5**
Net operating costs	(921.9)	(0.9)	**(922.8)**	(1,870.0)	(2.1)	**(1,872.1)**
Operating profit	19.1	(0.9)	**18.2**	33.5	(2.1)	**31.4**
Share of post-tax results of joint ventures and associates	2.0	-	**2.0**	3.8	-	**3.8**
Operating profit after joint ventures and associates	21.1	(0.9)	**20.2**	37.3	(2.1)	**35.2**
Analysed as:						
Underlying operating profit	27.9	(0.9)	**27.0**	63.1	(2.1)	**61.0**
Non-recurring items	(3.3)	-	**(3.3)**	(18.4)	-	**(18.4)**
Associate goodwill impairment	(0.9)	-	**(0.9)**	(1.8)	-	**(1.8)**
Contract amortisation	(2.2)	-	**(2.2)**	(4.6)	-	**(4.6)**
Share of interest on joint ventures and associates	0.3	-	**0.3**	0.6	-	**0.6**
Share of tax on joint ventures and associates	(0.7)	-	**(0.7)**	(1.6)	-	**(1.6)**
Operating profit after joint ventures and associates	21.1	(0.9)	**20.2**	37.3	(2.1)	**35.2**
Finance income	0.1	-	**0.1**	0.8	-	**0.8**
Finance charges	(2.4)	-	**(2.4)**	(5.2)	-	**(5.2)**
Other finance charge – pensions	(0.5)	(1.0)	**(1.5)**	(0.9)	(1.8)	**(2.7)**
Profit before taxation	18.3	(1.9)	**16.4**	32.0	(3.9)	**28.1**
Taxation	(5.5)	0.5	**(5.0)**	(10.4)	1.1	**(9.3)**
Profit for the period	12.8	(1.4)	**11.4**	21.6	(2.8)	**18.8**

Impact on statement of changes in equity

Retained earnings at 1 January 2012 and 1 January 2013 have been restated from £42.4m to £45.0m and £32.5m to £36.8m respectively. In 2010, the future accrual in the Menzies Pension Fund was capped at 1% resulting in a reduction in the Fund's liabilities. Under IAS 19 the benefit of this reduction was being spread over the remaining life of the Fund. Under IAS 19R this spreading is no longer permitted and opening reserves have been adjusted accordingly.

Impact on earnings per share

Basic earnings per share at June 2012 and December 2012 has been restated from 21.3p to 19.0p and from 36.0p to 31.3p respectively. Diluted earnings per share at June 2012 and December 2012 has been restated from 21.2p to 18.9p and from 35.8p to 31.2p respectively.

3. SEGMENT INFORMATION

For management purposes the Group is organised into two operating divisions: Distribution and Aviation.

These two divisions are organised and managed separately based upon their key markets. The Distribution segment provides newspaper and magazine distribution services across the UK along with marketing services. The Aviation segment provides cargo and passenger ground handling services across the world.

The information presented to the Board for the purpose of resource allocation and assessment of segment performance is focused on the performance of each division as a whole but also contains performance information on a number of operating segments within the Aviation division. The Board assesses the performance of the operating segments based on a measure of adjusted segment result before exceptional items and intangibles amortisation. Net finance income and expenditure are not allocated to segments as this type of activity is driven by the central treasury function. The Board does not monitor assets and liabilities on a divisional basis.

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

Business Segment Information

	Revenue			Pre-exceptional operating profit/(loss)*		
	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Full year to 31 December 2012 £m	**Half year to 30 June 2013 £m**	Half year to 30 June 2012 Restated (Note 2) £m	Full year to 31 December 2012 Restated (Note 2) £m
Distribution	**636.6**	648.2	1,299.6	**11.8**	13.5	27.5
Aviation						
- ground handling	**226.0**	206.6	422.1	**9.3**	9.4	21.3
- cargo handling	**75.3**	78.7	158.6	**4.6**	3.7	9.7
- cargo forwarding	**60.0**	54.9	116.5	**1.6**	1.0	3.8
	361.3	340.2	697.2	**15.5**	14.1	34.8
Corporate	**-**	-	-	**(1.2)**	(0.6)	(1.3)
	997.9	988.4	1,996.8	**26.1**	27.0	61.0
Joint ventures and associates	**(46.1)**	(47.4)	(93.3)	**-**	-	-
	951.8	941.0	1,903.5	**26.1**	27.0	61.0

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

(a) Interim 2013

	Distribution £m	**Aviation £m**	**Corporate £m**	**Group £m**
Operating profit/(loss)	**10.3**	**10.2**	**(1.2)**	**19.3**
Share of post-tax results of joint ventures	**0.7**	**1.8**	**-**	**2.5**
Share of post-tax results of associates	**-**	**0.1**	**-**	**0.1**
Operating profit after joint ventures and associates	**11.0**	**12.1**	**(1.2)**	**21.9**
Net finance expense				**(3.5)**
Profit before tax				**18.4**

Analysed as:				
Pre-exceptional operating profit/(loss)*	**11.8**	**15.5**	**(1.2)**	**26.1**
Impairment provision (Note 4(b))	**-**	**(0.7)**	**-**	**(0.7)**
Contract amortisation (Note 4(b))	**(0.8)**	**(2.3)**	**-**	**(3.1)**

	Distribution	Aviation	Corporate	Group
Share of interest on joint ventures and associates	**-**	**0.2**	**-**	**0.2**
Share of tax on joint ventures and associates	**-**	**(0.6)**	**-**	**(0.6)**
Operating profit after joint ventures and associates	**11.0**	**12.1**	**(1.2)**	**21.9**

(b) Interim 2012 – Restated	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	11.1	7.7	(0.6)	18.2
Share of post-tax results of joint ventures	0.8	1.6	-	2.4
Share of post-tax results of associates	-	(0.4)	-	(0.4)
Operating profit after joint ventures and associates	11.9	8.9	(0.6)	20.2
Net finance expense				(3.8)
Profit before tax				16.4

Analysed as:				
Pre-exceptional operating profit/(loss)*	13.5	14.1	(0.6)	27.0
Rationalisation costs (Note 4(a))	(1.5)	(1.8)	-	(3.3)
Impairment provision (Note 4(b))	-	(0.9)	-	(0.9)
Contract amortisation (Note 4(b))	(0.1)	(2.1)	-	(2.2)
Share of interest on joint ventures and associates	-	0.3	-	0.3
Share of tax on joint ventures and associates	-	(0.7)	-	(0.7)
Operating profit after joint ventures and associates	11.9	8.9	(0.6)	20.2

(c) Full year 2012 – Restated	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	21.7	11.0	(1.3)	31.4
Share of post-tax results of joint ventures	0.9	3.4	-	4.3
Share of post-tax results of associates	-	(0.5)	-	(0.5)
Operating profit after joint ventures and associates	22.6	13.9	(1.3)	35.2
Net finance expense				(7.1)
Profit before tax				28.1

Analysed as:				
Pre-exceptional operating profit/(loss)*	27.5	34.8	(1.3)	61.0
Rationalisation costs (Note 4(a))	(4.1)	(6.6)	-	(10.7)
Onerous lease provision (Note 4(a))	-	(7.7)	-	(7.7)
Impairment provision (Note 4(b))	-	(1.8)	-	(1.8)
Contract amortisation (Note 4(b))	(0.5)	(4.1)	-	(4.6)
Share of interest on joint ventures and associates	-	0.6	-	0.6
Share of tax on joint ventures and associates	(0.3)	(1.3)	-	(1.6)
Operating profit after joint ventures and associates	22.6	13.9	(1.3)	35.2

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

Capital Expenditure

(a) Interim 2013	**Distribution £m**	**Aviation £m**	**Corporate £m**	**Group £m**
Property, plant and equipment	**2.2**	**7.7**	**0.1**	**10.0**
Intangible assets	**-**	**1.0**	**-**	**1.0**

(b) Interim 2012	£m	£m	£m	£m
Property, plant and equipment	2.8	11.1	-	13.9
Intangible assets	-	0.7	-	0.7

(c) Full year 2012	£m	£m	£m	£m
Property, plant and equipment	3.4	13.3	-	16.7
Intangible assets	1.7	1.1	0.3	3.1

Geographic information

	Revenue		
	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Full year to 31 December 2012 £m
United Kingdom	**706.7**	704.8	1,437.5
Continental Europe	**82.0**	74.1	145.6
Americas	**74.1**	73.9	146.6
Rest of the World	**89.0**	88.2	173.8
	951.8	941.0	1,903.5

4 (a) EXCEPTIONAL ITEMS

	Notes	**Half year to 30 June 2013 £m**	Half year to 30 June 2012 £m	Full year to 31 December 2012 £m
Rationalisation costs	(i)	**-**	(3.3)	(10.7)
Onerous lease provisions	(ii)	**-**	-	(7.7)
		-	(3.3)	(18.4)

(i) Costs of rationalising excess capacity in June 2012 comprised asset write-downs and staff redundancy costs in Distribution £1.5m (December 2012: £4.1m) and in Aviation £1.8m (December 2012: £6.6m).

(ii) The onerous lease provisions in December 2012 were in respect of future lease obligations in UK and US cargo at Aviation.

The taxation effect of the exceptional items in December 2012 was a net credit of £2.3m.

4 (b) INTANGIBLE AMORTISATION

	Notes	**Half year to 30 June 2013 £m**	Half year to 30 June 2012 £m	Full year to 31 December 2012 £m
Goodwill impairment	(i)	**(0.7)**	(0.9)	(1.8)
Contract amortisation	(ii)	**(3.1)**	(2.2)	(4.6)
		(3.8)	(3.1)	(6.4)

(i) As permitted under the transitional requirements of IFRS 1, the acquisition accounting of business combinations completed prior to the transition date has not been restated. As a result, assets which were previously capitalised as goodwill have not been reclassified as other intangible assets. Accordingly, these financial statements include an impairment charge of £0.7m (June 2012: £0.9m, December 2012: £1.8m) reflecting the remaining life of the current licence at Menzies Macau Aviation Services Ltd.

(ii) This charge relates to contracts capitalised as intangible assets on the acquisition of businesses.

5. TAXATION

The underlying effective tax rate for the full year is estimated at 25% (December 2012: 24.2%). The underlying effective tax rate used for the half year to June is 25% (June 2012: 24.3%). The share of results from the joint ventures and associates is after taxation of £0.6m (June 2012: £0.7m, December 2012: £1.6m).

In March 2013, the UK Government announced its intention to reduce the main rate of corporation tax from 23%, which applies from 1 April 2013, to 20%. The fall is to be phased in over a period of two years, with a 2% reduction to 21% from 1 April 2014, and a subsequent 1% reduction to 20% from 1 April 2015. The reduction in the main rate of corporation tax to 23% was substantively enacted on 3 July 2012. The Finance Act 2013, which was substantively enacted on 2 July 2013, included the legislation to reduce the main rate of corporation tax from 23% down to 20%. As the reduction in tax was not substantively enacted at 30 June 2013, the change has not been reflected in the amounts recognised at that date.

The estimated effect of the proposed reductions in the rates by 2015, not currently reflected in the amounts recognised at 30 June 2013, would be to decrease the net deferred tax asset by £1.5m. Most of the UK deferred tax asset relates to the UK pension deficit and it is expected that the majority of the reduction will be debited to other comprehensive income and will not have a material effect on the effective tax rate or on the profit for the year.

6. DIVIDENDS

			Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Full year to 31 December 2012 £m
Dividends on equity shares:					
Ordinary	-	final paid in respect of 2012, 17.85p per share	**10.8**	-	-
	-	final paid in respect of 2011,17p per share	**-**	10.2	10.2
	-	interim paid in respect of 2012, 7.35p per share	**-**	-	4.4
	-	paid in respect of 2010 and 2009 performance share plans	**0.4**	0.7	0.7
			11.2	10.9	15.3

Dividends of £0.1m were waived on Treasury shares during 2013.

The directors are proposing an interim dividend in respect of the half year to 30 June 2013 of 7.7 pence per ordinary share, which will absorb an estimated £4.7m of shareholders' funds. Payment will be made on 22 November 2013 to shareholders on the register at the close of business on 25 October 2013.

7. EARNINGS PER SHARE

	Basic			Underlying*		
	Half year to 30 June 2013 £m	Half year to 30 June 2012 Restated (Note 2) £m	Full year to 31 December 2012 Restated (Note 2) £m	**Half year to 30June 2013 £m**	Half year to 30 June 2012 £m	Full year to 31 December 2012 Restated (Note 2) £m
Operating profit	**19.3**	18.2	31.4	**19.3**	18.2	31.4
Share of post-tax results of joint ventures and associates	**2.6**	2.0	3.8	**2.6**	2.0	3.8
add back: exceptional items	**-**	-	-	**-**	3.3	18.4
intangible amortisation	**-**	-	-	**3.8**	3.1	6.4
share of interest on joint ventures and associates	**-**	-	-	**(0.2)**	(0.3)	(0.6)
share of tax on joint ventures and associates	**-**	-	-	**0.6**	0.7	1.6
Net finance costs	**(3.5)**	(3.8)	(7.1)	**(3.3)**	(3.5)	(6.5)
Profit before taxation	**18.4**	16.4	28.1	**22.8**	23.5	54.5
Taxation	**(5.1)**	(5.0)	(9.3)	**(5.1)**	(5.0)	(9.3)
Exceptional tax	**-**	-	-	**(0.6)**	(0.7)	(3.9)
Earnings for the period	**13.3**	11.4	18.8	**17.1**	17.8	41.3

Basic						
Earnings per ordinary share (pence)	**22.0p**	19.0p	31.3p			
Diluted earnings per ordinary share (pence)	**21.9p**	18.9p	31.2p			
Underlying*						
Earnings per ordinary share (pence)				**28.2p**	29.6p	68.8p
Diluted earnings per ordinary share (pence)				**28.1p**	29.5p	68.5p
Number of ordinary shares in issue (millions)						
Weighted average	**60.544**	60.056	60.066			
Diluted weighted average	**60.809**	60.346	60.273			

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

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

8. INTANGIBLE ASSETS

Intangible assets comprise goodwill of £50.6m (June 2012: £50.4m; December 2012: £49.2m), contracts of £59.9m (June 2012: £43.2m; December 2012: £62.0m) and capitalised software development costs of £12.2m (June 2012: £12.0m; December 2012: £11.8m).

Investments also include goodwill in respect of joint ventures and associates of £0.7m (June 2012: £2.4m; December 2012: £1.4m).

9. ANALYSIS OF CHANGES IN NET BORROWINGS

	As at 31 December 2012 £m	Half year cash flows £m	Currency translation £m	**As at 30 June 2013 £m**
Cash at bank and in hand	34.0	(6.1)	(0.2)	**27.7**
Bank overdrafts	(0.2)	0.2	-	**-**
Net cash and cash equivalents	33.8	(5.9)	(0.2)	**27.7**
Bank loans due within one year	(46.0)	2.2	-	**(43.8)**
Preference shares	(1.4)	-	-	**(1.4)**
Debt due after one year	(79.7)	(12.2)	-	**(91.9)**
Net derivative financial assets/(liabilities)	0.3	0.6	(2.0)	**(1.1)**
	(93.0)	(15.3)	(2.2)	**(110.5)**

10. CASH GENERATED FROM OPERATIONS

	Half year to 30 June 2013 £m	Half year to 30 June 2012 Restated (Note 2) £m	Full year to 31 December 2012 Restated (Note 2) £m
Operating profit	**19.3**	18.2	31.4
Depreciation	**10.7**	11.7	20.2
Amortisation of intangible assets	**3.7**	2.6	7.6
Share-based payments	**0.7**	0.8	1.4
Onerous lease provisions	**-**	-	7.7
Cash spend on onerous leases	**(0.9)**	(0.9)	(1.8)
Gain on sale of property, plant and equipment	**(0.1)**	-	(0.4)
Pension charge	**1.5**	1.3	2.7
Pension credit	**(0.2)**	(0.1)	(0.3)
Pension contributions in cash	**(5.6)**	(5.3)	(9.8)
Rationalisation costs	**-**	3.3	10.7
Cash spend on rationalisation costs	**(1.0)**	(3.3)	(8.2)
(Increase)/decrease in inventories	**(0.2)**	(7.1)	1.2
Increase in trade and other receivables	**(2.8)**	(16.1)	(9.3)
Decrease in trade and other payables and provisions	**(8.5)**	-	(9.8)
	16.6	5.1	43.3

11. FINANCIAL INSTRUMENTS

The objectives, policies and strategies pursued by the Group in relation to financial instruments are described within the 2012 Annual Report.

The following table shows the carrying amounts (which approximate to fair value except for borrowings which are shown separately) of the Group's financial assets and financial liabilities. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

The financial assets and liabilities of the Group compromise:

	Half year to 30 June 2013 Book & Fair Value £m
FINANCIAL ASSETS	
Current	
Cash and cash equivalents	27.7
Trade and other receivables	160.1
Derivative financial instruments	1.3
	189.1
FINANCIAL LIABILITIES	
Current	
Derivative financial instruments	(2.4)
Trade and other payables	(196.4)
	(198.8)
Non-current	
Other payables	(9.7)
	(9.7)

	Half year to 30 June 2013 Book Value £m	**Half year to 30 June 2013 Fair Value £m**
BORROWINGS		
Current borrowings	(43.8)	(44.1)
Non-current borrowings	(93.3)	(95.9)

Non-amortising bank loans are drawn down against unsecured, committed revolving credit facilities maturing between May 2014 and March 2020.

Trade and other receivables and trade and other payables carrying values are assumed to approximate their fair values due to their short term nature.

Derivative financial instruments

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

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

Fair value hierarchy

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

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

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

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

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

	Half year to 30 June 2013 £m
	Level 2
Derivative assets at fair value through the income statement	
Foreign exchange contracts – hedged	1.3
Derivative liabilities at fair value through the income statement	
Foreign exchange contracts - hedged	2.4

During the half year ended 30 June 2013 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Contingent consideration

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

This liability for contingent consideration is a Level 3 derivative financial instrument under IFRS 7.

	£m
Initial fair value of the contingent consideration on acquisition and at 30 June 2013	**7.7**

12. CONTINGENT LIABILITIES

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

13. RETIREMENT BENEFIT OBLIGATIONS

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

	Half year to 30 June 2013 %	Half year to 30 June 2012 Restated (Note 2) %	Full year to 31 December 2012 Restated (Note 2) %
Rate of increase in salaries	**3.20**	2.60	2.80
Rate of increase in pensions (prior to 1 May 2006)	**3.60**	3.30	3.40
Rate of increase in pensions (from 1 May 2006 to 1 June 2010)	**2.30**	2.50	2.20
Rate of increase in pensions (after 1 June 2010)	**1.00**	1.00	1.00
Price inflation	**3.20**	2.60	2.80
Discount rate	**4.80**	4.50	4.40

Fair value of assets and reconciliation to the balance sheet

Total value of assets	**268.3**	246.2	257.2
Defined benefit obligation	**(316.9)**	(320.8)	(319.7)
Recognised in balance sheet	**(48.6)**	(74.6)	(62.5)
Related deferred tax asset	**11.2**	17.9	14.4
Net pension liabilities	**(37.4)**	(56.7)	(48.1)

(b) Components of pension expense

	Half year to 30 June 2013	Half year to 30 June 2012 Restated (Note 2)	Full year to 31 December 2012 Restated (Note 2)
Amounts charged/(credited) to operating profit	**£m**	£m	£m
Current service cost	**1.5**	1.3	2.7
Gains on curtailments and settlements	**(0.2)**	(0.1)	(0.3)
	1.3	1.2	2.4
Amounts included in finance costs			
Expected return on pension scheme assets	**5.6**	5.9	11.8
Interest on pension liabilities	**(6.8)**	(7.4)	(14.5)
Net financial charge	**(1.2)**	(1.5)	(2.7)
Pension expense	**2.5**	2.7	5.1

Amounts recognised in the Statement of Comprehensive Income	**£m**	£m	£m
Gain/(loss) on assets	**4.7**	(1.2)	6.6
Gain/(loss) on defined benefit obligation	**6.1**	(15.1)	(12.9)
Actuarial gain/(loss)	**10.8**	(16.3)	(6.3)

Change in scheme assets during the period	**£m**	£m	£m
Fair value of assets at start of period	**257.2**	242.0	242.0
Expected return on assets	**5.6**	5.9	11.8
Company contributions	**5.6**	5.3	9.8
Employee contributions	**0.4**	0.5	1.0
Benefits and expenses paid	**(5.2)**	(6.3)	(14.0)
Gain/(loss) on assets	**4.7**	(1.2)	6.6
Fair value of assets at end of period	**268.3**	246.2	257.2

The actual return on scheme assets was a gain of £10.3m (June 2012: a gain of £4.7m).

Change in defined benefit obligation during the period	**£m**	£m	£m
Defined benefit obligation at start of period	**319.7**	302.9	302.9
Current service cost	**1.5**	1.3	2.7
Interest cost	**6.8**	7.4	14.5

Liabilities extinguished on settlements	**(0.2)**	(0.1)	(0.3)
Employee contributions	**0.4**	0.5	1.0
Benefits and expenses paid	**(5.2)**	(6.3)	(14.0)
(Gain)/loss on defined benefit obligation	**(6.6)**	15.1	17.9
Loss/(gain) on scheme experience	**0.5**	-	(5.0)
Defined benefit obligation at end of period	**316.9**	320.8	319.7

14. ACQUISITIONS

A purchase price adjustment of £0.8m for the Orbital Marketing Services Group was settled in March 2013. In addition, the deferred consideration of £0.1m for Transilvania Handling Services S.R.L. was settled in April 2013.

15. EVENTS AFTER THE REPORTING PERIOD

Menzies Aviation signed a conditional agreement to acquire the majority shares in Desacol, a ground handling and cargo handling business, which operates out of 5 airports across Colombia for a consideration of £6.4m. In addition, Menzies Aviation also signed a conditional agreement to invest in 100% of the share capital of Skystar, a ground handling business operating at 8 airports across Australia and New Zealand for a consideration of £7.7m.

RISKS & UNCERTANTIES

The principal risks and uncertainties affecting the business activities of the Group remain those detailed in the Annual Report for 31 December 2012, a copy of which is available on the Group website at www.johnmenziesplc.com. The Board considers that these remain a current reflection of the risks and uncertainties facing the business for the remaining 6 months of the financial year.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, and that the interim management report includes a fair review of the information required by Disclosure and Transparency Rules of the Financial Services Authority, paragraphs DTR 4.2.7 and DTR 4.2.8. The directors of John Menzies plc are listed in the John Menzies plc Annual Report for 31 December 2012. A list of current directors is maintained on the John Menzies plc website: www.johnmenziesplc.com