John Menzies plc
Final Results Announcement

8 March 2017

John Menzies plc

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Final Results for the year ended 31 December 2016

Financial Summary

	2016 Reported	2016 Constant currency[7]	2015
Turnover[1]	£2,076.7m	£2,008.6m	£1,993.3m
Underlying operating profit[2]	£55.2m	£50.3m	£44.9m
Operating profit	£27.6m	£22.7m	£25.8m
Underlying profit before taxation[3]	£49.7m	£44.8m	£38.2m
Profit before tax	£19.8m	£14.9m	£18.2m
Operating cash flow[4]	£75.0m	---	£64.8m
Underlying earnings per share[5] [6]	47.8p	---	37.8p
Basic earnings per share[6]	11.8p	---	14.6p
Dividend per share	18.5p	---	16.8p

Overview

- 2016 was a transformational year for the Group
  - Clear strategy delivering growth
  - Underlying profit before taxation up 30% to £49.7m (up 17% in constant currency)
    - Exceptional items in operating profit were £18.4m (2015: £10.5m) comprising transaction related costs (£8.8m) and asset write down (£9.6m)
  - Favourable exchange rates further enhanced earnings
  - Well supported rights issue to part fund the acquisition of ASIG
  - Proposed final dividend of 13.1p giving a total dividend of 18.5p for the year, up 10%

- Menzies Aviation returned to growth with a strong performance across the network
  - Underlying operating profit increased 48% to £34.2m (2015: £23.1m) up 27% in constant currency
  - Strong contract win and renewal momentum
  - New management structure in place

- Menzies Distribution broadly in line with previous year
  - Underlying operating profit of £24.7m (2015: £25.1m) despite increased cost pressures
  - Retail logistics contract wins help progress diversification

Dr Dermot F. Smurfit, Chairman of John Menzies plc said:

"I am pleased to report a strong performance by the Group in 2016. At Menzies Aviation, underlying profits were significantly ahead of last year at constant currency and have been strengthened through favourable foreign exchange translation. At Menzies Distribution, keeping profits broadly flat was a commendable performance in light of increasing cost pressures.

"We successfully completed the acquisition of ASIG on 1 February 2017 and this brings with it exciting new product lines that provide us with great opportunities to strengthen our business and to expand our product offering across our network.

"As we look forward, our Group structure review continues and I look forward to updating shareholders at the latest in our Interim Results announcement."

Notes

1	*Turnover is 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 profit before taxation is underlying operating profit less net finance charges.*
4	*Operating cash flow is operating profit adjusted for depreciation, amortisation, income and dividends from joint ventures and associates, pension and share based payments, and movements in working capital and provisions.*
5	*Underlying earnings per share is profit after taxation and non-controlling interest but before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue.*
6	*The number of shares in 2015 has been restated to adjust for the impact of the October 2016 rights issue.*
7	*Performance at constant currency has been calculated by translating non-Sterling earnings for the year ended 31 December 2016 into Sterling at the exchange rates used for the same period in 2015.*

Notes to Editors

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

2. Menzies Aviation is a leading global provider of passenger, ramp and cargo services. Following the ASIG acquisition in February 2017, Menzies Aviation now operates at 209 airports in 34 countries, with annual turnover in excess of £1.2 billion and supported by a team of some 31,600 highly-trained people. Menzies Aviation serves some 1,000 customers, handling 1.2 million flights, 1.6 million tonnes of cargo per annum and fuelling 4 million turnarounds. Customers include Air France-KLM, Alaska Airlines, American Airlines, Cathay Pacific, Delta Air Lines, easyJet, Emirates, IAG, Lufthansa, Norwegian Air Shuttle, Thai Airways and United Airlines. Best in class safety and security is the division's number one priority each day and every day.

3. Menzies Distribution operates one of the largest overnight logistics networks in the UK, providing final mile delivery for over 100 million delivery units each year serving customers in the press, travel and third-party logistics sectors. From 36 sites across Britain and Ireland, a team of around 3,400 employees pick, pack, cross-dock and transport clients' materials to bring them to their ultimate destination. In addition to its core role within the UK print media supply chain, delivering around six million magazines and newspapers every day, the division is expanding into both UK retail logistics and neutral consolidation within the fast growing parcel delivery market.

For further information:

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Chairman's Statement

I am pleased to report good progress across the Group as we continue to build on our strategic objectives in both divisions. We have announced a strong set of results and believe we are back on track after a period of underperformance. Menzies Aviation completed the largest acquisition in the Group's history with the $202m acquisition of ASIG in February 2017 and is extremely well-placed in growing markets, whilst Menzies Distribution continued to focus on delivering new volume through our existing markets. We now have a new senior management team in place, all of whom, together with the Board, are working hard to unlock the significant potential that exists within the Group.

Group Structure

As I outlined in August of last year, we are undertaking a review of the Group structure to decide whether the current situation with two operating divisions that operate in distinctly different markets is the best way to create shareholder value. To help with the process we appointed Rothschild and they are working closely with management as we review our options. In addition, at our request, the Trustee of the Group's defined benefit pension scheme in consultation with the Company are reviewing the structure of the scheme. The Trustee is being advised by Hymans Robertson and Grant Thornton and we have appointed Lincoln Pensions and PwC to advise us in this respect. This work continues as we evaluate the options that are open to us and I remain confident that I will be able to update shareholders on the outcome of this review at the time of our Interim Results in August.

Board Changes

During the year we have seen significant change within the executive team. Forsyth Black became Managing Director at Menzies Aviation, after a successful spell leading our Distribution division, and Giles Wilson assumed the role of Chief Financial Officer, following senior finance and operational roles within the Aviation division. To complete the executive team, I asked John Geddes, previously Group Company Secretary, to join the Board as Corporate Affairs Director in November. Your Board and I are confident that we now have the correct leadership team in place to drive the Group forward.

In addition to the Board appointments, we also recruited Greg Michael to lead our Distribution division. Greg has significant experience of the UK logistics market and he will bring his own expertise and drive to the division as we continue to create new revenue streams away from print media.

In May of last year, Iain Napier intimated his intention to step down and he retired from the Board at our Annual General Meeting. Iain led the Board for seven years and I would like to thank him for his efforts. Dermot Jenkinson then assumed the role of interim Chairman and ran the process that led to my appointment in June. To complete the balance of non-executives and to implement the findings of our prior year Board evaluation, Paul Baines was appointed as a non-executive Director in June. Paul has extensive City experience and brings a new and welcome dynamic to the Board.

Employees

Employees are at the heart of everything that we do. I would personally like to thank all of our 27,000 staff for their efforts in 2016. I am also particularly pleased to welcome 8,000 new employees who join the Menzies family following our acquisition of ASIG.

The Board recognises the need to retain and develop our employee base. In this regard we have strengthened our human resources function across the network with an enlarged team and a significant investment into HR systems, including a pre-employment on-boarding system to help us recruit and retain the right calibre of employees.

Staff turnover is one of the major challenges facing the Aviation services industry, particularly in the USA, and we are attempting to directly address this issue. In this regard, I have constituted a Human Resources Committee of the Board to review all HR developments and also our efforts to reduce staff turnover. The terms of reference for the committee can be found on the Group website.

Outlook

The Group has started the year well. The underlying Aviation business is continuing to trade positively with contract momentum continuing and a strong pipeline of opportunities. We have completed the acquisition of ASIG and are very excited about the opportunities ahead of us. Our integration plans are on track and we will look to take advantage of our extended footprint and product offering that exists as we look to further strengthen the Aviation business.

At Menzies Distribution the softer magazine volumes experienced in Q4 2016 have continued. Our focus remains on cost savings and finding new volume through retail logistics where our national coverage provides us with previously unexploited opportunities and neutral consolidation in the parcel market where we will look to build scale during the year.

Overall the Board is confident with the Group's outlook for 2017 and will look to capitalise on opportunities in both divisions.

Group Performance Review

Group performance in 2016 improved with profit before tax ahead of the prior year and underlying profit before tax up 30%, 17% in constant currency, as a result of the delivery against our clear and focused strategic objectives for both operating divisions. Good progress was made at Menzies Aviation where prior year operational issues were resolved and contract win momentum returned. At Menzies Distribution the business performed robustly continuing to expand in the UK parcel market and within the retail logistics sector as we seek to add new volume to our network to replace the declines in print media.

The acquisition of ASIG that was announced in the year and completed in February 2017, is transformational for the Aviation business and we are focusing our efforts on implementing our detailed integration programme to realise the significant synergy benefits that exist, and then look to take advantage of the exciting opportunities that the combined platform gives us.

The Group's turnover was £2,076.7m (2015: £1,993.3m). Underlying profit before tax grew to £49.7m (2015: £38.2m) following a return to growth at our Aviation division and favourable foreign exchange translation. Underlying earnings per share rose to 47.8p (2015 restated: 37.8p). Profit before tax was £19.8m (2015: £18.2m).

Menzies Aviation – Business Review

2016 was a strong year with a return to growth. Underlying operating profit was significantly ahead of the prior year, up £11.1m at £34.2m, and up £6.2m on a constant currency basis. Turnover was up 16%; 7% on a constant currency basis. There was strong delivery against our strategic objectives with new hub operations, further expansion of complementary services, a transformational acquisition and a deepening of customer relationships. This was underpinned by a material and recurring investment in infrastructure and people to promote standardisation across the business.

To ensure we manage our business effectively a new divisional management structure was put in place. Reporting directly to Forsyth Black are three regional Executive Vice-Presidents (EVPs), covering Americas, EMEA and Rest of World. Each EVP is responsible for all product lines within their region ensuring direct accountability. Each works with central teams to ensure a joined up approach is in place for commercial activities and also our cornerstones of safety, security and compliance.

Ground handling volume continued to grow with a 5% increase during the year driven by contract wins in Europe and North America. Cargo handling volumes reduced in absolute terms during the year by 7% as a result of high prior year volume in North America, following the west coast seaport strike, and the forecast reduction in volume by Martinair in Amsterdam, however this was offset by continued contract wins in Australia.

Our focus on commercial activities continued with 68 net contract wins during the year, adding £45m of annualised revenue. Contract gains were well spread across the network. There were 106 contract renewals in the year securing some £81m of revenue.

In Oceania, where the contracting model can be different with cargo and ground handling typically awarded within a single contract, we won new contracts with Malaysia Airlines at three Australian airports and renewed Emirates for five years at two airports in New Zealand. Air Canada, a new customer, started up in Sydney and Melbourne.

Within the EMEA region, we successfully added a de-icing contract with Norwegian Air Shuttle at their hub in Oslo which bolts on to our existing seven year ground handling agreement that commenced in April 2015. Significantly, 16 contracts were gained at London Gatwick in December following the failure of a competitor. We are now the largest handler at Gatwick with over 30 customers. These wins with carriers such as Ryanair, Vueling, Icelandair and Thomas Cook strengthen our UK position and demonstrate that contracts must be gained at sustainable rates to ensure a robust service can be delivered to our customers.

In the Americas, further progress was made with Frontier Airlines where we now handle their hub locations at Denver and Chicago that represent some 27,000 turnarounds per annum. The Chicago operations started in February 2017 and represented over 5,000 turnarounds. We also had significant wins in Los Angeles where Virgin America were a returning customer and a new contract with China Airlines was secured. This progress was tempered after Alaska Airlines made a strategic business decision to transition its ground service contract to its in-house provider, McGee Air Services, in Seattle effective from 2 May 2017. We remain a key business partner for Alaska Airlines in many important markets in both the USA and Mexico. We expect our relationship with Alaska to remain strong in the future, even more so with the recent acquisition of ASIG, which is a major fuelling partner for Alaska. During our time in Seattle with Alaska we are proud that we made their hub one of the best performing in the USA.

In addition, to the de-icing contract with Norwegian Air Shuttle, our drive to add margin accretive complementary services contracts, typically where we already operate, continued. Lounges were opened in Copenhagen, Windhoek and Queenstown. Line maintenance facilities were added in New Zealand and Bermuda.

The opening of a regional office in Dubai has been a success and was fundamental to the creation of our joint venture with Oman Air, where we expect operations to start by the end of H1. Following on from this we will open a business development office in Kuala Lumpur, Malaysia during the year to take advantage of the emerging opportunities in what is a fast growing region with many expanding low cost carriers.

We continue to focus on station profitability and all underperforming stations are scrutinised and turnaround plans put in place where appropriate. Within the UK our turnaround plans are delivering benefits. Prior year operational issues at London Gatwick and Heathrow are fixed. Loss making contracts elsewhere in the UK are being re-priced or not renewed to ensure that as we progress we only contract at terms that generate sustainable returns. In Amsterdam, we continue to review our cargo handling options where we are facing falling volumes and high labour costs.

To ensure that we can achieve market leading positions we have made significant investment in infrastructure during the year. A recurring investment of £3.0m was made to enhance systems, processes and central support functions as we ensure that the platform that we run the business from is fit for purpose as we embark on our next period of growth.

In February 2016, we acquired the business of Renaissance Aviation, the exclusive licence holder in Bermuda for £2.5m. Operations are fully integrated and the business is performing well.

At AMI, our global cargo consolidation and forwarding business, performance was muted with earnings marginally behind the prior year on a constant currency basis in line with the generally subdued cargo market in the first half of the year.

Acquisition of ASIG

On 16 September 2017, we announced the proposed acquisition of ASIG from BBA Aviation plc for $202m. This is a truly transformational deal and strengthens our position as a leading player in the global aviation services market.

The deal has strong strategic and financial rationale and provides an enlarged growth platform in attractive growing markets. By putting both businesses together there is significant synergy potential and the deal will be materially earnings enhancing in the first full year. The transaction was completed on 1 February 2017 and detailed integration plans are now being implemented. ASIG's overall performance in 2016 was in line with the assumptions in our acquisition assessment.

ASIG adds some four million into-plane fuelling (ITP) turnarounds together with the management of fuel farms at 59 locations and 100,000 ground handling turnarounds. ASIG has over 600 customers, many of whom are also Menzies customers, and we are excited by the opportunities that exist to broaden our product offering into our existing business and into new territories. The acquisition will add 60 new airports and spans seven countries.

An agreement was reached with the Competition & Markets Authority (CMA) to hold the ASIG operations at Aberdeen airport separately in order to satisfy the requirements of the CMA to ultimately divest those operations and obtain UK merger clearance.

Menzies Distribution – Business Review

Distribution delivered a stable performance against the prior year as underlying operating profit remained broadly flat at £24.7m (2015: £25.1m). Trading benefited from strong football related sticker sales and an excellent cost reduction performance which helped mitigate continued volume decline and increased cost pressure as a result of the introduction of the National Living Wage. Our strategy to diversify into new market segments, reducing our reliance on newspapers and magazines, continues to make progress with an acquisition within Menzies Parcels and new contracts delivered in the retail logistics sector.

Overall sales of newspapers and magazines were in line with management expectations. Newspaper volumes were down 7.0% on a like for like basis although the sector continued to benefit from cover price appreciation such that sales value on a like for like basis was down 2.5%. Magazine volumes were down 9.5% on a like for like basis and 6.0% in value terms, albeit the decline was steeper in the last quarter. A new five-year wholesale distribution agreement was secured with Northern & Shell during the financial year as well as new regional distribution contracts with Johnston Press in Portsmouth and Northern Ireland. These contracts further help the division to plan positively for the future with long-term contracts in place. Planning has commenced for the negotiation of the publisher contracts in 2019 and 2020.

Cost savings during the year were £5.1m representing an excellent performance. This result was achieved through further productivity initiatives, automation within the branch network and the annualisation of the prior year network re-organisation.

The National Living Wage legislation commenced in 2016 and has had a significant impact on our cost base. In 2016 the cost was £1.8m. This will rise to an estimated £2.2m in 2017. During the year the majority of the increased cost was mitigated by additional cost saving initiatives. Going forward we will continue to innovate and diversify to mitigate the increased cost.

We continue to progress our diversification strategy creating new volume in growing markets to offset falling volume within print media. During the year, our retail logistics offering signed its first national deal. A contract award by WHSmith sees Menzies Distribution operate from three of their retail distribution centres utilising our own network and 80 vehicles of varying size to deliver stock to all 1,200 WHSmith retail outlets across the UK. During the year a new distribution centre was opened in Exeter which enables us to provide a truly national service and we hope to leverage new contracts following the success with WHSmith.

Menzies Parcels had another busy year making a further acquisition, Thistle Couriers, based in Aberdeen. Thistle Couriers deliver approximately 1,000 overnight parcels per day in the Aberdeen area further extending the service area of Menzies Parcels within Scotland. The acquisition is synergistic with our existing parcels business and property portfolio.

Our retail consultancy business, the Fore Partnership had a good year, renewing a category management contract with Marks & Spencer and securing the supply and category management of news into all Aldi stores in the UK.

Performance at Menzies Response remained behind expectations due to contracts lost and operational issues. Plans are in place to resolve these issues to turnaround the business and these measures will be implemented during the first half of 2017.

During the second half we acquired Edinburgh Arts and Entertainment (EAE), an Edinburgh based leaflet distribution business that will bolt on to our existing Take One Media business. By combining the two businesses we now have a near national offering and are well-placed to tender for new contracts on a national basis across the tourism sector.

In advance of the contract renewal process with publishers that concludes in 2019-2020 work has commenced to scenario plan the various options that exist.

Looking ahead, the proliferation of internet shopping continues at pace and the UK logistics market is forecasting very positive growth projections as a result. Menzies Distribution is in a strong position to grow into this market. We have an existing network that operates predominantly during the night to facilitate the distribution of print media and we will utilise this asset base during daylight hours. There are many opportunities within the parcels market and we will continue to investigate how we can use our existing sophisticated returns technology within the wider logistics market. To ensure we are able to offer the standards required within the national parcel carrier market we are investing in new technologies to ensure our IT offering meets the demands of the market. Following the opening of a new distribution centre in Exeter during the year we are now able to offer a UK wide solution to the UK logistics market and will look to build on our recent contract wins and ensure commercially that the market is aware that Menzies Distribution is an emerging player in the market.

Financial Overview

<u>Finance costs</u>
The net underlying finance charge in the year was £5.5m (2015: £6.7m). The lower level of costs reflects reduced levels of debt and pension interest.

<u>Exceptional and other items</u>
Included in exceptional items were transaction related costs of £8.8m largely relating to the acquisition of ASIG. Non-cash costs of £9.6m were incurred during the year relating to the impairment of goodwill and other fixed assets in the Netherlands cargo business following loss of earnings as a result of lower freighter volumes in Amsterdam flown by Martinair.

<u>Tax and Earnings per Share</u>
As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. Our underlying tax charge for the year was £15.9m (2015: £12.2m), representing an effective underlying tax rate of 32% (2015: 32%).

Underlying earnings per share were 47.8p (2015 restated: 37.8p), directly impacted by the increase in profits. Basic earnings per share were 11.8p (2015 restated: 14.6p) additionally affected by non-recurring items.

<u>Defined benefit pension scheme</u>
As at 31 December 2016, the scheme showed a deficit of £71.0m (2015: £43.4m), an increase of £27.6m largely reflecting a decrease in the discount rate applied to the scheme liabilities. Following the Trustee's triennial actuarial valuation at 31 March 2015, the Trustee and the Company have agreed a long-term funding plan that results in additional annual contributions of £10.7m in the 2016/2017 pension year rising with the higher of inflation and the percentage change in annual shareholder dividends up to 2025, the latter only when exceeding 2013's level.

We are at an advanced stage of talks with the Trustee in regards to the structure of the Group's defined benefit pension scheme, the Menzies Pension Fund, and its liabilities and will provide an update in due course. On 28 February 2017 we informed the active members of the scheme, following an extensive consultation process, that the Group has taken the decision to close the Menzies Pension Fund to future accrual on 31 March 2017.

Cash flow and investment
Investments in the year included £5.2m for the acquisitions of Renaissance Aviation in Bermuda, Thistle Couriers and EAE and the earn-out payment relating to the Fore Partnership. Operating cash flow was £75.0m (2015: £64.8m). Working capital management remains a key focus for the business. Free cash flow was £31.1m (2015: £31.7m). Net capital expenditure totalled £24.7m (2015: £20.3m).

Treasury
The Group continues to operate on a strong financial footing. We benefit from a robust balance sheet built from strong operating cash flows across our divisions. At the year end, net debt was £70.5m (2015: £123.2m), mostly reflecting the net proceeds from the rights issue.

Our net debt to EBITDA ratio was 0.8 times at 31 December 2016 (31 December 2015: 1.8 times) and interest cover was 13.0 times (2015: 8.8 times), well within our covenanted levels. We had £170.0m of committed facilities at the year end of which £68.7m were undrawn.

In September 2016 we entered into a new syndicated debt facility, comprising a $250m term loan and a £150m rolling credit facility, which expires in June 2021. The new facility was drawn down to fund the acquisition of ASIG on 1 February 2017 and repay our existing facilities with the exception of £10.0m remaining on the RBS term loan.

We were very pleased by the take up of the new syndicated facility which was oversubscribed. We have retained our previous banking group of Barclays, HSBC, KBC, Lloyds and RBS as well as welcoming BNP Paribas, SunTrust and Fifth Third into the syndication group. As a result the Group's banking covenants are in a strong position with headroom to support future growth.

In February 2017 we entered into interest rate swaps to fix 50% of the $250m term loan facility for the duration of the loan.

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

The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates directly affects the Group's reported results. In the year the Group benefited from favourable movements against the prior year particularly against the US dollar, the Australian dollar, the euro and other European currencies.

Dividend
In line with the Group's plan to follow a progressive policy to increase dividends over time, the Board has proposed a final dividend of 13.1p per share which is payable on 3 July 2017 to all shareholders on the register at 26 May 2017. The total paid and proposed dividend for the year is 18.5p per ordinary share (2015: 16.8p per share), up 10% from last year.

GROUP INCOME STATEMENT
for the year ended 31 December 2016 (year ended 31 December 2015)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2016 £m
Revenue	2	**1,981.6**	**-**	**1,981.6**
Net operating costs		**(1,935.2)**	**(26.3)**	**(1,961.5)**
Operating profit		**46.4**	**(26.3)**	**20.1**
Share of post-tax results of joint ventures and associates		**8.8**	**(1.3)**	**7.5**
Operating profit after joint ventures and associates	2	**55.2**	**(27.6)**	**27.6**
Analysed as:				
Underlying operating profit(i)		**55.2**	**-**	**55.2**
Non-recurring items – transaction related items and rationalisation	4	**-**	**(8.8)**	**(8.8)**
Non-recurring items – impairment charges	4	**-**	**(9.6)**	**(9.6)**
Contract amortisation	4	**-**	**(7.9)**	**(7.9)**
Share of interest on joint ventures and associates		**-**	**0.6**	**0.6**
Share of tax on joint ventures and associates		**-**	**(1.9)**	**(1.9)**
Operating profit after joint ventures and associates		**55.2**	**(27.6)**	**27.6**
Finance income	5	**0.7**	**-**	**0.7**
Finance charges	5	**(4.6)**	**(2.3)**	**(6.9)**
Other finance charge - pensions	3	**(1.6)**	**-**	**(1.6)**
Profit before taxation		**49.7**	**(29.9)**	**19.8**
Taxation	6	**(15.9)**	**4.1**	**(11.8)**
Profit for the year		**33.8**	**(25.8)**	**8.0**
Attributable to equity shareholders		**34.3**	**(25.8)**	**8.5**
Attributable to non-controlling interests		**(0.5)**	**-**	**(0.5)**
		33.8	**(25.8)**	**8.0**
Earnings per ordinary share	8			
Basic		**47.8p**	**(35.9)p**	**11.8p**
Diluted		**47.7p**	**(35.9)p**	**11.8p**

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

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2015 £m
Revenue	2	1,899.2	-	1,899.2
Net operating costs		(1,862.8)	(17.6)	(1,880.4)
Operating profit		36.4	(17.6)	18.8
Share of post-tax results of joint ventures and associates		8.5	(1.5)	7.0
Operating profit after joint ventures and associates	2	44.9	(19.1)	25.8
Analysed as:				
Underlying operating profit[i]		44.9	-	44.9
Non-recurring items – transaction related items and rationalisation	4	-	(5.8)	(5.8)
Non-recurring items – impairment charges	4	-	(4.7)	(4.7)
Contract amortisation	4	-	(7.1)	(7.1)
Share of interest on joint ventures and associates		-	0.7	0.7
Share of tax on joint ventures and associates		-	(2.2)	(2.2)
Operating profit after joint ventures and associates		44.9	(19.1)	25.8
Finance income	5	0.8	-	0.8
Finance charges	5	(5.6)	(0.9)	(6.5)
Other finance charge - pensions	3	(1.9)	-	(1.9)
Profit before taxation		38.2	(20.0)	18.2
Taxation	6	(12.2)	3.9	(8.3)
Profit for the year		26.0	(16.1)	9.9
Attributable to equity shareholders		26.2	(16.1)	10.1
Attributable to non-controlling interests		(0.2)	-	(0.2)
		26.0	(16.1)	9.9
Earnings per ordinary share[ii]	8			
Basic		37.8p	(23.2)p	14.6p
Diluted		37.8p	(23.2)p	14.6p

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

(ii) The 2015 EPS figures have been restated to adjust for the impact of the October 2016 rights issue as set out in Note 10.

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016 (year ended 31 December 2015)

	Notes	**2016 £m**	2015 £m
Profit for the year		**8.0**	9.9
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pensions	3	**(36.8)**	5.6
Actuarial loss on unfunded pension arrangements		**(0.3)**	-
Income tax effect on pension arrangements		**7.4**	(1.1)
Impact of UK rate change on deferred tax on pension arrangements		**(1.6)**	(0.9)
Items that may be reclassified subsequently to profit or loss:			
Movement on cash flow hedges	12	**-**	(0.1)
Movement on net investment hedges	12	**(15.2)**	(1.5)
Income tax effect on net investment hedges		**3.0**	0.3
Exchange gain/(loss) on translation of foreign operations		**33.1**	(3.9)
Income tax effect of exchange gain/loss on foreign operations		**(4.0)**	0.6
Other comprehensive loss for the year (net of tax)		**(14.4)**	(1.0)
Total comprehensive (loss)/income for the year		**(6.4)**	8.9
Attributable to equity shareholders		**(5.8)**	8.9
Attributable to non-controlling interests		**(0.6)**	-
		(6.4)	8.9

GROUP AND COMPANY BALANCE SHEETS

as at 31 December 2016 (31 December 2015)

		Group		Company	
		2016	2015	**2016**	2015
	Notes	**£m**	£m	**£m**	£m
ASSETS					
Non-current assets					
Intangible assets	9	**104.0**	108.3	**-**	-
Property, plant and equipment		**127.3**	114.4	**23.9**	24.4
Investments accounted using the equity method		**30.9**	26.4	**-**	-
Investment in subsidiaries		**-**	-	**292.6**	291.0
Deferred tax assets		**24.2**	12.2	**10.1**	2.8
		286.4	261.3	**326.6**	318.2
Current assets					
Inventories		**16.0**	14.7	**-**	-
Trade and other receivables		**243.6**	201.9	**345.4**	288.1
Derivative financial assets	12	**0.4**	0.6	**0.4**	0.6
Cash and cash equivalents		**38.9**	34.1	**1.0**	0.8
		298.9	251.3	**346.8**	289.5
LIABILITIES					
Current liabilities					
Borrowings	12	**(39.0)**	(3.4)	**(38.5)**	(2.9)
Derivative financial liabilities	12	**(6.1)**	(2.3)	**(6.1)**	(2.3)
Trade and other payables		**(249.9)**	(217.3)	**(317.1)**	(310.3)
Current income tax liabilities		**(11.3)**	(10.0)	**-**	-
Provisions		**(4.2)**	(4.9)	**-**	-
		(310.5)	(237.9)	**(361.7)**	(315.5)
Net current (liabilities)/assets		**(11.6)**	13.4	**(14.9)**	(26.0)
Total assets less current liabilities		**274.8**	274.7	**311.7**	292.2
Non-current liabilities					
Borrowings	12	**(64.7)**	(152.2)	**(64.7)**	(152.2)
Other payables		**(4.0)**	(3.5)	**(4.9)**	(5.0)
Deferred tax liabilities		**(2.8)**	(1.5)	**-**	-
Provisions		**(4.0)**	(2.9)	**(1.1)**	-
Retirement benefit obligation	3	**(71.0)**	(43.4)	**(71.0)**	(43.4)
		(146.5)	(203.5)	**(141.7)**	(200.6)
Net assets		**128.3**	71.2	**170.0**	91.6
Shareholders' equity					
Ordinary shares		**20.9**	15.4	**20.9**	15.4
Share premium account		**20.5**	20.4	**20.5**	20.4
Treasury shares		**(1.6)**	(1.8)	**(1.6)**	(1.8)
Other reserves		**(4.6)**	(21.6)	**(0.9)**	(0.9)
Merger relief reserve		**67.3**	-	**67.3**	-
Retained earnings[(i)]		**3.2**	35.6	**42.2**	36.9
Capital redemption reserve		**21.6**	21.6	**21.6**	21.6
Total shareholders' equity		**127.3**	69.6	**170.0**	91.6
Non-controlling interest in equity		**1.0**	1.6	**-**	-
Total equity		**128.3**	71.2	**170.0**	91.6

(i) The Group's profit after tax for the year was £8.0m (2015: £9.9m). The Company's profit after tax for the year was £46.5m (2015: £19.1m).

The accounts were approved by the Board of Directors on 7 March 2017 and signed on its behalf by:

Dr Dermot F. Smurfit
Chairman

Giles Wilson
Chief Financial Officer

Company No. SC34970

GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY
as at 31 December 2016 (31 December 2015)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Translation and hedge reserves £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Total equity £m
Group										
At 31 December 2015	15.4	20.4	(1.8)	(21.6)	-	35.6	21.6	69.6	1.6	71.2
Profit/(loss) for the year	-	-	-	-	-	8.5	-	8.5	(0.5)	8.0
Other comprehensive income/(loss)	-	-	-	17.0	-	(31.3)	-	(14.3)	(0.1)	(14.4)
Total comprehensive income/(loss)	-	-	-	17.0	-	(22.8)	-	(5.8)	(0.6)	(6.4)
New share capital issued	5.5	0.1	-	-	69.7	-	-	75.3	-	75.3
Rights issue costs	-	-	-	-	(2.4)	-	-	(2.4)	-	(2.4)
Share-based payments	-	-	-	-	-	0.8	-	0.8	-	0.8
Income tax effect of share-based payments	-	-	-	-	-	0.3	-	0.3	-	0.3
Dividends paid	-	-	-	-	-	(10.6)	-	(10.6)	-	(10.6)
Disposal of own shares	-	-	0.2	-	-	(0.1)	-	0.1	-	0.1
At 31 December 2016	**20.9**	**20.5**	**(1.6)**	**(4.6)**	**67.3**	**3.2**	**21.6**	**127.3**	**1.0**	**128.3**
At 31 December 2014	15.4	20.3	(2.0)	(16.8)	-	29.5	21.6	68.0	1.7	69.7
Profit/(loss) for the year	-	-	-	-	-	10.1	-	10.1	(0.2)	9.9
Other comprehensive (loss)/income	-	-	-	(4.8)	-	3.6	-	(1.2)	0.2	(1.0)
Total comprehensive (loss)/income	-	-	-	(4.8)	-	13.7	-	8.9	-	8.9
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.5	-	0.5	-	0.5
Dividends paid	-	-	-	-	-	(8.0)	-	(8.0)	(0.1)	(8.1)
Repurchase of own shares	-	-	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Disposal of own shares	-	-	0.3	-	-	(0.1)	-	0.2	-	0.2
At 31 December 2015	15.4	20.4	(1.8)	(21.6)	-	35.6	21.6	69.6	1.6	71.2
Company										
At 31 December 2015	15.4	20.4	(1.8)	(0.9)	-	36.9	21.6	91.6	-	91.6
Profit for the year	-	-	-	-	-	46.5	-	46.5	-	46.5
Other comprehensive loss	-	-	-	-	-	(31.3)	-	(31.3)	-	(31.3)
Total comprehensive income	-	-	-	-	-	15.2	-	15.2	-	15.2
New share capital issued	5.5	0.1	-	-	69.7	-	-	75.3	-	75.3
Rights issue costs	-	-	-	-	(2.4)	-	-	(2.4)	-	(2.4)
Share-based payments	-	-	-	-	-	0.8	-	0.8	-	0.8
Dividends paid	-	-	-	-	-	(10.6)	-	(10.6)	-	(10.6)
Disposal of own shares	-	-	0.2	-	-	(0.1)	-	0.1	-	0.1
At 31 December 2016	**20.9**	**20.5**	**(1.6)**	**(0.9)**	**67.3**	**42.2**	**21.6**	**170.0**	**-**	**170.0**

Company										
At 31 December 2014	15.4	20.3	(2.0)	(0.8)	-	21.8	21.6	76.3	-	76.3
Profit for the year	-	-	-	-	-	19.1	-	19.1	-	19.1
Other comprehensive (loss)/income	-	-	-	(0.1)	-	3.6	-	3.5	-	3.5
Total comprehensive income (loss)/income	-	-	-	(0.1)	-	22.7	-	22.6	-	22.6
New share capital issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	0.5	-	0.5	-	0.5
Dividends paid	-	-	-	-	-	(8.0)	-	(8.0)	-	(8.0)
Repurchase of own shares	-	-	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Disposal of own shares	-	-	0.3	-	-	(0.1)	-	0.2	-	0.2
At 31 December 2015	15.4	20.4	(1.8)	(0.9)	-	36.9	21.6	91.6	-	91.6

GROUP AND COMPANY STATEMENTS OF CASH FLOWS
for the year ended 31 December 2016 (year ended 31 December 2015)

		Group		Company	
		2016	2015	**2016**	2015
	Notes	**£m**	£m	**£m**	£m
Cash flows from operating activities					
Cash generated from operations	11	**46.1**	35.9	**(15.8)**	(15.6)
Interest received		**0.7**	0.8	**-**	-
Interest paid		**(7.7)**	(5.9)	**(7.2)**	(4.6)
Tax (paid)/received		**(15.4)**	(7.7)	**(3.7)**	0.6
Net cash flow from/(used in) operating activities		**23.7**	23.1	**(26.7)**	(19.6)
Cash flows from investing activities					
Acquisitions	14	**(4.7)**	(15.1)	**-**	-
Cash acquired with subsidiaries	14	**0.3**	1.3	**-**	-
Investment in associate		**(0.4)**	-	**-**	-
Loan repayment by associate		**0.3**	-	**-**	-
Redemption of joint venture preference shares		**-**	0.8	**-**	-
Purchase of property, plant and equipment		**(24.5)**	(22.2)	**-**	-
Intangible asset additions		**(2.6)**	(2.6)	**-**	-
Proceeds from sale of property, plant and equipment		**2.4**	4.5	**-**	-
Dividends received from equity accounted investments		**6.6**	6.5	**-**	-
Net cash flow used in investing activities		**(22.6)**	(26.8)	**-**	-
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		**72.9**	0.1	**72.9**	0.1
Purchase of own shares		**-**	(0.1)	**-**	(0.1)
Repayment of borrowings		**(64.0)**	(0.4)	**(63.4)**	-
Proceeds from borrowings		**-**	15.3	**-**	15.3
Dividends paid to ordinary shareholders	7	**(10.6)**	(8.0)	**(10.6)**	(8.0)
Net amounts repaid by subsidiaries		**-**	-	**28.0**	12.1
Net cash flow (used in)/from financing activities		**(1.7)**	6.9	**26.9**	19.4
(Decrease)/increase in net cash and cash equivalents		**(0.6)**	3.2	**0.2**	(0.2)
Effects of exchange rate movements		**4.8**	(1.5)	**-**	-
Opening net cash and cash equivalents		**33.9**	32.2	**0.8**	1.0
Closing net cash and cash equivalents[(i)]	10	**38.1**	33.9	**1.0**	0.8

(i) 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 2016 were approved and authorised for issue in accordance with a resolution of the Directors on 7 March 2017. John Menzies plc, a public company with registered number SC34970 and registered address of 2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ, is a limited company incorporated in Scotland and is listed on the London Stock Exchange.

1. ACCOUNTING POLICIES

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

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

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

New accounting standards and amendments affecting the Group
There are no immediate changes to UK financial and corporate reporting requirements following the UK's decision to leave the European Union on 23 June 2016.

The European Markets and Securities Authority has issued 'Guidelines on Alternative Performance Measures' which are effective from 3 July 2016 and which have been followed in explaining the Group's use of non-GAAP measures in these financial statements. Several new accounting standards and amendments are applicable for the first time in 2016. However, they do not impact the annual consolidated financial statements of the Group.

- Amendments to IAS 27: Equity Method in Separate Financial Statements – effective date 1 January 2016
- Amendments to IAS 1: Disclosure Initiative – 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
- Improvements to IFRS 2012–2014 cycle – effective date 1 January 2016.

Standards and amendments to standards that have been issued but are not effective for 2016 and have not been early adopted are:

- Amendment to IAS 7: Disclosure Initiative* – effective date 1 January 2017
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses* – effective date 1 January 2017
- IFRS 9 Financial Instruments* – effective date 1 January 2018
- IFRS 15 Revenue from Contracts with Customers* – effective date 1 January 2018
- IFRS 16 Leases* – effective date 1 January 2019
- IFRS 2 Classification and Measurement of Share-based Payment Transactions* - effective date 1 January 2018
- Improvements to IFRS 2014-2016 cycle* - effective date 1 January 2017
- IFRIC 22 Foreign Currency Transactions and Advanced Consideration* - effective date 1 January 2018

*Not yet adopted for use in the European Union.

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

For standards with a future effective date, the Directors are in the process of assessing the likely impact and look to finalisation of the standards before formalising their view. Ahead of the adoption of IFRS 15 Revenue from Contracts with Customers on 1 January 2018, management is in the process of reviewing all material contracts to ensure compliance with the new standard. The review so far has indicated there are no material adjustments.

Basis of consolidation

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

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

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

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

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

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

Joint ventures and associates

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

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

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

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

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

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

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

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

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

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

Revenue
In the 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.

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.

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

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

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

Pensions
For the defined benefit schemes, the operating and financing costs of pensions are charged to the Income Statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the Statement of Comprehensive Income. Pension costs are assessed in accordance with the advice of qualified actuaries.

For the defined contribution schemes, the Income Statement charge represents contributions made.

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

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

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

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

Intangible assets
Goodwill
Business combinations since 1 January 2010 have been and continue to be accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in exceptional items.

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

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

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

Contracts

The fair value attributed to contracts at the point of acquisition is determined by discounting the expected future cash flows to be generated from that asset at the relevant risk-adjusted weighted average cost of capital for the Group. This amount is included in intangible assets as contracts. Separate values are not attributed to internally generated customer relationships.

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

Computer software

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

Leases

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

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

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

Trade receivables

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

Cash and cash equivalents

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

Foreign currencies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 and sensitivities.

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 based on management's interpretation of country specific tax law and the likelihood of settlement. Management uses the services of a professional firm together with an in-house tax expert and historical experience when assessing tax risks. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. See Note 6 for further details.

The Group has in place a pension funding arrangement and has also claimed a reduced rate of tax in an overseas territory, based on the nature of its activities in that territory, both of which are subject to enquiry by the relevant tax authority. The Group does not recognise potential benefits from such arrangements to its effective tax rate until the agreement of the relevant tax authority is obtained and therefore an appropriate provision is held until that point. Other uncertain tax provisions are held for potential tax authority challenge of our transfer pricing arrangements and for tax authority challenge against our interpretation of local tax legislation where application of that legislation is unclear. Whilst there is a range of potential outcomes for these uncertain tax positions, management's best estimate of how these provisions may move and impact the Group's Income Statement over the next 12 months is an increase in the tax liability of £1.3m to a decrease in the tax liability of £1.0m.

The Group has made an assessment of the use of tax losses in calculating its deferred tax asset and liability including losses in the United States of America that may be subject to section 382 restrictions should the ownership of the Company change significantly in the future.

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.

Non-GAAP measures
Our reported results are prepared in accordance with IFRS as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures. We believe this information, along with comparable GAAP measurements, is useful to investors in providing a basis for measuring our operational performance. Our management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our performance and value creation. Non-GAAP measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP. Non-GAAP financial measures as reported by the Group may not be comparable with similarly titled amounts reported by other companies.

Contract amortisation relates to intangible assets recognised on historic acquisitions and therefore since it is transaction related it is presented as a non-recurring cost in order to provide stakeholders and management with an appreciation for underlying business performance.

The Group’s share of post-tax profit relating to joint ventures and associates is included with operating profit. IAS 1 Presentation of Financial Statements does not prescribe where the investor’s share of post-tax profit is presented in the Income Statement but management presents the results within operating profit after joint ventures and associates given the similarity of those operations to other wholly owned business operations.

Below we set out our definitions of non-GAAP measures and provide reconciliations to relevant GAAP measures.

Turnover
Turnover comprises revenue from subsidiaries and the Group’s share of revenue from joint venture and associates.

	2016 **£m**	2015 £m
Revenue	**1,981.6**	1,899.2
Share of revenue of joint ventures and associates	**95.1**	94.1
Turnover	**2,076.7**	1,993.3

Underlying operating profit
As disclosed on the face of the Income Statement 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
As disclosed on the face of the Income Statement underlying profit before taxation is defined as underlying operating profit, less net finance charges and before exceptional and other items.

Underlying earnings per share
As disclosed on the face of the Income Statement underlying earnings per share is defined as profit after taxation and non-controlling interest before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue.

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

	2016 £m	2015 £m
Cash generated from operations	**46.1**	35.9
Adjusted for:		
Net interest paid	**(7.0)**	(5.1)
Exceptional interest paid	**3.2**	-
Tax Paid	**(15.4)**	(7.7)
Dividends received from equity accounted investments	**6.6**	6.5
Purchase of property, plant and equipment	**(24.5)**	(22.2)
Intangible asset additions	**(2.6)**	(2.6)
Proceeds from sale of property, plant and equipment	**2.4**	4.5
Special pension contribution	**10.9**	11.6
Exceptional cash spend	**11.4**	10.8
Free cash flow	**31.1**	31.7

Underlying operating cash flow
Underlying operating cash flow is free cash flow before net capital expenditure, net interest paid and taxation.

	2016 £m	2015 £m
Free cash flow (as set out above)	**31.1**	31.7
Adjusted for:		
Purchase of property, plant and equipment	**24.5**	22.2
Intangible asset additions	**2.6**	2.6
Proceeds from sale of property, plant and equipment	**(2.4)**	(4.5)
Net interest paid excluding exceptional interest	**3.8**	5.1
Tax Paid	**15.4**	7.7
Underlying operating cash flow	**75.0**	64.8

2. SEGMENT INFORMATION

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

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, intangibles amortisation and share of interest and tax on joint ventures and associates. Net finance income and expenditure is not allocated to segments as this activity is managed by the central treasury function.

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

Business segment information

	Revenue		Underlying operating profit/(loss)	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Aviation				
Americas	**219.8**	173.7	**12.9**	9.6
EMEA	**391.2**	350.7	**6.0**	(0.8)
Rest of World	**139.6**	112.4	**10.9**	10.0
Cargo Forwarding	**117.5**	112.5	**4.4**	4.3
	868.1	749.3	**34.2**	23.1
Distribution	**1,208.6**	1,244.0	**24.7**	25.1
Corporate	**-**	-	**(3.7)**	(3.3)
	2,076.7	1,993.3	**55.2**	44.9
Joint ventures and associates	**(95.1)**	(94.1)	**-**	-
	1,981.6	1,899.2	**55.2**	44.9

In anticipation of the ASIG acquisition on 1 February 2017, the Board has amended the structure of reporting to reflect a more geographic organisation rather than a line of business presentation. The Board believes that analysis of the Aviation performance on a geographical basis provides the user with the most relevant information and is consistent with the basis for internal management review. For comparative purposes in this Annual Report and Accounts the above information is also presented under the segmental basis utilised in previous years as set out below.

	Revenue		Underlying operating profit/(loss)	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Aviation				
Ground Handling	**591.5**	490.0	**13.0**	4.1
Cargo Handling	**159.1**	146.8	**16.8**	14.7
Cargo Forwarding	**117.5**	112.5	**4.4**	4.3
	868.1	749.3	**34.2**	23.1
Distribution	**1,208.6**	1,244.0	**24.7**	25.1
Corporate	**-**	-	**(3.7)**	(3.3)
	2,076.7	1,993.3	**55.2**	44.9
Joint ventures and associates	**(95.1)**	(94.1)	**-**	-
	1,981.6	1,899.2	**55.2**	44.9

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

2016	Notes	**Aviation £m**	**Distribution £m**	**Corporate £m**	**Group £m**
Operating profit/(loss)		**7.2**	**20.7**	**(7.8)**	**20.1**
Share of post-tax results of joint ventures and associates		**6.5**	**1.0**	**-**	**7.5**
Operating profit/(loss) after joint ventures and associates		**13.7**	**21.7**	**(7.8)**	**27.6**
Net finance expense					**(7.8)**
Profit before taxation					**19.8**

Analysed as:					
Underlying operating profit/(loss)(i)		**34.2**	**24.7**	**(3.7)**	**55.2**
Transaction and restructure related items	4	**(4.9)**	**0.2**	**(4.1)**	**(8.8)**
Net impairment loss	4	**(9.6)**	**-**	**-**	**(9.6)**
Contract amortisation	9	**(5.1)**	**(2.8)**	**-**	**(7.9)**
Share of interest on joint ventures and associates		**0.6**	**-**	**-**	**0.6**
Share of tax on joint ventures and associates		**(1.5)**	**(0.4)**	**-**	**(1.9)**
Operating profit/(loss) after joint ventures and associates		**13.7**	**21.7**	**(7.8)**	**27.6**

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

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

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

2016	**Aviation £m**	**Distribution £m**	**Corporate £m**	**Group £m**
Segment assets	**314.2**	**200.0**	**8.0**	**522.2**
Unallocated assets				**63.1**
Total assets				**585.3**
Segment liabilities	**(126.6)**	**(111.3)**	**(30.4)**	**(268.3)**
Unallocated liabilities				**(188.7)**
Total liabilities				**(457.0)**
Segment net assets/(liabilities)	**187.6**	**88.7**	**(22.4)**	**253.9**
Unallocated net liabilities				**(125.6)**
Net assets				**128.3**

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

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.

2016	**Aviation £m**	**Distribution £m**	**Corporate £m**	**Group £m**
Capital expenditure – property, plant and equipment	**23.1**	**2.7**	**0.3**	**26.1**
Capital expenditure – intangible assets	**1.8**	**0.8**	**-**	**2.6**
Depreciation	**17.3**	**4.3**	**0.7**	**22.3**
Amortisation of intangible assets	**5.9**	**5.2**	**-**	**11.1**
Impairment of intangible assets	**7.2**	**-**	**-**	**7.2**
(Gain)/loss on disposal of property, plant and equipment	**(0.3)**	**0.2**	**-**	**(0.1)**

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

Geographic information

	Revenue		Non-current assets[(i)]	
	2016	2015 restated	**2016**	2015 restated
	£m	£m	**£m**	£m
United Kingdom	**1,331.9**	1,363.1	**102.5**	110.2
United States of America	**169.1**	140.3	**44.3**	36.8
Others	**480.6**	395.8	**115.4**	102.1
	1,981.6	1,899.2	**262.2**	249.1

(i) Non-current assets exclude deferred tax assets.

3. PENSION SCHEMES

Defined contribution schemes

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.

	2016 £m	2015 £m
Defined contribution schemes pension charge	**14.6**	11.6

Defined benefit scheme

The principal Group-funded defined benefit scheme in the UK is the Menzies Pension Fund ("**the Fund**") to which employees contribute. The charge to the Income Statement is assessed in accordance with independent actuarial advice from PricewaterhouseCoopers LLP ("**the Actuary**") using the projected unit method.

The pension charge to operating profit in the Income Statement relating to the Fund is £3.2m (2015 £2.2m).

Fund financial assumptions and information

The Actuary undertook a valuation of the Fund as at 31 December 2016 (2015: 31 December 2015). In deriving the results the Actuary used the projected unit method and the following financial assumptions:

	2016 %	2015 %
Annual rate of increase in salaries	**3.3**	3.0
Annual rate of increase in pensions (prior to 1 May 2006)	**3.7**	3.5
Annual rate of increase in pensions (from 1 May 2006 to 1 June 2010)	**2.2**	2.1
Annual rate of increase in pensions (after 1 June 2010)	**1.0**	1.0
Annual price inflation	**3.3**	3.0
Discount rate	**2.7**	4.0

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

The average future life expectancy for a pensioner aged 65 on the Balance Sheet date is:

	2016 Years	2015 Years
Male	**22.0**	22.2
Female	**23.5**	23.7

The average future life expectancy at age 65, for a non-pensioner aged 40 on the Balance Sheet date is:

	2016 Years	2015 Years
Male	**23.5**	23.8
Female	**24.8**	25.0

Further information regarding the membership of the Fund is:

	Number	Liability split	Average liability duration (years)
2016			
Active members	**401**	**18%**	**22.8**
Deferred members	**3,200**	**37%**	**22.6**
Pensioners	**2,131**	**45%**	**13.0**
	5,732	**100%**	**18.3**
2015			
Active members	445	16%	21.8
Deferred members	3,353	34%	21.0
Pensioners	2,138	50%	11.9
	5,936	100%	16.5

Overall weighted average liability duration is 18.3 years (2015: 16.5 years).

Fair value of Fund assets and liabilities

	2016			2015		
	Quoted £m	**Unquoted £m**	**Total value at 31 December £m**	Quoted £m	Unquoted £m	Total value at 31 December £m
Equities	**131.5**	**0.3**	**131.8**	127.4	0.3	127.7
Bonds	**92.0**	**-**	**92.0**	130.8	-	130.8
Investment funds	**6.3**	**-**	**6.3**	1.8	4.0	5.8
Liability driven investment funds	**-**	**77.2**	**77.2**	-	-	-
Property	**-**	**25.0**	**25.0**	4.1	24.4	28.5
Annuity contracts	**-**	**7.8**	**7.8**	-	7.0	7.0
Cash	**13.0**	**-**	**13.0**	7.3	-	7.3
Other	**3.4**	**12.4**	**15.8**	3.0	2.3	5.3
Total value of assets	**246.2**	**122.7**	**368.9**	274.4	38.0	312.4
Defined benefit obligation			**(439.9)**			(355.8)
Recognised in Balance Sheet			**(71.0)**			(43.4)
Related deferred tax asset			**12.1**			7.8
Net pension liabilities			**(58.9)**			(35.6)

The fund holds annuity contracts in respect of a number of members that provide cash flows to the Fund which exactly match the benefit payments to these members.

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

	2016 £m	2015 £m
0.5% decrease in discount rate	**481.0**	386.5
One year increase in life expectancy	**454.4**	366.5
0.5% decrease in inflation	**425.2**	334.4
0.25% increase in pensions	**449.4**	362.8
0.5% decrease in salary increases(i)	**439.9**	355.8

(i) Active members' benefits, once accrued, revalue at the Consumer Price Index capped at 1% p.a. and so changes in the level of salary increase do not affect the past service liability value.

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

Pension expense

The components of pension expense are:

	2016 £m	2015 £m
Amounts charged/(credited) to operating profit are:		
Current service cost	**1.9**	2.0
Administrative costs	**1.6**	1.3
Effect of settlements	**(0.3)**	(1.1)
Total service cost	**3.2**	2.2
Amounts included in finance costs:		
Interest cost on defined benefit obligation	**13.9**	13.4
Interest income on Fund assets	**(12.3)**	(11.5)
Net finance charge	**1.6**	1.9
Pension expense	**4.8**	4.1

The amounts recognised in the Statement of Comprehensive Income are:

	2016 £m	2015 £m
Returns on assets excluding interest income	**48.9**	(4.9)
Changes in demographic assumptions	**4.7**	(11.2)
Changes in financial assumptions	**(93.3)**	17.1
Experience	**2.9**	4.6
Actuarial (loss)/gain	**(36.8)**	5.6

Changes in Fund assets and defined benefit obligation

The change in scheme assets during the year is:

	2016 £m	2015 £m
Fair value of assets at start of year	**312.4**	312.9
Interest income	**12.3**	11.5
Returns on assets excluding interest income	**48.9**	(4.9)
Company contributions	**14.0**	14.1
Employee contributions	**0.7**	0.7
Effect of settlements	**(0.4)**	(2.2)
Benefits and expenses paid	**(19.0)**	(19.7)
Fair value of assets at end of year	**368.9**	312.4

The return on scheme assets (including interest income) was a gain of £61.2m (2015: £6.6m).

The change in defined benefit obligation during the year is:

	2016 £m	2015 £m
Defined benefit obligation at start of year	**355.8**	371.9
Total service cost	**3.5**	3.3
Interest cost	**13.9**	13.4
Effect of settlements	**(0.7)**	(3.3)
Employee contributions	**0.7**	0.7
Benefits and expenses paid	**(19.0)**	(19.7)
Changes in demographic assumptions	**(4.7)**	11.2
Changes in financial assumptions	**93.3**	(17.1)
Experience	**(2.9)**	(4.6)
Defined benefit obligation at end of year	**439.9**	355.8

Benefits, regulatory framework and governance of the Fund

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

Risks

The nature of the Fund exposes the Company to the risk of paying unanticipated additional contributions to the Fund in times of adverse experience.

The most financially significant risks are likely to be: 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; lower than expected investment returns; members living for longer than expected and higher than expected actual inflation, pension and salary increase experience.

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

Asset-liability matching strategies

At the beginning of 2016 the Fund held a mixture of UK gilts. index-linked gilts and corporate bonds which provided a degree of liability hedging. During the year ended 31 December 2016, the Trustee took steps to increase the level of interest rate and inflation hedging of the Fund's liabilities.

In May 2016 the Trustee agreed to de-risk and increase hedging to approximately 30% of liabilities on a gilts basis across interest rates and inflation using leveraged liability driven investment ("**LDI**") funds. This was funded by reducing the Fund's UK equity allocation and moving a proportion of the Fund's index-linked gilts into the LDI funds.

Given the increase in interest rates towards the end of the year, the Trustee agreed to increase the Fund's interest rate hedging further to approximately 40% in December 2016 by moving investments from index-linked gilts into LDI funds. The Fund's inflation hedging remains around 30%.

The Trustee's current investment strategy, having consulted with the Company, is to invest the majority of the Fund's assets in a mix of equities and bonds, in order to strike a balance between maximising the returns on the Fund's assets and minimising the risks associated with lower than expected returns on the Fund's assets.

The Trustee has implemented a de-risking process such that the Fund’s assets are gradually switched out of equities and into bonds as funding improves. This should lead to better matching of assets and liabilities as the Fund matures whilst at the same time locking in favourable asset performance. The Trustee is required to regularly review its investment strategy in light of the revised term and nature of the Fund's liabilities and will be next considering this as part of its 2018 valuation exercise. The current benchmark is to hold 70% in growth assets such as equities and 30% in bonds including index-linked and fixed-interest Government bonds and corporate bonds.

Funding arrangements and funding policy that affect future contributions

The triennial valuation process in which the Trustee and the Company agree the long term funding strategy has been concluded and a Schedule of Contributions dated 4 March 2016 has been agreed. The Schedule of Contributions sets out the additional contributions required to meet the funding shortfall between the value of the Fund's assets and liabilities. The additional contributions have been agreed as being nine annual contributions of £10.7m per annum rising with the higher of RPI or the annual percentage change in dividends and beginning in the year ended 31 March 2017 and continuing to the year ended 31 March 2025. The impact of changes in dividends would only apply when dividends paid are at least at the level of those paid in 2013.

In total the Company expects to contribute around £14m to the Fund during the year to 31 December 2017.

The Company has considered the accounting treatment under IFRIC 14 of the current deficit and the impact of the minimum funding requirement committed by the Company to 2025. A review of the Fund Rules has confirmed that the Group has an unconditional right to a refund of a projected future surplus at some point in the future. There is no requirement for the Group to adjust the Balance Sheet to recognise the future agreed deficit recovery contributions.

Other information

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

4 EXCEPTIONAL AND OTHER ITEMS

Exceptional items included in operating profit

	2016	2015
	£m	£m
Acquisition and other transaction related costs(i)	**(9.1)**	(0.4)
Acquisition related earn-out adjustment(ii)	**0.3**	(0.2)
Rationalisation cost(iii)	**-**	(3.5)
Management restructure and strategic review(iv)	**-**	(1.7)
	(8.8)	(5.8)

(i) Acquisition and other transaction related costs relate to the Rights Issue process and acquisition of ASIG Holdings Ltd and ASIG Holdings Corp. on 1 February 2017 (acquisition costs £5.7m and integration costs £1.3m) in the Aviation Division as well as other smaller acquisitions including Renaissance Aviation Ltd in Aviation, and Thistle Couriers Ltd and Edinburgh Arts and Entertainment Ltd in the Distribution Division (£0.2m total). In addition, aborted Aviation transaction costs were £0.9m while restructure consultancy costs were £0.8m and other ongoing transaction costs were £0.2m. In the prior year the costs related largely to the acquisition of AJG Parcels Ltd in June 2015 and Oban Express Parcel Service Ltd in Distribution in November 2015.

(ii) Contingent consideration relating to the acquisition of Fore Partnership was settled for £1.3m being £0.3m lower than anticipated at 31 December 2015 in the Distribution Division. In the prior year, a charge was recognised relating to contingent consideration for Fore Partnership which was partly offset by a credit arising on settlement of the Orbital Marketing Services Group contingent consideration.

(iii) In the prior year, costs of £3.3m were incurred rationalising excess capacity in the Distribution Division. Restructuring costs of £0.2m were also incurred in the Aviation Division in Spain.

(iv) In the prior year, costs of £1.7m were incurred relating to redundancy and advisory costs relating to the work performed to reshape the senior management team and review the strategic direction of the Group's business in order to prioritise the opportunities for growth.

Exceptional items included in finance charges

	2016	2015
	£m	£m
Acquisition related financing costs(i)	**(1.5)**	-
Unwind discount costs(ii)	**(0.2)**	(0.2)

(i) Relating to ticking fees and an amortisation of underwriting fees on the new financing facilities agreed in the period required to fund the acquisition of ASIG Holdings Ltd and ASIG Holdings Corp. on 1 February 2017.
(ii) Relating to deferred consideration and onerous lease provisions.

Intangible assets amortisation and impairment included in operating profit

	2016	2015
	£m	£m
Contract amortisation(i)	**(7.9)**	(7.1)
Net impairment loss(ii)	**(9.6)**	(4.7)

(i) Contracts capitalised as intangible assets on the acquisition of businesses.
(ii) In the Aviation Division an impairment of goodwill of £7.2m and property, plant and equipment of £2.4m was triggered by the loss of volumes with key customers at the cargo operations in Amsterdam and the impact this has on the overall business. The recoverable amount of the cash-generating unit is £Nil based on a value in use methodology utilising a pre-tax discount rate of 9% (2015: 9%). In the prior year, following the loss of licences in the Aviation Division in Spain an impairment charge of £4.7m was recognised representing a write-off of intangible assets of £4.0m and other associated assets of £0.7m.

The taxation effect of the exceptional items is a net credit of £2.2m (2015: net credit of £1.7m) in relation to tax deductions available for a proportion of the exceptional costs arising during the year.

5. FINANCE COSTS (PRE-EXCEPTIONAL)

	2016	2015
	£m	£m
Finance income		
Bank deposits	**0.7**	0.8
Finance charges		
Bank loans and overdrafts	**(4.5)**	(5.5)
Preference dividends	**(0.1)**	(0.1)
	(4.6)	(5.6)
Net finance costs	**(3.9)**	(4.8)

6. TAXATION

Tax charge in Income Statement

	2016	2015
	£m	£m
Current tax		
UK corporation tax on profits for the year	**1.0**	0.1
Overseas tax	**11.4**	8.9
Adjustments to prior years' liabilities	**(0.1)**	0.1
	12.3	9.1

Deferred tax		
Origination and reversal of temporary differences	**(1.5)**	(2.6)
Adjustments to prior years' liabilities	**(0.6)**	(0.2)
	(2.1)	(2.8)
Retirement benefit obligation	**1.6**	2.0
	(0.5)	(0.8)
Tax on profit on ordinary activities	**11.8**	8.3

Tax related to items charged/(credited) outside Income Statement

	2016 £m	2015 £m
Deferred tax on actuarial (loss)/gain on retirement benefit obligation	**(7.4)**	1.1
Deferred tax impact of UK rate change on pension arrangements	**1.6**	0.9
Deferred tax on share-based payments	**(0.3)**	-
Current tax on net exchange adjustments	**0.4**	(0.9)
Deferred tax on net exchange adjustments	**0.6**	-
	(5.1)	1.1

Effective tax rate

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

	2016 £m	2015 £m
Profit before tax	**19.8**	18.2
Profit before tax multiplied by standard rate of corporation tax in the UK of 20.0% (2015: 20.25%)	**4.0**	3.7
Non-deductible expenses including intangible amortisation	**3.5**	3.1
Depreciation on non-qualifying assets	**0.3**	0.4
Unrelieved overseas losses	**1.5**	1.5
Deferred tax assets written off	**1.5**	0.1
Deferred tax asset recognised on overseas losses carried forward	**(1.6)**	(2.0)
Deferred tax liability recognised on undistributed reserves of overseas subsidiaries	**1.1**	1.2
Exceptional items	**1.8**	0.4
Utilisation of previously unrecognised losses	**(0.9)**	(0.3)
Higher tax rates on overseas earnings	**2.8**	1.9
Share of joint venture and associate post-tax result included in profit before tax	**(1.5)**	(1.6)
Adjustments to prior years' liabilities	**(0.7)**	(0.1)
At the effective corporation tax rate of 59.6% (2015: 45.6%)	**11.8**	8.3

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. As the reductions in the main rate of corporation tax were substantively enacted at the balance sheet date, and reduce the tax rate applying when temporary differences reverse on or after 1 January 2017, it could have the effect of reducing the UK deferred tax assets and liabilities depending upon the timing of the reversal of the temporary differences. As most of the temporary differences reversing on or after 1 January 2017 relate to the UK pension deficit which has risen predominantly due to actuarial gains/losses taken to other comprehensive income, the reduction in the deferred tax asset has been debited to other comprehensive income and therefore has not had an effect on the effective tax rate or on profit for the year.

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

	Losses		
	2016	2015	
	£m	£m	Expiry
Colombia	**3.5**	2.6	Carry forward indefinitely
Germany	**20.8**	17.8	Carry forward indefinitely
Namibia	**0.4**	-	Carry forward indefinitely
Netherlands	**4.4**	3.6	Carry forward for 4 years
Norway	**14.7**	11.9	Carry forward indefinitely
South Africa	**8.1**	5.1	Carry forward indefinitely
Sweden	**4.3**	3.3	Carry forward indefinitely
United States of America	**31.2**	37.1	Carry forward for up to 20 years

The Group has capital losses in the UK of approximately £10.4m (2015: £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

	2016	2015
Dividends paid on ordinary shares	**£m**	£m
Interim paid in respect of 2016, 5.4p per share	**3.3**	-
Final paid in respect of 2015, 11.8p per share	**7.3**	-
Interim paid in respect of 2015, 5.0p per share	**-**	3.0
Final paid in respect of 2014, 8.1p per share	**-**	5.0
	10.6	8.0

Dividends of £0.1m were waived on Treasury shares (2015: £Nil).

The Directors are proposing a final dividend in respect of the year to 31 December 2016 of 13.1p per ordinary share, which will absorb an estimated £10.9m of shareholders' funds. Payment will be made on 3 July 2017 to shareholders on the register at the close of business on 26 May 2017.

Treasury shares
Ordinary shares are held for employee share schemes. At 31 December 2016 the Company held 310,338 (2015: 345,176) ordinary shares with a market value of £1.8m (2015: £1.4m).

8. EARNINGS PER SHARE

	Basic		Underlying(i)	
	2016	2015 restated	**2016**	2015 restated
	£m	£m	**£m**	£m
Profit for the year as set out in the Income Statement	**8.0**	9.9	**33.8**	26.0
Loss relating to non-controlling interests	**0.5**	0.2	**0.5**	0.2
Earnings for the year attributable to equity shareholders	**8.5**	10.1	**34.3**	26.2
Basic				
Earnings per ordinary share (pence)	**11.8p**	14.6p		
Diluted earnings per ordinary share (pence)	**11.8p**	14.6p		
Historical adjusted earnings per ordinary share (pence)	**13.8p**	16.5p		
Underlying(i)				
Earnings per ordinary share (pence)			**47.8p**	37.8p
Diluted earnings per ordinary share (pence)			**47.7p**	37.8p
Historical adjusted earnings per ordinary share (pence)			**55.9p**	42.7p
Number of ordinary shares in issue				
Weighted average (million)	**71.8**	69.4		
Diluted weighted average (million)	**71.9**	69.4		
Historical weighted average (million)	**61.4**	61.3		

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

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

The 2015 results have been restated to adjust for the impact of the October 2016 Rights Issue with the discount reflected as a bonus issue. The restatement adjusts the 2015 results for the impact of the bonus factor, but not the increase in the Group's available capital which has been raised but not deployed in the period due to the related acquisition of ASIG completing on 1 February 2017. As such, an additional measure, 'historical adjusted earnings per ordinary share', has been presented to enable the comparison of 2016 performance on a consistent capital base. This has been calculated by adjusting the 2016 weighted average number of shares for this measure to remove the full effect of the Rights Issue. The Directors consider that this provides an underlying measure that is comparable to underlying earnings per share presented historically.

9. INTANGIBLE ASSETS

	Goodwill £m	Contracts £m	Computer software £m	Total £m
Cost				
At 31 December 2015	64.6	91.6	32.5	188.7
Acquisitions (Note 14)	0.4	2.7	-	3.1
Additions	-	-	2.6	2.6
Disposals	-	-	(0.1)	(0.1)
Currency translation	12.1	6.8	-	18.9
At 31 December 2016	**77.1**	**101.1**	**35.0**	**213.2**
Amortisation and impairment				
At 31 December 2015	12.3	46.1	22.0	80.4
Amortisation charge	-	7.9	3.2	11.1
Impairment (Note 4)	7.2	-	-	7.2
Currency translation	5.8	4.7	-	10.5
At 31 December 2016	**25.3**	**58.7**	**25.2**	**109.2**
Net book value				
At 31 December 2016	**51.8**	**42.4**	**9.8**	**104.0**
At 31 December 2015	52.3	45.5	10.5	108.3

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

As set out in Note 4, the impairment of goodwill of £7.2m relates to the Aviation cargo business in The Netherlands where both the goodwill and fixed assets were fully impaired. In the prior year the £4.0m impairment relates to the Aviation Division in Spain where the asset was fully impaired.

Goodwill acquired through business combinations and intangible assets with indefinite lives have 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.

		2016			2015		
		Pre-tax discount rate used in impairment review	**Goodwill £m**	**Contracts £m**	Pre-tax discount rate used in impairment review	Goodwill £m	Contracts £m
Aviation							
Americas cargo		**8%**	**10.1**	**-**	9%	8.5	-
Americas other		**9.1%**	**11.7**	**-**	10%	9.9	-
EMEA Cargo		**7%**	**2.9**	**-**	8.7%	9.6	-
EMEA Other	UK ground handling	**8%**	**3.1**	**-**	9%	3.1	-
	Other Europe ground handling	**16%**	**0.4**	**-**	11%	0.4	-
Cargo Forwarding	USA, Australia, and New Zealand	**9.5%**	**6.4**	**-**	10%	5.4	-
	South Africa	**11%**	**2.1**	**-**	12%	1.7	-
Rest of World		**8.5%**	**3.2**	**-**	9%	2.2	-
Distribution							
Core	Great Britain	**8%**	**7.3**	**12.9**	9%	7.3	12.9
	Northern Ireland	**8%**	**-**	**3.1**	9%	-	3.1
Parcels		**8%**	**4.6**	**-**	9%	4.2	-
			51.8	**16.0**		52.3	16.0

The CGUs in the above table are presented in a format closely aligned with the segmental information in Note 2.

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 5% to 13% (2015: 6% to 9%) 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 7% to 16% (2015: 8% to 13%) as shown in the table above. The pre-tax rate has been applied to pre-tax cash flows.

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 £14.1m (2015: £15.1m) and the average remaining amortisation period is two years (2015: three 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% (2015: Nil%). Net margin assumptions are based on historic experience.

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

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 2010 and 2021. Growth rates in the cash flows beyond the three year period have been assumed to be -8.5% to Nil% (2015: -2% to 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.

Most Distribution core non-publisher contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition. The carrying value of Distribution non-publisher contracts is £12.3m (2015: £14.3m) and the average remaining amortisation period is five years (2015: six years).

10. CHANGES IN NET BORROWINGS

	2015 £m	Cash flows £m	Subsidiaries acquired £m	Currency translation £m	**2016 £m**
Cash at bank and in hand	34.1	(0.3)	0.3	4.8	**38.9**
Bank overdrafts	(0.2)	(0.6)	-	-	**(0.8)**
Net cash and cash equivalents	33.9	(0.9)	0.3	4.8	**38.1**
Bank loans due within one year	(2.7)	(35.3)	-	-	**(38.0)**
Preference shares	(1.4)	-	-	-	**(1.4)**
Finance leases	(0.5)	0.6	(0.3)	-	**(0.2)**
Debt due after one year	(150.8)	87.5	-	-	**(63.3)**
Net derivative liabilities	(1.7)	11.2	-	(15.2)	**(5.7)**
Net debt	(123.2)	63.1	-	(10.4)	**(70.5)**

Currency translation movements result from the Group's policy of hedging its overseas net assets, which are denominated mainly in US dollars, Euros and Australian dollars. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange gain of £16.9m (2015: loss of £4.5m). The net gain is recognised in other comprehensive income.

11. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Operating profit/(loss)	**20.1**	18.8	**(4.1)**	(2.7)
Depreciation	**22.3**	21.0	**0.8**	0.7
Amortisation of intangible assets	**11.1**	10.6	**-**	-
Share-based payments	**0.7**	0.5	**0.7**	0.5
Onerous lease provision	**1.6**	0.3	**-**	-
Cash spend on onerous leases	**(1.5)**	(2.8)	**-**	-
Gain on sale of property, plant and equipment	**(0.1)**	(0.6)	**-**	-
Pension charge	**3.5**	3.3	**-**	-
Pension credit	**(0.3)**	(1.1)	**-**	-
Pension contributions in cash	**(14.0)**	(14.1)	**(14.0)**	(14.1)
Acquisition, restructure and rationalisation related costs	**9.1**	5.3	**4.1**	-
Cash spend on exceptional items	**(9.9)**	(8.0)	**(3.3)**	-
Acquisition, related earn-out adjustment	**(0.3)**	0.2	**-**	-
Net impairment loss	**9.6**	4.7	**-**	-
Increase in inventories	**(1.3)**	(1.8)	**-**	-
Increase in trade and other receivables	**(37.3)**	(16.2)	**-**	-
Increase in trade and other payables and provisions	**32.8**	15.8	**-**	-
	46.1	35.9	**(15.8)**	(15.6)

12. FINANCIAL INSTRUMENTS

Derivative financial instruments

	Group		Company	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Cash flow hedges:				
Foreign exchange forward contracts	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Foreign currency net investment hedges:				
Foreign exchange forward contracts	**(5.3)**	(1.3)	**(5.3)**	(1.3)
Current net fair value	**(5.7)**	(1.7)	**(5.7)**	(1.7)

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 2016, the Group held the following financial instruments measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2 : other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

Derivative financial instruments adjusted to fair value through the Other Comprehensive Income Statement

2016

	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets:				
Foreign exchange contracts – hedged	**-**	**0.4**	**-**	**0.4**
Financial liabilities:				
Foreign exchange contracts – hedged	**-**	**6.1**	**-**	**6.1**

2015

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

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Cash flow hedges

Foreign exchange forward contracts

At 31 December 2016 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 2016 the Group had no interest rate swaps in place. At 31 December 2016, 8.6% (2015: 9.1%) of the Group's borrowings were fixed.

	2016	2015
	Liabilities £m	Liabilities £m
Fair value of cash flow hedges - currency forward contracts	**(0.4)**	(0.4)
Current value	**(0.4)**	(0.4)

For 2016, 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 (2015: £0.7m) 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 foreign currency denominated assets to minimise foreign exchange risk. This is primarily achieved using forward contracts denominated in the relevant foreign currencies. Gains or losses on the retranslation of these hedges are transferred to reserves to offset any gains or losses on translation of the net investments in the subsidiary undertakings.

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

	Group and Company			
	Currency value		Sterling equivalent	
	2016 million	2015 million	**2016 £m**	2015 £m
Australian dollar	**24.0**	23.9	**14.1**	11.8
Canadian dollar	**5.5**	5.5	**3.3**	2.7
Colombian peso	**4,000**	4,000	**1.1**	0.9
Czech koruna	**115.0**	115.0	**3.6**	3.1
Danish krone	**10.0**	10.0	**1.1**	1.0
Euro	**9.6**	15.0	**8.2**	11.1
Indian rupee	**810**	810	**9.7**	8.3
Mexican peso	**51.0**	51.0	**2.0**	2.0
New Zealand dollar	**3.0**	3.0	**1.7**	1.4
Norwegian krone	**7.0**	7.0	**0.7**	0.5
South African rand	**30.0**	30.0	**1.8**	1.3
Swedish krona	**50.0**	50.0	**4.5**	4.0
US dollar	**41.5**	45.0	**33.6**	30.5

	2016		2015	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	**0.4**	**(5.7)**	0.6	(1.9)
Current value	**0.4**	**(5.7)**	0.6	(1.9)

Other financial instruments

Contingent consideration

The acquisition of PlaneBiz 2015 Ltd in 2014 included options in relation to the 40% shareholding owned by a third party. These options take the form of a put option in favour of the third party shareholders for up to 30% of the share capital, exercisable in 2018 and 2019. Following the expiry of this put option the Group then has a call option, exercisable for a 60 day period, for the remaining shares that have not been exercised under the put option. The fair value of the put option has been calculated based on the expected discounted cash flows of the underlying value, which is the expected average annual EBITDA over the preceding three years multiplied by 5.5. The call option is considered to have a negligible fair value.

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

	2016 £m	2015 £m
Fair value of contingent consideration:		
Fore Partnership	**-**	1.6
Fair value of other contingent acquisition related amounts:		
PlaneBiz 2015 Ltd	**3.4**	2.7

Interest-bearing loans and borrowings

		Group		Company	
	Maturity	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Obligations under finance leases	April 2017 to April 2018	**0.2**	0.5	**-**	-
Bank overdrafts	On Demand	**0.8**	0.2	**0.5**	0.2
Non-amortising bank loans	January 2017 to December 2018	**91.3**	140.8	**91.3**	140.8
Amortising term loan	March 2020	**10.0**	12.7	**10.0**	12.7
Preference shares	Non-redeemable	**1.4**	1.4	**1.4**	1.4
		103.7	155.6	**103.2**	155.1
Current		**39.0**	3.4	**38.5**	2.9
Non-current		**64.7**	152.2	**64.7**	152.2
		103.7	155.6	**103.2**	155.1

To fund the planned acquisition of ASIG, the Group put in place unsecured, committed bank loans that were conditional on the acquisition occurring. These loan facilities were put in place in September 2016 and as well as funding the ASIG acquisition were to refinance all current bank loans. The new facilities are a $250m term loan and a £150m revolving credit facility and both have a maturity of June 2021.

Funds were drawn down to meet the acquisition consideration and to repay the existing facilities on 1 February 2017.

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

The amortising term loan is repayable between 2017 and 2020 with interest payable at a fixed rate of 6.23%. The loan has a weighted average maturity of two years (2015: two years).

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.

Net debt

	Group		Company	
	2016 **£m**	2015 £m	**2016** **£m**	2015 £m
Derivative financial instruments	**5.7**	1.7	**5.7**	1.7
Interest-bearing loans and borrowings	**103.7**	155.6	**103.2**	155.1
Total borrowings	**109.4**	157.3	**108.9**	156.8
Less: cash at bank, cash in hand and short-term deposits	**38.9**	34.1	**1.0**	0.8
	70.5	123.2	**107.9**	156.0

The book and fair values are:

	2016		2015	
	Book value **£m**	**Fair value** **£m**	Book value £m	Fair value £m
Short-term borrowings	**38.0**	**38.2**	2.7	3.0
Medium-term borrowings	**63.3**	**64.0**	150.8	151.7
Long-term borrowings	**1.4**	**1.4**	1.4	1.4
Derivative financial instruments	**5.7**	**5.7**	1.7	1.7
Finance leases	**0.2**	**0.2**	0.5	0.5
Bank overdrafts	**0.8**	**0.8**	0.2	0.2
Total financial liabilities	**109.4**	**110.3**	157.3	158.5
Less: cash at bank, cash in hand and short-term deposits	**38.9**	**38.9**	34.1	34.1
Net debt	**70.5**	**71.4**	123.2	124.4

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

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

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

At 31 December 2016 the currency and interest rate profile of financial liabilities was:

	2016			2015		
	Floating rate financial liabilities **£m**	**Fixed rate financial liabilities** **£m**	**Total** **£m**	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Sterling denominated	**92.3**	**11.4**	**103.7**	141.5	14.1	155.6
Net derivative liabilities	**5.7**	**-**	**5.7**	1.7	-	1.7
	98.0	**11.4**	**109.4**	143.2	14.1	157.3

At 31 December 2016 the expiry profile of undrawn committed facilities was:

	Group		Company	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Between one and two years	**68.7**	20.0	**68.7**	20.0
Between two and five years	**-**	44.3	**-**	44.3
	68.7	64.3	**68.7**	64.3

Trade and other receivables and payables

Trade and other receivables and trade and other payables carrying values of £203.1m (2015: £170.7m) and £246.0m (2015: £211.9m) respectively, in respect of the Group and £338.8m and £317.1m (2015: £287.0m and £310.3m), in respect of the Company, are assumed to approximate their fair values due to their short-term nature.

Sensitivity and risk information

Foreign currency sensitivity

For 2016, if Sterling had weakened/strengthened by 10% on currencies that have a material impact on the Group profit before tax and equity, with all other variables held constant the effect would have been:

		2016		2015	
	Changes in rate	**Effect on profit before tax £m**	**Effect on equity £m**	Effect on profit before tax £m	Effect on equity £m
US dollar	+10%	**1.5**	**3.8**	1.0	2.1
US dollar	-10%	**(1.2)**	**(3.1)**	(0.8)	(1.7)
Australian dollar	+10%	**1.0**	**1.8**	0.9	1.6
Australian dollar	-10%	**(0.8)**	**(1.5)**	(0.7)	(1.3)
Indian rupee	+10%	**0.6**	**1.3**	0.6	0.6
Indian rupee	-10%	**(0.5)**	**(1.0)**	(0.5)	(0.5)
Euro	+10%	**0.5**	**-**	0.5	0.9
Euro	-10%	**(0.4)**	**-**	(0.4)	(0.7)
South African rand	+10%	**(0.1)**	**0.8**	-	0.6
South African rand	-10%	**0.1**	**(0.7)**	-	(0.5)

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

Capital risk

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

Credit risk

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

	Group		Company	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Bank deposits	**38.9**	34.1	**1.0**	0.8
Trade receivables	**195.9**	161.4	**-**	-
	234.8	195.5	**1.0**	0.8

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.

2016	**Due under 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Due over 5 years £m**
Interest-bearing loans and borrowings	**(40.2)**	**(60.8)**	**(6.8)**	**-**
Preference shares	**(0.1)**	**(0.1)**	**(0.4)**	**(1.5)**
Other liabilities	**(0.1)**	**(0.1)**	**-**	**-**
Trade and other payables	**(127.9)**	**(4.0)**	**-**	**-**
Financial derivatives	**(85.6)**	**-**	**-**	**-**
	(253.9)	**(65.0)**	**(7.2)**	**(1.5)**

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

13. CONTINGENT LIABILITIES

The Company has guaranteed certain trading obligations of its subsidiaries in the normal course of business.

14. ACQUISITIONS

During the period the Group acquired 100% of the share capital of each of Renaissance Aviation Ltd, Thistle Couriers Ltd and Edinburgh Arts and Entertainment Ltd.

On 9 February 2016 the Group acquired Renaissance Aviation Ltd, a ground handling company based in Bermuda. The Group has acquired the company to develop our presence in the region. These financial statements include the impact of ten months' trading results.

On 9 February 2016 the Group acquired Thistle Couriers Ltd, a logistics company based in Scotland. The Group has acquired the company to realise the potential of the existing UK logistics network. These financial statements include the impact of ten months' trading results.

On 29 September 2016 the Group acquired Edinburgh Arts and Entertainment Ltd, a leaflet distribution company based in Scotland. The Group has acquired the company to realise the potential of the existing distribution network. These financial statements include the impact of three months' trading results.

Division	**Aviation**	**Distribution**	**Distribution**		
Name	**Renaissance Aviation Ltd**	**Thistle Couriers Ltd**	**Edinburgh Arts and Entertainment Ltd**	**Total**	Total
	2016	**2016**	**2016**	**2016**	2015
	£m	**£m**	**£m**	**£m**	£m
Purchase consideration					
Cash payable	**2.3**	**1.1**	**0.1**	**3.5**	6.8
Deferred consideration	**0.2**	**0.3**	**-**	**0.5**	0.7
	2.5	**1.4**	**0.1**	**4.0**	7.5
Less: fair value of net assets acquired	**2.5**	**1.0**	**0.1**	**3.6**	3.3
Goodwill	**-**	**0.4**	**-**	**0.4**	4.2

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

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

	Renaissance Aviation Ltd	**Thistle Couriers Ltd**	**Edinburgh Arts and Entertainment Ltd**	**Total**	Total
	2016	**2016**	**2016**	**2016**	2015
	£m	**£m**	**£m**	**£m**	£m
Non-current assets					
Intangible assets (contracts)	**1.9**	**0.6**	**0.2**	**2.7**	1.7
Property, plant and equipment	**0.1**	**0.4**	**0.1**	**0.6**	1.3
Current assets	**0.6**	**0.7**	**0.2**	**1.5**	2.1
Cash/overdraft	**0.1**	**0.2**	**-**	**0.3**	1.3
Current liabilities	**(0.2)**	**(0.6)**	**(0.3)**	**(1.1)**	(2.4)
Finance leases	**-**	**(0.2)**	**(0.1)**	**(0.3)**	(0.7)
Non-current liabilities	**-**	**(0.1)**	**-**	**(0.1)**	-
Net assets acquired at fair value	**2.5**	**1.0**	**0.1**	**3.6**	3.3

Current assets acquired with Renaissance Aviation Ltd, Thistle Couriers Ltd and Edinburgh Arts and Entertainment Ltd include £0.7m, £0.6m and £0.2m of trade receivables at fair value respectively, the gross amount acquired. The fair values of the net assets of the companies acquired remain provisional pending the formal completion of the valuation process.

The acquired businesses contributed £0.2m profit before taxation and £5.6m revenue from acquisition date. If the businesses had been acquired on 1 January 2016, Group revenue and profit before taxation for continuing operations would have been £1,983.2m and £19.9m respectively. Transaction fees of £0.2m relating to these acquisitions were incurred and expensed during the period.

On 4 April 2016 the Group acquired 20% of the share capital of Hamilton Aero Maintenance Ltd for a consideration of £0.4m. The company provides line maintenance and engineering support services and is based in New Zealand.

Contingent and deferred consideration

As set out in Note 4, contingent consideration of £1.3m relating to the Fore Partnership was settled in March 2016. Deferred consideration of £0.3m relating to the acquisition of Menzies Parcels Ltd (formerly known as AJG Parcels Ltd) was cash settled in May 2016.

15. CASH FLOW HEDGE RESERVE

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

16. RELATED PARTY TRANSACTIONS

During the year the Group transacted with related parties in the normal course of business and on an arm's-length basis. These sales to and from related parties are made at normal market prices. Details of these transactions are:

Related party	Group share holding %	Sales to related party £m	Amounts owed to related party at 31 December 2016 £m	Amounts owed by related party at 31 December 2016 £m
Menzies Bobba Ground Handling Services Private Ltd	51	0.1	-	-
Hyderabad Menzies Air Cargo Private Ltd	49	0.1	-	0.1
Menzies Macau Airport Services Ltd	29	0.3	-	0.1
EM News Distribution (NI) Ltd	50	0.6	5.0	-
EM News Distribution (Ireland) Ltd	50	1.0	0.1	-

Key management personnel include individuals who are Executive Directors of the Group and those 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:

	2016 £m	2015 £m
Short-term employee benefits	**5.5**	4.5
Post-employment pension and medical benefits	**0.5**	0.5
Termination payments	**0.1**	-
Share-based payments	**0.7**	0.5
	6.8	5.5

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 2016 was £0.2m (2015: £0.2m).

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

17. EVENTS AFTER THE REPORTING PERIOD

Acquisition of ASIG

On 1 February 2017, the Group announced the completion of the acquisition of 100% of the voting rights of ASIG Holdings Ltd and ASIG Holdings Corp (together "**ASIG**") for $202m. ASIG is a leading aviation services business, providing ground, fuel and airport facility services to airlines, airports, oil companies and industry partners in the commercial aviation sector. It delivers comprehensive service solutions including into-plane fuelling, fuel farm management, ground handling, aircraft technical support services, facilities equipment maintenance and de-icing at 88 airports across seven countries in the Americas, Europe and Asia.

The acquisition was a Class 1 transaction under the UK Listing Rules, receiving shareholder approval on 11 October 2016. The deal has been funded by a combination of a Rights Issue and borrowings through new facilities comprising a $250m term loan and a £150m revolving credit facility with maturities of June 2021.

No further disclosures have been provided in respect of business combinations after the balance sheet date on the basis that the initial accounting is not yet complete.

Defined benefit pension scheme

On 28 February 2017 the Company informed the active members of the Company's defined benefit pension scheme the Menzies Pension Fund, that it will ask the Trustee to amend the Fund Rules to close the fund to future accrual on 31 March 2017.

18. ACCOUNTS

The figures used in this statement, which was approved by the Directors on 7 March 2017, 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.

19. ANNUAL REPORT

The Annual Report and Accounts will be available on 28 March 2017 and the Annual General Meeting will be held at the Waldorf Astoria Hotel in Edinburgh on 12 May 2017 at 2.00pm. Statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies and those for the year to 31 December 2016 will be delivered following the Company's Annual General Meeting.