John Menzies plc
Final Results Announcement
8 March 2016

Final Results for the year ended 31 December 2015

Financial Summary

	2015 Reported	2015 Constant currency[6]	2014
Turnover[1]	£1,993.3m	£2,029.3m	£1,999.9m
Underlying operating profit[2]	£44.9m	£46.0m	£51.0m
Underlying profit before taxation[3]	£38.2m	£39.3m	£44.6m
Profit before tax	£18.2m	£19.3m	£25.7m
Operating cash flow[4]	£64.8m	---	£74.0m
Underlying earnings per share[5]	42.7p	---	49.2p
Earnings per share	16.5p	---	22.7p
Dividend	16.8p	---	16.2p

Overview

- Implementation of the Group strategy on track
- Group earnings impacted by Aviation operational issues at London Gatwick – now resolved
- Aviation turnover up 6%
  - Business performed well outside of the UK
  - Strong cargo handling volumes driving margin improvement
  - Ground handling hub wins performing well
- Distribution strategy delivering
  - Good progress, media decline mitigated – operating profit £25.1m (2014: £24.0m)
  - Distribution network rationalisation complete
  - Winning new contracts in wider logistics market
  - E-commerce bolt-ons acquired and integrated
- Impressive cash conversion[7] of 110% – robust balance sheet
- Successful conclusion to triennial pension funding plan
- Dividend up 4% to 16.8p

Iain Napier, Chairman of John Menzies plc said:

"Our updated strategy for both divisions is now embedded and we are making good progress towards our stated objectives.

"However, 2015 was a challenging year for the Group with operational issues at London Gatwick suppressing profits.

"Outside of the UK, the Aviation business continued to make progress, particularly in cargo handling and North American ground handling. Menzies Distribution performed strongly, whereby print media decline was fully mitigated and our expansion into the e-commerce fulfilment market gained real traction with the acquisitions of AJG Parcels and Oban Express, and a number of new contract wins.

"The Board is confident that we have strategies available to us in both of our operating divisions capable of delivering growth. We continue to evaluate the optimum structure for the Group to potentially further enhance shareholder value."

Notes	
1	*Turnover is group revenue plus the group's share of revenue from joint ventures and associates.*
2	*Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation, and the group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.*
3	*Underlying operating profit before taxation is underlying operating profit less net finance charges.*
4	*Operating cash flow is operating profit adjusted for depreciation, amortisation, income and dividends from joint ventures and associates, pension and share based payments, and movements in working capital and provisions.*
5	*Underlying earnings per share is profit after taxation and non-controlling interest but before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue.*
6	*Performance at constant currency has been calculated by translating non-Sterling earnings for the year ended 31 December 2015 into Sterling at the exchange rates used for the same period in 2014.*
7	*Cash conversion is underlying operating cash flow less replacement capital expenditure and interest divided by underlying profit before tax.*

For further information:

John Menzies plc

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Notes to Editors

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

2. Menzies Aviation is a leading global provider of passenger, ramp and cargo services. The Menzies Aviation business is highly successful, operating at 146 airports in 31 countries, with annual turnover in excess of £700 million and supported by a team of over 20,000 highly-trained people. Menzies Aviation serves over 500 customers, handling over 1.2 million flights and 1.7 million tonnes of cargo per annum. Customers include Air France/KLM, Alaska Airlines, Cathay Pacific, easyJet, Emirates, IAG, Lufthansa, Norwegian Air Shuttle, Thai Airways and United Airlines. Best in class safety and security is the division's number one priority each day and every day.

3. Menzies Distribution operates one of the largest overnight logistics networks in the UK, providing final mile delivery for around 110 million delivery units each year serving customers in the press, travel and third-party logistics sectors. From 42 sites across Britain and Ireland, a team of around 3,500 employees pick, pack and cross-dock clients' materials, driving 135,500 miles each day to bring them to their ultimate destination.

In addition to its core role within the UK print media supply chain, delivering around six million magazines and newspapers every day, the division is expanding into both UK retail logistics and neutral consolidation within the fast-growing parcel delivery market.

Group Performance Review

During 2015 we performed a strategic refresh of both our divisions, Aviation and Distribution. Much progress has been made and in particular with our plans to diversify away from distribution of newsprint, which has declining volumes, into the growing e-commerce logistical delivery market.

Acquisitions to support growth in this new market included AJG Parcels and Oban Express during the year and in early 2016, a further acquisition of Thistle Couriers has been completed, providing opportunity for scaling our services in hard to reach areas. This strong progress has been offset disappointingly by operational challenges in our Aviation division at London Gatwick which have now been resolved. The impact was material and reduced Aviation and therefore Group earnings. The remainder of the global network has progressed and delivered to plan, with particularly strong growth in North America resulting from hub and base wins which are performing well.

The Group's turnover was £1,993.3m (2014: £1,999.9m). Underlying profit before tax fell to £38.2m (2014: £44.6m) as a result of the decline in profitability in the Aviation division. The decline in underlying profit before tax had a consequential impact on our underlying earnings per share which decreased to 42.7p (2014: 49.2p). Profit before tax was £18.2m (2014: £25.7m).

On a constant currency basis Group turnover was up 1% to £2,029.3m (2014: £1,999.9m) with underlying operating profit £5.0m lower as expected at £46.0m (2014: £51.0m).

Implementation of the Group's strategy is on track as we look simultaneously to drive growth and reshape the business.

Menzies Aviation

Aviation growth was underpinned by strong cargo volumes and the positive effect of ground handling hub wins in North America and Scandinavia in the last 15 months. Turnover was up 6% to £782.9m, while underlying operating profit was £6.0m lower at £24.2m reflecting the operational issues at London Gatwick and prior year contract losses in South Africa.

Outside of the UK the ground handling business continued to expand. Contracts were won and key hub operations, where increased scale drives higher returns, all performed well.

Overall we handled 1.2 million flight movements in the year, up 5% on a like-for-like basis. Over 500,000 movements were in the Americas where the year on year increase was 20% reflecting the new hub contracts won in late 2014 and continued organic expansion.

Net ground handling contract wins totalled 53, adding some £48m of annualised revenue which was less than experienced in 2014 and will therefore drive earnings growth in 2016 to be more weighted to the second half.

The biggest gain was Norwegian Air Shuttle's hub in Oslo and its major base in Copenhagen. Both operations started in April and have been successful. Since 2011 we have grown our relationship with Norwegian and now handle some 52,000 flights in 11 locations. Our relationship with United Airlines in the USA was expanded in the year with the award of new base operations in Lubbock, Cincinnati, Tucson and Wichita. These wins are the result of an excellent performance at United's hub operation in Denver. In 2016, we will handle some 126,000 flights for United from 34 locations.

Securing our existing customers remains our primary objective and key renewals during the year included Singapore Airlines across four locations in Oceania and the Star Alliance airlines and Qantas at London Heathrow.

The Qantas renewal underpins the recovery at Heathrow with revenues secured through to late 2017 and beyond. Overall we renewed 40 ground handling contracts securing £71m of annualised revenue.

In the UK, significant issues were encountered at London Gatwick where increased labour costs, incurred in order to maintain contractual service levels, resulted in £6m of lost earnings. The contractual position has now been resolved and we do not anticipate any further issues. Within the rest of the UK service levels are being improved through operational excellence programmes that have been put in place to ensure a return to standards delivered elsewhere in the network.

The opportunities pipeline remains strong in ground handling and with a developed commercial approach in place we are confident that we will make further progress in 2016. Our priority will be to continue to focus on adding scale customers that allow us to achieve station density and drive earnings growth. In addition, we will continue to focus on service delivery that is underpinned by robust IT systems and programmes of continued improvement.

Our cargo business had another strong year with continuing margin improvement. Our recent focus on delivering service in markets that are not over supplied and where sensible returns can be generated is proving successful. Whilst the portfolio is performing well we continue to review our options at certain locations where the market dynamics are less favourable.

The contracts secured in late 2014 with KLM/Air France in Canada performed well, as did our US locations with Los Angeles in particular having a strong year. Overall we handled some 1.7 million tonnes of cargo, an increase of 3% on the previous year.

During the year we were net winners of eight cargo handling contracts and renewed a further 28 which represents £34m of annual revenue. The largest renewal was with Thai Airways across five locations in Australia and New Zealand. We further strengthened our good relationship with Thai Airways, renewing our contract at London Heathrow until 2018.

The Oceania region is our strongest cargo foothold and was extended by the gain of Virgin Australia's business. This win is our first in the Australian domestic cargo market and from October 2015, we now handle Virgin Australia in four locations.

In Continental Europe, as previously communicated, we are experiencing reduced cargo volumes as freighter planes decline in Amsterdam, creating a headwind for 2016.

Elsewhere in cargo handling we are seeing a move by the international carriers to develop more global relationships. Our position as a global player who consistently drives innovation in systems and safety ensures we are well placed to prosper from such initiatives. During the year, after an extensive audit process, we were pleased to secure preferred supplier status with both Cathay Pacific and Etihad. As we move into 2016 we are in a good position to develop these relationships.

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

The broadening of our complementary services continues to be a focus. Progress was made through increased de-icing activities in Europe and line maintenance facilities in New Zealand. We will continue to review our options and expand where appropriate into these typically higher margin activities.

Menzies Distribution

Distribution outperformed management's expectations in the year, with underlying operating profit increasing to £25.1m (2014: £24.0m). This trading performance benefitted from impressive cost savings which offset the impact of World Cup stickers in 2014 and the decline in print media revenue. The network rationalisation programme has been completed and delivered to schedule, supporting future cost saving plans.

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

Sales declines of 4% across magazine categories on an absolute and a like-for-like basis were an improvement on 2014 helped by price increases, new launches, tie-ins to successful movies and one-off events such as the birth of the Royal baby and the general election in the UK.

Our network rationalisation programme has been successful and was delivered on time and on budget. The current footprint now represents a step change in how we conduct our business. From three super hubs (Linwood, Wakefield and Maidstone) some 25,000 magazine and newspaper customers are served. Magazines centrally packed are then trunked to our satellite network of spoke branches where they are married with the overnight newspaper operations and delivered on time to retailers 364 days a year.

Our gradual expansion into the UK parcel market, primarily as a neutral consolidator, continues successfully. During the year we acquired AJG Parcels Ltd for £7.5m. AJG handles around two million parcels per annum in the Scottish Highlands and Islands. Following this we acquired Oban Express, a complementary business to AJG, and since the year end have also acquired Thistle Couriers, an Aberdeen based parcel business that handles over 1,000 parcels per day. All three businesses now form Menzies Parcels which employs some 240 employees and handles over 2.8 million parcels per annum. Menzies Parcels is establishing a niche in the growing UK e-commerce fulfilment market and we will look to build our position going forward.

Our trucking business expanded during the year with new contracts, most significantly from wnDirect, Card Factory, WHSmith and B2C Europe. wnDirect, as an example, is an international e-commerce delivery business and we have been appointed to collect packaged orders from its retail customers and deliver these to processing centres in Derbyshire and Kent. These contract gains represent further steps to utilise our existing property and vehicle assets during daylight hours using our proven track record for a fast and effective logistics solution.

The new UK national living wage legislation commences from April 2016 and mostly affects our Distribution business. The additional cost in 2016 is estimated to be £2.5m, and we expect to substantially mitigate this increase with a number of improvement initiatives. This cost increase headwind is likely to prevail thereafter.

Group Operational Improvements

As our marketplace evolves we are committed to remaining at the forefront of innovation and safety. During 2015 we commenced a programme to upgrade our platforms to ensure our business is ready for the next stage of growth. Standardisation and consistency are the fundamentals to success and to ensure these fundamentals are achieved, we have consolidated a number of divisional functions such as IT, Human Resources, Safety & Security and Audit & Compliance into the centre. This move, whilst also giving the benefit of cost optimisation, has also allowed a common strategy to be followed.

Within our IT function we have completed the outsourcing of our IT data centres at both divisions, moving to a single Group solution with SunGard that is working well. Within our Aviation business we have invested in systems to ensure our teams have all the necessary tools to deliver high quality and efficient service to our customers. An investment in WorkBridge, a real time management system, will allow our operators to run stations at the optimum level, with the flexible allocation of staff to suit flight timetables and to react to off-schedule activity.

We have also invested in our customer offering with a new central Commercial function which allows us to target our key customers in a more structured and global way. We believe this investment will pay back as we deepen customer relationships and ultimately win more contracts.

Financial Overview

Finance costs
The net underlying finance charge in the year was £6.7m (2014: £6.4m). The level of cost reflects similar year on year levels of debt and effective rates of interest.

Exceptional and other items
Rationalisation costs of £3.5m in the year substantially related to the completion of our planned programme to streamline Distribution’s network and operations. The costs to develop our strategic plans and to restructure the organisation have been £1.7m; and we incurred £0.6m of acquisition related exceptional costs. Non-cash costs of £4.7m were incurred in May 2015 relating to the impairment of assets after being unsuccessful in renewing our ground handling operating licences in Spain.

Tax and Earnings per Share
As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. Our underlying tax charge for the year was £12.2m (2014: £14.4m), representing an effective underlying tax rate of 32% (2014: 32%).

Underlying earnings per share were 42.7p (2014: 49.2p), directly impacted by the reduction in profits. Earnings per share were 16.5p (2014: 22.7p), additionally affected by non-recurring items.

Defined benefit pension scheme
As at 31 December 2015, the scheme showed a deficit of £43.4m (2014: £59.0m) a decrease of £15.6m, largely reflecting ongoing employer contributions and an increase in the discount rate applied to the scheme liabilities. The Trustee’s latest triennial actuarial valuation was completed at 31 March 2015 and the Trustee and the Company have agreed a long-term funding plan which results in additional annual contributions of £10.7m rising with the higher of inflation and the percentage change in annual shareholder dividends, up to 2025. This represents an annual cash saving of around £1m compared with the previous arrangement.

Cash flow and investment
Investments in the year included £9.9m for the earn-out payment relating to the Orbital Marketing Services Group and initial investment of £6.8m for the acquisitions of AJG Parcels and Oban Express. Operating cash flow was £64.8m (2014: £74.0m). Working capital management has been very strong again in 2015 and remains a key focus for the business. Free cash flow at £31.7m was £1.7m higher than 2014. Net capital expenditure totalled £20.3m (2014: £30.1m).

Treasury
The Group continues to operate on a strong financial footing. We benefit from a robust balance sheet built from strong operating cash flows across our divisions. At the year end net debt was £123.2m (2014: £110.9m), reflecting a £16.8m spend on acquisitions.

Our net debt to EBITDA ratio was 1.8 times and interest cover was 8.8 times at 31 December 2015, well within our covenanted levels. Furthermore, we have £64.3m of undrawn committed bank facilities.

The majority of Menzies Aviation's stations are located outside the UK and operate in currencies other than Sterling. The Group attempts to minimise the volatility of transactional foreign exchange as far as possible by using foreign exchange forward contracts. The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates directly affects the Group's reported results. In the year, adverse movements in other European currencies and the Australian dollar were partly offset by a favourable movement in the US dollar.

Dividend

The Board wishes to follow a progressive policy to increase dividends over time. Accordingly, the Board has proposed a final dividend of 11.8p per share which is payable on 1 July 2016 to all shareholders on the register at 27 May 2016. The total (paid and proposed) dividend for the year is 16.8p per ordinary share up 4% from last year (2014: 16.2p per share).

Board Changes

During the year David Garman and Geoff Eaton joined the Board as Non-Executive Directors while Ian Harley and Octavia Morley stepped down.

Ian Harley stepped down at the Annual General Meeting on 15 May 2015 and Octavia Morley attended her last Board meeting on 18 December 2015 following the completion of nine years' service.

Post the year end Jeremy Stafford tendered his resignation and left the Company with immediate effect. As a result the Board, recognising the need for closer day to day management of the Aviation business, appointed Forsyth Black to the Board as Managing Director of Menzies Aviation. Forsyth has been with the Group for over 16 years fulfilling a variety of roles, initally within the Aviation division, where he was Senior Vice President of Africa, Middle East and India; and more recently as Managing Director of Menzies Distribution, where he sucessfully led a transformation of the division and diversification away from print media. The Board is confident that Forsyth will actively drive the delivery of the Aviation strategy.

Outlook

The Group continues to progress, with focus on both growth and reshaping the existing business. Since the year end we have completed the acquisition of Renaissance Aviation, the sole provider of ground and cargo handling services to a number of international airlines in Bermuda and Thistle Couriers, an Aberdeen based same day parcel fulfilment business. The profile of recent new business wins and our improving pipeline in Aviation indicates a greater second half weighting than usual.

We continue to anticipate opportunities arising from the aviation services market in North America. In line with our strategy, we will pursue opportunities that drive additional revenue streams from complementary services. Across the business we will continue to seek both organic and acquisition opportunities as we look to build scale in our growth markets.

We are well placed to benefit from future cost efficiencies as the rationalisation of our Distribution network delivers to plan although the implementation of the UK national living wage will represent a challenge for the business. We will continue to pursue e-commerce opportunities to increase our footprint as a neutral consolidator in the growing parcel and fulfilment markets.

We continue to execute against our strategy and remain confident in delivering long-term shareholder value.

GROUP INCOME STATEMENT
for the year ended 31 December 2015 (year ended 31 December 2014)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2015 £m
Revenue	2	**1,899.2**	**-**	**1,899.2**
Net operating costs		**(1,862.8)**	**(17.6)**	**(1,880.4)**
Operating profit		**36.4**	**(17.6)**	**18.8**
Share of post-tax results of joint ventures and associates		**8.5**	**(1.5)**	**7.0**
Operating profit after joint ventures and associates	2	**44.9**	**(19.1)**	**25.8**
Analysed as:				
Underlying operating profit*		**44.9**	**-**	**44.9**
Non-recurring items – rationalisation and acquisition related costs	4	**-**	**(5.8)**	**(5.8)**
Non-recurring items – impairment charges	4	**-**	**(4.7)**	**(4.7)**
Contract amortisation	4	**-**	**(7.1)**	**(7.1)**
Share of interest on joint ventures and associates		**-**	**0.7**	**0.7**
Share of tax on joint ventures and associates		**-**	**(2.2)**	**(2.2)**
Operating profit after joint ventures and associates		**44.9**	**(19.1)**	**25.8**
Finance income	5	**0.8**	**-**	**0.8**
Finance charges	5	**(5.6)**	**(0.9)**	**(6.5)**
Other finance charge - pensions	3	**(1.9)**	**-**	**(1.9)**
Profit before taxation		**38.2**	**(20.0)**	**18.2**
Taxation	6	**(12.2)**	**3.9**	**(8.3)**
Profit for the year		**26.0**	**(16.1)**	**9.9**
Attributable to equity shareholders		**26.2**	**(16.1)**	**10.1**
Attributable to non-controlling interests		**(0.2)**	**-**	**(0.2)**
		26.0	**(16.1)**	**9.9**
Earnings per ordinary share	8			
Basic		**42.7p**	**(26.2)p**	**16.5p**
Diluted		**42.7p**	**(26.3)p**	**16.4p**

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

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2014 £m
Revenue	2	**1,902.9**	**-**	**1,902.9**
Net operating costs		**(1,861.0)**	**(16.4)**	**(1,877.4)**
Operating profit		**41.9**	**(16.4)**	**25.5**
Share of post-tax results of joint ventures and associates		**9.1**	**(1.5)**	**7.6**
Operating profit after joint ventures and associates	2	**51.0**	**(17.9)**	**33.1**
Analysed as:				
Underlying operating profit*		**51.0**	**-**	**51.0**
Non-recurring items – rationalisation and acquisition related costs	4	**-**	**(6.0)**	**(6.0)**
Non-recurring items – impairment charges	4	**-**	**(3.2)**	**(3.2)**
Contract amortisation	4	**-**	**(7.2)**	**(7.2)**
Share of interest on joint ventures and associates		**-**	**0.5**	**0.5**
Share of tax on joint ventures and associates		**-**	**(2.0)**	**(2.0)**
Operating profit after joint ventures and associates		**51.0**	**(17.9)**	**33.1**
Finance income	5	**0.7**	**-**	**0.7**
Finance charges	5	**(5.4)**	**(1.0)**	**(6.4)**
Other finance charge - pensions	3	**(1.7)**	**-**	**(1.7)**
Profit before taxation		**44.6**	**(18.9)**	**25.7**
Taxation	6	**(14.4)**	**2.7**	**(11.7)**
Profit for the year		**30.2**	**(16.2)**	**14.0**
Attributable to equity shareholders		**30.1**	**(16.2)**	**13.9**
Attributable to non-controlling interests		**0.1**	**-**	**0.1**
		30.2	**(16.2)**	**14.0**
Earnings per ordinary share	8			
Basic		**49.2p**	**(26.5)p**	**22.7p**
Diluted		**49.0p**	**(26.4)p**	**22.6p**

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

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015 (year ended 31 December 2014)

	Notes	**2015 £m**	2014 £m
Profit for the year		**9.9**	14.0
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pensions	3	**5.6**	(23.5)
Actuarial loss on unfunded pension arrangements		**-**	(0.1)
Income tax effect		**(1.1)**	4.7
Impact of rate change on deferred tax		**(0.9)**	-
Items that may be reclassified subsequently to profit or loss:			
Movement on cash flow hedges	12	**(0.1)**	-
Movement on net investment hedges	12	**(1.5)**	(3.7)
Income tax effect		**0.3**	0.8
Exchange loss on translation of foreign operations		**(3.9)**	(0.5)
Income tax effect of exchange loss on foreign operations		**0.6**	-
Other comprehensive loss for the year (net of tax)		**(1.0)**	(22.3)
Total comprehensive income/(loss) for the year		**8.9**	(8.3)
Attributable to equity shareholders		**8.9**	(8.4)
Attributable to non-controlling interests		**-**	0.1
		8.9	(8.3)

GROUP AND COMPANY BALANCE SHEETS
as at 31 December 2015 (31 December 2014)

		Group		Company	
		2015	2014	**2015**	2014
	Notes	**£m**	£m	**£m**	£m
ASSETS					
Non-current assets					
Intangible assets	9	**108.3**	116.1	**-**	-
Property, plant and equipment		**114.4**	120.1	**24.4**	25.1
Investments accounted using the equity method		**26.4**	27.8	**-**	-
Investment in subsidiaries		**-**	-	**291.0**	290.5
Deferred tax assets		**12.2**	12.0	**2.8**	6.5
		261.3	276.0	**318.2**	322.1
Current assets					
Inventories		**14.7**	12.9	**-**	-
Trade and other receivables		**201.9**	186.6	**288.1**	271.6
Derivative financial assets	12	**0.6**	1.9	**0.6**	1.9
Cash and cash equivalents		**34.1**	32.8	**0.8**	1.0
		251.3	234.2	**289.5**	274.5
LIABILITIES					
Current liabilities					
Borrowings	12	**(3.4)**	(3.3)	**(2.9)**	(3.2)
Derivative financial liabilities	12	**(2.3)**	(2.0)	**(2.3)**	(2.0)
Trade and other payables		**(217.3)**	(215.8)	**(310.3)**	(311.0)
Current income tax liabilities		**(10.0)**	(9.0)	**-**	-
Provisions		**(4.9)**	(3.8)	**-**	-
		(237.9)	(233.9)	**(315.5)**	(316.2)
Net current assets/(liabilities)		**13.4**	0.3	**(26.0)**	(41.7)
Total assets less current liabilities		**274.7**	276.3	**292.2**	280.4
Non-current liabilities					
Borrowings	12	**(152.2)**	(140.3)	**(152.2)**	(140.2)
Other payables		**(3.5)**	(4.0)	**(5.0)**	(4.9)
Deferred tax liabilities		**(1.5)**	-	**-**	-
Provisions		**(2.9)**	(3.3)	**-**	-
Retirement benefit obligation	3	**(43.4)**	(59.0)	**(43.4)**	(59.0)
		(203.5)	(206.6)	**(200.6)**	(204.1)
Net assets		**71.2**	69.7	**91.6**	76.3
Shareholders' equity					
Ordinary shares		**15.4**	15.4	**15.4**	15.4
Share premium account		**20.4**	20.3	**20.4**	20.3
Treasury shares		**(1.8)**	(2.0)	**(1.8)**	(2.0)
Other reserves		**(21.6)**	(16.8)	**(0.9)**	(0.8)
Retained earnings		**35.6**	29.5	**36.9**	21.8
Capital redemption reserve		**21.6**	21.6	**21.6**	21.6
Total shareholders' equity		**69.6**	68.0	**91.6**	76.3
Non-controlling interest in equity		**1.6**	1.7	**-**	-
Total equity		**71.2**	69.7	**91.6**	76.3

The accounts were approved by the Board of Directors on 7 March 2016 and signed on its behalf by:

Iain Napier
Chairman

Paula Bell
Chief Financial Officer

Company No: SC34970

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31 December 2015 (31 December 2014)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Total equity £m
Group										
At 31 December 2014	15.4	20.3	(2.0)	(0.8)	(16.0)	29.5	21.6	68.0	1.7	69.7
Profit/(loss) for the year	-	-	-	-	-	10.1	-	10.1	(0.2)	9.9
Other comprehensive (loss)/income	-	-	-	(0.1)	(4.7)	3.6	-	(1.2)	0.2	(1.0)
Total comprehensive (loss)/income	-	-	-	(0.1)	(4.7)	13.7	-	8.9	-	8.9
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.5	-	0.5	-	0.5
Dividends paid	-	-	-	-	-	(8.0)	-	(8.0)	(0.1)	(8.1)
Repurchase of own shares	-	-	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Disposal of own shares	-	-	0.3	-	-	(0.1)	-	0.2	-	0.2
At 31 December 2015	**15.4**	**20.4**	**(1.8)**	**(0.9)**	**(20.7)**	**35.6**	**21.6**	**69.6**	**1.6**	**71.2**
At 31 December 2013	15.4	20.2	(3.3)	(0.8)	(12.6)	55.3	21.6	95.8	0.5	96.3
Profit for the year	-	-	-	-	-	13.9	-	13.9	0.1	14.0
Other comprehensive (loss)/income	-	-	-	-	(3.4)	(18.9)	-	(22.3)	-	(22.3)
Total comprehensive (loss)/income	-	-	-	-	(3.4)	(5.0)	-	(8.4)	0.1	(8.3)
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.6	-	0.6	-	0.6
Income tax effect of share-based payments	-	-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Subsidiaries acquired (Note 14)	-	-	-	-	-	(1.7)	-	(1.7)	1.4	(0.3)
Dividends paid	-	-	-	-	-	(16.8)	-	(16.8)	(0.3)	(17.1)
Repurchase of own shares	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Disposal of own shares	-	-	2.3	-	-	(2.3)	-	-	-	-
At 31 December 2014	**15.4**	**20.3**	**(2.0)**	**(0.8)**	**(16.0)**	**29.5**	**21.6**	**68.0**	**1.7**	**69.7**
Company										
At 31 December 2014	15.4	20.3	(2.0)	(0.8)	-	21.8	21.6	76.3	-	76.3
Profit for the year	-	-	-	-	-	19.1	-	19.1	-	19.1
Other comprehensive (loss)/income	-	-	-	(0.1)	-	3.6	-	3.5	-	3.5
Total comprehensive income (loss)/income	-	-	-	(0.1)	-	22.7	-	22.6	-	22.6
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.5	-	0.5	-	0.5
Dividends paid	-	-	-	-	-	(8.0)	-	(8.0)	-	(8.0)
Repurchase of own shares	-	-	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Disposal of own shares	-	-	0.3	-	-	(0.1)	-	0.2	-	0.2
At 31 December 2015	**15.4**	**20.4**	**(1.8)**	**(0.9)**	**-**	**36.9**	**21.6**	**91.6**	**-**	**91.6**

At 31 December 2013	15.4	20.2	(3.3)	(0.8)	-	23.9	21.6	77.0	-	77.0
Profit for the year	-	-	-	-	-	35.3	-	35.3	-	35.3
Other comprehensive loss	-	-	-	-	-	(18.9)	-	(18.9)	-	(18.9)
Total comprehensive income	-	-	-	-	-	16.4	-	16.4	-	16.4
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.6	-	0.6	-	0.6
Dividends paid	-	-	-	-	-	(16.8)	-	(16.8)	-	(16.8)
Repurchase of own shares	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Disposal of own shares	-	-	2.3	-	-	(2.3)	-	-	-	-
At 31 December 2014	**15.4**	**20.3**	**(2.0)**	**(0.8)**	**-**	**21.8**	**21.6**	**76.3**	**-**	**76.3**

GROUP AND COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2015 (year ended 31 December 2014)

	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Cash flows from operating activities					
Cash generated from operations	11	**35.9**	51.0	**(15.6)**	(14.6)
Interest received		**0.8**	0.7	**-**	-
Interest paid		**(5.9)**	(6.4)	**(4.6)**	(5.8)
Tax (paid)/received		**(7.7)**	(8.2)	**0.6**	0.3
Net cash flow from operating activities		**23.1**	37.1	**(19.6)**	(20.1)
Cash flows from investing activities					
Acquisitions	14	**(15.1)**	(2.2)	**-**	**-**
Cash acquired with subsidiaries	14	**1.3**	-	**-**	**-**
Purchase of property, plant and equipment		**(22.2)**	(28.1)	**-**	**-**
Intangible asset additions		**(2.6)**	(3.0)	**-**	**-**
Proceeds from sale of property, plant and equipment		**4.5**	1.0	**-**	**-**
Proceeds on redemption of joint venture preference shares		**0.8**	-	**-**	**-**
Dividends received from equity accounted investments		**6.5**	6.4	**-**	**-**
Net cash flow used in investing activities		**(26.8)**	(25.9)	**-**	-
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**0.1**	0.1	**0.1**	0.1
Purchase of own shares		**(0.1)**	(1.0)	**(0.1)**	(1.0)
Repayment of borrowings	10	**(0.4)**	(46.3)	**-**	(46.2)
Proceeds from borrowings	10	**15.3**	52.9	**15.3**	52.9
Dividends paid to non-controlling interests		**-**	(0.3)	**-**	-
Dividends paid to ordinary shareholders	7	**(8.0)**	(16.8)	**(8.0)**	(16.8)
Net amounts repaid by subsidiaries		**-**	-	**12.1**	31.4
Net cash flow from/(used in) financing activities		**6.9**	(11.4)	**19.4**	20.4
Increase/(decrease) in net cash and cash equivalents	10	**3.2**	(0.2)	**(0.2)**	0.3
Effects of exchange rate movements		**(1.5)**	(0.9)	**-**	-
Opening net cash and cash equivalents		**32.2**	33.3	**1.0**	0.7
Closing net cash and cash equivalents*	10	**33.9**	32.2	**0.8**	1.0

* 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 2015 were approved and authorised for issue in accordance with a resolution of the Directors on 7 March 2016. 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.

Basis of preparation
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.

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

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

Standards and amendments to standards that have been issued but are not effective for 2015 and have not been early adopted are:

- Amendments to IAS 27: Equity Method in Separate Financial Statements - effective date 1 January 2016
- Amendments to IAS 1: Disclosure Initiative - effective 1 January 2016
- IFRS 9 Financial Instruments* - effective date 1 January 2018
- IFRS 15 Revenue from Contracts with Customers* - effective date 1 January 2018
- Annual Improvements to IFRSs - 2012 to 2014 cycle* - effective date 1 January 2016
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* - effective date 1 January 2016
- IAS 27 (amendment) Separate Financial Statements: Equity method in separate financial statements* - effective date 1 January 2016
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation* - effective date 1 January 2016
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations* - effective date 1 January 2016
- IFRS 16 Leases - effective 1 January 2019
- Amendment to IAS 7: Disclosure Initiative* - effective 1 January 2017
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses* - effective 1 January 2017

*Not yet adopted for use in the European Union.

The above standards and amendments will be adopted in accordance with their effective dates and have not been adopted in these financial statements.

For standards with a future effective date, the Directors are in the process of assessing the likely impact and look to finalisation of the standards before formalising their view.

Basis of consolidation
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-coterminous 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.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement(s) with the other vote holder(s) of the investee, rights arising from other contractual arrangements, and the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Income Statement. Any investment retained is recognised at fair value.

Joint ventures and associates
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Income Statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the

Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within the share of profit of an associate and a joint venture in the Income Statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Income Statement.

Menzies Bobba Ground Handling Services Private Ltd is 51% owned, Menzies Aviation Bobba (Bangalore) Private Ltd and Hyderabad Menzies Air Cargo Private Ltd are 49% owned and Menzies Macau Airport Services Ltd is 29% owned. They are treated as joint ventures in the Group accounts because the parties to each of the ventures work together with equal powers to control the entities. Each venturer in the respective entity retains the power of veto, and overall key strategic, operational and financial decisions require the unanimous consent of all parties.

The financial statements of each associate or joint venture are prepared for the same reporting period as the Group. The Indian joint ventures have a statutory year end of 31 March. Worldwide Magazine Distribution Ltd has a statutory year end of 30 April. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Revenue
In the Distribution business, revenue is recognised on the despatched value of goods sold, excluding value-added tax. Product is sold to 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.

In the Aviation business, cargo handling and forwarding revenue is recognised at the point of departure for exports and at the point that the goods are ready for despatch 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 relevant contract. Revenue excludes value-added and sales taxes and charges collected on behalf of customers.

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 or the remaining lease term if shorter
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, is recognised in the

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.

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 Statement of Comprehensive Income respectively.

Intangible assets
Goodwill
Business combinations since 1 January 2010 have been and continue to be accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the 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 relevant risk-adjusted weighted average cost of capital for the Group. This amount is included in intangible assets as contracts. Separate values are not attributed to internally-generated customer relationships.

Contract amortisation is business-stream dependent. In the Distribution business, capitalised publisher contracts are not amortised due to the very long-term nature of the business. These contracts are tested annually for impairment using similar criteria to the goodwill test. In the Aviation business and core non-publisher contracts in the Distribution business, 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. Certain other contracts are amortised over the remaining life of the contract.

Computer software
Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly attributable to 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. These direct costs include the costs of software development employees. Computer software assets 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 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 the 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 as derivatives to hedge the risk arising from the retranslation of foreign currency denominated items.

The Group has derivatives that are designated as hedges of overseas net investments in foreign entities (net investment hedges) and derivatives that 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 the occurrence of the transaction results in a non-financial asset or liability, then amounts recycled from equity are included in the cost of the non-financial asset or liability. If the forecast transaction remains probable but ceases to be highly probable then, from that point, changes in fair value are recorded in the Income Statement within finance costs. Similarly, if the forecast transaction ceases to be probable then the entire fair value recorded in equity and future changes in fair value are 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 reassessing 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 legal or constructive obligation as a result of a past event and 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.

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 given changes in 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.

Joint ventures and associates
Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure budgets for the joint arrangement, as required by the joint venture agreements applicable to the entity’s joint arrangements.

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 cash flows, 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. See Note 9 for further details.

Impairment
Impairment testing is carried out 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 cash flows and other events which are by their nature uncertain. See Note 9 for further details.

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 obligation. See Note 3 for further details.

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. See Note 6 for further details.

The Group has in place a limited number of intragroup finance arrangements that are subject to enquiry by the relevant tax authority. The Group does not recognise potential benefits from such arrangements to its effective tax rate until the agreement of the relevant tax authority is considered reasonably certain and therefore an appropriate provision is held until that point.

Provisions
The Group exercises judgement in determining whether provisions are required in relation to onerous property leases. Judgement is necessary in assessing the likelihood of whether or not an alternative use can be found for these properties or a suitable tenant can be found in order to cover the cost of the lease. This likelihood will vary depending on the size, location and type of property.

Revenue recognition
Judgement must be exercised to ensure that revenue is recognised in accordance with contractual terms, including in relation to the level of expected returns.

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 acquisition transaction and other related costs including changes in deferred consideration.

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. See Note 12 for further details.

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:

Turnover includes revenue from subsidiaries and the Group's share of revenue from joint ventures and associates.

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

Underlying profit before taxation is defined as underlying operating profit less net finance charges.

Underlying earnings per share is profit after taxation and non-controlling interest, but before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue.

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

Debt to EBITDA ratio is net debt excluding financial derivatives and preference shares plus contractual deferred consideration divided by EBITDA being the underlying operating profit plus depreciation and computer software amortisation.

Interest cover is EBITA divided by external interest charge. EBITA is underlying operating profit plus computer software amortisation. External interest charge excludes the net finance income or charge related to pensions.

2. SEGMENT INFORMATION

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

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

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

Business segment information

	Revenue		Pre-exceptional operating profit/(loss)	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Distribution	**1,244.0**	1,261.3	**25.1**	24.0
Aviation				
Ground Handling	**490.0**	470.6	**4.1**	12.0
Cargo Handling	**146.8**	149.4	**14.7**	13.8
Cargo Forwarding	**112.5**	118.6	**4.3**	4.4
	749.3	738.6	**23.1**	30.2
Corporate	**-**	-	**(3.3)**	(3.2)
	1,993.3	1,999.9	**44.9**	51.0
Joint ventures and associates	**(94.1)**	(97.0)	**-**	-
	1,899.2	1,902.9	**44.9**	51.0

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

2015	Notes	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)		16.8	7.0	(5.0)	18.8
Share of post-tax results of joint ventures and associates		1.6	5.4	-	7.0
Operating profit/(loss) after joint ventures and associates		18.4	12.4	(5.0)	25.8
Net finance expense					(7.6)
Profit before taxation					18.2

Analysed as:					
Pre-exceptional operating profit/(loss)*		25.1	23.1	(3.3)	44.9
Rationalisation and acquisition related items	4	(3.9)	(0.2)	(1.7)	(5.8)
Net impairment loss	4	-	(4.7)	-	(4.7)
Contract amortisation	9	(2.5)	(4.6)	-	(7.1)
Share of interest on joint ventures and associates		-	0.7	-	0.7
Share of tax on joint ventures and associates		(0.3)	(1.9)	-	(2.2)
Operating profit/(loss) after joint ventures and associates		18.4	12.4	(5.0)	25.8

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

Analysed as:					
Pre-exceptional operating profit/(loss)*		24.0	30.2	(3.2)	51.0
Rationalisation and acquisition related costs	4	(6.0)	-	-	(6.0)
Net impairment loss	4	-	(3.2)	-	(3.2)
Contract amortisation	9	(1.6)	(5.6)	-	(7.2)
Share of interest on joint ventures and associates		-	0.5	-	0.5
Share of tax on joint ventures and associates		(0.4)	(1.6)	-	(2.0)
Operating profit/(loss) after joint ventures and associates		16.0	20.3	(3.2)	33.1

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

2015	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	199.7	264.8	1.9	466.4
Unallocated assets				46.2
Total assets				512.6
Segment liabilities	(116.7)	(93.6)	(20.6)	(230.9)
Unallocated liabilities				(210.5)
Total liabilities				(441.4)
Segment net assets/(liabilities)	83.0	171.2	(18.7)	235.5
Unallocated net liabilities				(164.3)
Net assets				71.2

2014	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	186.1	275.8	3.5	465.4
Unallocated assets				44.8
Total assets				510.2
Segment liabilities	(116.3)	(94.3)	(18.5)	(229.1)
Unallocated liabilities				(211.4)
Total liabilities				(440.5)
Segment net assets/(liabilities)	69.8	181.5	(15.0)	236.3
Unallocated net liabilities				(166.6)
Net assets				69.7

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

2015	Distribution £m	Aviation £m	Corporate £m	Group £m
Capital expenditure – property, plant and equipment	4.4	16.4	-	20.8
Capital expenditure – intangible assets	2.1	0.5	-	2.6
Depreciation	4.6	15.7	0.7	21.0
Amortisation of intangible assets	4.8	5.8	-	10.6
Impairment of intangible assets	-	4.0	-	4.0
Loss/(gain) on disposal of property, plant and equipment	0.4	(1.0)	-	(0.6)

2014	Distribution £m	Aviation £m	Corporate £m	Group £m
Capital expenditure – property, plant and equipment	2.3	25.8	-	28.1
Capital expenditure – intangible assets	2.2	0.8	-	3.0
Depreciation	4.2	15.3	0.7	20.2
Amortisation of intangible assets	4.0	6.9	-	10.9
Impairment of intangible assets	-	3.6	-	3.6
Gain on disposal of property, plant and equipment	-	(0.2)	-	(0.2)

Geographic information

	Revenue		Non-current assets	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
UK	**1,363.1**	1,391.8	**110.2**	109.5
Continental Europe	**171.2**	161.2	**37.3**	44.7
USA	**140.3**	116.6	**36.8**	35.9
Rest of world	**224.6**	233.3	**64.8**	73.9
	1,899.2	1,902.9	**249.1**	264.0

3. PENSION SCHEMES

The principal Group-funded defined benefit scheme in the UK is the Menzies Pension Fund (Fund) to which 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 participate in a number of pension schemes, which are of a defined contribution nature and some of which operate overseas. The Income Statement charge for defined contribution schemes represents the contributions payable.

The pension charge to operating profit in the Income Statement is:

	2015	2014
	£m	£m
Menzies Pension Fund	**2.2**	2.1
Other schemes	**11.6**	12.5
	13.8	14.6

Fund financial assumptions and information

The Actuary undertook a valuation of the Fund as at 31 December 2015 (2014: 31 December 2014) under IAS 19. In deriving the results the Actuary used the projected unit method and the following financial assumptions:

	2015	2014
	%	%
Rate of increase in salaries	**3.0**	3.0
Rate of increase in pensions (prior to 1 May 2006)	**3.5**	3.5
Rate of increase in pensions (from 1 May 2006 to 1 June 2010)	**2.1**	2.0
Rate of increase in pensions (after 1 June 2010)	**1.0**	1.0
Price inflation	**3.0**	3.0
Discount rate	**4.0**	3.7

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

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

	2015	2014
	Years	Years
Male	**22.2**	20.9
Female	**23.7**	22.5

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

	2015 Years	2014 Years
Male	**23.8**	21.7
Female	**25.0**	23.7

Further information regarding the membership of the Fund is:

	Number	Liability split	Average liability duration (years)
2015			
Active members	445	16%	21.8
Deferred members	3,353	34%	21.0
Pensioners	2,138	50%	11.9
	5,936	100%	16.5
2014			
Active members	499	24%	24.8
Deferred members	3,623	32%	22.6
Pensioners	2,206	44%	12.8
	6,328	100%	18.8

Fair value of Fund assets and liabilities

	2015			2014		
	Quoted £m	**Unquoted £m**	**Total value at 31 December £m**	Quoted £m	Unquoted £m	Total value at 31 December £m
Equities	**127.4**	**0.3**	**127.7**	114.7	11.7	126.4
Bonds	**130.8**	**-**	**130.8**	110.6	2.8	113.4
Investment funds	**1.8**	**4.0**	**5.8**	4.2	12.0	16.2
Property	**4.1**	**24.4**	**28.5**	0.4	23.0	23.4
Other	**10.3**	**9.3**	**19.6**	5.4	28.1	33.5
Total value of assets	**274.4**	**38.0**	**312.4**	235.3	77.6	312.9
Defined benefit obligation			**(355.8)**			(371.9)
Recognised in Balance Sheet			**(43.4)**			(59.0)
Related deferred tax asset			**7.8**			11.8
Net pension liabilities			**(35.6)**			(47.2)

Changes in assumptions compared with actuarial assumptions for the value of liabilities are:

	Note	**2015 £m**	2014 £m
0.5% decrease in discount rate		**386.5**	408.5
1 year increase in life expectancy		**366.5**	383.1
0.5% decrease in salary increases	(i)	**355.8**	371.9
0.5% decrease in inflation		**334.4**	342.8

(i) 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.

The sensitivities disclosed were calculated using approximate methods talking into account the duration of the Fund's liabilities. In relation to sensitivities, the company recognises actuarial gains and losses immediately through the re-measurement of the net defined benefit liability.

Pension expense

The components of pension expense are:

	2015	2014
	£m	£m
Amounts charged/(credited) to operating profit are:		
Current service cost	**2.0**	1.8
Administrative costs	**1.3**	1.1
Effect of settlements	**(1.1)**	(0.8)
Total service cost	**2.2**	2.1
Amounts included in finance costs:		
Interest cost on defined benefit obligation	**13.4**	14.7
Interest income on Fund assets	**(11.5)**	(13.0)
Net finance charge	**1.9**	1.7
Pension expense	**4.1**	3.8

The amounts recognised in the Statement of Comprehensive Income are:

	£m	£m
Returns on assets excluding amounts included in net interest	**(4.9)**	18.8
Changes in financial assumptions	**10.5**	(42.3)
Actuarial gain/(loss)	**5.6**	(23.5)

Changes in Fund assets and defined benefit obligation

The change in scheme assets during the year is:

	£m	£m
Fair value of assets at start of year	**312.9**	282.0
Interest income	**11.5**	13.0
Company contributions	**14.1**	14.1
Employee contributions	**0.7**	0.8
Effect of settlements	**(2.2)**	(1.8)
Benefits and expenses paid	**(19.7)**	(14.0)
Returns on assets excluding amounts included in net interest	**(4.9)**	18.8
Fair value of assets at end of year	**312.4**	312.9

The actual return on scheme assets was a gain of £6.6m (2014: £31.8m).

The change in defined benefit obligation during the year is:

	£m	£m
Defined benefit obligation at start of year	**371.9**	327.8
Total service cost	**3.3**	2.9
Interest cost	**13.4**	14.7
Effect of settlements	**(3.3)**	(2.6)
Employee contributions	**0.7**	0.8
Benefits and expenses paid	**(19.7)**	(14.0)
Changes in financial assumptions	**(10.5)**	42.3
Defined benefit obligation at end of year	**355.8**	371.9

Benefits, regulatory framework and governance of the 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

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 of the risks highlighted.

Asset-liability matching strategies

Neither the Fund nor the Company uses 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 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.

The Trustee has implemented a de-risking process such that the Fund’s assets are gradually switched out of equities and into 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 2018 valuation exercise. 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.

Funding arrangements and funding policy that affect future contributions

The triennial valuation process in which the Trustee and the Company agree the long term funding strategy has been concluded and a Schedule of Contributions dated 4 March 2016 has been agreed. The Schedule of Contributions sets out the additional contributions required to meet the funding shortfall between the value of the Fund's assets and liabilities. The additional contributions have been agreed as being nine annual contributions of £10.7m per annum rising with the higher of RPI or the annual percentage change in dividends and beginning in the year ended 31 March 2017 and continuing to the year ended 31 March 2025.

Other information

Small settlements have occurred over the year. There have been no other Fund amendments or curtailments.

In total the Company expects to contribute around £13m to the Fund during the year to 31 December 2016.

4 EXCEPTIONAL AND OTHER ITEMS

Exceptional items included in operating profit

	Notes	**2015 £m**	2014 £m
Rationalisation costs	(i)	**(3.5)**	(3.7)
Acquisition related earn-out adjustment	(ii)	**(0.2)**	(2.3)
Acquisition related costs	(iii)	**(0.4)**	-
Management restructure and strategic review	(iv)	**(1.7)**	-
		(5.8)	(6.0)

(i) Costs of rationalising excess capacity in the Distribution business comprised redundancy £1.2m (2014: £1.8m), property £0.1m (2014: £1.1m) and other related restructuring costs £2.0m (2014: £0.8m). Restructuring costs of £0.2m (2014: £Nil) were incurred in the Aviation segment in Spain.

(ii) Relates to two acquisitions in the Distribution division, Fore Partnership and Orbital Marketing Services Group. There was a £0.7m increase in relation to Fore Partnership, reflecting an underlying increase in profits of that business, offset by the contingent consideration for Orbital Marketing Services Group being settled for £9.9m, £0.5m lower than expected at 31 December 2014. In the prior year a charge of £2.3m was incurred reflecting the increased profit of this business.

(iii) Relates largely to the acquisition of AJG Parcels Ltd in June 2015 and Oban Express Parcel Service Ltd in November 2015.

(iv) Redundancy (£1.0m) and advisory costs (£0.7m) relates to the work performed to reshape the senior management team and review the strategic direction of the business in order to prioritise opportunities for growth.

Exceptional items included in finance charges

	Note	**2015 £m**	2014 £m
Unwind discount	(i)	**(0.2)**	(0.5)

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

Intangible assets amortisation and impairment included in operating profit

	Notes	**2015 £m**	2014 £m
Contract amortisation	(i)	**(7.1)**	(7.2)
Net impairment loss	(ii)	**(4.7)**	(3.2)
		(11.8)	(10.4)

(i) Contracts capitalised as intangible assets on the acquisition of businesses.

(ii) Following the loss of licences in the Aviation segment in Spain an impairment charge of £4.7m has been recognised representing a write-off of intangible assets of £4.0m and other associated assets of £0.7m. In the year ended 31 December 2014, a net impairment loss of £3.2m resulted from the loss of existing and expected business in Colombia which comprised impairment charges of £3.6m in relation to customer contracts, £0.8m redundancy and associated costs and a £1.2m credit for contingent consideration no longer expected to be incurred.

The taxation effect of the exceptional items is a net credit of £1.7m (2014: net credit of £0.7m). This credit relates to the impairment of intangible assets in Spain (£0.8m), rationalisation costs in Distribution (£0.6m) and the management restructure and strategic review (£0.3m).

5. FINANCE COSTS

	2015 £m	2014 £m
Finance income		
Bank deposits	**0.8**	0.7
Finance charges		
Bank loans and overdrafts	**(5.5)**	(5.3)
Preference dividends	**(0.1)**	(0.1)
	(5.6)	(5.4)
Net finance costs	**(4.8)**	(4.7)

6. TAXATION

Analysis of charge in Income Statement

	2015 £m	2014 £m
Current tax		
UK corporation tax on profits for the year	**0.1**	(0.4)
Overseas tax	**8.9**	10.1
Adjustments to prior years' liabilities	**0.1**	0.2
Total current tax	**9.1**	9.9
Deferred tax		
Origination and reversal of temporary differences	**(2.6)**	(0.3)
Adjustments to prior years' liabilities	**(0.2)**	-
	(2.8)	(0.3)
Retirement benefit obligation	**2.0**	2.1
Total deferred tax	**(0.8)**	1.8
Tax on profit on ordinary activities	**8.3**	11.7

Current and deferred tax related to items charged/(credited) outside Income Statement

	2015 £m	2014 £m
Deferred tax on actuarial gain/(loss) on retirement benefit obligation	**1.1**	(4.7)
Impact of UK rate change	**0.9**	-
Deferred tax on share-based payments	**-**	0.6
Current tax on net exchange adjustments	**(0.9)**	(0.2)
Deferred tax on net exchange adjustments	**-**	(0.6)
Tax charge/(credit) reported outside profit or loss	**1.1**	(4.9)

Reconciliation of effective tax rate

The reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate is:

	2015 £m	2014 £m
Profit before tax	**18.2**	25.7
Profit before tax multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	**3.7**	5.5
Non-deductible expenses including intangible amortisation	**3.1**	1.5
Depreciation on non-qualifying assets	**0.4**	0.4
Unrelieved overseas losses	**1.5**	2.0
Deferred tax assets written off	**0.1**	0.4
Deferred tax asset recognised on overseas losses carried forward	**(2.0)**	-
Deferred tax liability recognised on undistributed reserves of overseas subsidiaries	**1.2**	-
Exceptional items	**0.4**	1.4
Utilisation of previously unrecognised losses	**(0.3)**	(0.2)
Higher tax rates on overseas earnings	**1.9**	2.0
Share of joint venture and associate post-tax result included in profit before tax	**(1.6)**	(1.5)
Adjustments to prior years' liabilities	**(0.1)**	0.2
At the effective corporation tax rate of 45.6% (2014: 45.5%)	**8.3**	11.7

The main rate of UK corporation tax was reduced from 21% to 20% from 1 April 2015.

The Finance Act (No 2) 2015, which was substantively enacted on 26 October 2015, includes legislation reducing the main rate of corporation tax from 20% to 18%. This decrease is to be phased in with a reduction to 19% effective from 1 April 2017 and a reduction to 18% effective from 1 April 2020. As the reductions in the main rate of corporation tax were substantively enacted at the Balance Sheet date, and reduce the tax rate applying when temporary differences reverse on or after 1 January 2017, it could have the effect of reducing the UK deferred tax assets and liabilities depending upon the timing of the reversal of the temporary differences. As most of the temporary differences reversing on or after 1 January 2017 relate to the UK pension deficit which has arisen predominately due to actuarial gains/losses taken to other comprehensive income the reduction in the deferred tax asset 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.

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 and 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.

	2015 Losses £m	2014 Losses £m	Expiry
Colombia	**2.6**	2.2	Carry forward indefinitely
Germany	**17.8**	19.3	Carry forward indefinitely
Netherlands	**3.6**	3.6	Carry forward for 5 years
Norway	**11.9**	11.1	Carry forward indefinitely
South Africa	**5.1**	3.2	Carry forward indefinitely
Sweden	**3.3**	2.9	Carry forward indefinitely
USA	**37.1**	42.0	Carry forward for up to 20 years

The Group has capital losses in the UK of approximately £10.4m (2014: £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

Dividends paid on equity shares		**2015 £m**	2014 £m
Ordinary	Interim paid in respect of 2015, 5.0p per share	**3.0**	-
	Final paid in respect of 2014, 8.1p per share	**5.0**	-
	Interim paid in respect of 2014, 8.1p per share	**-**	5.0
	Final paid in respect of 2013, 18.8p per share	**-**	11.5
	Paid in respect performance share plans	**-**	0.3
		8.0	16.8

Dividends of £Nil were waived on Treasury shares (2014: £0.1m).

The Directors are proposing a final dividend in respect of the year to 31 December 2015 of 11.8p per ordinary share, which will absorb an estimated £7.2m of shareholders' funds. Payment will be made on 1 July 2016 to shareholders on the register at the close of business on 27 May 2016.

Treasury shares

Ordinary shares are held for employee share schemes. At 31 December 2015 the Company held 345,176 (2014: 366,409) ordinary shares with a market value of £1.4m (2014: £1.3m).

8. EARNINGS PER SHARE

	Notes	Basic 2015 £m	Basic 2014 £m	Underlying(i) 2015 £m	Underlying(i) 2014 £m
Operating profit		**18.8**	25.5	**18.8**	25.5
Share of post-tax results of joint ventures and associates		**7.0**	7.6	**7.0**	7.6
add back:					
exceptional items	4	**-**	-	**5.8**	6.0
intangible amortisation and impairment	4	**-**	-	**11.8**	10.4
share of interest on joint ventures and associates		**-**	-	**(0.7)**	(0.5)
share of tax on joint ventures and associates		**-**	-	**2.2**	2.0
Net finance costs		**(7.6)**	(7.4)	**(6.7)**	(6.4)
Profit before taxation		**18.2**	25.7	**38.2**	44.6
Taxation		**(8.3)**	(11.7)	**(8.3)**	(11.7)
Exceptional tax		**-**	-	**(3.9)**	(2.7)
Non-controlling interests		**0.2**	(0.1)	**0.2**	(0.1)
Earnings for the year		**10.1**	13.9	**26.2**	30.1
Basic					
Earnings per ordinary share (pence)		**16.5p**	22.7p		
Diluted earnings per ordinary share (pence)		**16.4p**	22.6p		
Underlying	(i)				
Earnings per ordinary share (pence)				**42.7p**	49.2p
Diluted earnings per ordinary share (pence)				**42.7p**	49.0p
Number of ordinary shares in issue					
Weighted average (million)		**61.3**	61.2		
Diluted weighted average (million)		**61.4**	61.4		

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

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

9. INTANGIBLE ASSETS

	Goodwill £m	Contracts £m	Computer software £m	Total £m
Cost				
At 31 December 2014	59.5	90.8	30.4	180.7
Acquisitions (Note 14)	4.2	1.7	-	5.9
Additions	-	-	2.6	2.6
Disposals	-	-	(0.5)	(0.5)
Currency translation	0.9	(0.9)	-	-
At 31 December 2015	**64.6**	**91.6**	**32.5**	**188.7**
Amortisation and impairment				
At 31 December 2014	10.9	34.9	18.8	64.6
Amortisation charge	-	7.1	3.5	10.6
Released on disposal	-	-	(0.3)	(0.3)
Impairment (Note 4)	-	4.0	-	4.0
Currency translation	1.4	0.1	-	1.5
At 31 December 2015	**12.3**	**46.1**	**22.0**	**80.4**
Net book value				
At 31 December 2015	**52.3**	**45.5**	**10.5**	**108.3**
At 31 December 2014	48.6	55.9	11.6	116.1

	Goodwill £m	Contracts £m	Computer software £m	Total £m
Cost				
At 31 December 2013	57.0	91.5	27.6	176.1
Acquisitions (Note 14)	1.3	0.7	-	2.0
Additions	-	-	3.0	3.0
Disposals	-	-	(0.2)	(0.2)
Currency translation	1.2	(1.4)	-	(0.2)
At 31 December 2014	59.5	90.8	30.4	180.7
Amortisation and impairment				
At 31 December 2013	9.5	24.6	15.2	49.3
Amortisation charge	-	7.2	3.7	10.9
Released on disposal	-	-	(0.1)	(0.1)
Impairment (Note 4)	-	3.6	-	3.6
Currency translation	1.4	(0.5)	-	0.9
At 31 December 2014	10.9	34.9	18.8	64.6
Net book value				
At 31 December 2014	48.6	55.9	11.6	116.1
At 31 December 2013	47.5	66.9	12.4	126.8

As set out in Note 4, the impairment of intangible contract assets of £4.0m relates to the Aviation business in Spain where the asset was fully impaired. In the prior year an impairment of £3.6m was incurred in the Aviation business in Colombia.

Goodwill acquired through business combinations and intangible assets with indefinite lives has been allocated at acquisition to Cash-Generating Units (CGUs) 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.

	2015			2014		
	Pre-tax discount rate used in impairment review	**Goodwill £m**	**Contracts £m**	Pre-tax discount rate used in impairment review	Goodwill £m	Contracts £m
Distribution						
Core distribution	**9%**	**7.3**	**12.9**	8%	7.3	12.9
EM News Distribution (NI) Ltd	**9%**	**-**	**3.1**	8%	-	3.1
Parcels	**9%**	**4.2**	**-**	n/a	-	-
Other	**n/a**	**-**	**-**	8%	-	3.0
Aviation						
Netherlands cargo	**9%**	**6.9**	**-**	9%	7.3	-
North American cargo	**9.4%**	**8.5**	**-**	10%	8.0	-
Australasia	**10%**	**5.4**	**-**	10%	5.7	-
AMI South Africa	**12%**	**1.6**	**-**	11%	2.0	-
Scandinavia	**8%**	**2.7**	**-**	8%	2.7	-
Ogden worldwide	**10%**	**9.9**	**-**	9.5%	9.4	-
Other	**9% - 13%**	**5.8**	**-**	8% - 11%	6.2	-
		52.3	**16.0**		48.6	19.0

Contracts of £3.0m in 2014 have been amortised with effect from 1 January 2015 and are therefore no longer disclosed above.

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 value in use calculations use a post-tax discount rate assumption in a range from 6% to 9% (2014: 6% to 8%) based on the Group's weighted average post-tax cost of capital and having considered the uncertainty risk attributable to individual CGUs. The equivalent pre-tax discount rate is a range from 8% to 13% (2014: 8% to 11%) as shown in the table above. The pre-tax rate has been applied to pre-tax cash flows.

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 tested annually for impairment using the criteria outlined above.

Value in use calculations are based on Board approved budgets and plans for a three year period and extrapolated for a further two year period. This reflects management's specific business expectations for 2019 and 2020. Growth rates in the cash flows beyond the three year period have been assumed to be -2% to Nil% (2014: -3% to 10%). 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 core non-publisher 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. The carrying value of Distribution non-publisher contracts is £14.3m (2014: £12.1m) and the average remaining amortisation period is six years (2014: eight years).

Aviation
Aviation 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. The carrying value of Aviation contracts is £15.1m (2014: £24.8m) and the average remaining amortisation period is three years (2014: four years).

Value in use calculations are based on Board approved budgets and plans for a three year period and extrapolated for a further two year period. Growth rates in the cash flows beyond the three year period have been assumed to be Nil% (2014: Nil%). 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. For all significant CGUs there is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

10. CHANGES IN NET BORROWINGS

	2014 £m	Cash flows £m	Subsidiaries acquired £m	Currency translation £m	**2015 £m**
Cash at bank and in hand	32.8	1.5	1.3	(1.5)	**34.1**
Bank overdrafts	(0.6)	0.4	-	-	**(0.2)**
Net cash and cash equivalents	32.2	1.9	1.3	(1.5)	**33.9**
Bank loans due within one year	(2.5)	(0.2)	-	-	**(2.7)**
Preference shares	(1.4)	-	-	-	**(1.4)**
Finance leases	(0.2)	0.4	(0.7)	-	**(0.5)**
Debt due after one year	(138.9)	(11.9)	-	-	**(150.8)**
Net derivative liabilities	(0.1)	(3.2)	-	1.6	**(1.7)**
Net debt	(110.9)	(13.0)	0.6	0.1	**(123.2)**

Currency translation movements result from the Group's policy of hedging its overseas net assets, which are denominated mainly in US dollars, Euros and Australian dollars. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange loss of £4.5m (2014: £3.4m). This net loss is recognised in other comprehensive income.

11. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Operating profit/(loss)	**18.8**	25.5	**(2.7)**	(1.8)
Depreciation	**21.0**	20.2	**0.7**	0.7
Amortisation of intangible assets	**10.6**	10.9	**-**	-
Share-based payments	**0.5**	0.6	**0.5**	0.6
Onerous lease provision	**0.3**	0.3	**-**	-
Cash spend on onerous leases	**(2.8)**	(2.9)	**-**	-
Gain on sale of property, plant and equipment	**(0.6)**	(0.2)	**-**	-
Pension charge	**3.3**	2.9	**-**	-
Pension credit	**(1.1)**	(0.8)	**-**	-
Pension contributions in cash	**(14.1)**	(14.1)	**(14.1)**	(14.1)
Rationalisation and acquisition related costs	**5.3**	3.4	**-**	-
Cash spend on rationalisation and other exceptional costs	**(8.0)**	(2.3)	**-**	-
Acquisition related earn-out adjustment	**0.2**	2.3	**-**	-
Net impairment loss	**4.7**	3.2	**-**	-
(Increase)/decrease in inventories	**(1.8)**	1.6	**-**	-
Increase in trade and other receivables	**(16.2)**	(2.6)	**-**	-
Increase in trade and other payables and provisions	**15.8**	3.0	**-**	-
	35.9	51.0	**(15.6)**	(14.6)

12. FINANCIAL INSTRUMENTS

Derivative financial instruments

	Group		Company	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Cash flow hedges:				
Foreign exchange forward contracts	**(0.4)**	(0.3)	**(0.4)**	(0.3)
Foreign currency net investment hedges:				
Foreign exchange forward contracts	**(1.3)**	0.2	**(1.3)**	0.2
Current net fair value	**(1.7)**	(0.1)	**(1.7)**	(0.1)

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 2015, 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 that have a significant effect on the recorded fair value are observable, either directly or indirectly.

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

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

Derivative financial instruments at fair value through other comprehensive income

2015

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Foreign exchange contracts – hedged	-	0.6	-	0.6
Financial liabilities:				
Foreign exchange contracts – hedged	-	2.3	-	2.3

2014

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Foreign exchange contracts – hedged	-	1.9	-	1.9
Financial liabilities:				
Foreign exchange contracts – hedged	-	2.0	-	2.0

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Cash flow hedges

Foreign exchange forward contracts

At 31 December 2015 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.

	2015		2014	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Fair value of cash flow hedges - currency forward contracts	**-**	**(0.4)**	-	(0.3)
Current value	**-**	**(0.4)**	-	(0.3)

Interest rate 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 2015 the Group had no interest rate swaps in place. At 31 December 2015, 9.1% (2014: 11.6%) of the Group's borrowings were fixed.

For 2015, if interest rates on Sterling-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.7m (2014: £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 minimise 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 and Company			
	Currency value		Sterling equivalent	
	2015 million	2014 million	**2015 £m**	2014 £m
Australian dollar	**23.9**	26.4	**11.8**	13.8
Canadian dollar	**5.5**	5.5	**2.7**	3.0
Colombian peso	**4,000**	7,800	**0.9**	2.1
Czech koruna	**115.0**	115.0	**3.1**	3.2
Danish krone	**10.0**	-	**1.0**	-
Euro	**15.0**	21.5	**11.1**	16.7
Indian rupee	**810**	1,000	**8.3**	10.2
Mexican peso	**51.0**	51.0	**2.0**	2.2
New Zealand dollar	**3.0**	3.0	**1.4**	1.5
Norwegian krone	**7.0**	7.0	**0.5**	0.6
South African rand	**30.0**	55.0	**1.3**	3.0
Swedish krona	**50.0**	50.0	**4.0**	4.1
US dollar	**45.0**	35.0	**30.5**	22.4

	2015		2014	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	**0.6**	**(1.9)**	1.9	(1.7)
Current value	**0.6**	**(1.9)**	1.9	(1.7)

Other financial instruments

Contingent consideration

The consideration to acquire Fore Partnership included contingent consideration based on future targets being met. The contingent consideration's range is between a minimum of £Nil and a maximum of £4.0m (2014: minimum £Nil and maximum £4.0m) and becomes payable in 2016. The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance.

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

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

	2015	2014
	£m	£m
Fair value of contingent consideration		
Fore Partnership	**1.6**	0.9
Orbital Marketing Services Group	**-**	10.4
Fair value of other contingent acquisition related amounts		
PlaneBiz 2015 Ltd	**2.7**	2.8

Interest-bearing loans and borrowings

	Group		Company	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Obligations under finance leases	**0.5**	0.2	**-**	-
Bank overdrafts	**0.2**	0.6	**0.2**	0.6
Non-amortising bank loans	**140.8**	126.2	**140.8**	126.2
Amortising term loan	**12.7**	15.2	**12.7**	15.2
Preference shares	**1.4**	1.4	**1.4**	1.4
	155.6	143.6	**155.1**	143.4
Current	**3.4**	3.3	**2.9**	3.2
Non-current	**152.2**	140.3	**152.2**	140.2
	155.6	143.6	**155.1**	143.4

Maturity of interest-bearing loans and borrowings

Obligations under finance leases	April 2016 to June 2018
Bank overdrafts	On demand
Non-amortising bank loans	January 2017 to December 2018
Amortising term loan	March 2020
Preference shares	Non-redeemable

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 2016 and 2020 with interest payable at a fixed rate of 6.23%. The loan has a weighted average maturity of two years (2014: two years).

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between January 2017 and December 2018.

Net debt

	Group		Company	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Derivative financial instruments	**1.7**	0.1	**1.7**	0.1
Interest-bearing loans and borrowings	**155.6**	143.6	**155.1**	143.4
Total borrowings	**157.3**	143.7	**156.8**	143.5
Less: cash at bank, cash in hand and short-term deposits	**34.1**	32.8	**0.8**	1.0
	123.2	110.9	**156.0**	142.5

The book and fair values are:

	2015		2014	
	Book value	**Fair value**	Book value	Fair value
	£m	**£m**	£m	£m
Short-term borrowings	**2.7**	**3.0**	2.5	2.8
Medium-term borrowings	**150.8**	**151.7**	138.6	140.1
Long-term borrowings	**1.4**	**1.4**	1.7	1.7
Derivative financial instruments	**1.7**	**1.7**	0.1	0.1
Finance leases	**0.5**	**0.5**	0.2	0.2
Bank overdrafts	**0.2**	**0.2**	0.6	0.6
Total financial liabilities	**157.3**	**158.5**	143.7	145.5
Less: cash at bank, cash in hand and short-term deposits	**34.1**	**34.1**	32.8	32.8
Net debt	**123.2**	**124.4**	110.9	112.7

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.

Other than trade and other 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.

A separate table has not been prepared analysing the Company's book values and fair values. The £0.5m difference in book values relates to interest bearing loans and borrowings and is deemed to be short term in nature.

At 31 December 2015, the currency and interest rate profile of financial liabilities was:

	2015			2014		
	Floating rate financial liabilities	**Fixed rate financial liabilities**	**Total**	Floating rate financial liabilities	Fixed rate financial liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Sterling denominated	**141.5**	**14.1**	**155.6**	126.8	16.6	143.4
Colombian peso denominated	**-**	**-**	**-**	0.2	-	0.2
Net derivative liabilities	**1.7**	**-**	**1.7**	0.1	-	0.1
	143.2	**14.1**	**157.3**	127.1	16.6	143.7

At 31 December 2015, the expiry profile of undrawn committed facilities was:

	Group		Company	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Between one and two years	**20.0**	55.0	**20.0**	55.0
Between two and five years	**44.3**	43.8	**44.3**	43.8
	64.3	98.8	**64.3**	98.8

Trade and other receivables and payables

Trade and other receivables and trade and other payables carrying values of £170.7m (2014: £158.6m) and £211.9m (2014: £212.4m) respectively, in respect of the Group and £287.0m and £310.3m (2014: £270.2m and £311.0m), in respect of the Company, are assumed to approximate their fair values due to their short-term nature.

Sensitivity and risk information

Foreign currency sensitivity

For 2015, if Sterling had weakened/strengthened by 10% on currencies that have a material impact on the Group, the effect on profit before tax and equity, with all other variables held constant would have been:

		2015		2014	
Changes in rate		**Effect on profit before tax £m**	**Effect on equity £m**	Effect on profit before tax £m	Effect on equity £m
US dollar	+10%	**1.0**	**2.1**	0.6	2.6
US dollar	-10%	**(0.8)**	**(1.7)**	(0.5)	(2.1)
Australian dollar	+10%	**0.9**	**1.6**	0.7	1.4
Australian dollar	-10%	**(0.7)**	**(1.3)**	(0.6)	(1.1)
Indian rupee	+10%	**0.6**	**0.6**	0.6	1.2
Indian rupee	-10%	**(0.5)**	**(0.5)**	(0.5)	(1.0)
Euro	+10%	**0.5**	**0.9**	0.7	1.3
Euro	-10%	**(0.4)**	**(0.7)**	(0.6)	(1.1)
South African rand	+10%	**-**	**0.6**	0.3	0.8
South African rand	-10%	**-**	**(0.5)**	(0.2)	(0.7)

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

Capital risk

The Group manages its 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 the sum of 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 debt to EBITDA and interest cover under the terms of the bank facilities, with which the Group has fully complied during both the current year and the prior year. To maintain or adjust its 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:

	Group		Company	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Bank deposits	**34.1**	32.8	**0.8**	1.0
Trade receivables	**161.4**	148.4	**-**	-
	195.5	181.2	**0.8**	1.0

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.

In addition to the relevant items above the Company is exposed to credit risk in relation to on demand amounts owed by Group companies.

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 maturity of the Group's financial liabilities and derivative financial liabilities 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.

2015	Due under 1 year £m	Due between 1-2 years £m	Due between 2-5 years £m	Due over 5 years £m
Interest-bearing loans and borrowings	(6.4)	(96.3)	(66.8)	-
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Other liabilities	(0.5)	-	-	-
Trade and other payables	(124.6)	(3.5)	-	-
Financial derivatives	(79.0)	-	-	-
	(210.6)	(99.9)	(67.2)	(1.5)

2014	Due under 1 year £m	Due between 1-2 years £m	Due between 2-5 years £m	Due over 5 years £m
Interest-bearing loans and borrowings	(6.5)	(5.9)	(144.5)	(0.3)
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Other liabilities	(0.2)	-	-	-
Trade and other payables	(133.2)	(4.0)	-	-
Financial derivatives	(83.3)	-	-	-
	(223.3)	(10.0)	(144.9)	(1.8)

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 AJG Parcels Ltd and Oban Express Parcel Service Ltd.

On 8 June 2015 the Group acquired AJG Parcels Ltd, a logistics company based in Scotland. The Group has acquired the company to realise the potential of the existing UK logistics network. These financial statements include the impact of seven months' trading results.

On 26 November 2015 the Group acquired Oban Express Parcel Service Ltd, a logistics company based in Scotland. The Group has acquired the company to complement the AJG Parcels Ltd acquisition. These financial statements include the impact of two months' trading results.

Division	**Distribution**	**Distribution**		
Name	**AJG Parcels Ltd**	**Oban Express Parcel Service Ltd**	**Total**	Total
Acquisition Date	**2015**	**2015**	**2015**	2014
	£m	**£m**	**£m**	£m
Purchase consideration				
Cash payable	**6.8**	**-**	**6.8**	0.6
Uplift on fair value of assets transferred	**-**	**-**	**-**	1.1
Deferred consideration	**0.7**	**-**	**0.7**	-
Total purchase consideration	**7.5**	**-**	**7.5**	1.7
Less: fair value of net assets/(liabilities) acquired	**3.9**	**(0.6)**	**3.3**	1.8
Less: non-controlling interests	**-**	**-**	**-**	(1.4)
Goodwill	**3.6**	**0.6**	**4.2**	1.3

Goodwill recognised for both AJG Parcels Ltd and Oban Express Parcel Service Ltd is primarily attributable to the expertise in hard-to-reach logistic locations in the UK and synergies with the Group.

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

	AJG Parcels Ltd	**Oban Express Parcel Service Ltd**	**Total**	Total
			2015	2014
	£m	**£m**	**£m**	£m
Non-current assets				
Intangible assets (contracts)	**1.7**	**-**	**1.7**	0.7
Property, plant and equipment	**1.3**	**-**	**1.3**	1.1
Current assets	**1.2**	**0.9**	**2.1**	-
Cash	**1.3**	**-**	**1.3**	-
Current liabilities	**(0.9)**	**(1.5)**	**(2.4)**	-
Finance leases	**(0.7)**	**-**	**(0.7)**	-
Net assets/(liabilities) acquired at fair value	**3.9**	**(0.6)**	**3.3**	1.8

Current assets acquired with AJG Parcels Ltd and Oban Express Parcel Service Ltd include £0.8m and £0.9m of trade receivables at fair value respectively, the gross amount acquired. The fair values of the net assets of both companies acquired remain provisional pending the formal completion of the valuation process.

The acquired businesses contributed profit before tax of £0.9m from acquisition. If the businesses had been acquired on 1 January 2015 revenue and profit before tax contributed would have been £13.0m and £1.7m respectively.

Transaction fees of £0.2m relating to these acquisitions were incurred and expensed during the year (2014: £Nil).

Contingent and deferred consideration
Contingent consideration totalling £9.9m was paid for Orbital Marketing Services Group Ltd (acquired 2012), £0.7m in respect of deferred consideration for Moose Aviation Services AB (acquired 2013) and PlaneBiz 2015 Ltd (acquired 2014) became payable and were cash-settled in 2015.

15. CASH FLOW HEDGE RESERVE

The cash flow hedge 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. These sales to and from related parties are made at normal market prices. Details of these transactions are:

Related party	Group share holding %	Sales to related party £m	Amounts owed to related party at 31 December 2015 £m	Amounts owed by related party at 31 December 2015 £m
Menzies Bobba Ground Handling Services Private Ltd	51	0.1	-	-
Hyderabad Menzies Air Cargo Private Ltd	49	0.7	-	0.1
Menzies Aviation Bobba (Bangalore) Private Ltd	49	0.1	-	-
Menzies Macau Airport Services Ltd	29	0.4	-	-
EM News Distribution (NI) Ltd	50	0.6	5.0	-
EM News Distribution (Ireland) Ltd	50	1.1	-	1.1

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 operating divisions as disclosed in the segmental analysis. Remuneration of key management personnel is:

	2015 £m	2014 £m
Short-term employee benefits	**4.5**	4.6
Post-employment pension and medical benefits	**0.5**	0.3
Termination payments	**-**	0.1
Share-based payments	**0.5**	0.6
	5.5	5.6

Certain activities, including treasury, taxation, insurance, pension and legal matters are provided by the Company to subsidiary companies and are recharged on a cost-plus basis. The amount recharged and settled in respect of 2015 was £0.2m (2014: £0.2m).

Transactions between the Company and other Group companies primarily related to financing activities.

17. ACCOUNTS

The figures used in this statement, which was approved by the Directors on 7 March 2016, are not the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the year, but are taken from those accounts. The Auditor's report on the statutory accounts was unqualified and did not contain a statement under Section 428 (4(f)) of the Companies Act 2006.

18. ANNUAL REPORT

The Annual Report and Accounts will be available on 5 April 2016 and the Annual General Meeting will be held at the Waldorf Astoria Hotel in Edinburgh on 20 May 2016 at 2.00pm. Statutory accounts for the year ended 31 December 2014 have been delivered to the Registrar of Companies and those for the year to 31 December 2015 will be delivered following the Company's Annual General Meeting.