John Menzies plc

The aviation services & print media distribution group

Highlights

- Aviation momentum continues, underlying operating profit up 11% at constant currency
- Distribution impacted by weak magazine sales
- Strong Balance Sheet and Operating Cash Flow

Operational Highlights

- A year of significant operational progress
- Three acquisitions completed and successfully integrated
- Cargo turnaround delivers margin improvement
- Publisher renewals continue to progress well with 80% of 2013 revenues secured to 2019
- Successful cost management programmes deliver over £5m full year saving

		2013	2012
Turnover (including JV's & Associates)		£2,000.3m	£1,996.8m
Underlying operating profit[1]		£60.1m	£61.0m
Underlying profit before taxation [2]		£53.1m	£54.5m
Profit before taxation		£42.1m	£28.1m
Operating cash flow[3]		£68.3m	£64.3m
Underlying earnings per share [4]		65.6p	68.8p
Earnings per share		50.1p	31.3p
Menzies Aviation	Underlying operating profit [5]	£37.8m	£34.8m
	Underlying operating profit – constant currency basis [6]	£38.5m	£34.8m
Menzies Distribution	Underlying operating profit [5]	£24.3m	£27.5m
Dividend		26.5p	25.2p

Iain Napier, Chairman said:

"During 2013 our Aviation services business continued to demonstrate its growth credentials, improving profit by 11%. We have continued to invest for growth, acquiring three businesses which extend our global footprint and further develop relationships with airlines. In Distribution, we continue to make significant efficiency improvements and had a successful year renewing contracts with publishers, although overall profit was impacted by weak markets.

I am confident that the Group is on a firm financial footing and we are well placed to grow our business while delivering returns for our shareholders."

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 tax is defined as profit before taxation, intangible amortisation and exceptional items*
3	*Operating cash flow is defined as operating profit adjusted for depreciation, amortisation, income and dividends from joint ventures, pension payments and movements in working capital and provisions*
4	*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.*
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	*Underlying operating profit at constant currency has been calculated by translating non-Sterling earnings for the twelve months to 31 December 2013 into Sterling at the exchange rates used for the same period in 2012.*

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 a leading global provider of passenger, ramp and cargo services. It also owns AMI, the world's only trade-only global airfreight and express wholesaler. The Menzies Aviation business is highly successful, operating at 144 airports in 31 countries, with annual revenue in excess of US$1.1bn and supported by a team of around 20,000 highly-trained people. Menzies Aviation serves over 500 customers, handling around 1m flights and 1.5m tonnes of cargo per annum. Customers include easyJet, Cathay Pacific, British Airways, Emirates, Qatar, Virgin America & Australia, Jet Blue, Asiana & Singapore Airlines. Best in class safety and security, the most resilient and innovative technology in its peer group and flawless customer service are what sets Menzies Aviation apart from other service providers.

3. Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK. The division handles around 5 million newspapers and 2 million magazines (covering some 3,000 magazine titles) each day, with deliveries to around 25,000 customers. The division employs 3,800 people at 40 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.

BUSINESS OVERVIEW

Group Performance

Much progress has been made during 2013, a busy year for contract renewals and wins, in both our Aviation and Distribution businesses. We now have over 80% of our revenue streams from print media distribution underpinned with contracts which are not due for renewal until 2019, and in Aviation we have seen positive growth in contract wins with both existing customers and new customers.

Our geographic diversification continues, including entry into Latin America, with three key Aviation acquisitions made in the year building on our solid global platform and positioning us well for future growth.

2013 has been an important year for building a strong growth platform and refocusing efforts in cost management in response to very disappointing magazine sales in the year which impacted our results.

Turnover was £2,000.3m (2012: £1,996.8m). Underlying profit before tax fell to £53.1m (2012: £54.5m) as the Group continues to focus on driving growth from aviation related activities against a backdrop of a structural decline in print media. We will continue to mitigate this trend by actively managing the cost structure supporting the print media distribution network. The small decline in underlying profit before tax had a consequent impact on our underlying earnings per share figure which decreased slightly to 65.6p (2012: 68.8p).

Profit before tax was £42.1m (2012: £28.1m). 2012 included £18.4m of non-recurring items reflecting, in the main, management actions to close cargo operations in the UK and USA which allowed the focus to be on higher margin operations which has yielded benefits in 2013.

Focus on our Aviation growth agenda continues with the division now representing 63% of Group underlying operating profit (2012: 57%). We are pleased to report revenue growth of 4% in that division to £722.8m, and 9% operating profit growth to £37.8m. On a constant currency basis, operating profits increased by 11%.

As expected, our Distribution division had a challenging year as the volume of newspapers, magazines and collectibles continue to decline with magazine sales a particular disappointment. As a result we continue to focus on efficiency measures, delivering over £5m of savings in the year. Following the acquisition of Orbital Marketing Services in 2012 we are pleased to report this is performing to expectations and made a valuable contribution. The impact of the core print decline was partially offset by cost management and new business streams although operating profit for the year was £24.3m (2012: £27.5m). Looking forward, a major rationalisation programme will commence in 2014 and c£5m of exceptional costs are planned over the next two years.

Taxation

As a multinational business we are liable to taxation in multiple jurisdictions around the world. The Group's underlying tax charge for the year was £13.3m (2012: £13.2m), representing an effective underlying tax rate of 25% (2012: 24%). Tax paid totalled £10.1m (2012: £9.5m). Looking forward, underlying tax rates are expected to increase to c27% reflecting our entry into Latin America and the rising proportion of profits in higher tax rate jurisdictions.

Acquisition and Related Intangible Assets

During the year, three acquisitions were made as part of the business development agenda in Aviation which required an investment of £14.9m (including debt acquired). The acquisitions build upon our regional presence in Oceania and Scandinavia, and provide a new entry point into Latin America. Acquisition costs totalled £0.7m and these are highlighted as non-recurring items in the Group Income Statement.

Defined Benefit Pension Scheme

As at 31 December 2013 the scheme showed a deficit of £45.8m (2012: £62.5m) a reduction of £16.7m due to improved performance on the scheme assets and increased employer contributions. Following the actuarial valuation carried out as at 31 March 2012, the Company agreed with the Trustees of the Fund to contribute an additional annual cash payment of £11m plus RPI which commenced on 1 April 2013.

IAS19 (Revised) Employee Benefits was implemented in 2013 and the financial statements have been prepared accordingly. The impact on prior year financial statements are as set out in Note 1 to the 2013 Annual Report and results in a net reduction in operating profit for that year of £2.1m.

Auto enrolment was introduced during the year and in October 2013 more than 6,000 of our employees were enrolled in the Nest pension scheme. The current estimated impact to operating profit is an additional cost of approximately £1m for 2014.

Cash Flow and Investment

In the year ended 31 December 2013 the Group had an operating cash flow of £68.3m (2012: £64.3m) and a free cash flow of £32.6m (2012: £34.7m). Investment in acquired businesses and capital expenditure totalled £33.5m (2012: £34.8m) which underlines our policy of investing for future growth.

Treasury

The Group continues to be on a very strong financial footing. We have a robust Balance Sheet built from strong operating cash flows across the divisions and our total debt to EBITDA ratio of 1.7 times at 31 December 2013 is well within our covenant level of 3 times. Our interest cover is 12.4 times.

At the year end December 2013 the Group had net debt of £103.5m (2012: £93.0m) which was comfortably below the available committed lending facilities. Post the year end facilities that were due for renewal in the first six months of 2014 have been renegotiated and increased by approximately £55m to create appropriate headroom to support business growth.

The majority of Menzies Aviation's stations are located outside of the UK and operate in currencies other than Sterling. The Group attempts to minimise the volatility of transactional foreign exchange as far as possible through the use of foreign exchange forward contracts. The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates directly affect the Group's reported results, which in 2013 was £0.7m. In particular the recent adverse movements have been in the Australian dollar, Indian rupee and South African rand.

OPERATING REVIEW

MENZIES AVIATION

Performance

2013 was a year of further progress with good profit growth. This demonstrates the clear resilience that the business has through its customer, product and geographical diversity. We invested in further growth by making acquisitions, including a strategic entry into the Latin American market and consolidation in Australia and New Zealand. The division also grew by winning new contracts at both existing and new airports. Headwinds were experienced through foreign exchange with a number of currencies moving adversely and through yield pressure where the renewal of contracts in competitive western European airports impacted profit progression.

We won 92 new contracts, at locations across the network. 26 contracts were lost, 9 to price and the remainder from route cessation. This adds some £15.6m of net revenue. In addition, we renewed 114 contracts securing £104.1m annual revenue. We experienced some yield pressure during the year especially in Europe where competition is particularly intense.

Aircraft turns were up 9% reflecting the benefits of prior year contract wins and acquisitions made in the UK and the Czech Republic. Like for like turns increased 2% representing market growth at existing stations, although this was tempered by some airlines not flying their anticipated schedules, particularly in the UK, which also adversely affected ground handling margins. 2013 was a very busy year for business development. We won a licence to operate at Nice airport in France and have secured Norwegian Airlines as our anchor customer. In the USA our ground handling business continued to expand, notably with Frontier Airlines at three new locations.

Following a period of re-structuring, cargo handling had a good year with the operating margin improving and the business now in the shape that we have been striving for. It is an attractive product where good margins can be achieved. Whilst large operations at a number of locations still exist, our portfolio now mainly focuses on restricted licences in emerging markets and locations where offering airlines a one stop shop of cargo and ground handling is important. As expected, absolute cargo tonnes were down 14%. This reflects the closure of large facilities in Chicago and New York together with the downsizing of the cargo network in the UK. Like for like tonnes were marginally down on the prior year at 2% which is in line with our expectations and published IATA statistics.

We made three acquisitions during the year. Skystar, a ground handling business operating at eight locations across Australia and New Zealand, was acquired in October. This was a key consolidation play and had a strong strategic fit with our existing business in the region. The acquisition has integrated well and further contracts have been won at the new stations. We now have a very strong presence in the region and further expansion plans are in place. In August, we acquired Desacol, a cargo and ground handling business based at five stations in Colombia. This acquisition was a strategic entry into Latin America which is an attractive region that we have identified for further growth. The acquisition is bedding in well and this provides a platform for other opportunities that exist in Latin America. Lastly, we acquired Moose Aviation, a small ground handling business based at Stockholm Arlanda airport in Sweden which added to our existing presence allowing us to provide a full service to prospective and existing airline customers.

AMI, our cargo forwarding business, had another good year increasing profits by 11% to £4.2m. The business now has a network of offices across the globe and is benefitting from being a truly independent player in the busy freight forwarding marketplace.

The contract pipeline remains strong and we continue to evaluate acquisition opportunities that we believe will deliver the required returns. We will continue to provide what we believe to be the best service offering in the industry, putting safety and security at the heart of everything we do and providing our airline customers with the service they demand. We align ourselves with growing, financially sound airlines and in a consolidating market Menzies Aviation is very well placed to continue growing as we look to deepen existing customer relationships, expand into new territories and attract new customers.

MENZIES DISTRIBUTION

Performance

Despite a challenging year where weekly magazine sales saw a step change decline in volume, we delivered excellent cost savings, successfully renewed over 80% of revenues from publisher contracts and Orbital

Marketing Services, the business acquired in October 2012, delivered its expected returns. These achievements allow the division to plan for the future with confidence.

Sales in the magazine market were weak, with the weekly market in particular affected by falling volumes and title closures. As expected, due to the absence of a major football tournament, collectibles were behind the prior year.

In the core categories, overall magazine sales were down 9.2% (8.2% like for like). Weekly titles, particularly the celebrity category, were down 10.5% (9.2% like for like) with monthly titles down 7.5% (6.9% like for like). During the year a number of titles closed including Autotrader, easyLiving and More.

Newspaper sales performed ahead of expectations with sales value up 1.5% (like for like down 2.0%), resulting from strong cover price growth and new business won from News International in Northern Ireland.

During the year we continued to renew our major publisher contracts. We now have over 80% of 2013 revenues secured through to 2019. These renewals provide contract security and allow plans to be made for the future shape of the business.

Productivity and cost saving initiatives continue to deliver results. In 2013 over £5m of cost savings were achieved.

The integration of Orbital Marketing Services progressed well, meeting synergy and profit targets. The distribution of printed media (travel brochures) is integrating into the core network and we are evaluating opportunities within the fulfilment and direct mailing markets. Menzies Marketing Services made progress year on year but continues to operate in a challenging environment.

To address the fall in volume we have accelerated extensive branch rationalisation plans. The implementation of these plans will commence in the first half of 2014 and will run through a number of stages before completion in the second half of 2015. As a result a number of newspaper packing spokes will close and magazine packing will be centralised into a smaller number of hub locations. To deliver the project exceptional rationalisation costs of c£5m will be incurred over the next 24 months. It is expected that the recurring benefits of this rationalisation will commence during 2015.

<u>Board</u>

During the year we have seen our Board evolve. Paul Dollman, Group Finance Director, retired and was replaced by Paula Bell in June. Iain Harrison stepped down from the Board at the AGM after a period of 26 years service. We recently announced that David McIntosh will step down as Managing Director of Menzies Distribution after 25 years service once a successor is in place. A search for both David's successor and an additional non-executive director is underway.

<u>Dividend</u>

The Board has recommended a final dividend of 18.8p per share which is payable on 20 June 2014 to all shareholders on the register at 23 May 2014. The total (paid and proposed) dividend for the year has increased by 5% to 26.5p per ordinary share and is an indication of the underlying strength and stability in the business.

<u>Outlook</u>

Trading conditions, particularly within the Distribution business, are likely to remain challenging in 2014. We expect momentum to continue at Aviation on a constant currency basis and with further planned growth in the aviation marketplace, a solid balance sheet and new borrowing facilities secured, the Group is well placed to take advantage of investment opportunities as they arise. The Group as a whole will continue its focus on cost management in 2014 which delivered savings in the Distribution business alone of over £5m in 2013. The announcement of a 5% increase in the final dividend emphasises the robustness of the Group's financial prospects and the Board looks to the future with confidence.

GROUP INCOME STATEMENT
for the year ended 31 December 2013 (year ended 31 December 2012)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2013 Total £m
Revenue	2	**1,905.4**	**-**	**1,905.4**
Net operating costs		**(1,852.7)**	**(7.3)**	**(1,860.0)**
Operating profit		**52.7**	**(7.3)**	**45.4**
Share of post-tax results of joint ventures and associates		**7.4**	**(2.5)**	**4.9**
Operating profit after joint ventures and associates	2	**60.1**	**(9.8)**	**50.3**
Analysed as: Underlying operating profit*		**60.1**	**-**	**60.1**
Non-recurring items	4(a)	**-**	**(0.7)**	**(0.7)**
Associate goodwill impairment	4(c)	**-**	**(1.4)**	**(1.4)**
Contract amortisation	4(c)	**-**	**(6.6)**	**(6.6)**
Share of interest on joint ventures and associates		**-**	**0.5**	**0.5**
Share of tax on joint ventures and associates		**-**	**(1.6)**	**(1.6)**
Operating profit after joint ventures and associates		**60.1**	**(9.8)**	**50.3**
Finance income	5	**0.7**	**-**	**0.7**
Finance charges	5	**(5.3)**	**(1.2)**	**(6.5)**
Other finance charge - pensions	3	**(2.4)**	**-**	**(2.4)**
Profit before taxation		**53.1**	**(11.0)**	**42.1**
Taxation	6	**(13.3)**	**1.6**	**(11.7)**
Profit for the year		**39.8**	**(9.4)**	**30.4**
Attributable to equity shareholders		**39.8**	**(9.4)**	**30.4**
Earnings per ordinary share	8			
Basic		**65.6p**	**(15.5)p**	**50.1p**
Diluted		**65.4p**	**(15.4)p**	**50.0p**

	Notes	Before exceptional and other items Restated (Note 1) £m	Exceptional and other items £m	2012 Total Restated (Note 1) £m
Revenue	2	1,903.5	-	1,903.5
Net operating costs		(1,849.1)	(23.0)	(1,872.1)
Operating profit		54.4	(23.0)	31.4
Share of post-tax results of joint ventures and associates		6.6	(2.8)	3.8
Operating profit after joint ventures and associates	2	61.0	(25.8)	35.2
Analysed as:				
Underlying operating profit*		61.0	-	61.0
Non-recurring items	4(a)	-	(18.4)	(18.4)
Associate goodwill impairment	4(c)	-	(1.8)	(1.8)
Contract amortisation	4(c)	-	(4.6)	(4.6)
Share of interest on joint ventures and associates		-	0.6	0.6
Share of tax on joint ventures and associates		-	(1.6)	(1.6)
Operating profit after joint ventures and associates		61.0	(25.8)	35.2
Finance income	5	0.8	-	0.8
Finance charges	5	(4.6)	(0.6)	(5.2)
Other finance charge - pensions	3	(2.7)	-	(2.7)
Profit before taxation		54.5	(26.4)	28.1
Taxation	6	(13.2)	3.9	(9.3)
Profit for the year		41.3	(22.5)	18.8
Attributable to equity shareholders		41.3	(22.5)	18.8
Earnings per ordinary share	8			
Basic		68.8p	(37.5)p	31.3p
Diluted		68.5p	(37.3)p	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 STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013 (year ended 31 December 2012)

	Notes	2013 £m	2012 Restated (Note 1) £m
Profit for the year		**30.4**	18.8
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pensions	3	**9.4**	(16.4)
Actuarial gain/(loss) on unfunded pension arrangements		**0.2**	(0.1)
Income tax effect		**(2.2)**	4.0
Impact of rate change on deferred tax		**(1.4)**	(1.3)
Items that may be reclassified subsequently to profit or loss:			
Movement on cash flow hedges	12	**(0.2)**	1.4
Income tax effect		**-**	(0.3)
Movement on net investment hedges	12	**3.5**	(0.4)
Income tax effect		**(0.8)**	0.1
Exchange loss on translation of foreign operations		**(10.7)**	(4.8)
Other comprehensive income for the year (net of tax) attributable to equity shareholders		**(2.2)**	(17.8)
Total comprehensive income for the year attributable to equity shareholders		**28.2**	1.0

GROUP AND COMPANY BALANCE SHEETS
as at 31 December 2013 (31 December 2012 and 31 December 2011)

	Notes	Group 2013 £m	Group 2012 Restated (Note 1) £m	Group 2011 Restated (Note 1) £m	Company 2013 £m	Company 2012 Restated (Note 1) £m	Company 2011 Restated (Note 1) £m
ASSETS							
Non-current assets							
Intangible assets	9	**126.8**	123.0	108.8	**-**	-	-
Property, plant and equipment		**114.3**	116.8	123.4	**25.8**	28.0	28.8
Investments accounted using the equity method		**26.3**	28.9	31.5	**-**	-	-
Investment in subsidiaries		**-**	-	-	**290.1**	290.2	292.8
Deferred tax assets		**9.2**	14.5	11.9	**3.9**	9.0	7.3
		276.6	283.2	275.6	**319.8**	327.2	328.9
Current assets							
Inventories		**14.5**	14.1	15.3	**-**	-	-
Trade and other receivables		**183.5**	183.5	169.7	**231.2**	217.3	180.0
Derivative financial assets	12	**3.9**	0.9	1.5	**3.9**	0.9	1.5
Cash and cash equivalents		**33.8**	34.0	24.4	**0.9**	0.3	1.1
		235.7	232.5	210.9	**236.0**	218.5	182.6
LIABILITIES							
Current liabilities							
Borrowings	12	**(49.5)**	(46.2)	(3.4)	**(48.6)**	(46.1)	(2.8)
Derivative financial liabilities	12	**(0.3)**	(0.6)	(1.9)	**(0.3)**	(0.6)	(1.9)
Trade and other payables		**(202.2)**	(210.4)	(211.6)	**(287.7)**	(283.0)	(291.0)
Current income tax liabilities		**(8.2)**	(9.7)	(12.0)	**-**	-	-
Provisions		**(3.5)**	(2.2)	(2.9)	**-**	-	-
		(263.7)	(269.1)	(231.8)	**(336.6)**	(329.7)	(295.7)
Net current liabilities		**(28.0)**	(36.6)	(20.9)	**(100.6)**	(111.2)	(113.1)
Total assets less current liabilities		**248.6**	246.6	254.7	**219.2**	216.0	215.8
Non-current liabilities							
Borrowings	12	**(91.4)**	(81.1)	(100.4)	**(91.4)**	(81.1)	(100.4)
Other payables		**(10.5)**	(10.0)	(1.8)	**(5.0)**	(5.0)	(5.0)
Derivative financial liabilities		**-**	-	(0.3)	**-**	-	(0.3)
Provisions		**(4.6)**	(9.5)	(3.6)	**-**	-	-
Retirement benefit obligations	3	**(45.8)**	(62.5)	(50.8)	**(45.8)**	(62.5)	(50.8)
		(152.3)	(163.1)	(156.9)	**(142.2)**	(148.6)	(156.5)
Net assets		**96.3**	83.5	97.8	**77.0**	67.4	59.3
Shareholders' equity							
Ordinary shares		**15.4**	15.3	15.2	**15.4**	15.3	15.2
Share premium account		**20.2**	18.6	17.4	**20.2**	18.6	17.4
Treasury shares		**(3.3)**	(4.1)	(8.3)	**(3.3)**	(4.1)	(8.3)
Other reserves		**(13.4)**	(5.2)	(1.2)	**(0.8)**	(0.6)	(1.7)
Retained earnings		**55.3**	36.8	52.5	**23.9**	16.6	15.1
Capital redemption reserve		**21.6**	21.6	21.6	**21.6**	21.6	21.6
Total shareholders' equity		**95.8**	83.0	97.2	**77.0**	67.4	59.3
Non-controlling interest in equity		**0.5**	0.5	0.6	**-**	-	-
Total equity		**96.3**	83.5	97.8	**77.0**	67.4	59.3

The accounts were approved by the Board of Directors on 3 March 2014 and signed on its behalf by:

Iain Napier,
Chairman

Paula Bell,
Group Finance Director

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31 December 2013 (31 December 2012)

	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 Restated (Note 1) £m
Group										
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 1)	15.3	18.6	(4.1)	(0.6)	(4.6)	36.8	21.6	83.0	0.5	83.5
Profit for the year	-	-	-	-	-	30.4	-	30.4	-	30.4
Other comprehensive income	-	-	-	(0.2)	(8.0)	6.0	-	(2.2)	-	(2.2)
Total comprehensive income	-	-	-	(0.2)	(8.0)	36.4	-	28.2	-	28.2
New share capital issued	0.1	1.6	-	-	-	-	-	1.7	-	1.7
Share-based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
Income tax effect of share-based payments	-	-	-	-	-	0.9	-	0.9	-	0.9
Dividends paid	-	-	-	-	-	(15.9)	-	(15.9)	-	(15.9)
Repurchase of own shares	-	-	(3.5)	-	-	-	-	(3.5)	-	(3.5)
Disposal of own shares	-	-	4.3	-	-	(4.3)	-	-	-	-
At 31 December 2013	15.4	20.2	(3.3)	(0.8)	(12.6)	55.3	21.6	95.8	0.5	96.3
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	-	-	-	-	-	10.1	-	10.1	-	10.1
At 31 December 2011 (Restated Note 1)	15.2	17.4	(8.3)	(1.7)	0.5	52.5	21.6	97.2	0.6	97.8
Profit for the year (Restated Note 1)	-	-	-	-	-	18.8	-	18.8	-	18.8
Other comprehensive income	-	-	-	1.1	(5.1)	(13.8)	-	(17.8)	-	(17.8)
Total comprehensive income	-	-	-	1.1	(5.1)	5.0	-	1.0	-	1.0
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)	-	-	-	-
At 31 December 2012	15.3	18.6	(4.1)	(0.6)	(4.6)	36.8	21.6	83.0	0.5	83.5

Company										
At 31 December 2012 (as previously reported)	15.3	18.6	(4.1)	(0.6)	-	12.3	21.6	63.1	-	63.1
Impact of IAS 19R	-	-	-	-	-	4.3	-	4.3	-	4.3
At 31 December 2012 (Restated Note 1)	15.3	18.6	(4.1)	(0.6)	-	16.6	21.6	67.4	-	67.4
Profit for the year	-	-	-	-	-	20.1	-	20.1	-	20.1
Other comprehensive income	-	-	-	(0.2)	-	6.0	-	5.8	-	5.8
Total comprehensive income	-	-	-	(0.2)	-	26.1	-	25.9	-	25.9
New share capital issued	0.1	1.6	-	-	-	-	-	1.7	-	1.7
Share-based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
Dividends paid	-	-	-	-	-	(15.9)	-	(15.9)	-	(15.9)
Repurchase of own shares	-	-	(3.5)	-	-	-	-	(3.5)	-	(3.5)
Disposal of own shares	-	-	4.3	-	-	(4.3)	-	-	-	-
At 31 December 2013	**15.4**	**20.2**	**(3.3)**	**(0.8)**	**-**	**23.9**	**21.6**	**77.0**	**-**	**77.0**

At 31 December 2011 (as previously reported)	15.2	17.4	(8.3)	(1.7)	-	5.0	21.6	49.2	-	49.2
Impact of IAS 19R	-	-	-	-	-	10.1	-	10.1	-	10.1
At 31 December 2011 (Restated Note 1)	15.2	17.4	(8.3)	(1.7)	-	15.1	21.6	59.3	-	59.3
Profit for the year	-	-	-	-	-	37.7	-	37.7	-	37.7
Other comprehensive income	-	-	-	1.1	-	(13.8)	-	(12.7)	-	(12.7)
Total comprehensive income	-	-	-	1.1	-	23.9	-	25.0	-	25.0
New share capital issued	0.1	1.2	-	-	-	-	-	1.3	-	1.3
Share-based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
Dividends paid	-	-	-	-	-	(15.3)	-	(15.3)	-	(15.3)
Repurchase of own shares	-	-	(4.3)	-	-	-	-	(4.3)	-	(4.3)
Disposal of own shares	-	-	8.5	-	-	(8.5)	-	-	-	-
At 31 December 2012	15.3	18.6	(4.1)	(0.6)	-	16.6	21.6	67.4	-	67.4

GROUP AND COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2013 (year ended 31 December 2012)

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**£m**	£m	**£m**	£m
Cash flows from operating activities					
Cash generated from operations	11	**49.5**	43.3	**(13.4)**	(10.4)
Interest received		**0.6**	0.6	**-**	-
Interest paid		**(5.3)**	(4.8)	**(5.0)**	(4.5)
Tax paid		**(10.1)**	(9.5)	**(2.0)**	(2.2)
Net cash from operating activities		**34.7**	29.6	**(20.4)**	(17.1)
Cash flows from investing activities					
Loan repaid by associate		**-**	0.1	**-**	-
Acquisitions	14	**(10.5)**	(17.2)	**-**	-
Net cash acquired with subsidiaries	14	**0.3**	2.2	**-**	-
Purchase of property, plant and equipment		**(19.4)**	(16.7)	**(0.1)**	-
Intangible asset additions		**(3.9)**	(3.1)	**-**	-
Proceeds from sale of property, plant and equipment		**2.4**	3.9	**1.6**	-
Dividends received from equity accounted investments		**4.4**	4.5	**-**	-
Net cash used in investing activities		**(26.7)**	(26.3)	**1.5**	-
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**1.7**	1.3	**1.7**	1.3
Purchase of own shares		**(3.5)**	(4.3)	**(3.5)**	(4.3)
Repayment of borrowings	10	**(2.2)**	(17.9)	**-**	(17.9)
Proceeds from borrowings	10	**13.0**	44.1	**13.0**	44.1
Dividends paid to ordinary shareholders		**(15.9)**	(15.3)	**(15.9)**	(15.3)
Net amounts repaid by subsidiaries		**-**	-	**24.1**	9.2
Net cash (used in)/from financing activities		**(6.9)**	7.9	**19.4**	17.1
Increase in net cash and cash equivalents	10	**1.1**	11.2	**0.5**	-
Effects of exchange rate movements		**(1.6)**	(0.6)	**-**	-
Opening net cash and cash equivalents		**33.8**	23.2	**0.2**	0.2
Closing net cash and cash equivalents*	10	**33.3**	33.8	**0.7**	0.2

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

NOTES TO THE ACCOUNTS

The consolidated accounts of the Group for the year ended 31 December 2013 were approved and authorised for issue in accordance with a resolution of the Directors on 3 March 2013. John Menzies plc is a limited company incorporated in Scotland and is listed on the London Stock Exchange.

1. ACCOUNTING POLICIES

A summary of the more significant accounting policies, which have been consistently applied, is set out below.

New Accounting Standards and Interpretations affecting the Group

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

The amendment to IAS 1 require 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 their 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 Group 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 specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The relevant disclosures are reflected in Note 12.

Under IAS 19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, have been 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. The impact on the results, Statement of Changes in Equity, Balance Sheet, earnings per share for the prior year and impact on the current year is outlined below.

Impact on results for the year ended 31 December 2012

	Full year to 31 December 2012		
	As previously reported £m	Prior year adjustment £m	**As restated £m**
Revenue	1,903.5	-	**1,903.5**
Net operating costs	(1,870.0)	(2.1)	**(1,872.1)**
Operating profit	33.5	(2.1)	**31.4**
Share of post-tax results of joint ventures and associates	3.8	-	**3.8**
Operating profit after joint ventures and associates	37.3	(2.1)	**35.2**
Analysed as:			
Underlying operating profit	63.1	(2.1)	**61.0**
Non-recurring items	(18.4)	-	**(18.4)**
Associate goodwill impairment	(1.8)	-	**(1.8)**
Contract amortisation	(4.6)	-	**(4.6)**

Share of interest on joint ventures and associates	0.6	-	**0.6**
Share of tax on joint ventures and associates	(1.6)	-	**(1.6)**
Operating profit after joint ventures and associates	37.3	(2.1)	**35.2**
Finance income	0.8	-	**0.8**
Finance charges	(5.2)	-	**(5.2)**
Other finance charge - pensions	(0.9)	(1.8)	**(2.7)**
Profit before taxation	32.0	(3.9)	**28.1**
Taxation	(10.4)	1.1	**(9.3)**
Profit for the year	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 £52.5m 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 Balance Sheet

The impact has been to reduce the retirement benefit obligation by £13.5m at 31 December 2011 and £5.6m at 31 December 2012. There was a corresponding decrease in deferred tax assets of £3.4m at 31 December 2011 and £1.3m at 31 December 2012. The net impact was to increase the Group net assets by £10.1m and £4.3m at 31 December 2011 and 31 December 2012 respectively.

Impact on earnings per share

Basic earnings per share at 31 December 2012 have been restated from 36.0p to 31.3p. Diluted earnings per share at 31 December 2012 have been restated from 35.8p to 31.2p.

Impact on the current year

The net charge to the Income Statement for this accounting period has increased by £5.4m on a pre-tax basis (relative to that which would have applied under the previous version of IAS 19), with a tax impact of £1.3m. Operating profit reduced by £2.8m due to the recognition of administrative costs as well as the 2010 active benefit change impact, while other finance charge - pensions increased by £2.6m. The actuarial gain recognised has increased correspondingly by £7.2m. The additional net charge to the Income Statement reduces basic and diluted earnings per share for total operations by 6.9p and 6.8p respectively. The impact from the adoption of IAS 19R has reduced the disclosed defined benefit obligation by £9.4m with a consequent reduction to deferred tax assets recognised of £1.9m.

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

IFRS 7 Financial Instruments: Disclosures (Amendment) - Offsetting Financial Assets and Financial Liabilities - effective date 1 January 2013

Improvements to IFRS (May 2012) - effective date 1 January 2013

The following standards, amendments to standards and interpretations have been issued but are not effective for 2013 and have not been early adopted:

IFRS 10 Consolidated Financial Statements - effective date 1 January 2014

IFRS 11 Joint Arrangements - effective date 1 January 2014

IFRS 12 Disclosure of Interests in Other Entities - effective date 1 January 2014

Amendments to IFRS 10, 11 and 12 on transition guidance - effective date 1 January 2014

IAS 27 (revised 2011) Separate Financial Statements - effective date 1 January 2014

IAS 28 (revised 2011) Associates and Joint Ventures - effective date 1 January 2014

Amendment to IAS 32 Financial instruments: Presentation, on offsetting financial assets and financial liabilities - effective date 1 January 2014

IFRS 9 Financial Instruments* - no effective date set

IAS 19 - Defined Benefit Plans - employee contributions - effective date 1 July 2014

Annual Improvements to IFRSs - 2010 - 2012 cycle - effective date 1 July 2014

Annual Improvements to IFRSs - 2011 - 2013 cycle - effective date 1 July 2014

IAS 36 (amendment) Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets* - effective date 1 January 2014

IAS 39 (amendment) Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting* - effective date 1 January 2014

IFRIC 21 Levies* - effective date 1 January 2014

Improvements to IFRSs (issued May 2012) - various effective dates

*Not yet adopted for use in the European Union.

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

For those standards with a later effective date, the Directors are in the process of assessing the likely impact and await finalisation of the standards before formalising their view.

As permitted by Section 408 of the Companies Act 2006 no Income Statement is presented for the Company.

Basis of consolidation

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

The consolidated accounts of the Group include the assets, liabilities and results of the Company and subsidiary undertakings in which John Menzies plc has a controlling interest, using accounts drawn up to 31 December except where entities have non-coterminus year ends. In such cases, the information is based on the accounting period of these entities and is adjusted for material changes up to 31 December. Accordingly, the information consolidated is deemed to cover the same period for all entities throughout the

Group.

Joint ventures and associates

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other venturers under a contractual agreement.

An associate is an undertaking, not being a subsidiary or joint venture, over which the Group has significant influence and can participate in the financial and operating policy decisions of the entity.

The Group's share of the results of joint ventures and associates is included in the Group Income Statement using the equity method of accounting. Investments in joint ventures and associates are carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

Revenue

Distribution - revenue is recognised on the weekly dispatched value of goods sold, excluding value-added tax. Product is sold to UK retailers on a sale or return basis. Revenue for goods supplied with a right of return is stated net of the value of any returns.

Aviation - cargo revenue is recognised at the point of departure for exports and at the point that the goods are ready for dispatch for imports. Other ramp, passenger and aviation-related services income is recognised at the time the service is provided in accordance with the terms of the contract. Revenue excludes value-added and sales taxes, charges collected on behalf of customers and intercompany transactions.

Property, plant and equipment

Property, plant and equipment is stated at cost, including acquisition expenses, less accumulated depreciation. Depreciation is provided on a straight-line basis at the following rates:

Freehold and long leasehold properties - over 50 years
Short leasehold properties - over the remaining lease term
Plant and equipment - over the estimated life of the asset between 3 and 20 years

Inventories

Inventories, being goods for resale and consumables, are stated at the lower of purchase cost and net realisable value.

Pensions

The operating and financing costs of pensions are charged to the Income Statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the Group Statement of Comprehensive Income.

Pension costs are assessed in accordance with the advice of qualified actuaries.

With regard to defined contribution schemes, the Income Statement charge represents contributions made.

Pension financing costs are shown separately in the Income Statement.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period.

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amount of an asset or liability in the Balance Sheet and its tax base. Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised in the Income Statement except if it relates to an item recognised directly in equity or in Other Comprehensive Income, in which case it is recognised directly in equity or in the Group Statement of Comprehensive Income respectively.

Intangible assets

Goodwill

Business combinations from 1 January 2010 are accounted using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in exceptional items.

Goodwill arising on acquisitions before 26 December 2004 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Goodwill acquired is recognised as an asset and reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment is recognised in the Income Statement.

Goodwill arising on the acquisition of joint ventures and associates is included within the carrying value of the investment.

Contracts

The fair value attributed to contracts at the point of acquisition is determined by discounting the expected future cash flows to be generated from that asset at the risk-adjusted weighted average cost of capital for the Group. This amount is included in intangible assets as "contracts" and amortised over the estimated useful life on a straight-line basis. Separate values are not attributed to internally-generated customer relationships.

Contract amortisation is business-stream dependent. At Distribution, publisher distribution contracts capitalised are not amortised due to the very long-term nature of the business in the UK. These contracts are, however, tested annually for impairment using similar criteria to the goodwill test. At Aviation and for non-publisher related contracts in Distribution, contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition.

Computer software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly attributable with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the directly attributable costs of software development employees. Costs are amortised over their estimated useful lives, usually three to five years.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets acquired under finance leases are capitalised in the Balance Sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recorded in the Balance Sheet as a finance lease obligation. The lease payments are apportioned between finance charges (charged to the Income Statement) and a reduction of the lease obligations.

Rental payments under operating leases are charged to the Income Statement on a straight-line basis over applicable lease periods.

Trade receivables

If there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of an invoice, a provision on the respective trade receivable is recognised. In such an instance, the carrying value of the receivable is reduced, with the amount of the loss recognised in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

Foreign currencies

Foreign currency assets and liabilities of the Group are translated at the rates of exchange ruling at the Balance Sheet date. The trading results of overseas subsidiaries, joint ventures and associates are translated at the average exchange rate ruling during the year, with the exchange difference between average rates and the rates ruling at the Balance Sheet date being taken to reserves.

Any differences arising on the translation of the opening net investment, including goodwill, in overseas subsidiaries, joint ventures and associates, and of applicable foreign currency loans, are dealt with as adjustments to reserves. All other exchange differences are dealt with in the Income Statement.

Derivative financial instruments and hedging activities

The Group uses forward contracts and cross-currency swaps as derivatives to hedge the risk arising from the retranslation of foreign currency denominated items.

The Group has derivatives which are designated as hedges of overseas net investments in foreign entities (net investment hedges) and derivatives which are designated as hedges of the exchange risk arising from the retranslation of highly probable forecast revenue denominated in non-local currency of some of its overseas operations (cash flow hedges).

Derivative contracts entered into by the Group are expected to continue to be highly effective until they expire. The effectiveness of these contracts is monitored during the year. As a result, all derivatives have been recorded using hedge accounting, which is explained below.

All derivatives are measured at fair value, which is calculated as the present value of all future cash flows from the derivative discounted at prevailing market rates.

Changes in the fair value of the effective portion of net investment hedges are recorded in equity, and are only recycled to the Income Statement on disposal of the overseas net investment.

Changes in the fair value of the effective portion of cash flow hedges are recorded in equity until such time as the forecast transaction occurs, at which time they are recycled to the Income Statement. If, however, the occurrence of the transaction results in a non-financial asset or liability, then amounts recycled from equity would be included in the cost of the non-financial asset or liability. If the forecast transaction remains probable but ceases to be highly probable then, from that point, changes in fair value would be recorded in the Income Statement within finance costs. Similarly, if the forecast transaction ceases to be probable then the entire fair value recorded in equity and future changes in fair value would be posted to the Income Statement within finance costs.

For assets and liabilities that are recognised in the financial statements 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Share capital

Ordinary shares are classed as equity. Where the Company purchases its own shares the consideration paid including any directly attributable incremental costs, is deducted from the equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant and recognised as an expense over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest unless the options do not vest as a result of a failure to satisfy market conditions. Fair value is measured by use of a relevant pricing model.

Use of estimates and judgements

The preparation of the consolidated accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates will, by definition, seldom equal the related actual results particularly so given the prevailing difficult economic conditions and the level of uncertainty regarding their duration and severity.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most important estimates and judgements are set out below.

Intangible assets
On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired (provided they meet the criteria to be recognised). The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cashflows, as well as appropriate discount rates. In addition, the allocation of useful lives to acquired intangible assets requires the application of judgement based on available information and management expectations at the time of recognition.

Impairment

IFRS requires companies to carry out impairment testing on any assets that show indications of impairment and annually on goodwill and intangibles that are not subject to amortisation. This testing involves exercising management judgement about future cashflows and other events which are, by their nature, uncertain.

Retirement benefits
The assumptions underlying the calculation of retirement benefits are important and based on independent advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligations.

Income taxes
The Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the Income Statement to enable a full understanding of the Group's financial performance. These exclude certain elements of intangible asset impairment and amortisation, which are also presented separately in the Income Statement.

Transactions which may give rise to exceptional items include restructuring of business activities (in terms of rationalisation costs and onerous lease provisions), gains or losses on the disposal of businesses and transaction costs associated with the acquisition of new businesses.

Dividend distributions

Final ordinary dividends are recognised as liabilities in the accounts in the period in which the dividends are approved by the Company's shareholders.

Financial risk factors

The Group is exposed to financial risks: liquidity risk, interest rate fluctuations, foreign exchange exposures and credit risk.

Definitions and Non-GAAP measures used by management

Management believes that the following non-GAAP or adjusted measures provide a useful comparison of business performance and reflect the way in which the business is controlled:

Underlying profit before taxation is defined as profit before taxation, intangible amortisation and exceptional items.

Underlying operating profit includes each division's share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.

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.

Turnover includes revenue from subsidiaries, joint ventures and associates.

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

Total debt to EBITDA ratio. Total debt is net debt plus guarantees and excluding financial derivatives and preference shares. EBITDA is underlying operating profit plus depreciation and computer software amortisation.

Interest cover is EBITA divided by the external interest charge. EBITA is underlying operating profit plus computer software amortisation. The external interest charge excludes net financial income/(charge) related to pensions.

2. SEGMENT INFORMATION

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

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

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

Business segment information

	Revenue		Pre-exceptional operating profit/(loss)	
	2013	2012	**2013**	2012 Restated (Note 1)
	£m	£m	**£m**	£m
Distribution	**1,277.5**	1,299.6	**24.3**	27.5
Aviation				
- ground handling	**454.0**	422.1	**21.9**	21.3
- cargo handling	**149.8**	158.6	**11.7**	9.7
- cargo forwarding	**119.0**	116.5	**4.2**	3.8
	722.8	697.2	**37.8**	34.8
Corporate	**-**	-	**(2.0)**	(1.3)
	2,000.3	1,996.8	**60.1**	61.0
Joint ventures and associates	**(94.9)**	(93.3)	**-**	-
	1,905.4	1,903.5	**60.1**	61.0

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

2013	Distribution £m	Aviation £m	Corporate £m	**Group £m**
Operating profit/(loss)	21.2	26.3	(2.1)	**45.4**
Share of post-tax results of joint ventures	1.1	3.5	-	**4.6**
Share of post-tax results of associates	-	0.3	-	**0.3**
Operating profit/(loss) after joint ventures and associates	22.3	30.1	(2.1)	**50.3**

Net finance expense				**(8.2)**
Profit before tax				**42.1**

Analysed as:				
Pre-exceptional operating profit/(loss)*	24.3	37.8	(2.0)	**60.1**
Acquisition related costs (Note 4(a))	-	(0.6)	(0.1)	**(0.7)**
Impairment provision (Note 4(c))	-	(1.4)	-	**(1.4)**
Contract amortisation (Note 9)	(1.7)	(4.9)	-	**(6.6)**
Share of interest on joint ventures and associates	-	0.5	-	**0.5**
Share of tax on joint ventures and associates	(0.3)	(1.3)	-	**(1.6)**
Operating profit/(loss)after joint ventures and associates	22.3	30.1	(2.1)	**50.3**

2012 – Restated (Note 1)	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/(loss) 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(c))	-	(1.8)	-	(1.8)
Contract amortisation (Note 9)	(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/(loss) 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 as shown in Note 4(c) and exceptional items but including the pre-tax share of results from joint ventures and associates.

2013	Distribution £m	Aviation £m	Corporate £m	**Group £m**
Segment assets	192.9	270.9	5.5	**469.3**
Unallocated assets				**43.0**
Total assets				**512.3**
Segment liabilities	(115.7)	(92.6)	(12.8)	**(221.1)**
Unallocated liabilities				**(194.9)**

Total liabilities				**(416.0)**
Segment net assets/(liabilities)	77.2	178.3	(7.3)	**248.2**
Unallocated net liabilities				**(151.9)**
Net assets				**96.3**

2012 – Restated (Note 1)	£m	£m	£m	£m
Segment assets	198.0	265.8	3.4	467.2
Unallocated assets				48.5
Total assets				515.7
Segment liabilities	(123.0)	(95.9)	(13.8)	(232.7)
Unallocated liabilities				(199.5)
Total liabilities				(432.2)
Segment net assets/(liabilities)	75.0	169.9	(10.4)	234.5
Unallocated net liabilities				(151.0)
Net assets				83.5

Unallocated assets comprise deferred tax assets, cash and cash equivalents.

Unallocated liabilities comprise retirement benefit obligations, borrowings, current income tax liabilities and deferred tax liabilities.

2013	Distribution £m	Aviation £m	Corporate £m	**Group £m**
Capital expenditure – property, plant and equipment	2.3	17.0	0.1	**19.4**
Capital expenditure – intangible assets	1.9	1.6	0.4	**3.9**
Depreciation	4.9	13.8	0.7	**19.4**
Amortisation of intangible assets	3.6	6.0	-	**9.6**
Goodwill impairment	-	1.4	-	**1.4**
Gain on disposal of property, plant and equipment	-	-	(0.3)	**(0.3)**

2012 – Restated (Note 1)	£m	£m	£m	£m
Capital expenditure – property, plant and equipment	3.4	13.3	-	16.7
Capital expenditure – intangible assets	1.7	1.1	0.3	3.1
Depreciation	5.0	14.4	0.8	20.2
Amortisation of intangible assets	2.1	5.5	-	7.6
Goodwill impairment	-	1.8	-	1.8
Gain on disposal of property, plant and equipment	(0.1)	(0.3)	-	(0.4)

Geographic information

	Revenue		Segment non-current assets	
	2013 £m	2012 £m	**2013 £m**	2012 £m
United Kingdom	**1,418.0**	1,437.5	**118.1**	125.2
Continental Europe	**160.5**	145.6	**50.7**	49.0

Americas	**150.9**	146.6	**40.8**	36.4
Rest of the World	**176.0**	173.8	**57.8**	58.1
	1,905.4	1,903.5	**267.4**	268.7

3. PENSION SCHEMES

With regard to the principal Group-funded defined benefit scheme in the UK (the Menzies Pension Fund), to which the employees contribute, the charge to the Income Statement is assessed in accordance with independent actuarial advice from Hymans Robertson LLP ("the Actuary"), using the projected unit method. Certain Group subsidiaries operate overseas and participate in a number of pension schemes, which are of a defined contribution nature. The Income Statement charge for defined contribution schemes represents the contributions payable.

The pension charge to the Income Statement is analysed as follows:

	2013	2012 Restated (Note 1)
	£m	£m
Menzies Pension Fund	**3.4**	2.4
Other schemes	**10.7**	9.7
	14.1	12.1

Financial Assumptions

The Actuary undertook a valuation of the Menzies Pension Fund ("The Fund") as at 31 December 2013 (31 December 2012) under IAS 19.

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

	2013	2012
	%	%
Rate of increase in salaries	**3.3**	2.8
Rate of increase in pensions (prior to 1 May 2006)	**3.7**	3.4
Rate of increase in pensions (from 1 May 2006 to 1 June 2010)	**2.4**	2.2
Rate of increase in pensions (after 1 June 2010)	**1.0**	1.0
Price inflation	**3.3**	2.8
Discount rate	**4.6**	4.4

Assumptions regarding future mortality experience are set based on advice that uses published statistics and experience in the business.

The average life expectancy in years of a pensioner retiring at 65 on the Balance Sheet date is:

	2013	2012
Male	**20.9**	20.8
Female	**22.5**	22.4

The average life expectancy in years of a pensioner retiring at 65, 20 years after the Balance Sheet date is:

	2013	2012
Male	**21.7**	21.6
Female	**23.7**	23.6

Fair value of fund assets (and reconciliation to net pension liabilities)

	2013			2012 Restated (Note 1)		
	Quoted £m	**Unquoted £m**	**Total Value at December £m**	Quoted £m	Unquoted £m	Total Value at December £m
Investment funds	**64.4**	**22.9**	**87.3**	78.2	2.5	80.7
Equities	**84.6**	**-**	**84.6**	72.4	-	72.4
Bonds	**79.9**	**-**	**79.9**	66.1	-	66.1
Property	**19.4**	**-**	**19.4**	24.9	-	24.9
Other	**3.1**	**7.7**	**10.8**	4.6	8.5	13.1
Total value of assets	**251.4**	**30.6**	**282.0**	246.2	11.0	257.2
Defined benefit obligation			**(327.8)**			(319.7)
Recognised in Balance Sheet			**(45.8)**			(62.5)
Related deferred tax asset			**9.2**			14.4
Net pension liabilities			**(36.6)**			(48.1)

Sensitivity analysis

Changes in assumptions compared with December 2013 actuarial assumptions:

	Actuarial value of liabilities on 31 December 2013 £m
0.5% decrease in discount rate	**358.1**
1 year increase in life expectancy	**337.6**
-0.5% change in salary increases	**327.8***
-0.5% change in inflation	**311.0**

* Active members' benefits, once accrued, revalue at CPI capped at 1% p.a. and so changes in the level of salary increase do not affect the past service liability value.

Information about the defined benefit obligation	**No. of Members**	**Liability Split**	**Duration (years)**
Active members	**573**	**21%**	**24.0**
Deferred members	**3,742**	**31%**	**21.9**
Pensioners	**2,317**	**48%**	**12.2**
Total	**6,632**	**100%**	**17.7**

Components of pension expense

	2013	2012 Restated (Note 1)

Amounts charged/(credited) to operating profit	**£m**	£m
Current service cost	**1.8**	1.7
Administrative costs	**1.6**	1.0
Past service costs including curtailments	**-**	(0.3)
Total service cost	**3.4**	2.4

Amounts included in finance costs	**£m**	£m
Interest income on fund assets	**11.3**	11.8
Interest cost on defined benefit obligation	**(13.7)**	(14.5)
Net financial charge	**(2.4)**	(2.7)
Pension expense	**5.8**	5.1

Amounts recognised in the Statement of Comprehensive Income	**£m**	£m
Returns on assets excluding amounts to be included in net interest	**16.1**	6.6
Changes in financial assumptions	**(6.7)**	(28.5)
Experience	**-**	5.5
Actuarial gain/(loss)	**9.4**	(16.4)

Change in scheme assets during the year	**£m**	£m
Fair value of assets at start of year	**257.2**	242.0
Interest Income	**11.3**	11.8
Company contributions	**13.1**	9.8
Employee contributions	**0.9**	1.0
Effect of settlements	**(0.4)**	-
Benefits and expenses paid	**(16.2)**	(14.0)
Returns on assets excluding amounts included in net interest	**16.1**	6.6
Fair value of assets at end of year	**282.0**	257.2

The actual return on scheme assets was a gain of £27.4m (2012: a gain of £18.4m).

Change in defined benefit obligation during the year	**£m**	£m
Defined benefit obligation at start of year	**319.7**	292.8
Total service cost	**3.4**	2.4
Interest cost	**13.7**	14.5
Effect of Settlements	**(0.4)**	-
Employee contributions	**0.9**	1.0
Benefits and expenses paid	**(16.2)**	(14.0)
Changes in financial assumptions	**6.7**	29.0
Changes in demographic assumptions	**-**	(0.5)
Experience	**-**	(5.5)
Defined benefit obligation at end of year	**327.8**	319.7

Nature of benefits, regulatory framework and the Company's responsibilities for governance of the Menzies Pension Fund

The Fund is a registered defined benefit career average revalued earnings scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Fund is operated under trust and as such, the Trustee of the Fund is responsible for operating the Fund and it has a statutory responsibility to act in accordance with the Fund's Trust Deed and Rules, in the best interest of the beneficiaries of the Fund, and UK legislation (including Trust law). The Trustee and the Company have the joint power to set the contributions that are paid to the Fund.

Risks to which the Fund exposes the Company

The nature of the Fund exposes the Company to the risk of paying unanticipated additional contributions to the Fund in times of adverse experience. The most financially significant risks are likely to be:

- Members living for longer than expected;
- Higher than expected actual inflation and salary increase experience;
- Lower than expected investment returns; and
- The risk that movements in the value of the Fund's liabilities are not met by corresponding movements in the value of the Fund's assets.

The sensitivity analysis disclosed above is intended to provide an indication of the impact on the value of the Fund's liabilities for the risks highlighted.

Fund amendments, curtailments and settlements

Settlements of £0.4m have occurred over the year.

Expected contributions over the next accounting year

The Company expects to contribute around £14m to the Fund over the year to 31 December 2014.

Policy for recognising gains and losses

The Company recognises actuarial gains and losses immediately, through the remeasurement of the net defined benefit liability.

Methods and assumptions used in preparing the sensitivity analyses

The sensitivities disclosed were calculated using approximate methods taking into account the duration of the Fund's liabilities.

Asset-liability matching strategies used by the Scheme or the Company

Neither the Fund nor the Company use any asset-liability matching strategies. The Trustee's current investment strategy, having consulted with the Company, is to invest the vast majority of the Fund's assets in a mix of equities and corporate bonds, in order to strike a balance between:

- Maximising the returns on the Fund's assets, and
- Minimising the risks associated with lower than expected returns on the Fund's assets.

However, the Trustee has implemented a de-risking process such that the Fund assets are gradually switched out of equities and into Government bonds as funding improves. This should lead to better matching of assets and liabilities as the fund matures whilst at the same time 'locking in' favourable asset performance. The Trustee is required to regularly review its investment strategy in light of the revised term and nature of the Fund's liabilities and will be next considering this as part of its 2015 valuation excercise. The current benchmark is to hold 70% in growth assets (such as equities) and 30% in bonds (including index-linked and fixed-interest Government bonds and corporate bonds).

Description of funding arrangements and funding policy that affect future contributions

The Schedule of Contributions dated 31 January 2013 sets out the current contributions payable by the Company to the Fund. The Trustee's next formal actuarial valuation will be due as at 31 March 2015. As part of that valuation process the Trustee and Company will agree a long term funding strategy, which may include a revision to the Schedule of Contributions to take into account any additional contributions to meet any funding shortfall between the value of the Fund's assets and liabilities.

4 (a) EXCEPTIONAL ITEMS INCLUDED IN OPERATING PROFIT

	Notes	2013 £m	2012 £m
Acquisition related transaction costs	(i)	**(0.7)**	-
Rationalisation costs	(ii)	**-**	(10.7)
Onerous lease provision	(iii)	**-**	(7.7)
		(0.7)	(18.4)

(i) Costs relating to the acquisition of subsidiaries during the year total £0.7m.

(ii) In 2012 the costs of rationalising excess capacity comprised asset write-downs and staff redundancy in Distribution £4.1m and in Aviation £6.6m.

(iii) These provisions were in respect of future lease obligations in UK and US cargo at Aviation.

4 (b) EXCEPTIONAL ITEMS INCLUDED IN FINANCE CHARGES

	Notes	2013 £m	2012 £m
Unwind discount	(i)	**(0.7)**	-

(i) Relating to the deferred consideration and onerous lease provisions recognised in 2012.

4 (c) INTANGIBLE AMORTISATION

	Notes	2013 £m	2012 £m
Goodwill impairment	(i)	**(1.4)**	(1.8)
Contract amortisation	(ii)	**(6.6)**	(4.6)
		(8.0)	(6.4)

(i) As permitted under the transitional requirements of IFRS1, 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 £1.4m (2012: £1.8m) reflecting the remaining life of the current licence at Menzies Macau Airport Services Ltd.

(ii) Relates to contracts capitalised as intangible assets on the acquisition of businesses.

The taxation effect of the exceptional items is £nil (2012: net credit of £2.3m).

5. FINANCE COSTS (pre-exceptional)

	2013 £m	2012 £m
Finance income:		
Bank deposits	**0.7**	0.8

	0.7	0.8
Finance charges:		
Bank loans and overdrafts	**(5.2)**	(4.5)
Preference dividends	**(0.1)**	(0.1)
	(5.3)	(4.6)
Net finance costs	**(4.6)**	(3.8)

6. TAXATION

(a) Analysis of charge in year

	2013 **£m**	2012 Restated (Note 1) £m
Current tax		
UK corporation tax on profits for the year	**2.4**	3.1
Overseas tax	**8.2**	5.6
Adjustments to prior years' liabilities	**(0.4)**	(1.3)
Total current tax	**10.2**	7.4
Deferred tax		
Origination and reversal of temporary differences	**0.6**	0.6
Impact of UK rate change	**(0.9)**	(0.4)
Adjustments to prior years' liabilities	**0.1**	0.7
	(0.2)	0.9
Retirement benefit obligations	**1.7**	1.0
Total deferred tax	**1.5**	1.9
Tax on profit on ordinary activities	**11.7**	9.3

(b) Current and deferred tax related to items charged/(credited) outside profit or loss

	2013 **£m**	2012 Restated (Note 1) £m
Deferred tax on actuarial loss on retirement benefit obligations	**2.2**	(4.0)
Impact of UK rate change	**1.4**	1.3
Current tax on fair value movement on cashflow hedges	**-**	0.3
Current tax on share-based payments	**(0.9)**	(1.0)
Deferred tax on shared-based payments	**-**	(0.7)
Current tax on net exchange adjustments	**(0.4)**	(0.6)
Tax charge/(credit) reported outside profit or loss	**2.3**	(4.7)

(c) Reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate for the years ended 31 December 2013 and 31 December 2012 is as follows:

	2013 **£m**	2012 Restated (Note 1) £m
Profit before tax	**42.1**	28.1
Profit before tax multiplied by standard rate of corporation tax in the UK 23.25% (2012: 24.5%)	**9.8**	6.9
Non-deductible expenses (principally goodwill impairment and intangible amortisation)	**2.5**	1.1
Depreciation on non-qualifying assets	**0.5**	0.6
Unrelieved overseas losses	**0.8**	1.0
Overseas deferred tax assets written off	**-**	0.3
Exceptional items	**0.4**	2.3
Utilisation of previously unrecognised losses	**(0.2)**	(0.2)
Higher/(lower) tax rates on overseas earnings	**0.5**	(0.2)
Joint ventures and associate post-tax result (included in profit before tax)	**(1.4)**	(1.2)
Adjustments to prior years' liabilities	**(0.3)**	(0.8)
Impact of UK rate change on deferred tax	**(0.9)**	(0.5)
At the effective corporation tax rate of 27.8% (2012: 33.1%)	**11.7**	9.3

The UK Government has announced that the main rate of UK corporation tax will be reduced from the current rate of 23%, which has applied 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% to 20%. As the reduction in the main rate of corporation tax to 20% was substantively enacted at the Balance Sheet date, and reduces the tax rate expected to apply when temporary differences reverse, it has the effect of reducing the UK deferred tax assets and liabilities.

However, as most of the UK deferred tax assets relates to the UK pension deficit, which has arisen predominantly due to actuarial gains/losses taken to Other Comprehensive Income, the majority of the reduction in deferred tax assets has been debited to Other Comprehensive Income and therefore has not had an effect on the effective tax rate or on profit for the year.

(d) Factors that may affect future tax charges

The Group has estimated tax losses carried forward, which arose in subsidiary companies operating in the undernoted jurisdictions, that are available for offset against future profits of those subsidiaries. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries where it is not probable that future taxable profits will be available against which such assets could be utilised.

	Losses £m	**Expiry**
USA	40.1	Carry forward for twenty years
South Africa	2.6	Carry forward indefinitely
Germany	21.5	Carry forward indefinitely
Norway	11.9	Carry forward indefinitely

Sweden	3.1	Carry forward indefinitely
Netherlands	6.5	Carry forward for nine years

The Group has capital losses in the UK of approximately £10.4m that are available for offset against future taxable gains arising in the UK. No deferred tax asset has been recognised in respect of these losses.

7. DIVIDENDS

			2013 **£m**	2012 £m
Dividends on equity shares:				
Ordinary	-	interim paid in respect of 2013, 7.7p per share	**4.7**	-
	-	final paid in respect of 2012, 17.85p per share	**10.8**	-
	-	interim paid in respect of 2012, 7.35p per share	**-**	4.4
	-	final paid in respect of 2011, 17p per share	**-**	10.2
	-	paid in respect of 2009 performance share plan	**0.4**	0.7
			15.9	15.3

Dividends of £0.2m were waived on Treasury shares during 2013 (2012: £0.2m).

The Directors are proposing a final dividend in respect of the year to 31 December 2013 of 18.8p per ordinary share, which will absorb an estimated £11.6m of shareholders' funds. Payment will be made on 20 June 2014 to shareholders on the register at the close of business on 23 May 2014.

Treasury shares
Ordinary shares are held for employee share schemes. At 31 December 2013 the Company held 613,319 (2012: 834,393) ordinary shares with a market value of £4,342,299 (2012: £5,352,631).

8. EARNINGS PER SHARE

	Basic		Underlying*	
	2013	2012 Restated (Note 1)	**2013**	2012 Restated (Note 1)
	£m	£m	**£m**	£m
Operating profit	**45.4**	31.4	**45.4**	31.4
Share of post-tax results of joint ventures and associates	**4.9**	3.8	**4.9**	3.8
Add back:				
Exceptional items (Note 4(a))	**-**	-	**0.7**	18.4
Intangible amortisation (Note 4(c))	**-**	-	**8.0**	6.4
Share of interest on joint ventures and associates	**-**	-	**(0.5)**	(0.6)
Share of tax on joint ventures and associates	**-**	-	**1.6**	1.6
Net finance costs	**(8.2)**	(7.1)	**(7.0)**	(6.5)
Profit before taxation	**42.1**	28.1	**53.1**	54.5
Taxation	**(11.7)**	(9.3)	**(11.7)**	(9.3)
Exceptional tax	**-**	-	**(1.6)**	(3.9)
Earnings for the year	**30.4**	18.8	**39.8**	41.3
Basic				
Earnings per ordinary share (pence)	**50.1p**	31.3p		
Diluted earnings per ordinary share (pence)	**50.0p**	31.2p		
Underlying*				
Earnings per ordinary share (pence)			**65.6p**	68.8p
Diluted earnings per ordinary share (pence)			**65.4p**	68.5p
Number of ordinary shares in issue (millions)				
Weighted average	**60.645**	60.066		
Diluted weighted average	**60.826**	60.273		

The weighted average number of fully paid shares in issue during the year excludes those held by employee share trusts. 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 year.

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

9. INTANGIBLE ASSETS

	Goodwill £m	Contracts £m	Computer Software £m	Total £m
Cost				
At 31 December 2012	59.2	80.5	24.0	163.7
Acquisitions (Note 14)	0.1	12.1	-	12.2
Additions	-	0.3	3.6	3.9
Currency translation	(2.3)	(1.4)	-	(3.7)
At 31 December 2013	57.0	91.5	27.6	176.1
Amortisation and impairment				
At 31 December 2012	10.0	18.5	12.2	40.7
Amortisation charge	-	6.6	3.0	9.6
Currency translation	(0.5)	(0.5)	-	(1.0)
At 31 December 2013	9.5	24.6	15.2	49.3
Net book value				
At 31 December 2013	**47.5**	**66.9**	**12.4**	**126.8**
At 31 December 2012	49.2	62.0	11.8	123.0

	Goodwill £m	Contracts £m	Computer Software £m	Total £m
Cost				
At 31 December 2011	61.8	60.6	20.9	143.3
Acquisitions	-	21.4	-	21.4
Additions	-	-	3.1	3.1
Currency translation	(2.6)	(1.5)	-	(4.1)
At 31 December 2012	59.2	80.5	24.0	163.7
Amortisation and impairment				
At 31 December 2011	10.7	14.6	9.2	34.5
Amortisation charge	-	4.6	3.0	7.6
Exceptional impairment	0.3	-	-	0.3
Currency translation	(1.0)	(0.7)	-	(1.7)
At 31 December 2012	10.0	18.5	12.2	40.7
Net book value				
At 31 December 2012	49.2	62.0	11.8	123.0
At 31 December 2011	51.1	46.0	11.7	108.8

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated at acquisition to cash generating units (CGU's) that are expected to benefit from the business combination. The carrying amount of the goodwill and intangible assets with indefinite lives has been allocated to the operating units as per the table below.

	2013		2012	
	Goodwill	**Contracts**	Goodwill	Contracts
	£m	**£m**	£m	£m
Aviation				
Netherlands cargo	**7.8**	**-**	7.6	-
North American cargo	**7.6**	**-**	7.7	-
Australia	**5.7**	**-**	6.8	-
AMI South Africa	**2.1**	**-**	2.6	-
Scandinavia	**3.1**	**-**	3.1	-
Ogden worldwide	**9.8**	**-**	9.9	-
Other	**4.3**	**-**	4.2	-
	40.4	**-**	41.9	-
Distribution				
Core Distribution	**7.3**	**12.9**	-	-
EM News Distribution (NI) Ltd	**-**	**3.1**	-	3.1
The Network	**-**	**2.0**	-	2.0
Media on the Move	**-**	**1.0**	-	-
Turners News	**-**	**-**	4.8	-
Chester Independent Wholesale News Ltd	**-**	**-**	-	7.1
North West Wholesale News Ltd	**-**	**-**	-	2.7
Other	**-**	**-**	2.5	4.1
	7.3	**19.0**	7.3	19.0
Total	**47.7**	**19.0**	49.2	19.0

The Group tests goodwill and intangible assets with indefinite lives annually for impairment, or more frequently if there are indications that these might be impaired. The basis of these impairment tests including key assumptions are set out below.

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use future cash flow projections based on financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, net margin, capital expenditure and the level of working capital required to support trading, which management estimates based on past experience and expectations of future changes in the market.

The post-tax discount rate assumptions of 8% (2012: 8%) is based on the Group's weighted average post-tax cost of capital having considered the uncertainty risk attributable to individual CGUs. The equivalent pre-tax discount rate is 10.4% (2012: 10.6%). The pre-tax rate has been applied to pre-tax cash flows.

AVIATION

Aviation contracts are amortised on a straight-line basis over 10 years as this period is the minimum time-frame management considers when assessing businesses for acquisition. The carrying value of Aviation contracts is £34.1m (2012: £27.8m) and the average remaining amortisation period is 6 years (2012: 6 years).

Value in use calculations are based on Board approved budgets and plans for a 3 year period extrapolated to a 5 year period. In the current year growth rates in the cash flows beyond the 3 year period have been assumed to be nil. Hence, short-term revenue growth rates over 2017 and 2018 are 0% (2012: 0% to 6.5%) and longer term revenue growth rates are 0% (2012: 0.5% to 4.1%). Net margin assumptions are based on historic experience.

Base case forecasts show significant headroom above carrying value for each CGU. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

DISTRIBUTION
Distribution publisher contracts are not amortised due to the very long-term nature of the business in the UK. The Group distributes to approximately 45% of the UK retail market and has only one major competitor. In such circumstances the Board considers that there is no foreseeable limit to the period over which the contracts are expected to generate cash flows and have been determined to have an indefinite life. These contracts are, however, tested annually for impairment using similar criteria to the goodwill test.

Value in use calculations are based on Board approved budgets and plans for a 3 year period extrapolated to a 5 year period. Cash flows beyond the 3 year plan have been extrapolated to a 5 year period using short-term growth rates of -2% to 20%. This reflects management's specific business expectations.

In 2013 the CGUs were revised to reflect more accurately the way the acquired businesses have integrated into the core Distribution business, as well as the way in which the CGUs are managed. Base case forecasts show significant headroom above carrying value for each CGU. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

Distribution non-publisher contracts are amortised on a straight-line basis over 10 years as this period is the minimum time-frame management considers when assessing businesses for acquisition. The carrying value of Distribution non-publisher contracts is £13.6m (2012: £15.2m) and the average remaining amortisation period is 9 years (2012: 10 years).

10. ANALYSIS OF CHANGES IN NET BORROWINGS

	2012	Cash flows	Subsidiaries acquired	Currency translation	**2013**
	£m	£m	£m	£m	**£m**
Cash at bank and in hand	34.0	1.4	-	(1.6)	**33.8**
Bank overdrafts	(0.2)	(0.3)	-	-	**(0.5)**
Net cash and cash equivalents	33.8	1.1	-	(1.6)	**33.3**
Bank loans due within one year	(46.0)	(2.7)	-	-	**(48.7)**
Preference shares	(1.4)	-	-	-	**(1.4)**
Finance leases and borrowings	-	2.2	(2.5)	-	**(0.3)**
Debt due after one year	(79.7)	(10.3)	-	-	**(90.0)**
Net derivative assets	0.3	-	-	3.3	**3.6**
Net Debt	(93.0)	(9.7)	(2.5)	1.7	**(103.5)**

The movement on debt due after one year of £10.3m relates to a non-cash movement to bank loans due within one year leaving a net cash outflow on bank loans due within one year of £13.0m

The currency translation movement results from the Group's policy of hedging its overseas net assets, which are denominated mainly in US Dollars and Euros. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange loss of £8.0m (2012: loss of £5.1m). This net loss is recognised in Other Comprehensive Income.

11. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2013	2012 Restated (Note 1)	**2013**	2012 Restated (Note 1)
	£m	£m	**£m**	£m
Operating profit/(loss)	**45.4**	31.4	**(0.4)**	(4.0)
Depreciation	**19.4**	20.2	**0.8**	0.8
Amortisation of intangible assets	**9.6**	7.6	**-**	-
Share-based payments	**1.4**	1.4	**1.4**	1.4
Onerous lease provision	**-**	7.7	**-**	-
Cash spend on onerous leases	**(2.1)**	(1.8)	**-**	(0.7)
Gain/(loss) on sale of property, plant and equipment	**(0.3)**	(0.4)	**0.1**	-
Pension charge	**3.4**	2.7	**-**	2.2
Pension credit	**-**	(0.3)	**(2.2)**	(0.3)
Pension contributions in cash	**(13.1)**	(9.8)	**(13.1)**	(9.8)
Rationalisation costs	**-**	10.7	**-**	-
Cash spend on rationalisation costs	**(1.2)**	(8.2)	**-**	-
(Increase)/decrease in inventories	**(0.4)**	1.2	**-**	-
Decrease/(increase) in trade and other receivables	**4.8**	(9.3)	**-**	-
Decrease in trade and other payables and provisions	**(17.4)**	(9.8)	**-**	-
	49.5	43.3	**(13.4)**	(10.4)

12. FINANCIAL INSTRUMENTS

	Group		Company	
	2013 **£m**	2012 £m	**2013** **£m**	2012 £m
Derivative financial instruments				
Cash Flow Hedges				
Foreign exchange forward contracts	**(0.3)**	(0.1)	**(0.3)**	(0.1)
Foreign Currency Net Investment Hedge				
Foreign exchange forward contracts	**3.9**	0.4	**3.9**	0.4
Total derivative financial instruments	**3.6**	0.3	**3.6**	0.3
Current	**3.6**	0.3	**3.6**	0.3

The Group only enters into derivative financial instruments that are designated as hedging instruments.

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

Fair Value Hierarchy
As at 31 December 2013, the Group held the following financial instruments measured at fair value. 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 or 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

2013

	Assets measured at fair value			
Financial assets at fair value through the Income Statement	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Foreign exchange contracts – hedged	3.9	-	3.9	-

	Liabilities measured at fair value			
Financial liabilities at fair value through the Income Statement	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Foreign exchange contracts – hedged	0.3	-	0.3	-

2012

	Assets measured at fair value			
Financial assets at fair value through the Income Statement	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Foreign exchange contracts – hedged	0.9	-	0.9	-

	Liabilities measured at fair value			
Financial liabilities at fair value through the Income Statement	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Foreign exchange contracts – hedged	0.6	-	0.6	-

During the year ended 31 December 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 includes contingent consideration based on future targets being met. The contingent consideration's range is between a minimum of £6.0m and a maximum of £12.2m and becomes payable in 2015. The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance.

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

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

The liabilities for contingent consideration is a Level 3 derivative financial instrument under IFRS 7.

	£m
Fair value of the contingent consideration at 31 December 2013	
Orbital Marketing Services Group	7.7
Fore Partnership	0.9
Desacol S.A.	1.3

	Group		Company	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Interest-bearing loans and borrowings				
Obligations under finance leases	**0.3**	-	**-**	-
Bank overdrafts	**0.5**	0.2	**0.2**	0.1
Non-amortising bank loans	**121.3**	105.3	**121.0**	105.3
Amortising term loan	**17.4**	20.4	**17.4**	20.4
Preference shares	**1.4**	1.4	**1.4**	1.4
Total interest-bearing loans and borrowings	**140.9**	127.3	**140.0**	127.2
Current	**49.5**	46.2	**48.6**	46.1
Non-current	**91.4**	81.1	**91.4**	81.1
	140.9	127.3	**140.0**	127.2

Interest-bearing loans and borrowings	**Maturity**
Obligations under finance leases	February 2014
Bank overdrafts	n/a
Non-amortising bank loans	May 2014 - September 2017
Amortising term loan	March 2020
Preference shares	Non-redeemable

Other than trade receivables and payables, there are no financial assets or liabilities excluded from the above analysis.

No financial assets or liabilities were held or issued for trading purposes.

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

The amortising term loan is repayable between 2014 and 2020 with interest payable at a fixed rate of 6.23%.The loan has a weighted average maturity of 2 years (2012: 3 years).

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between May 2014 and September 2017.

	Group		Company	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Net Debt				
Derivative financial instruments	**(3.6)**	(0.3)	**(3.6)**	(0.3)
Interest-bearing loans and borrowings	**140.9**	127.3	**140.0**	127.2
Total borrowings	**137.3**	127.0	**136.4**	126.9
Less: cash at bank, cash in hand and short-term deposits	**33.8**	34.0	**0.9**	0.3
	103.5	93.0	**135.5**	126.6

	2013		2012	
	Book value	**Fair value**	Book value	Fair value
	£m	**£m**	£m	£m
Financial assets and financial liabilities				
Short-term borrowings	**48.7**	**49.0**	46.0	46.4
Medium-term borrowings	**86.2**	**87.5**	72.3	74.3
Long-term borrowings	**5.2**	**5.7**	8.8	10.2
Derivative financial instruments	**(3.6)**	**(3.6)**	(0.3)	(0.3)
Finance leases	**0.3**	**0.3**	-	-
Bank overdrafts	**0.5**	**0.5**	0.2	0.2
Total financial assets and financial liabilities	**137.3**	**139.4**	127.0	130.8
Less: cash at bank, cash in hand and short-term deposits	**33.8**	**33.8**	34.0	34.0
Net Debt	**103.5**	**105.6**	93.0	96.8

The fair value of the fixed term, amortising borrowing is calculated as the present value of all future cash flows discounted at prevailing market rates.

Trade and other receivables and trade and other payables carrying values of £159.8m (2012: £158.6m) and £197.8m (2012: £206.2m) respectively, in respect of the Group and £230.3m and £287.7m (2012 restated: £215.9m and £283.0m) in respect of the Company are assumed to approximate their fair values due to their short-term nature.

A separate table has not been prepared analysing the Company's book values and fair values. The £0.9m difference in book values relates to interest bearing loans and borrowings and is deemed to be short-term in nature.

Currency	**Floating rate financial liabilities £m**	**Fixed rate financial liabilities £m**	**2013 Total financial liabilities £m**	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2012 Total financial liabilities £m
Sterling	**121.5**	**18.8**	**140.3**	105.5	21.8	127.3
Colombian peso	**0.6**	**-**	**0.6**	-	-	-
South African rand	**-**	**-**	**-**	0.1	-	0.1
Net derivative liabilities	**(3.6)**	**-**	**(3.6)**	(0.3)	-	(0.3)
	118.5	**18.8**	**137.3**	105.3	21.8	127.1

At 31 December 2013, the expiry profile of undrawn committed facilities was as follows:	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Less than one year	**48.1**	6.1	**48.1**	6.1
Between one and two years	**-**	53.4	**-**	53.4
Between two and five years	**0.2**	0.1	**0.2**	0.1
	48.3	59.6	**48.3**	59.6

Cash Flow Hedges

Foreign exchange forward contracts
At 31 December 2013 the Group held foreign currency forward contracts designed as hedges of transaction exposures arising from non-local currency revenue. These contracts were in line with the Group's policy to hedge significant forecast transaction exposures for a maximum 18 months forward.

The cash flow hedges of non-local revenue were assessed to be highly effective.

Interest rates swaps
The Group's policy is to minimise exposures to interest rate risk by ensuring an appropriate balance of long-term and short-term floating rates.

During 2013 the Group had no interest rate swaps in place.

At 31 December 2013, 13.3% (2012: 20.6%) of the Group's borrowings were fixed.

	2013 Assets £m	**2013** Liabilities £m	2012 Assets £m	2012 Liabilities £m
Fair value of Cash Flow Hedges - currency forward contracts	**-**	**(0.3)**	-	(0.1)
Current	**-**	**(0.3)**	-	(0.1)

For 2013, if interest rates on UK pound-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.6m (2012: £0.6m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency net investment hedges
The Group's treasury policy is to hedge the exposure of currency denominated assets to foreign exchange risk. This is primarily achieved using forward contracts denominated in the relevant foreign currencies.

Gains or losses on the retranslation of these hedges are transferred to reserves to offset any gains or losses on translation of the net investments in the subsidiary undertakings.

The notional principal amounts of the outstanding forward foreign exchange contracts are:

		Group		Company	
		2013	2012	**2013**	2012
		million	million	**million**	million
Euro	EUR	**21.5**	22.5	**21.5**	22.5
US dollar	USD	**32.5**	36.5	**32.5**	36.5
Czech koruna	CZK	**115.0**	115.0	**115.0**	115.0
Australian dollar	AUD	**22.4**	15.4	**22.4**	15.4
New Zealand dollar	NZD	**3.0**	2.4	**3.0**	2.4
Swedish krona	SEK	**50.0**	29.0	**50.0**	29.0
Indian rupee	INR	**1,000.0**	960.0	**1,000.0**	960.0
South African rand	ZAR	**55.0**	65.0	**55.0**	65.0

		Sterling Equivalent	
		2013	2012
		£m	£m
Euro	EUR	**17.9**	18.2
US dollar	USD	**19.6**	22.5
Czech koruna	CZK	**3.5**	3.7
Australian dollar	AUD	**12.1**	9.8
New Zealand dollar	NZD	**1.5**	1.2
Swedish krona	SEK	**4.7**	2.7
Indian rupee	INR	**9.8**	10.8
South African rand	ZAR	**3.2**	4.7

	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Fair value of foreign currency net investment hedges	**3.9**	**-**	0.9	(0.5)
Current	**3.9**	**-**	0.9	(0.5)

Foreign currency sensitivity
For 2013, if the UK pound had weakened/strengthened by 10% on currencies which have a material impact on the Group, with all other variables held constant, the effect would have been:

				2013		2012	
Change in rate				**Effect on Profit Before Tax £m**	**Effect on Equity £m**	Effect on Profit Before Tax £m	Effect on Equity £m
US dollar	USD	+10%		**0.6**	**2.2**	0.3	2.0
US dollar	USD		-10%	**(0.5)**	**(1.8)**	(0.3)	(1.6)
Euro	EUR	+10%		**0.7**	**2.3**	0.6	1.7
Euro	EUR		-10%	**(0.6)**	**(1.9)**	(0.7)	(1.4)
Australian dollar	AUD	+10%		**0.8**	**1.2**	0.7	1.2
Australian dollar	AUD		-10%	**(0.6)**	**(1.0)**	(0.8)	(1.0)
Indian rupee	INR	+10%		**0.5**	**1.1**	0.4	1.2
Indian rupee	INR		-10%	**(0.4)**	**(0.9)**	(0.5)	(1.0)

The Group's exposure to foreign currency changes for all other currencies is not material.

Capital Risk Management

The Group manages the capital structure in order to minimise the cost of capital whilst ensuring that it has access to ongoing sources of finance such as the debt capital markets. The Group defines capital as net debt (see Note 10) and equity attributable to equity holders of the Company (see Group and Company Statement of Changes in Equity). The only externally imposed capital requirements for the Group are total debt to EBITDA and interest cover under the terms of the bank facilities, with which the Group has fully complied during both the current and prior period. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and/or issue new shares.

Credit Risk

The Group considers its exposure to credit risk at 31 December to be as follows:

	2013 £m	2012 £m
Bank deposits	**33.8**	34.0
Trade receivables	**141.9**	138.7
	175.7	172.7

For banks and financial institutions, the Group's policy is to transact with independently rated parties with a minimum rating of 'A'. If there is no independent rating, the Group assesses the credit quality of the counterparty taking into account its financial position, past experience and other factors.

Liquidity Risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

The following is an analysis of the Group's financial liabilities and derivative financial liabilities into relevant maturity based on the remaining period at the Balance Sheet date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Floating rate interest is estimated using the prevailing rate at the Balance Sheet date.

Net values of transaction hedging are disclosed in accordance with the contractual terms of these derivative instruments.

	2013			
	Due within 1 year	**Due between 1-2 years**	**Due between 2-4 years**	**Due over 5 years**
	£m	**£m**	**£m**	**£m**
Interest bearing loans and borrowings	(51.4)	(4.8)	(90.0)	(3.8)
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Other liabilities	(0.3)	-	-	-
Trade and other payables	(197.8)	(10.5)	-	-
Financial derivatives	(72.5)	-	-	-
	(322.1)	**(15.4)**	**(90.4)**	**(5.3)**

	2012			
	Due within 1 year	Due between 1-2 years	Due between 2-4 years	Due over 5 years
	£m	£m	£m	£m
Interest bearing loans and borrowings	(48.7)	(46.2)	(31.9)	(8.0)
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Trade and other payables	(206.2)	(10.0)	-	-
Financial derivatives	(73.8)	-	-	-

	(328.8)	(56.3)	(32.3)	(9.5)

13. CONTINGENT LIABILITIES

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

14. ACQUISITIONS

During the year, the Group acquired 100% of the share capital of the following businesses:

Division	**Distribution**	**Aviation**			**Total**
Name	**Top Attractions Ltd**	**Desacol S.A.**	**Skystar Airport Services**	**Moose Aviation Services AB**	
	£m	**£m**	**£m**	**£m**	**£m**
Date of acquisition	04/06/2013	01/08/2013	21/10/2013	11/10/2013	
Purchase consideration					
Cash paid	-	-	7.7	1.5	**9.2**
Deferred consideration	-	-	2.0	0.2	**2.2**
Contingent consideration	-	1.3	-	-	**1.3**
Total purchase consideration	-	1.3	9.7	1.7	**12.7**
Fair value of net assets acquired	(0.1)	1.3	9.7	1.7	**12.6**
Goodwill	0.1	-	-	-	**0.1**

The provisional assets and liabilities arising from the acquisitions are as follows:

Non-current assets					
Intangible assets (contracts) - fair value	-	4.3	6.4	1.4	**12.1**
Property, plant and equipment	-	2.8	1.5	0.3	**4.6**
Other non-current assets	-	0.2	0.1	-	**0.3**
Current assets	-	2.2	1.7	0.1	**4.0**
Cash	-	0.3	-	-	**0.3**
Current liabilities	(0.1)	(6.0)	-	(0.1)	**(6.2)**
Finance leases and borrowings	-	(2.5)	-	-	**(2.5)**
Net assets acquired	(0.1)	1.3	9.7	1.7	**12.6**

The fair values of the acquisition assets remains provisional pending an assessment of the intangible assets and formal completion of the net asset process.

Top Attractions Ltd was acquired in order to promote growth for Take One Media (the leaflet business in Orbital Marketing Services Group).

The Skystar Airport Services acquisition consists of the following ground handling companies: Skystar Airport Services Pty Ltd operating in 6 airports in Australia and Skystar Airport Services NZ Pty Ltd operating in 2 airports in New Zealand. Skystar offers a high quality, cost effective service that has captured the attention of major local and international carriers including low cost airlines.

Desacol S.A. is a Colombian ground and cargo handling business operating in 5 airports. The acquisition of this business provides entry into the Latin American market. The contingent consideration's range is between a minimum of £nil and a maximum of £3.0m.

Moose Aviation Services AB is a specialist de-icing provider at Stockholm Arlanda Airport which will enable the Group to provide a full suite of ground handling services at this airport. The deferred consideration of £0.2m is payable in October 2015.

The acquired businesses contributed revenues of £9.7m from the date of acquisition and £0.6m profit before tax. If the businesses had been acquired on 1 January 2013 revenues contributed would have been £30.9m and £3.1m profit before tax.

Other

Deferred consideration totalling £1.1m for Flight Support, Kamino Cargo S.R.L and Orbital Marketing Services Group, all acquired in 2012, became payable and was cash-settled in 2013. In addition, contingent consideration of £0.2m for Fore Partnership became payable and was cash-settled in 2013.

15. CASH FLOW HEDGE RESERVE

This reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective.

16. RELATED PARTY TRANSACTIONS

During the year the Group transacted with related parties in the normal course of business and on an arm's length basis. Details of these transactions are shown below:

Related Party	Group share holding %	Sales to related party £m	Amounts owed to related party at 31 December 2013 £m	Amounts owed by related party at 31 December 2013 £m
Menzies Bobba Ground Handling Services Private Ltd	51	0.3	-	-
Hyderabad Menzies Air Cargo Private Ltd	49	0.6	-	-
Menzies Aviation Bobba (Bangalore) Private Ltd	49	0.1	-	0.1
Menzies Macau Airport Services Ltd	29	0.2	-	0.1
EM News Distribution (NI) Ltd	50	0.6	7.1	-
EM News Distribution (Ireland) Ltd	50	1.2	-	1.8

Key management personnel include individuals who are executive directors of the Group and divisional boards having authority and responsibility for planning, directing and controlling activities of the key operating divisions as disclosed in the segmental analysis. Remuneration of key management personnel is as follows:

	2013 £m	2012 £m
Short-term employee benefits	**4.5**	4.9
Post-employment pension and medical benefits	**0.4**	0.3
Termination benefits	**0.2**	-
Share-based payments	**1.4**	1.4
	6.5	6.6

Certain activities, including treasury, taxation, insurance, pension and legal matters are provided by the parent company to subsidiary companies and are recharged on a cost-plus basis. The amount recharged and settled in respect of 2013 was £0.2m (2012: £0.2m).

17. ACCOUNTS

The figures used in this statement, which was approved by the directors on 3 March 2014, are not the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the year, but are taken from those accounts. The auditors' report on the statutory accounts was unqualified and did not contain a statement under Section 428 (4(f)) of the Companies Act 2006.

18. ANNUAL REPORT

The Annual Report and Accounts will be available on 4 April 2014 and the Annual General Meeting will be held at the Roxburghe Hotel in Edinburgh on 16 May 2014 at 2.00pm. Statutory accounts for the year ended 31 December 2012 have been delivered to the Registrar of Companies and those for the year to 31 December 2013 will be delivered following the Company's Annual General Meeting.