John Menzies plc
Final Results Announcement
10 March 2015

John Menzies plc

Final Results for the year ended 31 December 2014

Financial Summary

	2014 Reported	2014 Constant currency[6]	2013
Turnover[1]	£1,999.9m	£2,050.9m	£2,000.3m
Underlying operating profit[2]	£51.0m	£54.5m	£60.1m
Underlying profit before taxation[3]	£44.6m	£48.1m	£53.1m
Profit before tax	£25.7m	--	£42.1m
Operating cash flow[4]	£74.0m	--	£68.3m
Underlying earnings per share[5]	49.2p	--	65.6p
Earnings per share	22.7p	--	50.1p
Dividend	16.2p	--	26.5p

Overview

- Group underlying operating profit down 9% in constant currency - in line with revised expectations
  - Distribution continues to be resilient and highly cash generative
  - Aviation turnover growth of 9% at constant currency - profitability held back by start-up costs, operational and integration issues
- Strong financial position
  - Operating cash flow of £74.0m
  - Net debt of £110.9m
- Strategic refresh
  - Distribution reshape in 2014 with clear business streams
  - Review of Aviation business
    - Highlights attractive market growth dynamics
    - Confirms strong positioning
    - New approach focused on five strategic priorities, with a renewed emphasis on operational excellence
- Dividend rebased to enable investment in growth opportunities

Jeremy Stafford, Chief Executive of John Menzies plc said:

"It has been a mixed year for the Group. Distribution has been resilient and we are pleased with the performance. Top line growth in Aviation has been strong, however earnings have been impacted by increased start-up costs and previously announced operational difficulties at London Heathrow. Although these issues are now largely resolved, this will impact the first half of 2015.

"After the challenges of 2014, our focus for 2015 will be on operational excellence and targeted growth. Our strategic refresh that we announced in November is now complete. While we continue to work on our detailed implementation plans, we now have a clear direction for the Group.

"As we move into 2015, we have excellent prospects in growing markets. There is much to do as we prepare for the next phase of the Group's development, and we do so with confidence."

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 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 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 to 31 December 2014 into Sterling at the exchange rates used for the same period in 2013.*

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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 distinct B2B sectors where success depends on providing an efficient, high quality, time-critical service to their customers and partners. The company was established in 1833 and its head office is in Edinburgh, Scotland. Today the company is an international business with operations worldwide.

2. Menzies Aviation is a leading global provider of passenger, ramp and cargo services. The Menzies Aviation business is highly successful, operating at 149 airports in 31 countries, with annual revenue in excess of £700m and supported by a team of over 20,000 highly-trained people. Menzies Aviation serves over 500 customers, handling over 1 million flights and 1.5 million tonnes of cargo per annum. Customers include easyJet, Cathay Pacific, British Airways, Alaska Airlines, Lufthansa, Thai Airways and many others. Best in class safety and security is the division's #1 priority each day, every day.

3. Menzies Distribution is a leading provider of added-value distribution and marketing services to the newspaper and magazine supply chain in the UK and Ireland. The division handles around 5 million newspapers and 2 million magazines (covering some 3,000 magazine titles) each day, with deliveries to around 25,000 customers. The division employs 3,600 people at 36 sites throughout the UK and Ireland and is a strongly cash generative business, with around 45% of the newspaper and magazine wholesale distribution market in the UK. It has a track record of investment in innovation and customer service delivery.

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

Group Performance Overview

2014 has proved to be a mixed year. The Group's turnover was £1,999.9m (2013: £2,000.3m) up 3% on a constant currency basis. Underlying profit before tax fell to £44.6m (2013: £53.1m) largely as a result of the decline in profitability in the Aviation division and the adverse impact of currency of £3.5m. The decline in underlying profit before tax and an increased effective global tax rate had a consequential impact on our underlying earnings per share which decreased to 49.2p (2013: 65.6p). Profit before tax was £25.7m (2013: £42.1m).

Menzies Distribution

Our Distribution business delivered a robust result in 2014 and exceeded our expectations. Newsprint and magazine declines were offset by a number of positive actions maintaining 2013 profit levels into 2014 at £24.0m (2013: £24.3m). The result was boosted by slightly better than expected sales volume in the core category areas, a strong performance by Orbital Marketing Services and ancillary sales related to the FIFA World Cup. Cost saving initiatives again delivered as we innovated and continued to rationalise our branch network. This programme drove a further £3.4m of cost savings in the year.

Overall sales of newspapers and magazines were down 3% on an absolute and like for like basis. During the year newspaper sales benefited from a number of cover price increases in H1. Newspaper sales value on a like for like basis was down 1% with magazines down 6%.

We are part way though our UK distribution network rationalisation programme in order to best serve our customers and match capacity to declining volume. During 2014 we reduced our main hubs from 10 to 8 and created a magazine super-hub in Maidstone. The programme will continue into 2015 addressing further planned initiatives.

The Orbital Marketing Services business acquired in late November 2012 outperformed and we expect to pay a contractual earn out during 2015. The travel brochure distribution business is largely integrated into the core distribution network and the e-fulfilment business has grown with new contracts signed in the charity and cosmetics sectors.

Our retail consultancy business, FORE, had a strong year landing a significant contract to place newspaper product into over 500 Aldi stores. This contract provided FORE with the category management business while also adding newspaper volume to the core business through the delivery of product in our territories.

Menzies Aviation

Turnover in the Aviation division grew 2%, 9% in constant currency, reflecting the ongoing strong market growth dynamics that persist. We continued to grow our footprint during the year demonstrating our ability to win new contracts, particularly by operating ground handling hubs for airlines. Important large ground handling contract wins have been secured with key clients as a new wave of outsourcing gathers momentum particularly in the US. Cargo handling again performed strongly following increased tonnage through existing locations and new contract wins in Australia and Canada.

Ground handling turns were up 15% in the year reflecting the prior year acquisitions in Australia and Colombia together with the new hub operations. Cargo handling tonnes were up 10% following growth from existing customers in Continental Europe, contract wins in Australia and new operations at four locations across Canada.

Start-up costs to support new contracts were expensed and were £1.9m higher than the prior year. At constant currency underlying operating profit was £33.7m (2013: £37.8m) reflecting both the investment in our new contract wins and the impact of the operational challenges. The division's strict working capital management has been a highlight driving good cash flows in the year.

Unprecedented operational challenges were experienced in the year as we communicated to shareholders in our November trading update. At London Heathrow increased costs were incurred to protect service levels during disruption while the airport closed a terminal and carriers were relocated. The change of terminal caused an amount of contract churn and margin erosion, coupled with a new market entrant and very competitive contract negotiations. Operational matters are now largely resolved and new contracts have been secured with American Airlines and Royal Jordanian Airlines. During 2015 we will re-organise

our management focus by terminal, driving density and synergies where possible and re-structuring accordingly.

During the year, significant opportunities emerged within the North American ground handling market. The renegotiation of terms with regional flying partners and within labour contracts following Chapter 11 restructuring, and the subsequent consolidation of US domestic airlines, increased the pace and scale of outsourcing. Significant contract gains were made during the year, including regional hub operations for Delta Air Lines in Detroit and United Airlines in Denver. We also strengthened our footprint with low cost carriers winning a contract to handle WestJet Airlines at one of their main bases in Toronto, Canada. These three contracts alone add some 200,000 turns per annum and Denver is now our largest ground handling operation by aircraft turns.

Since the year end we have secured a seven year contract with Norwegian Airshuttle to operate their hub operation in Oslo together with important bases in Gothenburg and Copenhagen. Norwegian Airshuttle is one of Europe's leading low cost airlines and this significant win deepens our existing relationship.

Tempering the contract gains were a number of losses including SA Express, our anchor customer in South Africa, British Airways who transferred flights from London Heathrow Terminal 1 to their in-house operation at Terminal 5, and contracts lost in Colombia reflecting the difficult integration of the prior year acquisition.

Overall, we were net winners of 60 contracts that will contribute an additional £76m of revenue per annum. Contract renewals included some 122 contracts securing £164m of revenue primarily on three year terms. In particular, we were pleased to renew our existing contract with easyJet at London Gatwick for five years where we will handle some 60 base aircraft and 59,000 turns per annum at their main base.

Looking ahead we see excellent growth opportunities for aviation services, particularly in North America where the outsourcing trend by traditional airlines is gaining real traction. We continue to seek to expand but will do so in a logical and structured manner, playing to our strengths and adding more products to our offering where the local market has capacity.

Financial Overview

Finance Costs

The net finance charge in the year was £7.4m (2013: £8.2m). The reduction largely reflected the impact of lower interest rates on the Group's defined benefit pension scheme liabilities.

Exceptional and Other Items

Planned costs of the Distribution network rationalisation were £3.7m. Following the acquisition of Orbital Marketing Services in 2012, we are pleased that performance was ahead of our expectations and as a result £2.3m of additional deferred consideration becomes payable in the first half of 2015. In Colombia, we have lost a number of contracts and these are unlikely to be replaced in the foreseeable future and as a result intangible assets have been impaired by a net £3.2m. Non-recurring items total £9.2m in the year. After exceptional costs and other items profit before tax was £25.7m (2013: £42.1m).

Taxation and Earnings per Share

As a multinational business we are liable to taxation in multiple jurisdictions around the world. The Group's tax charge for the year was £11.7m (2013: £11.7m). Tax paid totalled £8.2m (2013: £10.1m). As previously announced the underlying tax rate was 32% (2013: 25%) reflecting the rising proportion of profits in higher tax rate jurisdictions.

The decline in underlying profit before tax and an increased effective global tax rate had a consequential impact on our underlying earnings per share which decreased to 49.2p (2013: 65.6p).

Defined Benefit Pension Scheme

As at 31 December 2014, the scheme showed a deficit of £59.0m (2013: £45.8m) an increase of £13.2m, largely reflecting a reduction in the discount rate applied to the scheme liabilities, partly offset by increased returns on assets and ongoing increased employer contributions. The Trustee's next fund actuarial

valuation is due at 31 March 2015. As part of this process the Trustee and the Company will agree a long-term funding strategy.

Cash Flow and Investment
During the year ended 31 December 2014, despite reduced earnings the Group delivered increased operating cash flow of £74.0m (2013: £68.3m). The main focus has been to reduce working capital against a backdrop of increasing revenue. After capital expenditure to support our contract wins, free cash flow was £30.0m (2013: £32.6m). Investment in capital expenditure and acquired businesses totalled £33.3m (2013: £33.5m) and included £8.1m investment for the hub wins in North America.

Treasury
The Group continues to be on a strong financial footing. We have a robust Balance Sheet built from strong operating cash flows across the divisions and our total debt to EBITDA ratio of 1.96 times at 31 December 2014 is well within our covenant level of 3.0 times. Our interest cover is 10.5 times.

At 31 December 2014, the Group's net debt was £110.9m (2013: £103.5m) which was comfortably below the available committed lending facilities of £240.2m. £55.0m of facilities are due for renewal in January 2016 and their refinance will take place during the second half of 2015; the balance is not due for renewal before 2017.

The majority of the Aviation division's stations are 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 through the use of foreign exchange forward contracts. The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates directly affect the Group's reported results, which in 2014 was £3.5m adverse (2013: £0.7m). The impact was particularly as a result of Sterling strengthening against the Australian dollar, South African rand, Czech koruna, Indian rupee, US dollar and the euro.

Strategic Refresh

As announced at our trading update in November, the Board asked management to refresh the strategic focus of the Group and this is now complete. Whilst we continue to work on our plans, we now have a clear direction for the Group. We will focus on growing the Group but will do so with greater discipline and precision.

In the Distribution market, we have defined five core business streams in which we will operate and are now focused on identifying areas where we can broaden our offering, and become a participant in the growing e-commerce logistics market. Our work continues in this area, and we will provide a fuller update at the time of our Interim Results in August 2015.

Within the Aviation sector, we will focus on five key priorities: deepening our relationships with key customers; winning ground handling contracts at crucial hub and base airports, already an area of strength for our business; growing complementary revenues, such as those from de-icing and lounge services, which complement our established businesses; re-focusing geographical investments to channel our investment into only the most promising markets; and expanding our presence in those emerging markets which are projected to hold a greater share of air traffic in the future. Looking at each of these in turn:

Deepening key customer relationships
The division's key customers fall into three main groupings. Firstly, Low Cost Carriers (LCCs) and regional airlines, where we are growing market share, and Menzies Aviation is the world's leading LCC ground handler. We achieve this position through our dedicated focus on service while adding value to our customers. Secondly, the traditional carriers where we are partnering with these customers to optimise global service levels while achieving cost synergies for our customers. Thirdly, many Asian and Middle Eastern carriers are fast growing and we are working with them to help roll out their services.

Pursue regional hubs and bases
Having experienced significant growth in the outsourcing of LCC bases over the last 10 years, management believes that the next phase of growth in ground handling outsourcing will involve the network carriers and their regional operations, led by North American-based carriers. We have seen this happening already with our contract wins with Delta Air Lines in Detroit and United Airlines in Denver. The Detroit

contract, for example, is first generation outsourcing and is a key regional jet hub that feeds Delta's mainline operations. Importantly, there was minimal capital investment required as we are using airline-owned equipment.

The North American network carriers typically self-handle over three million turns annually, with approximately one million of these at regional hubs. This provides a significant opportunity for growth in outsourcing at regional hubs and Menzies is well placed, through its Simplicity USA brand, to take advantage of the growth in this segment.

Our growth is not limited to North America. We won the contract for Norwegian Airshuttle at its international hub at Gardermoen Airport in Oslo. In Latin America, we have for several years provided ground handling services to VivaAerobus, a significant LCC in the region. Their main base is in Monterrey and comprises 33,000 turns per annum. This relationship has subsequently been extended to over 20 airports in Mexico.

Accelerate complementary services offering
The division's historic approach to cross-selling complementary services has been opportunistic and therefore our coverage is thinly spread across our markets. We believe that there are significant opportunities to deepen our offering in this area, including serviced lounges, de-icing and aircraft cleaning. The rationale for our airline customers is that it enables them to contract with fewer suppliers, thereby growing our relationships with them while strengthening retention. These activities are typically higher margin for us and we will appraise and target existing airports and markets in the initial phase.

Re-focus geographical investment
Our investment programme will focus on where we see the most significant opportunities for the division in the medium term. The acceleration of outsourcing in established markets such as North America provides us with excellent hub and base opportunities.

Expand in emerging markets
There are three main areas of focus in emerging markets. Eastern Europe is an exciting market with growing passenger numbers. The Middle East is an important area of focus with strong base airlines continuing to grow their footprint. South East Asia is a sizeable opportunity for growth with a large number of hub and base opportunities. All of these regions are being continually assessed to ensure that we pursue the right opportunities, at the right price, in the right markets.

To support all of these initiatives we will evolve our business tools and systems while continuing to invest in our people. We have a robust Balance Sheet to build from and we have today announced a re-basing of our dividend to contribute to our investment in growth.

Our future success will depend on maximising the use of our resources, ensuring that we generate the greatest possible value from our people and infrastructure, and uniting as a Group to drive us towards our goals.

Dividend

The Board has considered very carefully the decision to rebase the dividend. There are a number of factors that have come together to lead to this decision.

In addition to our 2014 trading performance we have increased demands on our cash going forward including the final payment of £10.5m for the Orbital acquisition. In addition in the Aviation division we are seeing considerable global opportunity, in particular with the potential in the USA, for both organic and acquisitive investment into the business.

While at the same time as maintaining flexibility, we want to continue to operate with a conservative balance sheet, which is important to our customers, the Company and our shareholders.

Accordingly, the Board has recommended a final dividend of 8.1p per share which is payable on 3 July 2015 to all shareholders on the register at 29 May 2015. The total (paid and proposed) dividend for the year is 16.2p per ordinary share.

Outlook

Both operating divisions are delivering to plan. Due to the contract churn and operational issues in 2014 the 2015 results will be more than usually weighted to the second half.

As we move into 2015, we have excellent prospects in growing markets. Some foreign exchange volatility persists and the outcome of the Spanish ground handling tenders has been delayed but as we move forward there is much to do as we prepare for the next phase of the Group's development, and we do so with confidence.

GROUP INCOME STATEMENT
for the year ended 31 December 2014 (year ended 31 December 2013)

	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(a)	**-**	**(6.0)**	**(6.0)**
Non-recurring items – impairment charges	4(c)	**-**	**(3.2)**	**(3.2)**
Contract amortisation	4(c)	**-**	**(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**

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

* 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 2014 (year ended 31 December 2013)

	Notes	**2014 £m**	2013 £m
Profit for the year		**14.0**	30.4
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pensions	3	**(23.5)**	9.4
Actuarial (loss)/gain on unfunded pension arrangements		**(0.1)**	0.2
Income tax effect		**4.7**	(2.2)
Impact of rate change on deferred tax		**-**	(1.4)
Items that may be reclassified subsequently to profit or loss:			
Movement on cash flow hedges	12	**-**	(0.2)
Movement on net investment hedges	12	**(3.7)**	3.5
Income tax effect		**0.8**	(0.8)
Exchange loss on translation of foreign operations		**(0.5)**	(10.7)
Other comprehensive (loss)/income for the year (net of tax)		**(22.3)**	(2.2)
Total comprehensive (loss)/income for the year		**(8.3)**	28.2
Attributable to equity shareholders		**(8.4)**	28.2
Attributable to non-controlling interests		**0.1**	-
		(8.3)	28.2

GROUP AND COMPANY BALANCE SHEETS
as at 31 December 2014 (31 December 2013)

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**£m**	£m	**£m**	£m
ASSETS					
Non-current assets					
Intangible assets	9	**116.1**	126.8	**-**	**-**
Property, plant and equipment		**120.1**	114.3	**25.1**	25.8
Investments accounted using the equity method		**27.8**	26.3	**-**	-
Investment in subsidiaries		**-**	-	**290.5**	290.1
Deferred tax assets		**12.0**	9.2	**6.5**	3.9
		276.0	276.6	**322.1**	319.8
Current assets					
Inventories		**12.9**	14.5	**-**	-
Trade and other receivables		**186.6**	183.5	**271.6**	231.2
Derivative financial assets	12	**1.9**	3.9	**1.9**	3.9
Cash and cash equivalents		**32.8**	33.8	**1.0**	0.9
		234.2	235.7	**274.5**	236.0
LIABILITIES					
Current liabilities					
Borrowings	12	**(3.3)**	(49.5)	**(3.2)**	(48.6)
Derivative financial liabilities	12	**(2.0)**	(0.3)	**(2.0)**	(0.3)
Trade and other payables		**(215.8)**	(202.2)	**(311.0)**	(287.7)
Current income tax liabilities		**(9.0)**	(8.2)	**-**	-
Provisions		**(3.8)**	(3.5)	**-**	-
		(233.9)	(263.7)	**(316.2)**	(336.6)
Net current assets/(liabilities)		**0.3**	(28.0)	**(41.7)**	(100.6)
Total assets less current liabilities		**276.3**	248.6	**280.4**	219.2
Non-current liabilities					
Borrowings	12	**(140.3)**	(91.4)	**(140.2)**	(91.4)
Other payables		**(4.0)**	(10.5)	**(4.9)**	(5.0)
Provisions		**(3.3)**	(4.6)	**-**	-
Retirement benefit obligation	3	**(59.0)**	(45.8)	**(59.0)**	(45.8)
		(206.6)	(152.3)	**(204.1)**	(142.2)
Net assets		**69.7**	96.3	**76.3**	77.0
Shareholders' equity					
Ordinary shares		**15.4**	15.4	**15.4**	15.4
Share premium account		**20.3**	20.2	**20.3**	20.2
Treasury shares		**(2.0)**	(3.3)	**(2.0)**	(3.3)
Other reserves		**(16.8)**	(13.4)	**(0.8)**	(0.8)
Retained earnings		**29.5**	55.3	**21.8**	23.9
Capital redemption reserve		**21.6**	21.6	**21.6**	21.6
Total shareholders' equity		**68.0**	95.8	**76.3**	77.0
Non-controlling interest in equity		**1.7**	0.5	**-**	-
Total equity		**69.7**	96.3	**76.3**	77.0

The accounts were approved by the Board of Directors on 9 March 2015 and signed on its behalf by:

Jeremy Stafford
Chief Executive Officer

Paula Bell
Chief Financial Officer

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31 December 2014 (31 December 2013)

	Ordinary shares	Share premium account	Treasury shares	Cash flow hedge reserve	Translation reserve	Retained earnings	Capital redemption reserve	Total shareholders' equity	Non-controlling equity	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Group										
At 31 December 2013	15.4	20.2	(3.3)	(0.8)	(12.6)	55.3	21.6	95.8	0.5	96.3
Profit for the year	-	-	-	-	-	13.9	-	13.9	0.1	14.0
Other comprehensive loss	-	-	-	-	(3.4)	(18.9)	-	(22.3)	-	(22.3)
Total comprehensive (loss)/income	-	-	-	-	(3.4)	(5.0)	-	(8.4)	0.1	(8.3)
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.6	-	0.6	-	0.6
Income tax effect of share-based payments	-	-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Subsidiaries acquired (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**
At 31 December 2012	15.3	18.6	(4.1)	(0.6)	(4.6)	36.8	21.6	83.0	0.5	83.5
Profit for the year	-	-	-	-	-	30.4	-	30.4	-	30.4
Other comprehensive (loss)/income	-	-	-	(0.2)	(8.0)	6.0	-	(2.2)	-	(2.2)
Total comprehensive (loss)/income	-	-	-	(0.2)	(8.0)	36.4	-	28.2	-	28.2
New share capital issued	0.1	1.6	-	-	-	-	-	1.7	-	1.7
Share-based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
Income tax effect of share-based payments	-	-	-	-	-	0.9	-	0.9	-	0.9
Dividends paid	-	-	-	-	-	(15.9)	-	(15.9)	-	(15.9)
Repurchase of own shares	-	-	(3.5)	-	-	-	-	(3.5)	-	(3.5)
Disposal of own shares	-	-	4.3	-	-	(4.3)	-	-	-	-
At 31 December 2013	15.4	20.2	(3.3)	(0.8)	(12.6)	55.3	21.6	95.8	0.5	96.3
Company										
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**

At 31 December 2012	15.3	18.6	(4.1)	(0.6)	-	16.6	21.6	67.4	-	67.4
Profit for the year	-	-	-	-	-	20.1	-	20.1	-	20.1
Other comprehensive (loss)/income	-	-	-	(0.2)	-	6.0	-	5.8	-	5.8
Total comprehensive (loss)/income	-	-	-	(0.2)	-	26.1	-	25.9	-	25.9
New share capital issued	0.1	1.6	-	-	-	-	-	1.7	-	1.7
Share-based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
Dividends paid	-	-	-	-	-	(15.9)	-	(15.9)	-	(15.9)
Repurchase of own shares	-	-	(3.5)	-	-	-	-	(3.5)	-	(3.5)
Disposal of own shares	-	-	4.3	-	-	(4.3)	-	-	-	-
At 31 December 2013	15.4	20.2	(3.3)	(0.8)	-	23.9	21.6	77.0	-	77.0

GROUP AND COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2014 (year ended 31 December 2013)

		Group		Company	
	Notes	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Cash flows from operating activities					
Cash generated from operations	11	**51.0**	49.5	**(14.6)**	(13.4)
Interest received		**0.7**	0.6	**-**	-
Interest paid		**(6.4)**	(5.3)	**(5.8)**	(5.0)
Tax (paid)/received		**(8.2)**	(10.1)	**0.3**	(2.0)
Net cash flow from operating activities		**37.1**	34.7	**(20.1)**	(20.4)
Cash flows from investing activities					
Acquisitions	14	**(2.2)**	(10.5)	**-**	-
Net cash acquired with subsidiaries	14	**-**	0.3	**-**	-
Purchase of property, plant and equipment		**(28.1)**	(19.4)	**-**	(0.1)
Intangible asset additions		**(3.0)**	(3.9)	**-**	-
Proceeds from sale of property, plant and equipment		**1.0**	2.4	**-**	1.6
Dividends received from equity accounted investments		**6.4**	4.4	**-**	-
Net cash flow (used in)/from investing activities		**(25.9)**	(26.7)	**-**	1.5
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**0.1**	1.7	**0.1**	1.7
Purchase of own shares		**(1.0)**	(3.5)	**(1.0)**	(3.5)
Repayment of borrowings	10	**(46.3)**	(2.2)	**(46.2)**	-
Proceeds from borrowings	10	**52.9**	13.0	**52.9**	13.0
Dividends paid to non-controlling interests		**(0.3)**	-	**-**	-
Dividends paid to ordinary shareholders	7	**(16.8)**	(15.9)	**(16.8)**	(15.9)
Net amounts repaid by subsidiaries		**-**	-	**31.4**	24.1
Net cash flow (used in)/from financing activities		**(11.4)**	(6.9)	**20.4**	19.4
(Decrease)/increase in net cash and cash equivalents	10	**(0.2)**	1.1	**0.3**	0.5
Effects of exchange rate movements		**(0.9)**	(1.6)	**-**	-
Opening net cash and cash equivalents		**33.3**	33.8	**0.7**	0.2
Closing net cash and cash equivalents*	10	**32.2**	33.3	**1.0**	0.7

* 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 2014 were approved and authorised for issue in accordance with a resolution of the Directors on 9 March 2015. 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.

New accounting standards and interpretations affecting the Group

The following accounting standards and interpretations have been adopted in these accounts and have not resulted in any change to prior year results but have resulted in some amended disclosures, that are reflected in these financial statements.

IFRS 10 Consolidated Financial Statements sets forth the requirements for the preparation and presentation of consolidated financial statements and supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. The standard defines a uniformly applicable control concept for all company forms to serve as the basis for determining which companies are to be fully consolidated. Control is only deemed to exist if the Group is exposed, or has rights, to variable returns from its involvement with a company and has the ability to use its power over that company to affect the amount of that company's returns.

IFRS 11 Joint Arrangements prescribes the accounting for joint arrangements and supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. A joint arrangement is deemed to exist if the Group through a contractual agreement jointly controls activities managed with a third party. Joint control is only deemed to exist if decisions regarding the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures. The Group recognises the share of assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with its rights and obligations. The investment in a joint venture is accounted for using the equity method in accordance with the provisions of the amended IAS 28 Investments in Associates and Joint Ventures. Investments in joint ventures have been accounted for under the equity method in previous years. Following reassessment, Menzies Macau Airport Services Ltd has been reclassified from an associate to a joint venture with no impact on the primary statements. The Group only holds a 29% share in Menzies Macau Airport Services Ltd but when the concept of power and ability to influence returns is taken into account the Group is effectively an equal partner and hence this investment represents a joint venture rather than an associate.

IFRS 12 Disclosure of Interests in Other Entities prescribes the information to be disclosed in the notes to the financial statements about interests in subsidiaries, associates, joint arrangements and structured entities.

The revised IAS 27 Separate Financial Statements now mostly concerns accounting for interests in subsidiaries, associates and joint ventures in separate financial statements under IFRS.

The publication of IFRS 13 Fair Value Measurement in May 2011 was revised in May 2013. The recoverable amount of a cash-generating unit now only has to be disclosed for periods in which an impairment loss has been recognised or reversed. Additional disclosures are required when an impairment loss is recognised and the recoverable amount is based on fair value less costs of disposal.

Standards and interpretations that have also been adopted in these accounts and have not had a material impact on the Group's accounts in the period of initial application

- IAS 32 Financial Instruments: Presentation on offsetting financial assets and financial liabilities

- IAS 19 - Defined benefit plans - employee contributions
- Annual Improvements to IFRSs - 2010 to 2012 cycle
- Annual Improvements to IFRSs - 2011 to 2013 cycle
- IAS 36 (amendment) Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 (amendment) Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 Levies
- Improvements to IFRSs (issued May 2012)

Standards and amendments to standards that have been issued but are not effective for 2014 and have not been early adopted

- IFRS 9 Financial Instruments* - effective date 1 January 2018
- IFRS 15 Revenue from Contracts with Customers* - effective date 1 January 2017
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities, Applying the Consolidation Exception* - effective date 1 January 2016
- Amendment to IAS 1 Cash Flow Statements: Disclosure Initiative* - effective date 1 January 2016
- 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

*Not yet adopted for use in the European Union.

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

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.

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

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 in the subsidiaries 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 both 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. When 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
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 and amortised over the estimated useful life on a straight-line basis. Separate values are not attributed to internally-generated customer relationships.

Contract amortisation is business-stream dependent. 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 for 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.

Computer software
Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly attributable with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. 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 applicable lease periods.

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

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

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

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

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

The Group has derivatives 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 re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Provisions
Provisions are recognised when the Group has a present 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.

Use of estimates and judgements
The preparation of the consolidated accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates will, by definition, seldom equal the related actual results particularly 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.

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.

Total debt to EBITDA ratio is net debt plus guarantees and excluding financial derivatives and preference shares 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 across the UK and Ireland along with marketing services. The Aviation segment provides cargo and passenger ground handling services across the world.

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

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

Business segment information

	Revenue		Pre-exceptional operating profit/(loss)	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Distribution	**1,261.3**	1,277.5	**24.0**	24.3
Aviation				
Ground Handling	**470.6**	454.0	**12.0**	21.9
Cargo Handling	**149.4**	149.8	**13.8**	11.7
Cargo Forwarding	**118.6**	119.0	**4.4**	4.2
	738.6	722.8	**30.2**	37.8
Corporate	**-**	-	**(3.2)**	(2.0)
	1,999.9	2,000.3	**51.0**	60.1
Joint ventures and associates	**(97.0)**	(94.9)	**-**	-
	1,902.9	1,905.4	**51.0**	60.1

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

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		**1.5**	**6.0**	**-**	**7.5**
Share of post-tax results of associates		**-**	**0.1**	**-**	**0.1**
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 costs	4(a)	**(3.7)**	**-**	**-**	**(3.7)**
Acquisition related earn-out adjustment	4(a)	**(2.3)**	**-**	**-**	**(2.3)**
Net impairment loss	4(c)	**-**	**(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		**(0.4)**	**(1.6)**	**-**	**(2.0)**

associates					
Operating profit/(loss) after joint ventures and associates		**16.0**	**20.3**	**(3.2)**	**33.1**

2013		Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)		21.2	26.3	(2.1)	45.4
Share of post-tax results of joint ventures		1.1	3.5	-	4.6
Share of post-tax results of associates		-	0.3	-	0.3
Operating profit/(loss) after joint ventures and associates		22.3	30.1	(2.1)	50.3
Net finance expense					(8.2)
Profit before taxation					42.1
Analysed as:					
Pre-exceptional operating profit/(loss)*		24.3	37.8	(2.0)	60.1
Acquisition related transaction costs	4(a)	-	(0.6)	(0.1)	(0.7)
Impairment provision	4(c)	-	(1.4)	-	(1.4)
Contract amortisation	9	(1.7)	(4.9)	-	(6.6)
Share of interest on joint ventures and associates		-	0.5	-	0.5
Share of tax on joint ventures and associates		(0.3)	(1.3)	-	(1.6)
Operating profit/(loss) after joint ventures and associates		22.3	30.1	(2.1)	50.3

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

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**

2013	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	192.9	270.9	5.5	469.3
Unallocated assets				43.0
Total assets				512.3
Segment liabilities	(115.7)	(92.6)	(12.8)	(221.1)
Unallocated liabilities				(194.9)
Total liabilities				(416.0)

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

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.

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**	**-**	**-**
Gain on disposal of property, plant and equipment	**-**	**0.2**	**-**	**0.2**

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

Geographic information

	Revenue		Non-current assets	
	2014 **£m**	2013 £m	**2014** **£m**	2013 £m
UK	**1,391.8**	1,418.0	**109.5**	118.1
Continental Europe	**161.2**	160.5	**44.7**	50.7
USA	**116.6**	109.5	**35.9**	30.1
Rest of world	**233.3**	217.4	**73.9**	68.5
	1,902.9	1,905.4	**264.0**	267.4

3. PENSION SCHEMES

The principal Group-funded defined benefit scheme in the UK is the Menzies Pension Fund (the Fund), to which employees contribute to. 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:

	2014 **£m**	2013 £m
Menzies Pension Fund	**2.1**	3.4

Other schemes	**12.5**	10.7
	14.6	14.1

Financial assumptions
The Actuary undertook a valuation of the Fund as at 31 December 2014 (31 December 2013) under IAS 19. In deriving the results the Actuary used the projected unit method and the following financial assumptions:

	2014	2013
	%	%
Rate of increase in salaries	**3.0**	3.3
Rate of increase in pensions (prior to 1 May 2006)	**3.5**	3.7
Rate of increase in pensions (from 1 May 2006 to 1 June 2010)	**2.0**	2.4
Rate of increase in pensions (after 1 June 2010)	**1.0**	1.0
Price inflation	**3.0**	3.3
Discount rate	**3.7**	4.6

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

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

	2014	2013
	Years	Years
Male	**20.9**	20.9
Female	**22.5**	22.5

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

	2014	2013
	Years	Years
Male	**21.7**	21.7
Female	**23.7**	23.7

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

	2014			2013		
	Quoted £m	**Unquoted £m**	**Total value at 31 December £m**	Quoted £m	Unquoted £m	Total value at 31 December £m
Equities	**114.7**	**11.7**	**126.4**	84.6	-	84.6
Bonds	**110.6**	**2.8**	**113.4**	79.9	-	79.9
Investment funds	**4.2**	**12.0**	**16.2**	64.4	22.9	87.3
Property	**0.4**	**23.0**	**23.4**	19.4	-	19.4
Other	**5.4**	**28.1**	**33.5**	3.1	7.7	10.8
Total value of assets	**235.3**	**77.6**	**312.9**	251.4	30.6	282.0
Defined benefit obligation			**(371.9)**			(327.8)
Recognised in Balance Sheet			**(59.0)**			(45.8)
Related deferred tax asset			**11.8**			9.2
Net pension liabilities			**(47.2)**			(36.6)

Sensitivity analysis

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

	Note	**2014 £m**	2013 £m
0.5% decrease in discount rate		**408.5**	358.1
1 year increase in life expectancy		**383.1**	337.6
0.5% decrease in salary increases	(i)	**371.9**	327.8
0.5% decrease in inflation		**342.8**	311.0

(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.

Information about the defined benefit obligation	Number	Liability split	Average duration (years)
Active members	499	24%	24.8
Deferred members	3,623	32%	22.6
Pensioners	2,206	44%	12.8
Total	6,328	100%	18.8

Components of pension expense	**2014 £m**	2013 £m
Amounts charged/(credited) to operating profit		
Current service cost	**1.8**	1.8
Administrative costs	**1.1**	1.6
Effect of curtailments	**(0.8)**	-
Total service cost	**2.1**	3.4
Amounts included in finance costs		
Interest cost on defined benefit obligation	**14.7**	13.7
Interest income on Fund assets	**(13.0)**	(11.3)
Net finance charge	**1.7**	2.4
Pension expense	**3.8**	5.8

Amounts recognised in the Statement of Comprehensive Income	**£m**	£m
Returns on assets excluding amounts included in net interest	**18.8**	16.1
Changes in financial assumptions	**(42.3)**	(6.7)
Actuarial (loss)/gain	**(23.5)**	9.4

Change in scheme assets during the year	**£m**	£m
Fair value of assets at start of year	**282.0**	257.2
Interest income	**13.0**	11.3
Company contributions	**14.1**	13.1
Employee contributions	**0.8**	0.9
Effect of settlements	**(1.8)**	(0.4)
Benefits and expenses paid	**(14.0)**	(16.2)
Returns on assets excluding amounts included in net interest	**18.8**	16.1
Fair value of assets at end of year	**312.9**	282.0

The actual return on scheme assets was a gain of £31.8m (2013: £27.4m).

Change in defined benefit obligation during the year	**£m**	£m

Defined benefit obligation at start of year	**327.8**	319.7
Total service cost	**2.9**	3.4
Interest cost	**14.7**	13.7
Effect of settlements	**(2.6)**	(0.4)
Employee contributions	**0.8**	0.9
Benefits and expenses paid	**(14.0)**	(16.2)
Changes in financial assumptions	**42.3**	6.7
Defined benefit obligation at end of year	**371.9**	327.8

Nature of benefits, regulatory framework and the Company's responsibilities for 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 to which the Fund exposes the Company
The nature of the Fund exposes the Company to the risk of paying unanticipated additional contributions to the Fund in times of adverse experience. The most financially significant risks are likely to be: members living for longer than expected; higher than expected actual inflation and salary increase experience; lower than expected investment returns; and the risk that movements in the value of the Fund's liabilities are not met by corresponding movements in the value of the Fund's assets.

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

Fund amendments, curtailments and settlements
Small settlements have occurred over the year, details of which are included above.

Expected contributions over the next accounting year
The Company expects to contribute around £14m to the Fund over the year to 31 December 2015.

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

Methods and assumptions used in preparing the sensitivity analyses
The sensitivities disclosed were calculated using approximate methods taking into account the duration of the Fund's liabilities.

Asset-liability matching strategies
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 corporate bonds, in order to strike a balance between maximising the returns on the Fund's assets and minimising the risks associated with lower than expected returns on the Fund's assets.

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

4 (a) EXCEPTIONAL ITEMS INCLUDED IN OPERATING PROFIT

	Notes	**2014** **£m**	2013 £m
Rationalisation costs	(i)	**(3.7)**	-
Acquisition related earn-out adjustment	(ii)	**(2.3)**	-
Acquisition related transaction costs	(iii)	**-**	(0.7)
		(6.0)	(0.7)

(i) Costs of rationalising excess capacity in the Distribution business comprised redundancy (£1.8m), property (£1.1m) and other related restructuring costs (£0.8m).
(ii) The increase in contingent consideration relates to the acquisition of the Orbital Marketing Services Group and reflects the underlying increase in the profit of that business in 2014.
(iii) Costs relating to the acquisition of subsidiaries in 2013.

4 (b) EXCEPTIONAL ITEMS INCLUDED IN FINANCE CHARGES

	Notes	**2014** **£m**	2013 £m
Unwind discount	(i)	**(0.5)**	(0.7)

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

4 (c) INTANGIBLE AMORTISATION AND IMPAIRMENT INCLUDED IN OPERATING PROFIT

	Notes	**2014** **£m**	2013 £m
Contract amortisation	(i)	**(7.2)**	(6.6)
Net impairment loss	(ii)	**(3.2)**	-
Joint venture goodwill impairment	(iii)	**-**	(1.4)
		(10.4)	(8.0)

(i) Contracts capitalised as intangible assets on the acquisition of businesses.
(ii) The net impairment loss of £3.2m has resulted from the loss in recent months of existing and expected business in Colombia that has led to a significant reduction in the future expected profitability of the operation. The amount comprises impairment charges of £3.6m in relation to customer contracts, a £0.8m charge for redundancy and associated costs, and a £1.2m credit for contingent consideration relating to the Desacol acquisition that is no longer expected to be incurred.
(iii) Assets that were previously capitalised as goodwill and reclassified as other intangible assets as permitted under transitional requirements of IFRS 1 with respect of the restatement of acquisition accounting of business combinations completed prior to the transition date. The charge reflected the remaining life of the licence at Menzies Macau Airport Services Ltd. The goodwill relating to this licence was fully impaired in 2013.

The taxation effect of the exceptional items is a net credit £0.7m (2013: £Nil).

5. FINANCE COSTS (PRE-EXCEPTIONAL)

	2014 **£m**	2013 £m
Finance income		
Bank deposits	**0.7**	0.7
Finance charges		

Bank loans and overdrafts	**(5.3)**	(5.2)
Preference dividends	**(0.1)**	(0.1)
	(5.4)	(5.3)
Net finance costs	**(4.7)**	(4.6)

6. TAXATION

Analysis of charge in year

	2014 **£m**	2013 £m
Current tax		
UK corporation tax on profits for the year	**(0.4)**	2.4
Overseas tax	**10.1**	8.2
Adjustments to prior years' liabilities	**0.2**	(0.4)
Total current tax	**9.9**	10.2
Deferred tax		
Origination and reversal of temporary differences	**(0.3)**	0.6
Impact of UK rate change	**-**	(0.9)
Adjustments to prior years' liabilities	**-**	0.1
	(0.3)	(0.2)
Retirement benefit obligation	**2.1**	1.7
Total deferred tax	**1.8**	1.5
Tax on profit on ordinary activities	**11.7**	11.7

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

	2014 **£m**	2013 £m
Deferred tax on actuarial (loss)/gain on retirement benefit obligation	**(4.7)**	2.2
Impact of UK rate change	**-**	1.4
Current tax on share-based payments	**-**	(0.9)
Deferred tax on shared-based payments	**0.6**	-
Current tax on net exchange adjustments	**(0.2)**	(0.4)
Deferred tax on net exchange adjustments	**(0.6)**	-
Tax (credit)/charge reported outside profit or loss	**(4.9)**	2.3

Reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate for the years ended 31 December 2014 and 31 December 2013

	2014 **£m**	2013 £m
Profit before tax	**25.7**	42.1
Profit before tax multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	**5.5**	9.8
Non-deductible expenses principally goodwill impairment and intangible amortisation	**1.5**	2.5
Depreciation on non-qualifying assets	**0.4**	0.5
Unrelieved overseas losses	**2.0**	0.8
Deferred tax assets written off	**0.4**	-
Exceptional items	**1.4**	0.4
Utilisation of previously unrecognised losses	**(0.2)**	(0.2)
Higher tax rates on overseas earnings	**2.0**	0.5

Share of joint venture and associate post-tax result included in profit before tax	**(1.5)**	(1.4)
Adjustments to prior years' liabilities	**0.2**	(0.3)
Impact of UK rate change on deferred tax	**-**	(0.9)
At the effective corporation tax rate of 45.5% (2013: 27.8%)	**11.7**	11.7

The main rate of UK corporation tax will be reduced from the current rate of 21%, which has applied from 1 April 2014, to 20% from 1 April 2015. The Finance Act 2013, which was substantively enacted on 2 July 2013, included the legislation to reduce the main rate of corporation tax to 20%. As the reduction in the main rate of corporation tax to 20% was substantively enacted at the Balance Sheet date, and reduces the tax rate expected to apply when temporary differences reverse, it has the effect of reducing the UK deferred tax assets and liabilities.

Factors that may affect future tax charges

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

	Losses £m	Expiry
USA	42.0	Carry forward for up to 20 years
South Africa	3.2	Carry forward indefinitely
Germany	19.3	Carry forward indefinitely
Norway	11.1	Carry forward indefinitely
Sweden	2.9	Carry forward indefinitely
Netherlands	3.6	Carry forward for 5 years

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

7. DIVIDENDS

Dividends on equity shares		**2014 £m**	2013 £m
Ordinary	Interim paid in respect of 2014, 8.1p per share	**5.0**	-
	Final paid in respect of 2013, 18.8p per share	**11.5**	-
	Interim paid in respect of 2013, 7.7p per share	**-**	4.7
	Final paid in respect of 2012, 17.85p per share	**-**	10.8
	Paid in respect performance share plans	**0.3**	0.4
		16.8	15.9

Dividends of £0.1m were waived on Treasury shares (2013: £0.2m).

The Directors are proposing a final dividend in respect of the year to 31 December 2014 of 8.1p per ordinary share, which will absorb an estimated £5.0m of shareholders' funds. Payment will be made on 3 July 2015 to shareholders on the register at the close of business on 29 May 2015.

Treasury shares
Ordinary shares are held for employee share schemes. At 31 December 2014 the Company held 366,409 (2013: 613,319) ordinary shares with a market value of £1.3m (2013: £4.3m).

8. EARNINGS PER SHARE

	Basic		Underlying*	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Operating profit	**25.5**	45.4	**25.5**	45.4
Share of post-tax results of joint ventures and associates	**7.6**	4.9	**7.6**	4.9
add back:				
exceptional items (Note 4(a))	**-**	-	**6.0**	0.7
intangible amortisation and impairment (Note 4(c))	**-**	-	**10.4**	8.0
share of interest on joint ventures and associates	**-**	-	**(0.5)**	(0.5)
share of tax on joint ventures and associates	**-**	-	**2.0**	1.6
Net finance costs	**(7.4)**	(8.2)	**(6.4)**	(7.0)
Profit before taxation	**25.7**	42.1	**44.6**	53.1
Taxation	**(11.7)**	(11.7)	**(11.7)**	(11.7)
Exceptional tax	**-**	-	**(2.7)**	(1.6)
Non-controlling interests	**(0.1)**	-	**(0.1)**	-
Earnings for the year	**13.9**	30.4	**30.1**	39.8
Basic				
Earnings per ordinary share (pence)	**22.7p**	50.1p		
Diluted earnings per ordinary share (pence)	**22.6p**	50.0p		
Underlying*				
Earnings per ordinary share (pence)			**49.2p**	65.6p
Diluted earnings per ordinary share (pence)			**49.0p**	65.4p
Number of ordinary shares in issue				
Weighted average (million)	**61.2**	60.6		
Diluted weighted average (million)	**61.4**	60.8		

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.

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

9. INTANGIBLE ASSETS

	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(c))	-	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

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

Goodwill 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.

	2014			2013		
	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	**8%**	**7.3**	**12.9**	10%	7.3	12.9
EM News Distribution (NI) Ltd	**8%**	**-**	**3.1**	10%	-	3.1
Other	**8%**	**-**	**3.0**	10%	-	3.0
Aviation						
Netherlands cargo	**9%**	**7.3**	-	10%	7.8	-
North American cargo	**10%**	**8.0**	-	10%	7.6	-
Australasia	**10%**	**5.7**	-	10%	5.7	-
AMI South Africa	**11%**	**2.0**	-	10%	2.1	-
Scandinavia	**8%**	**2.7**	-	10%	3.1	-
Ogden worldwide	**9.5%**	**9.4**	-	10%	9.8	-
Other	**8% – 11%**	**5.2**	-	10%	4.3	-
Total		**47.6**	**19.0**		47.7	19.0

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

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

The value in use calculations use a post-tax discount rate assumption in a range from 6% to 8% (2013: 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 11% (2013: 10%) 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 2018 and 2019. Growth rates in the cash flows beyond the three year period have been assumed to be -3% to 10% (2013: -2% to 20%). 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 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 £12.1m (2013: £13.6m) and the average remaining amortisation period is eight years (2013: nine 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 £24.8m (2013: £34.1m) and the average remaining amortisation period is four years (2013: six 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 (2013: 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. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

10. ANALYSIS OF CHANGES IN NET BORROWINGS

	2013	Cash flows	Currency translation	**2014**
	£m	£m	£m	**£m**
Cash at bank and in hand	33.8	(0.1)	(0.9)	**32.8**
Bank overdrafts	(0.5)	(0.1)	-	**(0.6)**
Net cash and cash equivalents	33.3	(0.2)	(0.9)	**32.2**
Bank loans due within one year	(48.7)	46.2	-	**(2.5)**
Preference shares	(1.4)	-	-	**(1.4)**
Finance leases	(0.3)	0.1	-	**(0.2)**
Debt due after one year	(90.0)	(48.9)	-	**(138.9)**
Net derivative assets/(liabilities)	3.6	(4.0)	0.3	**(0.1)**
Net debt	(103.5)	(6.8)	(0.6)	**(110.9)**

The currency translation movement results from the Group's policy of hedging its overseas net assets, which are denominated mainly in US dollars and Euro. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange loss of £3.4m (2013: £8.0m). This net loss is recognised in other comprehensive income.

11. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Operating profit/(loss)	**25.5**	45.4	**(1.8)**	(0.4)
Depreciation	**20.2**	19.4	**0.7**	0.8
Amortisation of intangible assets	**10.9**	9.6	**-**	-
Share-based payments	**0.6**	1.4	**0.6**	1.4
Onerous lease provision	**0.3**	-	**-**	-
Cash spend on onerous leases	**(2.9)**	(2.1)	**-**	-
(Gain)/loss on sale of property, plant and equipment	**(0.2)**	(0.3)	**-**	0.1
Pension charge	**2.9**	3.4	**-**	-
Pension credit	**(0.8)**	-	**-**	(2.2)
Pension contributions in cash	**(14.1)**	(13.1)	**(14.1)**	(13.1)
Rationalisation costs	**3.4**	-	**-**	-
Cash spend on rationalisation costs	**(2.3)**	(1.2)	**-**	-
Acquisition related earn-out adjustment	**2.3**	-	**-**	-
Net impairment loss	**3.2**	-	**-**	-
Decrease/(increase) in inventories	**1.6**	(0.4)	**-**	-

(Increase)/decrease in trade and other receivables	**(2.6)**	4.8	**-**	-
Increase/(decrease) in trade and other payables and provisions	**3.0**	(17.4)	**-**	-
	51.0	49.5	**(14.6)**	(13.4)

12. FINANCIAL INSTRUMENTS

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Derivative financial instruments				
Cash flow hedges:				
Foreign exchange forward contracts	**(0.3)**	(0.3)	**(0.3)**	(0.3)
Foreign currency net investment hedge:				
Foreign exchange forward contracts	**0.2**	3.9	**0.2**	3.9
	(0.1)	3.6	**(0.1)**	3.6
Current	**(0.1)**	3.6	**(0.1)**	3.6

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 2014, 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.

2014

	Assets measured at fair value			
Financial assets at fair value through the Income Statement	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Foreign exchange contracts – hedged	**1.9**	**-**	**1.9**	**-**

	Liabilities measured at fair value			
Financial liabilities at fair value through the Income Statement	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Foreign exchange contracts – hedged	**2.0**	**-**	**2.0**	**-**

2013

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

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

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Contingent consideration

The consideration to acquire Orbital Marketing Services Group included contingent consideration based on future targets being met. The contingent consideration's range is between a minimum of £6.0m and a maximum of £12.2m (2013: minimum £6.0m and maximum £12.2m) and becomes payable in late March/early April 2015. The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance.

The consideration to acquire Fore Partnership 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 (2013: 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 consideration to acquire Desacol included contingent consideration based upon meeting an initial entry level cumulative EBITDA target by 2016 with the consideration being a multiple of average EBITDA over the following three years. The contingent consideration's range is between £Nil and a maximum of £3.0m (2013: minimum £Nil and maximum £3.0m). The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance.

As disclosed in Note 14, the acquisition of PlaneBiz 2015 Ltd in the current year includes options in relation to the 40% shareholding owned by a third party. These options take the form of a put option in favour of the third party shareholders for up to 30% of the share capital, exercisable in 2018 and 2019. Following the expiry of this put option the Group then has a call option, exercisable for a 60 day period, for the remaining shares that have not been exercised under the put option. The fair value of the put option has been calculated based on the expected discounted cash flows of the underlying value, which is the expected average annual EBITDA over the preceding three years multiplied by 5.5. The call option is considered to have a negligible fair value.

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

	2014	2013
	£m	£m
Fair value of contingent consideration		
Orbital Marketing Services Group	**10.4**	8.0
Fore Partnership	**0.9**	0.9
Desacol	**-**	1.3
Fair value of other contingent acquisition related amounts		
PlaneBiz 2015 Ltd (Note 14)	**2.8**	-

	Group		Company	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Interest-bearing loans and borrowings				
Obligations under finance leases	**0.2**	0.3	**-**	-
Bank overdrafts	**0.6**	0.5	**0.6**	0.2
Non-amortising bank loans	**126.2**	121.3	**126.2**	121.0
Amortising term loan	**15.2**	17.4	**15.2**	17.4
Preference shares	**1.4**	1.4	**1.4**	1.4
	143.6	140.9	**143.4**	140.0
Current	**3.3**	49.5	**3.2**	48.6
Non-current	**140.3**	91.4	**140.2**	91.4
	143.6	140.9	**143.4**	140.0

Interest-bearing loans and borrowings	**Maturity**
Obligations under finance leases	December 2015 to June 2017
Bank overdrafts	On demand
Non-amortising bank loans	January 2016 to January 2018
Amortising term loan	March 2020
Preference shares	Non-redeemable

Other than trade receivables and payables, there are no financial assets or liabilities excluded from the above analysis. No financial assets or liabilities were held or issued for trading purposes.

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

The amortising term loan is repayable between 2015 and 2020 with interest payable at a fixed rate of 6.23%. The loan has a weighted average maturity of two years (2013: two years).

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between January 2016 and January 2018.

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Net debt				
Derivative financial instruments	**0.1**	(3.6)	**0.1**	(3.6)
Interest-bearing loans and borrowings	**143.6**	140.9	**143.4**	140.0
Total borrowings	**143.7**	137.3	**143.5**	136.4
Less: cash at bank, cash in hand and short-term deposits	**32.8**	33.8	**1.0**	0.9
	110.9	103.5	**142.5**	135.5

	2014		2013	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Financial assets and financial liabilities				
Short-term borrowings	**2.5**	**2.8**	48.7	49.0
Medium-term borrowings	**138.6**	**140.1**	86.2	87.5
Long-term borrowings	**1.7**	**1.7**	5.2	5.7
Derivative financial instruments	**0.1**	**0.1**	(3.6)	(3.6)
Finance leases	**0.2**	**0.2**	0.3	0.3
Bank overdrafts	**0.6**	**0.6**	0.5	0.5
Total financial assets and financial liabilities	**143.7**	**145.5**	137.3	139.4
Less: cash at bank, cash in hand and short-term deposits	**32.8**	**32.8**	33.8	33.8
Net debt	**110.9**	**112.7**	103.5	105.6

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

Trade and other receivables and trade and other payables carrying values of £158.6m (2013: £159.8m) and £212.4m (2013: £197.8m) respectively, in respect of the Group and £270.2m and £311.0m (2013: £230.3m and £287.7m), in respect of the Company, are assumed to approximate their fair values due to their short-term nature.

A separate table has not been prepared analysing the Company's book values and fair values. The £0.2m difference in book values relates to interest bearing loans and borrowings and is deemed to be short term in nature.

	2014			2013		
	Floating rate financial liabilities	**Fixed rate financial liabilities**	**Total**	Floating rate financial liabilities	Fixed rate financial liabilities	Total
Currency	**£m**	**£m**	**£m**	£m	£m	£m
Sterling	**126.8**	**16.6**	**143.4**	121.5	18.8	140.3
Colombian peso	**0.2**	**-**	**0.2**	0.6	-	0.6
Net derivative liabilities/(assets)	**0.1**	**-**	**0.1**	(3.6)	-	(3.6)
	127.1	**16.6**	**143.7**	118.5	18.8	137.3

At 31 December 2014, the expiry profile of undrawn committed facilities was:

	Group		Company	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Less than one year	**-**	48.1	**-**	48.1
Between one and two years	**55.0**	-	**55.0**	-
Between two and five years	**43.8**	0.2	**43.8**	0.2
	98.8	48.3	**98.8**	48.3

Cash flow hedges

Foreign exchange forward contracts

At 31 December 2014 the Group held foreign currency forward contracts designed as hedges of transaction exposures arising from non-local currency revenue. These contracts were in line with the Group's policy to hedge significant forecast transaction exposures for a maximum 18 months forward. The cash flow hedges of non-local revenue were assessed to be highly effective.

Interest 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 2014 the Group had no interest rate swaps in place. At 31 December 2014, 11.6% (2013: 13.3%) of the Group's borrowings were fixed.

	2014		2013	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Fair value of cash flow hedges - currency forward contracts	**-**	**(0.3)**	-	(0.3)
Current value	**-**	**(0.3)**	-	(0.3)

For 2014, 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 £0.6m (2013: £0.6m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency net investment hedges

The Group's treasury policy is to hedge the exposure of currency denominated assets to foreign exchange risk. This is primarily achieved using forward contracts denominated in the relevant foreign currencies. Gains or losses on the retranslation of these hedges are transferred to reserves to offset any gains or losses on translation of the net investments in the subsidiary undertakings.

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

Group and Company	
Currency value	Sterling equivalent

	2014 million	2013 million	2014 £m	2013 £m
Australian dollar	**26.4**	22.4	**13.8**	12.1
Canadian dollar	**5.5**	-	**3.0**	-
Colombian peso	**7,800.0**	-	**2.1**	-
Czech koruna	**115.0**	115.0	**3.2**	3.5
Euro	**21.5**	21.5	**16.7**	17.9
Indian rupee	**1,000.0**	1,000.0	**10.2**	9.8
Mexican peso	**51.0**	-	**2.2**	-
New Zealand dollar	**3.0**	3.0	**1.5**	1.5
Norwegian krone	**7.0**	-	**0.6**	-
South African rand	**55.0**	55.0	**3.0**	3.2
Swedish krona	**50.0**	50.0	**4.1**	4.7
US dollar	**35.0**	32.5	**22.4**	19.6

	2014		2013	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	**1.9**	**(1.7)**	3.9	-
Current value	**1.9**	**(1.7)**	3.9	-

Foreign currency sensitivity
For 2014, 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:

		2014		2013	
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%	**0.6**	**2.6**	0.6	2.2
US dollar	-10%	**(0.5)**	**(2.1)**	(0.5)	(1.8)
Euro	+10%	**0.7**	**1.3**	0.7	2.3
Euro	-10%	**(0.6)**	**(1.1)**	(0.6)	(1.9)
Australian dollar	+10%	**0.7**	**1.4**	0.8	1.2
Australian dollar	-10%	**(0.6)**	**(1.1)**	(0.6)	(1.0)
Indian rupee	+10%	**0.6**	**1.2**	0.5	1.1
Indian rupee	-10%	**(0.5)**	**(1.0)**	(0.4)	(0.9)
South African rand	+10%	**0.3**	**0.8**	0.4	0.8
South African rand	-10%	**(0.2)**	**(0.7)**	(0.3)	(0.6)

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 management
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 net debt (see Note 10) and equity attributable to equity holders of the Company (see Group and Company Statement of Changes in Equity). The only externally imposed capital requirements for the Group are total debt to EBITDA and interest cover under the terms of the bank facilities, with which the Group has fully complied during both the current 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

	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Bank deposits	**32.8**	33.8	**1.0**	0.9
Trade receivables	**148.4**	141.9	**-**	-
	181.2	175.7	**1.0**	0.9

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.

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)**

2013	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	(51.4)	(4.8)	(90.0)	(3.8)
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Other liabilities	(0.3)	-	-	-
Trade and other payables	(197.8)	(10.5)	-	-
Financial derivatives	(72.5)	-	-	-
	(322.1)	(15.4)	(90.4)	(5.3)

13. CONTINGENT LIABILITIES

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

14. ACQUISITIONS

On 17 November 2014 the Group acquired 60% of the share capital of PlaneBiz 2015 Ltd, a New Zealand based aviation company in order to strengthen its position in ground and cargo handling.

	PlaneBiz 2015 Ltd	Total acquisitions
	2014	2013
	£m	£m

Purchase consideration		
Cash payable	**0.6**	9.2
Uplift on fair value of assets transferred	**1.1**	-
Deferred consideration	**-**	2.2
Contingent consideration	**-**	1.3
Total purchase consideration	**1.7**	12.7
Less: fair value of net assets acquired	**1.8**	12.6
Less: non-controlling interests	**(1.4)**	-
Goodwill	**1.3**	0.1

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

	PlaneBiz 2015 Ltd 2014 £m	Total acquisitions 2013 £m
Non-current assets – fair value		
Intangible assets (contracts)	**0.7**	12.1
Property, plant and equipment	**1.1**	4.6
Other non-current assets	**-**	0.3
Current assets	**-**	4.0
Cash	**-**	0.3
Current liabilities	**-**	(6.2)
Finance leases and borrowings	**-**	(2.5)
Net assets acquired	**1.8**	12.6

The fair values of the 2014 net assets acquired (PlaneBiz 2015 Ltd) remain provisional pending the formal completion of the valuation process.

PlaneBiz 2015 Ltd reflects the combination of part of the Group's Aviation business in New Zealand with a third party aviation business, the former owners of which are the 40% shareholders of the acquired company. The shareholders' agreement in relation to this transaction includes put and call options over the 40% of shares the Group does not own. These options, which become exercisable in 2018 to 2019, have been recognised as a financial instrument included in Note 12. The fair value of the put option is £2.8m with a corresponding debit to equity. The call option is considered to have a negligible fair value. The transaction also resulted in a £1.1m credit to equity on the uplift on fair value of assets transferred.

The acquired business contributed profit before tax of £0.1m from the date of acquisition. If the business had been acquired on 1 January 2014 profit before tax contributed would have been £0.6m.

Other
Deferred consideration totalling £2.2m was paid for Skystar (acquired in 2013), Flight Support and Kamino Cargo (both acquired in 2012). These amounts became payable and were cash-settled in 2014.

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. Details of these transactions are:

	Group share	Sales to related	Amounts owed to related party at 31 December	Amounts owed by related party at 31 December

Related party	holding %	party £m	2014 £m	2014 £m
Menzies Bobba Ground Handling Services Private Ltd	51	0.2	-	-
Hyderabad Menzies Air Cargo Private Ltd	49	0.6	-	-
Menzies Aviation Bobba (Bangalore) Private Ltd	49	0.1	-	-
Menzies Macau Airport Services Ltd	29	0.2	-	0.1
EM News Distribution (NI) Ltd	50	0.6	5.1	-
EM News Distribution (Ireland) Ltd	50	1.2	-	1.9

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 as follows:

	2014 £m	2013 £m
Short-term employee benefits	**4.6**	4.5
Post-employment pension and medical benefits	**0.3**	0.4
Termination benefits	**0.1**	0.2
Share-based payments	**0.6**	1.4
	5.6	6.5

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 2014 was £0.2m (2013: £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 9 March 2015, 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 3 April 2015 and the Annual General Meeting will be held at the Roxburghe Hotel in Edinburgh on 15 May 2015 at 2.00pm. Statutory accounts for the year ended 31 December 2013 have been delivered to the Registrar of Companies and those for the year to 31 December 2014 will be delivered following the Company's Annual General Meeting.