



**John Menzies plc
Interim Results Announcement
18 August 2015**

Half Year Results for the period ended 30 June 2015

Financial Summary

	<u>2015</u> Reported	<u>2015</u> Constant currency ^[6]	<u>2014</u>
Turnover ^[1]	£1,001.4m	£1,013.7m	£992.6m
Underlying operating profit ^[2]	£20.2m	£20.2m	£24.0m
Underlying profit before taxation ^[3]	£17.0m	£17.0m	£20.7m
Profit before tax	£5.8m	£5.8m	£14.2m
Operating cash flow ^[4]	£26.4m	---	£29.0m
Underlying earnings per share ^[5]	18.8p	---	24.7p
Earnings per share	4.7p	---	16.2p
Dividend	5.0p	---	8.1p

Overview

- Group transition plans on track despite a challenging first half
 - Aviation turnover up 8% - strong cargo volumes and last year's hub wins performing well
 - Aviation profits impacted by restructuring costs, UK operational improvement programme and 2014 contract losses
 - Distribution outperformed management's expectations
 - Good progress with Distribution network rationalisation
 - As projected, profits will be weighted to H2
- Strong cash conversion

Strategy

- Distribution strategic review complete - focus on earnings growth
- Grow B2C business through neutral consolidation within the parcel delivery market
- Acquisition of AJG Parcels is integrating well and providing opportunities for scaling
- Aviation - implementation of the strategic plan gaining momentum

Jeremy Stafford, Chief Executive of John Menzies plc said:

"Our transition plans are on track and progressing well although the first half of the year has been challenging as we continue to address the operational issues that arose during 2014. The North American aviation outsourcing market remains very busy and a pipeline of opportunities continues to build. At Distribution, the core business is performing well and the anticipated volume decline has been fully mitigated. We have completed our strategic review and I am delighted that we have recently made our first step as a neutral consolidator into the growing e-commerce parcel market with the acquisition of AJG Parcels. In terms of Group full year performance, as we previously highlighted, profits will have a greater second half weighting this year as we continue to transition the business. There is a great deal of potential across the business and we remain on track."

Notes	
1	<i>Turnover is Group revenue plus the Group's share of revenue from joint ventures and associates.</i>
2	<i>Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation, and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.</i>
3	<i>Underlying operating profit before taxation is underlying operating profit less net finance charges.</i>
4	<i>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.</i>
5	<i>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.</i>
6	<i>Performance at constant currency has been calculated by translating non-Sterling earnings for the period to 30 June 2015 into Sterling at the exchange rates used for the same period in 2014.</i>

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Notes to Editors

- John Menzies plc is one of Scotland's largest companies. The Group has two operating divisions, Menzies Aviation and Menzies Distribution. Both divisions operate in distinct B2B sectors where success depends on providing an efficient, high quality, time-critical service to their customers and partners. The company was established in 1833 and its head office is in Edinburgh. Today the company is an international business with operations worldwide.
- Menzies Aviation is a leading global provider of passenger, ramp and cargo services. The Menzies Aviation business is highly successful, operating at 147 airports in 30 countries, with annual turnover in excess of £700 million and supported by a team of over 20,000 highly-trained people. Menzies Aviation serves over 500 customers, handling over 1 million flights and 1.6 million tonnes of cargo per annum. Customers include Air France/KLM, Alaska Airlines, Cathay Pacific, easyJet, Emirates, IAG, Lufthansa, Norwegian Air Shuttle, Thai Airways and United Airlines. Best in class safety and security is the division's #1 priority each day and every day.
- Menzies Distribution operate one of the largest overnight logistics networks in the UK, providing final mile delivery for 110 million delivery units each year serving customers in the press, travel and third-party logistics sectors. From 33 sites across Britain and Ireland, a team of around 3,500 employees pick, pack and cross-dock clients' materials, driving 130,000 miles each day to bring them to their ultimate destination.

In addition to its core role within the UK print media supply chain, delivering over 6 million magazines and newspapers every day, the division is expanding into both UK retail logistics and neutral consolidation within the fast-growing parcel delivery market - a move supported by its recent acquisition of AJG Parcels.

BUSINESS OVERVIEW

Group performance

The results reflect a period of transition as simultaneously we look to drive growth and reshape the business.

On a constant currency basis Group turnover was up 2% at £1,013.7m (H1 2014: £992.6m) with underlying operating profit £3.8m lower as expected at £20.2m (H1 2014: £24.0m).

Aviation growth was underpinned by strong cargo volumes and the positive effect of ground handling hub wins in the US and Scandinavia in the last 12 months. On a constant currency basis turnover was up 8% at £381.8m, while underlying operating profit was £3.9m lower at £9.4m.

The operating profit in our ground handling operations was affected by a number of factors in the period which included key contract losses at the end of last year together with reduced volumes and yield at London Heathrow following terminal changes. Restructuring our UK and European operations has been a key feature in the first half, a new leadership team is in place in the UK, and we have also invested more resource into UK stations to improve service and operations. This has been in part, offset with strong cargo performance driven by increased volume through existing facilities which has also improved operating margin.

Distribution outperformed management's expectations in the first half and profit decline from print media was fully mitigated. As a result, underlying operating profit increased to £12.2m (H1 2014: £12.0m). Trading performance benefited from impressive cost savings offsetting the impact of World Cup stickers in 2014 and the decline in newspaper and magazine revenue. The network rationalisation programme continues on schedule, underpinning the benefits of planned cost savings.

We have completed our strategic review of Distribution and commenced the diversification as a neutral consolidator into the growing e-commerce parcel market with the recent acquisition of AJG Parcels.

The impact from April 2016 of the National Living Wage announced in the recent Budget will increase employment costs primarily within Menzies Distribution. We are considering a range of mitigating actions and will have better visibility of this over time, as these are implemented.

Exceptional and other items

The planned costs of rationalising the Distribution network and operations were £0.5m in the period. The costs to restructure and form one senior management team to manage the Group, and to develop our strategic plans have been £1.4m. In May we were unsuccessful in renewing licences to operate ground handling services at airports in Spain. Consequently, £4.7m of assets have become impaired, a non-cash item, and we plan to restructure our Spanish operations during the remainder of the year.

Taxation

As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. Our underlying tax charge for the half year was £5.4m (H1 2014: £5.6m), representing an effective underlying tax rate of 32% (H1 2014: 27%). This increase continues the trend reported in our full year results for 2014 and reflects the impact of having a rising proportion of profits in higher rate jurisdictions.

Earnings per share

Underlying earnings per share were 18.8p (H1 2014: 24.7p), directly impacted by the reduction in profits and increased tax rate. Earnings per share were 4.7p (H1 2014: 16.2p) additionally affected by non-recurring items.

Cash flow and investment

In the first half, investments included £9.9m for the earn-out payment relating to the Orbital Marketing Services Group and an initial investment of £6.8m for the acquisition of AJG Parcels. Delivering strong cash conversion is a key area of focus and we are pleased to report an operating cash flow of £26.4m (H1 2014: £29.0m). Free cash flow was £11.6m (H1 2014: £12.1m). Net capital expenditure totalled £8.7m (H1 2014: £10.1m).

Treasury

The Group continues to have a strong financial footing. We have a robust balance sheet built from strong operating cash flows across our divisions. At the end of the period net debt was £120.8m (H1 2014: £113.4m) after acquisition investment.

Our net debt to EBITDA ratio was 1.7 times and interest cover was 10.0 times at 30 June 2015, well within our covenanted levels. Further, we have £106m of committed bank facilities headroom.

The majority of Menzies Aviation's stations are located outside the UK and operate in currencies other than Sterling. The Group attempts to minimise the volatility of transactional foreign exchange as far as possible by using foreign exchange forward

contracts. The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates directly affects the Group's reported results. In the half year ended June 2015 the variances overall offset one another, although recent adverse movements in the Australian dollar, Czech koruna and the Euro are impacting the Group.

Dividend

Following the re-basing of the dividend at the year end, the Board wishes to follow a progressive dividend policy to increase dividends over time. Accordingly, it declares an interim dividend of 5.0p per share which is payable on 20 November 2015 to all shareholders as at 23 October 2015. The last full year dividend was 16.2p and typically around 30% of the full year's dividend is paid at the interim stage.

OPERATING REVIEW

Menzies Aviation

The Aviation division produced top line growth as the implementation of the strategic plan gained momentum. Large hub and base contract wins in 2014 and 2015 are demonstrating that we are well placed to convert these scale projects into high quality, profitable operations for the Group and our customers.

The contract wins are having a direct positive impact on aircraft turns, which have increased year on year by 11% on an absolute basis, and by 4% on a like-for-like basis.

Cargo handling operations have continued to show healthy growth in the year to date, with strong returns where the market dynamics are good. The 8% overall growth in tonnes compared to last year was driven by contract wins in Oceania and new facilities in Canada. Overall, we continue to shape our cargo business to meet market demand.

Our revised focus on key account management is delivering results thanks to our focus on our strategic objectives and target airlines. In the first half of 2015 we secured a further 49 contracts. We successfully deepened our relationship with United Airlines who awarded us base airports in Tucson, Cincinnati and Lubbock. We are starting operations in September and we will operate a total of 11,500 additional turns per annum. We won these awards as part of the first phase of an outsourcing plan and we are well placed to increase our footprint with United when phases two and three are announced later this year. Frontier Airlines have upgraded their operations in Orlando to a base station where we will now handle a significant increase in turns per annum.

Also in the Americas we have extended our offering to WestJet, having initially started operations in November 2014 at their hub in Toronto. Today we handle them at 14 airports in 5 countries. In Colombia, we successfully renewed our key anchor customer, LAN, for another four years, giving us a stable platform to improve returns in the region.

Over 40% of all the division's aircraft turns are now in the Americas region for key customers such as United Express, WestJet, Alaska Airlines, Delta Airlines, Virgin America and LAN. The Denver operation alone is now handling around 83,000 turns per annum, making it our largest station by volume in the network.

In Europe, we successfully started a seven year contract in April to handle Norwegian Air Shuttle, Europe's third largest low cost airline, at their home hub airport in Oslo and their base operation in Copenhagen. We have successfully integrated our prior year acquisitions in New Zealand and Australia into our existing operations in these regions, helping us win new work with Qantas and Garuda in the first half of the year.

We have also increased our complementary services offering in South Africa, building on the foundations of our successful business lounge in Johannesburg, with an agreement to provide lounge services to Emirates customers in Durban. We have grown our other ancillary services with a new service offering in aircraft engineering and line maintenance across New Zealand and the continued development of our cabin cleaning business in Australia.

In May 2015 the Spanish airport authority AENA announced that Menzies Aviation had not been successful in the airport licence tender process. This was disappointing. As well as closely monitoring developments locally, we are also now diverting our attention to other opportunities across the network.

In ground handling, we have resolved the operational challenges we reported at Heathrow in 2014 and the recovery of our operations is on schedule. The key metrics we use to manage the business, (on-time performance and man hours per turn) are vastly improved: on-time performance is now in excess of 97%, and staff turnover, key to stable operations, has reduced. We have also strengthened our Heathrow business by securing an extension until the end of 2017 to our contract with the Star Alliance airlines (including Lufthansa, Swiss and Austrian Airlines), alongside contract wins with American Airlines and Royal Jordanian.

We renewed our key contract with easyJet at their main base at London Gatwick in January, including additional performance metrics. This contract has been operationally challenging as we have experienced a skills shortfall which was exacerbated by the entry of new handlers into the London Gatwick market which caused a high degree of staff turnover. The actions we have put in place to mitigate the operational issues, deliver the customer's operational requirements and offset the financial impact are delivering results.

Our global cargo consolidation and wholesale company AMI continues to perform well. The North American and South Pacific regions, in particular, have led the business in extending the traditional airfreight wholesale model to include the growing international e-commerce traffic.

The Middle East is an important aviation market. We have set up a regional office in the United Arab Emirates from where we will seek to build our business both in the Middle East and into the Asian market where opportunities are emerging.

Menzies Distribution

The performance of our Distribution division was strong in the first half of 2015, maintaining its prior year profit by making significant cost savings that have offset the impact both of the continuing decline in newspapers and magazines and the positive impact from sales of World Cup stickers that we enjoyed in 2014.

Sales of newspapers during the period were 3% down on an absolute basis and 4% down on a like-for-like basis. We benefited from cover price increases in the second quarter and from successful contract wins which led to the introduction of newspapers and magazines to new retailers.

Sales declines of 4% across magazine categories (5% on a like-for-like basis) were an improvement on 2014 helped by price increases, new launches and one-off events such as the birth of the royal baby and the general election in the UK.

We are continuing our branch rationalisation plans in line with expectations as we consolidate more of our hubs and spokes across the UK. In June, we opened our second super hub in Wakefield; this is one of the largest magazine packing hubs in Europe, serving more than 9,000 retailers.

In June 2015, the Group completed the acquisition of AJG Parcels Ltd for £7.5m. AJG Parcels handles over three million parcels each year in the harder-to-reach parts of Scotland. It is a neutral consolidator working in partnership with national parcel carriers for final mile delivery. The acquisition is an important step in realising the potential of our UK wide logistics network, as we seek to participate in the growing e-commerce parcel market. It will enable the division to increase trading during daylight hours and to utilise our asset base better, especially across the hard-to-reach, high cost-to-serve areas of the UK. As such, it marks a further diversification of the division over the longer term, complementing our existing core newspaper and magazine logistical operations and enabling future scaling and growth.

Menzies Response, our e-commerce fulfilment business, continues to prosper, both by winning contracts and growing organically. Our facility in Rushden is now at capacity and we are expanding the business to take up the surplus available from the rationalisation of the core newspaper and magazine business.

Menzies Distribution strategic review

The strategic review of Menzies Distribution is complete and our way forward is clear. We have five key priorities: focus on key customers; expand collaborations in the UK parcel market; expand Menzies Response; continue focus on cost and network optimisation; and sustain cash generation.

Grow B2C business through neutral consolidation

The acquisition of AJG Parcels is our first move into the fast growing UK parcel market. Growth dynamics are strong and we see real opportunities to utilise our existing property and vehicle assets to play a collaborative role, working with national carriers and delivering final mile services in rural and difficult to reach markets. We have analysed our addressable market which we believe to be in the region of 800 million parcels per annum with a compound annual growth rate of 8%.

Expand Menzies Response

We have created Menzies Response out of Orbital Marketing Services, which we acquired in late 2012. Menzies Response operates in the strongly growing fulfilment market. We will utilise other existing property assets as we develop the business primarily through organic growth by adding new retail customers. The majority of our current customers are from the charity, health & beauty, and travel sectors; significant opportunities exist as the fulfilment market grows.

Focus on key customers

Traditionally the business has concentrated on key relationships with publishers and retailers and we will continue to do so within our print media businesses. However, with our new strategic direction we also need to focus on a new and more varied customer base. These will include retailers to whom we can provide product fulfilment services and national parcel carriers with whom we will seek to collaborate. To do so we have been growing our business development resources and will look to deepen partnerships across our entire customer base.

Continue focus on cost and network optimisation

Our rationalisation programmes have been very successful for many years. The recent opening in Wakefield of our second super hub, following Maidstone, enabled us to downsize Preston, Sheffield and York to spokes. We have a unique footprint across the UK and will utilise our property and vehicle assets to sustain growth from the parcel and fulfilment markets while simultaneously optimising our super hubs to serve the print media market.

Sustain cash generation

Menzies Distribution has always been a strong generator of cash for the Group, and we intend for this to continue. We will replace falling print media volume with new volume from the UK parcel and e-commerce fulfilment markets. We are confident that the cash generative nature of the business will continue.

Our future success depends on growing our new markets to mitigate print media declines and we are confident that this new strategic direction can return the Distribution division to sustainable growth.

INFRASTRUCTURE SUPPORT

To support the delivery of our strategic and operational agendas, we have condensed the previous two divisional management boards into one new executive leadership team to manage our global operations.

To address effectively the growing number of business opportunities in both divisions, we have enhanced our senior level commercial resource and expertise. The resulting focus on strengthening key account development is already leading to more business wins, particularly with key North American airlines.

We have brought together the operational support functions of HR and IT, previously separate in each division, to underpin our plans to standardise operating processes and better integrate our systems and tools. This has already led to the outsourcing of our IT architecture to a cloud based platform. We have also introduced a global procurement function to maximise cost saving opportunities.

BOARD CHANGES

Since the announcement of the 2014 final results David Garman and Geoff Eaton, have joined the Board as Non-executive Directors.

David Garman has a broad range of industrial experience including an executive career that included the position of Chief Executive at TDG plc, the European contract logistics and supply chain management business. Before that, he was as an

executive director with Associated British Foods and with United Biscuits. David was appointed as Senior Independent Director on 1 August 2015.

Geoff Eaton has had an extensive executive career including the positions of Chief Operating Officer at Premier Foods plc and Chief Executive Officer at Uniq plc. He has experience in diverse corporate cultures and has extensive B2B experience in both Europe and the USA. Geoff will assume the role of Remuneration Committee chair on 1 September 2015.

As previously indicated, Ian Harley stepped down from the Board at the Annual General Meeting on 15 May 2015.

OUTLOOK

We are in a period of transition, with focus on both growth and reshaping the existing business. The strategic review has been completed for the Group and we have consolidated two management teams into one new executive team to drive forward our clear agenda. With our strategy in place we now have a clear route to earnings growth in both divisions.

We anticipate opportunities from increasing levels of aviation services outsourcing in North America and will continue to seek benefits from reinforced relationships with our key partners. In line with our strategy, we will pursue opportunities that also exist to drive additional revenue streams from complementary services. We now have a dedicated M&A resource and will continue to seek both organic and acquisition opportunities as we look to build in our growth markets.

We are well placed to benefit from future cost savings as the rationalisation of our Distribution network delivers to plan. We will continue to pursue e-commerce opportunities to increase our footprint as a neutral consolidator in the growing parcel and fulfilment markets.

As we previously highlighted, profits will have a greater second half weighting this year as we continue to transition the business. There is a great deal of potential across the business and we remain on track.

Independent review report to John Menzies plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity, Group Statement of Cash Flows and the related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent mis-statements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in the International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Glasgow
17 August 2015

GROUP INCOME STATEMENT (unaudited)
for the half year to 30 June 2015

	Notes	Before exceptional and other items £m	Exceptional and other items £m	Half year to 30 June 2015 £m	Before exceptional and other items £m	Exceptional and other items £m	Half year to 30 June 2014 £m
Revenue	3	954.1	-	954.1	944.4	-	944.4
Net operating costs		(938.4)	(9.9)	(948.3)	(925.1)	(5.3)	(930.4)
Operating profit		15.7	(9.9)	5.8	19.3	(5.3)	14.0
Share of post-tax results of joint ventures and associates		4.5	(0.9)	3.6	4.7	(0.7)	4.0
Operating profit after joint ventures and associates	3	20.2	(10.8)	9.4	24.0	(6.0)	18.0
<i>Analysed as:</i>							
Underlying operating profit*	3	20.2	-	20.2	24.0	-	24.0
Non-recurring items – rationalisation and acquisition related items	3	-	(1.5)	(1.5)	-	(1.8)	(1.8)
Non-recurring items – impairment charges	4	-	(4.7)	(4.7)	-	-	-
Contract amortisation	4	-	(3.7)	(3.7)	-	(3.5)	(3.5)
Share of interest on joint ventures and associates		-	0.3	0.3	-	0.2	0.2
Share of tax on joint ventures and associates		-	(1.2)	(1.2)	-	(0.9)	(0.9)
Operating profit after joint ventures and associates		20.2	(10.8)	9.4	24.0	(6.0)	18.0
Finance income	5	0.5	-	0.5	0.3	-	0.3
Finance charges	5	(2.7)	(0.4)	(3.1)	(2.7)	(0.5)	(3.2)
Other finance charge – pensions	14	(1.0)	-	(1.0)	(0.9)	-	(0.9)
Profit before taxation		17.0	(11.2)	5.8	20.7	(6.5)	14.2
Taxation	6	(5.4)	2.6	(2.8)	(5.6)	1.3	(4.3)
Profit for the period		11.6	(8.6)	3.0	15.1	(5.2)	9.9
Attributable to equity shareholders		11.5	(8.6)	2.9	15.1	(5.2)	9.9
Attributable to non-controlling interests		0.1	-	0.1	-	-	-
		11.6	(8.6)	3.0	15.1	(5.2)	9.9
Earnings per ordinary share	8						
Basic		18.8p	(14.1)p	4.7p	24.7p	(8.5)p	16.2p
Diluted		18.8p	(14.1)p	4.7p	24.6p	(8.5)p	16.1p

*Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.

GROUP INCOME STATEMENT (unaudited)

For the full year to 31 December 2014

	Notes	Before exceptional and other items £m	Exceptional and other items £m	Full year to 31 December 2014 £m
Revenue	3	1,902.9	-	1,902.9
Net operating costs		(1,861.0)	(16.4)	(1,877.4)
Operating profit		41.9	(16.4)	25.5
Share of post-tax results of joint ventures and associates		9.1	(1.5)	7.6
Operating profit after joint ventures and associates	3	51.0	(17.9)	33.1
<i>Analysed as:</i>				
Underlying operating profit*	3	51.0	-	51.0
Non-recurring items – rationalisation and acquisition related costs	4	-	(6.0)	(6.0)
Non-recurring items – impairment charges	4	-	(3.2)	(3.2)
Contract amortisation	4	-	(7.2)	(7.2)
Share of interest on joint ventures and associates		-	0.5	0.5
Share of tax on joint ventures and associates		-	(2.0)	(2.0)
Operating profit after joint ventures and associates		51.0	(17.9)	33.1
Finance income	5	0.7	-	0.7
Finance charges	5	(5.4)	(1.0)	(6.4)
Other finance charge - pensions	14	(1.7)	-	(1.7)
Profit before taxation		44.6	(18.9)	25.7
Taxation	6	(14.4)	2.7	(11.7)
Profit for the year		30.2	(16.2)	14.0
Attributable to equity shareholders		30.1	(16.2)	13.9
Attributable to non-controlling interests		0.1	-	0.1
		30.2	(16.2)	14.0
Earnings per ordinary share	8			
Basic		49.2p	(26.5)p	22.7p
Diluted		49.0p	(26.4)p	22.6p

*Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.

GROUP STATEMENT OF COMPREHENSIVE INCOME (unaudited)
for the half year to 30 June 2015

	Note	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Profit for the period		3.0	9.9	14.0
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gain/(loss) on defined benefit pensions	14	14.3	(8.9)	(23.5)
Actuarial loss on unfunded pension arrangements		-	-	(0.1)
Income tax effect		(2.9)	1.8	4.7
Items that may be reclassified subsequently to profit or loss:				
Movement on cash flow hedges		(0.4)	0.2	-
Income tax effect		0.1	-	-
Movement on net investment hedges		3.9	(0.9)	(3.7)
Income tax effect		(0.8)	0.2	0.8
Exchange loss on translation of foreign operations		(10.0)	(2.7)	(0.5)
Other comprehensive income/(loss) for the period net of tax		4.2	(10.3)	(22.3)
Total comprehensive income/(loss) for the period		7.2	(0.4)	(8.3)
Attributable to equity shareholders		7.1	(0.4)	(8.4)
Attributable to non-controlling interests		0.1	-	0.1
		7.2	(0.4)	(8.3)

GROUP BALANCE SHEET (unaudited)
as at 30 June 2015

	Notes	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Assets				
Non-current assets				
Intangible assets	9	110.2	121.7	116.1
Property, plant and equipment		113.1	111.4	120.1
Investments accounted using the equity method		26.0	26.6	27.8
Deferred tax assets		7.8	10.0	12.0
		257.1	269.7	276.0
Current assets				
Inventories		13.0	15.2	12.9
Trade and other receivables		206.2	193.0	186.6
Derivative financial assets	12	4.4	3.5	1.9
Cash and cash equivalents	10	37.2	25.2	32.8
		260.8	236.9	234.2
Liabilities				
Current liabilities				
Borrowings	12	(7.2)	(3.8)	(3.3)
Derivative financial liabilities	12	(1.1)	(0.6)	(2.0)
Trade and other payables		(221.6)	(213.2)	(215.8)
Current income tax liabilities		(7.1)	(8.2)	(9.0)
Provisions		(2.8)	(3.0)	(3.8)
		(239.8)	(228.8)	(233.9)
Net current assets		21.0	8.1	0.3
Total assets less current liabilities		278.1	277.8	276.3
Non-current liabilities				
Borrowings	12	(154.1)	(137.7)	(140.3)
Other payables		(3.3)	(2.6)	(4.0)
Provisions		(2.7)	(3.5)	(3.3)
Retirement benefit obligation	14	(40.1)	(50.2)	(59.0)
		(200.2)	(194.0)	(206.6)
Net assets		77.9	83.8	69.7
Shareholders' equity				
Ordinary shares		15.4	15.4	15.4
Share premium account		20.4	20.3	20.3
Treasury shares		(1.7)	(1.9)	(2.0)
Other reserves		(24.0)	(16.6)	(16.8)
Retained earnings		44.4	44.6	29.5
Capital redemption reserve		21.6	21.6	21.6
Total shareholders' equity		76.1	83.4	68.0
Non-controlling interest in equity		1.8	0.4	1.7
Total equity		77.9	83.8	69.7

GROUP STATEMENT OF CHANGES IN EQUITY (unaudited)

as at 30 June 2015

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non- controlling equity £m	Total equity £m
At 31 December 2014	15.4	20.3	(2.0)	(0.8)	(16.0)	29.5	21.6	68.0	1.7	69.7
Profit for the period	-	-	-	-	-	2.9	-	2.9	0.1	3.0
Other comprehensive (loss)/income	-	-	-	(0.3)	(6.9)	11.4	-	4.2	-	4.2
Total comprehensive (loss)/income	-	-	-	(0.3)	(6.9)	14.3	-	7.1	0.1	7.2
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.7	-	0.7	-	0.7
Disposal of own shares	-	-	0.3	-	-	(0.1)	-	0.2	-	0.2
At 30 June 2015	15.4	20.4	(1.7)	(1.1)	(22.9)	44.4	21.6	76.1	1.8	77.9
At 31 December 2013	15.4	20.2	(3.3)	(0.8)	(12.6)	55.3	21.6	95.8	0.5	96.3
Profit for the period	-	-	-	-	-	9.9	-	9.9	-	9.9
Other comprehensive income/(loss)	-	-	-	0.2	(3.4)	(7.1)	-	(10.3)	-	(10.3)
Total comprehensive income/(loss)	-	-	-	0.2	(3.4)	2.8	-	(0.4)	-	(0.4)
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.7	-	0.7	-	0.7
Dividends paid	-	-	-	-	-	(11.8)	-	(11.8)	(0.1)	(11.9)
Repurchase of own shares	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Disposal of own shares	-	-	2.4	-	-	(2.4)	-	-	-	-
At 30 June 2014	15.4	20.3	(1.9)	(0.6)	(16.0)	44.6	21.6	83.4	0.4	83.8
At 31 December 2013	15.4	20.2	(3.3)	(0.8)	(12.6)	55.3	21.6	95.8	0.5	96.3
Profit for the year	-	-	-	-	-	13.9	-	13.9	0.1	14.0
Other comprehensive loss	-	-	-	-	(3.4)	(18.9)	-	(22.3)	-	(22.3)
Total comprehensive (loss)/income	-	-	-	-	(3.4)	(5.0)	-	(8.4)	0.1	(8.3)
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.6	-	0.6	-	0.6
Income tax effect of share-based payments	-	-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Subsidiaries acquired	-	-	-	-	-	(1.7)	-	(1.7)	1.4	(0.3)
Dividends paid	-	-	-	-	-	(16.8)	-	(16.8)	(0.3)	(17.1)
Repurchase of own shares	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Disposal of own shares	-	-	2.3	-	-	(2.3)	-	-	-	-
At 31 December 2014	15.4	20.3	(2.0)	(0.8)	(16.0)	29.5	21.6	68.0	1.7	69.7

GROUP STATEMENT OF CASH FLOWS (unaudited)
for the half year to 30 June 2015

	Notes	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Cash flows from operating activities				
Cash generated from operations	11	13.5	17.6	51.0
Interest received		0.2	0.1	0.7
Interest paid		(2.4)	(3.5)	(6.4)
Tax paid		(3.9)	(3.4)	(8.2)
Net cash flow from operating activities		7.4	10.8	37.1
Cash flows from investing activities				
Acquisitions		(14.4)	(1.9)	(2.2)
Cash acquired with subsidiaries	15	1.3	-	-
Purchase of property, plant and equipment		(9.2)	(9.9)	(28.1)
Intangible asset additions		(0.2)	(0.6)	(3.0)
Proceeds from sale of property, plant and equipment		0.7	0.4	1.0
Proceeds on conversion of joint venture preference shares		0.8	-	-
Dividends received from equity accounted investments		2.0	3.3	6.4
Net cash flow used in investing activities		(19.0)	(8.7)	(25.9)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		0.1	0.1	0.1
Disposal/(purchase) of own shares		0.2	(1.0)	(1.0)
Repayment of borrowings	10	(0.1)	(44.5)	(46.3)
Proceeds from borrowings	10	14.0	46.3	52.9
Dividends paid to non-controlling interests		-	-	(0.3)
Dividends paid to ordinary shareholders		-	(11.8)	(16.8)
Net cash flow from/(used in) financing activities		14.2	(10.9)	(11.4)
Increase/(decrease) in net cash and cash equivalents	10	2.6	(8.8)	(0.2)
Effects of exchange rate movements	10	(1.7)	(0.5)	(0.9)
Opening net cash and cash equivalents		32.2	33.3	33.3
Closing net cash and cash equivalents*	10	33.1	24.0	32.2

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

Notes to the interim accounts

1. INTRODUCTION

These interim condensed financial statements are prepared in a consolidated format. They relate to the half year to 30 June 2015 and are unaudited but have been formally reviewed by the Auditors and their report to the Company is set out on page 10. They were approved by the Board on 17 August 2015. These interim condensed financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year to 31 December 2014, prepared in accordance with IFRS, have been filed with the Registrar of Companies. The report of the Auditors included in that 2014 Annual Report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

2. BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, the Disclosure Rules and Transparency Rules of the Financial Conduct Authority and the basis of the accounting policies set out in the 2014 Annual Report, except for the adoption of new standards and interpretations effective from 1 January 2015 as noted below.

These interim condensed financial statements have been prepared on a going concern basis as the Directors, having considered the available relevant information, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Changes to accounting policies

Several new standards and amendments are applicable for the first time in 2015. However, they do not impact the annual consolidated financial statements or the interim condensed financial statements of the Group.

3. SEGMENT INFORMATION

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

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

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

Business segment information

	Revenue			Pre-exceptional operating profit/(loss)*		
	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Distribution	630.6	638.7	1,261.3	12.2	12.0	24.0
Aviation						
Ground Handling	240.9	228.6	470.6	0.8	6.6	12.0
Cargo Handling	72.5	71.3	149.4	6.9	5.1	13.8
Cargo Forwarding	57.4	54.0	118.6	1.7	1.6	4.4
	370.8	353.9	738.6	9.4	13.3	30.2
Corporate	-	-	-	(1.4)	(1.3)	(3.2)
	1,001.4	992.6	1,999.9	20.2	24.0	51.0
Joint ventures and associates	(47.3)	(48.2)	(97.0)	-	-	-
	954.1	944.4	1,902.9	20.2	24.0	51.0

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

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

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

Half year to 30 June 2014	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	8.5	6.8	(1.3)	14.0
Share of post-tax results of joint ventures and associates	0.7	3.3	-	4.0
Operating profit/(loss) after joint ventures and associates	9.2	10.1	(1.3)	18.0
Net finance expense				(3.8)
Profit before taxation				14.2

<i>Analysed as:</i>				
Pre-exceptional operating profit/(loss)*	12.0	13.3	(1.3)	24.0
Rationalisation costs (Note 4)	(1.8)	-	-	(1.8)
Contract amortisation (Note 4)	(0.8)	(2.7)	-	(3.5)
Share of interest on joint ventures and associates	-	0.2	-	0.2
Share of tax on joint ventures and associates	(0.2)	(0.7)	-	(0.9)
Operating profit/(loss) after joint ventures and associates	9.2	10.1	(1.3)	18.0

Full year to 31 December 2014	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	14.5	14.2	(3.2)	25.5
Share of post-tax results of joint ventures and associates	1.5	6.1	-	7.6
Operating profit/(loss) after joint ventures and associates	16.0	20.3	(3.2)	33.1
Net finance expense				(7.4)
Profit before taxation				25.7

<i>Analysed as:</i>				
Pre-exceptional operating profit/(loss)*	24.0	30.2	(3.2)	51.0
Rationalisation and acquisition related costs (Note 4)	(6.0)	-	-	(6.0)
Net impairment loss (Note 4)	-	(3.2)	-	(3.2)
Contract amortisation (Note 4)	(1.6)	(5.6)	-	(7.2)
Share of interest on joint ventures and associates	-	0.5	-	0.5
Share of tax on joint ventures and associates	(0.4)	(1.6)	-	(2.0)
Operating profit/(loss) after joint ventures and associates	16.0	20.3	(3.2)	33.1

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

Capital expenditure

	Distribution £m	Aviation £m	Corporate £m	Group £m
Half year to 30 June 2015				
Property, plant and equipment	1.2	6.6	-	7.8
Intangible assets	0.1	0.1	-	0.2
Half year to 30 June 2014				
Property, plant and equipment	1.6	8.3	-	9.9
Intangible assets	-	0.6	-	0.6
Full year to 31 December 2014				
Property, plant and equipment	2.3	25.8	-	28.1
Intangible assets	2.2	0.8	-	3.0

Geographic information

	Revenue		
	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
UK	687.8	700.7	1,391.8
Continental Europe	85.9	81.7	161.2
USA	68.6	53.7	116.6
Rest of world	111.8	108.3	233.3
	954.1	944.4	1,902.9

4. EXCEPTIONAL AND OTHER ITEMS

Exceptional items included operating profit

	Notes	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Rationalisation costs	(i)	(0.5)	(1.8)	(3.7)
Acquisition related earn-out adjustment	(ii)	0.5	-	(2.3)
Acquisition related transaction costs	(iii)	(0.1)	-	-
Management restructure and strategic review	(iv)	(1.4)	-	-
		(1.5)	(1.8)	(6.0)

- (i) Costs of rationalising excess capacity in the half year to 30 June 2015 comprised redundancy and other related restructuring costs in Distribution.
- (ii) Contingent consideration relating to the acquisition of Orbital Marketing Services Group was settled for £9.9m being £0.5m lower than expected at 31 December 2014 in Distribution.
- (iii) Relating to the acquisition of AJG Parcels Ltd in June 2015 in Distribution.
- (iv) Redundancy and advisory costs relating to the work performed to reshape the senior management team and review the strategic direction of the business in order to prioritise the opportunities for growth.

Exceptional items included in finance charges

	Note	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Unwind discount	(i)	(0.1)	(0.3)	(0.5)

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

Intangible amortisation and impairment included in operating profit

	Notes	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Contract amortisation	(i)	(3.7)	(3.5)	(7.2)
Net impairment loss	(ii)	(4.7)	-	(3.2)
		(8.4)	(3.5)	(10.4)

- (i) Contracts capitalised as intangible assets on the acquisition of businesses.
- (ii) Following the loss of airport licences in Spain, the operations are being restructured during 2015. At 30 June 2015 an impairment charge of £4.7m has been recognised representing a write-off of intangible assets of £4.1m and other associated assets of £0.6m. In the year ended 31 December 2014, £3.2m was recognised following the loss of existing and expected business in Colombia that led to a significant reduction in the future expected profitability of the operation. The amount comprised impairment charges of £3.6m in relation to customer contracts, a £0.8m charge for redundancy and associated costs, and a £1.2m credit for contingent consideration relating to the Desacol acquisition that is no longer expected to be incurred.

The taxation effect of the exceptional and other items is a credit of £1.4m (half year to 30 June 2014: £0.4m, full year to 31 December 2014: £0.7m).

5. FINANCE COSTS (pre-exceptional)

	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Finance income			
Bank deposits	0.5	0.3	0.7
Finance charges			
Bank loans and overdrafts	(2.6)	(2.6)	(5.3)
Preference dividends	(0.1)	(0.1)	(0.1)
	(2.7)	(2.7)	(5.4)
Net finance costs	(2.2)	(2.4)	(4.7)

6. TAXATION

The underlying effective tax rate for the full year 2015 is estimated at 32% (full year 2014: 32%). Therefore the underlying effective tax rate used for the half year 2015 was 32% (half year 2014: 27%). The share of results from the joint ventures and associates for the half year is after taxation of £1.2m (half year to 30 June 2014: £0.9m and full year to 31 December 2014: £2.0m).

On 8 July 2015 the UK Government announced its intention to reduce the main rate of corporation tax from 20% to 18%. This decrease is to be phased in with a reduction to 19% effective from 1 April 2017 and a reduction to 18% effective from 1 April 2020. Neither of the rate reductions had been substantively enacted at 30 June 2015 and therefore the change in rates has not been reflected in the amounts recognised at that date.

The estimated effect of the proposed corporation tax rate reduction to 18%, not currently reflected in the amounts recognised at 30 June 2015, would be to decrease the net deferred tax asset by £0.3m. 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 period.

7. DIVIDENDS

	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Dividends paid on equity shares			
Ordinary Interim paid in respect of 2014, 8.1p per share	-	-	5.0
Final paid in respect of 2013, 18.8p per share	-	11.5	11.5
Paid in respect of performance share plans	-	0.3	0.3
	-	11.8	16.8

The 2014 final dividend of 8.1p per ordinary share, which absorbed £5.0m of shareholders' funds, was paid on 3 July 2015 to shareholders on the register of John Menzies plc at close of business on 29 May 2015.

The Directors are proposing an interim dividend in respect of the half year to 30 June 2015 of 5.0p per ordinary share. This will absorb an estimated £3.1m of shareholders' funds. Payment will be made on 20 November 2015 to shareholders on the register of John Menzies plc at the close of business on 23 October 2015.

8. EARNINGS PER SHARE

	Basic			Underlying*		
	Half year to 30 June 2015	Half year to 30 June 2014	Full year to 31 December 2014	Half year to 30 June 2015	Half year to 30 June 2014	Full year to 31 December 2014
	£m	£m	£m	£m	£m	£m
Operating profit	5.8	14.0	25.5	5.8	14.0	25.5
Share of post-tax results of joint ventures and associates	3.6	4.0	7.6	3.6	4.0	7.6
add back:						
exceptional items	-	-	-	1.5	1.8	6.0
intangible amortisation and impairment	-	-	-	8.4	3.5	10.4
share of interest on joint ventures and associates	-	-	-	(0.3)	(0.2)	(0.5)
share of tax on joint ventures and associates	-	-	-	1.2	0.9	2.0
Net finance costs	(3.6)	(3.8)	(7.4)	(3.2)	(3.3)	(6.4)
Profit before taxation	5.8	14.2	25.7	17.0	20.7	44.6
Taxation	(2.8)	(4.3)	(11.7)	(2.8)	(4.3)	(11.7)
Exceptional tax	-	-	-	(2.6)	(1.3)	(2.7)
Non-controlling interests	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Earnings for the period	2.9	9.9	13.9	11.5	15.1	30.1
Basic						
Earnings per ordinary share (pence)	4.7p	16.2p	22.7p			
Diluted earnings per ordinary share (pence)	4.7p	16.1p	22.6p			
Underlying*						
Earnings per ordinary share (pence)				18.8p	24.7p	49.2p
Diluted earnings per ordinary share (pence)				18.8p	24.6p	49.0p
Number of ordinary shares in issue						
Weighted average (million)	61.3	61.2	61.2			
Diluted weighted average (million)	61.3	61.4	61.4			

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

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

9. INTANGIBLE ASSETS

Intangible assets comprise goodwill of £50.9m (June 2014: £46.5m, December 2014: £48.6m), contracts of £48.1m (June 2014: £62.9m, December 2014: £55.9m) and capitalised software costs of £11.2m (June 2014: £12.3m, December 2014: £11.6m).

10. ANALYSIS OF CHANGES IN NET BORROWINGS

	31 December 2014 £m	Half year cash flows £m	Subsidiary acquired £m	Currency translation £m	30 June 2015 £m
Cash at bank and in hand	32.8	4.8	1.3	(1.7)	37.2
Bank overdrafts	(0.6)	(3.5)	-	-	(4.1)
Net cash and cash equivalents	32.2	1.3	1.3	(1.7)	33.1
Bank loans due within one year	(2.5)	(0.1)	-	-	(2.6)
Preference shares	(1.4)	-	-	-	(1.4)
Finance leases	(0.2)	0.1	(0.7)	-	(0.8)
Bank loans due after one year	(138.9)	(13.5)	-	-	(152.4)
Net derivative (liabilities)/assets	(0.1)	(0.4)	-	3.8	3.3
Net debt	(110.9)	(12.6)	0.6	2.1	(120.8)

Current borrowings of £7.2m in the Balance Sheet include bank overdrafts of £4.1m, bank loans of £2.6m and finance leases of £0.5m. Non-current borrowings in the Balance Sheet of £154.1m include preference shares of £1.4m, bank debt of £152.4m and finance leases of £0.3m. Net derivative assets of £3.3m shown above include derivative financial assets of £4.4m and derivative financial liabilities of £1.1m as shown on the Balance Sheet.

11. CASH GENERATED FROM OPERATIONS

	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Operating profit	5.8	14.0	25.5
Depreciation	11.5	10.9	20.2
Amortisation of intangible assets	4.3	4.2	10.9
Share-based payments	0.7	0.7	0.6
Onerous lease provision	-	0.6	0.3
Cash spend on onerous leases	(0.9)	(1.8)	(2.9)
Gain on sale of property, plant and equipment	-	(0.2)	(0.2)
Pension charge	1.6	1.7	2.9
Pension credit	(0.1)	-	(0.8)
Pension contributions in cash	(7.1)	(7.1)	(14.1)
Exceptional items	1.5	1.2	5.7
Cash spend on exceptional items	(4.2)	(0.7)	(2.3)
Net impairment loss	4.7	-	3.2
(Increase)/decrease in inventories	-	(0.7)	1.6
(Increase) in trade and other receivables	(20.4)	(8.8)	(2.6)
Increase in trade and other payables and provisions	16.1	3.6	3.0
	13.5	17.6	51.0

12. FINANCIAL INSTRUMENTS

The objectives, policies and strategies pursued by the Group in relation to financial instruments are described within the 2014 Annual Report.

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

All financial assets and liabilities, with the exception of borrowings, have a carrying value that approximates to fair value due to their short term nature.

	30 June 2015		30 June 2014		31 December 2014	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	£m	£m	£m	£m	£m	£m
Current borrowings	7.2	7.5	3.8	4.0	3.3	3.6
Non-current borrowings	154.1	155.3	137.7	139.3	140.3	141.8

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.

	30 June 2015 Level 2 £m	30 June 2014 Level 2 £m	31 December 2014 Level 2 £m
Financial assets at fair value through Other Comprehensive Income			
Foreign exchange contracts – hedged	4.4	3.5	1.9
Financial liabilities at fair value through Other Comprehensive Income			
Foreign exchange contracts - hedged	1.1	0.6	2.0

During the half year to 30 June 2015 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 Fore Partnership included contingent consideration based on future targets being met. The contingent consideration's range is between a minimum of £Nil and a maximum of £4.0m and becomes payable in 2016. The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance.

The acquisition of PlaneBiz 2015 Ltd in the prior year includes options in relation to the 40% shareholding owned by a third party. These options take the form of a put option in favour of the third party shareholders for up to 30% of the share capital, exercisable in 2018 and 2019. Following the expiry of this put option the Group then has a call option, exercisable for a 60 day period, for the remaining shares that have not been exercised under the put option. The fair value of the put option has been calculated based on the expected discounted cash flows of the underlying value, which is the expected average annual EBITDA over the preceding three years multiplied by 5.5. The call option is considered to have a negligible fair value.

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

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Fair value of the contingent consideration			
Fore Partnership	0.9	0.9	0.9
Orbital Marketing Services Group	-	8.0	10.4
Desacol S.A.	-	1.2	-
Fair value of other contingent acquisition related amounts			
PlaneBiz 2015 Ltd	2.5	-	2.8

13. CONTINGENT LIABILITIES

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

14. RETIREMENT BENEFIT OBLIGATION

The Actuary undertook a valuation of the Menzies Pension Fund as at 30 June 2015 (30 June 2014 and 31 December 2014) under IAS 19.

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

	Half year to 30 June 2015 %	Half year to 30 June 2014 %	Full year to 31 December 2014 %
Rate of increase in salaries	3.2	3.3	3.0
Rate of increase in pensions prior to 1 May 2006	3.6	3.7	3.5
Rate of increase in pensions from 1 May 2006 to 1 June 2010	2.2	2.2	2.0
Rate of increase in pensions after 1 June 2010	1.0	1.0	1.0
Price inflation	3.2	3.3	3.0
Discount rate	4.0	4.4	3.7

The fair value of assets and reconciliation to the Balance Sheet is:

	£m	£m	£m
Total value of assets	319.4	292.8	312.9
Defined benefit obligation	(359.5)	(343.0)	(371.9)
Recognised in Balance Sheet	(40.1)	(50.2)	(59.0)
Related deferred tax asset	8.0	10.0	11.8
Net pension liabilities	(32.1)	(40.2)	(47.2)

The components of pension expense are:

	Half year to 30 June 2015 £m	Half year to 30 June 2014 £m	Full year to 31 December 2014 £m
Amounts charged/(credited) to operating profit:			
Current service cost	1.0	1.0	1.8
Administrative costs	0.6	0.7	1.1
Effect of settlements and curtailments	(0.1)	-	(0.8)
	1.5	1.7	2.1
The amounts included in finance costs are:			
Interest cost on defined benefit obligation	6.8	7.4	14.7
Interest income on Fund assets	(5.8)	(6.5)	(13.0)
Net financial charge	1.0	0.9	1.7
Pension expense	2.5	2.6	3.8

The amounts recognised in the Statement of Comprehensive Income are:

	£m	£m	£m
Returns on assets excluding amounts included in net interest	0.8	2.7	18.8
Changes in financial assumptions	13.5	(11.6)	(42.3)
Actuarial gain/(loss)	14.3	(8.9)	(23.5)

The change in scheme assets during the period is:

	£m	£m	£m
Fair value of assets at start of period	312.9	282.0	282.0
Interest income	5.8	6.5	13.0
Company contributions	7.1	7.1	14.1
Employee contributions	0.6	0.4	0.8
Effect of settlements	(0.2)	(0.1)	(1.8)
Benefits and expenses paid	(7.6)	(5.8)	(14.0)
Returns on assets excluding amounts included in net interest	0.8	2.7	18.8
Fair value of assets at end of period	319.4	292.8	312.9

The actual return on scheme assets in the half year to 30 June 2015 was a gain of £6.6m (half year to 30 June 2014: £9.2m and full year to 31 December 2014: £31.8m).

The change in defined benefit obligation during the period is:

	£m	£m	£m
Defined benefit obligation at start of period	371.9	327.8	327.8
Total service cost	1.6	1.7	2.9
Interest cost	6.8	7.4	14.7
Effect of settlements	(0.3)	(0.1)	(2.6)
Employee contributions	0.6	0.4	0.8
Benefits and expenses paid	(7.6)	(5.8)	(14.0)
Changes in financial assumptions	(13.5)	11.6	42.3
Defined benefit obligation at end of period	359.5	343.0	371.9

15. ACQUISITIONS

On 8 June 2015 the Group acquired 100% of the share capital of AJG Parcels Ltd, a logistics company based in Scotland. The Group has acquired the company to realise the potential of the existing UK logistics network. These interim financial statements include the impact of less than one month's trading results.

	AJG Parcels Ltd Half year to 30 June 2015 £m	Total acquisitions Full year to 31 December 2014 £m
Purchase consideration		
Cash paid	6.8	0.6
Deferred consideration	0.7	-
Uplift on fair value of assets transferred	-	1.1
Total purchase consideration	7.5	1.7
Less: fair value of net assets acquired	3.9	1.8
Less: non-controlling interests	-	(1.4)
Goodwill	3.6	1.3

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

The assets and liabilities arising from the acquisitions are:

	AJG Parcels Ltd Half year to 30 June 2015 £m	Total acquisitions Full year to 31 December 2014 £m
Non-current assets		
Intangible assets (contracts)	1.7	0.7
Property, plant and equipment	1.3	1.1
Current assets	1.2	-
Cash	1.3	-
Current liabilities	(0.9)	-
Finance leases	(0.7)	-
Net assets acquired at fair value	3.9	1.8

Current assets acquired with AJG Parcels Ltd include £0.8m of trade receivables at fair value, the gross amount acquired.

From the date of acquisition, AJG Parcels Ltd has contributed £0.6m of turnover and £Nil profit before taxation to the continuing operations of the Group at the half year. If the acquisition had taken place at the beginning of the period, revenue and profit before taxation for continuing operations would have been £4.0m and £0.4m respectively.

Transaction costs of £0.1m have been expensed and are included in Exceptional Items in the Group Income Statement.

The fair values of the 2015 net assets acquired remain provisional pending the formal completion of the valuation process.

Deferred consideration of £9.9m for Orbital Marketing Services Group was settled in April 2015.

16. RELATED PARTY TRANSACTIONS

At 30 June 2015 the Group owed EM News Distribution (NI) Ltd, a joint venture company, £5.0m (at 30 June 2014: £5.6m, 31 December 2014: £5.1m). At 30 June 2015 the Group was owed £0.1m by another joint venture company EM News Distribution (Ireland) Ltd (at 30 June 2014: £3.0m, 31 December 2014: £1.9m).

17. FOREIGN CURRENCY SENSITIVITY

If Sterling had weakened/strengthened by 10% on currencies that have a material impact on the Group, the effect on profit before tax and equity, with all other variables held constant would have been:

Change in rate		Half year to 30 June 2015		Full year to 31 December 2014	
		Effect on Profit Before Tax £m	Effect on Equity £m	Effect on Profit Before Tax £m	Effect on Equity £m
US dollar	+10%	0.7	2.4	0.6	2.6
US dollar	-10%	(0.5)	(1.9)	(0.5)	(2.1)
Australian dollar	+10%	0.4	1.4	0.7	1.4
Australian dollar	-10%	(0.3)	(1.1)	(0.6)	(1.1)
Euro	+10%	0.1	0.8	0.7	1.3
Euro	-10%	(0.1)	(0.6)	(0.6)	(1.1)
Indian rupee	+10%	0.3	0.8	0.6	1.2
Indian rupee	-10%	(0.2)	(0.6)	(0.5)	(1.0)
South African rand	+10%	-	0.6	0.3	0.8
South African rand	-10%	-	(0.5)	(0.2)	(0.7)

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

RISKS & UNCERTAINTIES

The principal risks and uncertainties affecting the business activities of the Group remain those detailed in the 2014 Annual Report, a copy of which is available on the Group website at www.johnmenziesplc.com. The Board considers that these remain a current reflection of the risks and uncertainties facing the business for the remaining six months of the financial year.

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

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and that the interim management report includes a fair review of the information required by the Disclosure Rules and Transparency Rules of the Financial Conduct Authority, paragraphs DTR 4.2.7 R and DTR 4.2.8 R. The Directors of John Menzies plc are listed in the 2014 Annual Report. A list of current Directors is maintained on the Company website: www.johnmenziesplc.com.