



John Menzies plc Final Results Announcement

13 March 2018

John Menzies plc

Final Results for the year ended 31 December 2017

Financial Summary

| | <u>2017</u> Reported | <u>2017</u> Constant currency ^[6] | <u>2016</u> |
|--|-------------------------|--|-------------|
| Turnover ^[1] | £2,517.7m | £2,457.3m | £2,077.6m |
| Underlying operating profit ^[2] | £77.9m | £73.8m | £55.2m |
| Operating profit | £39.2m | --- | £27.6m |
| Underlying profit before taxation ^[3] | £67.1m | £63.0m | £49.7m |
| Profit before tax | £26.7m | --- | £19.8m |
| Operating cash flow ^[4] | £109.9m | --- | £75.0m |
| Underlying earnings per share ^[5] | 57.2p | --- | 47.8p |
| Basic earnings per share | 15.1p | --- | 11.8p |
| Dividend per share | 20.5p | --- | 18.5p |

Overview

Group – 2017 was a transformational year

- Group successfully completed its largest ever acquisition (ASIG) for US\$202m
- Record reported underlying operating profits delivered – up 41% at £77.9m
- Exceptional charge of £27.1m relating to corporate transactions and pension de-risking
- Sale process for Menzies Distribution is underway
- Underlying EPS up 20%
- Proposed final dividend of 14.5p giving a total dividend of 20.5p for the year, up 11%

Menzies Aviation – An excellent year delivering strong growth

- ASIG acquisition completed and integrating well. Projected synergy target being exceeded
- Underlying business performing well
- Investment in people and processes ensuring industry leading position maintained
- Commercial progress continued with excellent net contract gain position

Menzies Distribution – A solid performance

- Underlying operating profit in line with last year at £24.8m

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

“I am delighted to again report a positive set of results.

“At Menzies Aviation we completed and are successfully integrating the Group’s largest ever acquisition which after a period of stabilisation offers exciting growth opportunities. Overall, the business has performed well with many new contracts gained and we continue to invest in our people and systems in pursuit of our excellence manifesto.

“I am very pleased that despite a number of distractions Menzies Distribution produced a solid performance, holding underlying profits flat in the face of declining volume and increasing wage costs.

"We continue to make good progress on our separation plans and a sale process for Menzies Distribution is now underway.

"The Board is focused on creating a global pure play Aviation Services business and is excited by the opportunities that presents. We have a strong management team who are delivering against our strategic objectives.

"We are a very well placed, well-funded Group operating in a structural growth market and we look to the future with confidence."

Notes

1. Turnover is revenue plus the Group's share of revenue from joint ventures and associates. 2016 turnover has been restated upward by £0.9m for the impact of recognising a sales return reserve (see note 16).
2. Underlying operating profit is operating profit adjusted 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.
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. Performance at constant currency has been calculated by translating non-Sterling earnings for the current period into Sterling at the exchange rates used for the same period in the prior year. No adjustment has been made for the impact of acquisitions in the current period.

Notes to Editors

John Menzies plc provides essential support services to fast-moving markets, operating 24/7 in 36 countries around the world. Established in 1833 and headquartered in Edinburgh, the company's primary business is the provision of services to the global aviation industry through its Aviation Division.

Menzies Aviation is a leading global provider of passenger, ramp and cargo services. Menzies Aviation operates at 212 airports in 34 countries, supported by a team of some 32,500 highly-trained people. Each year Menzies Aviation serves some 1,000 customers, handling 1.4 million flights, 1.6 million tonnes of cargo and fuelling 3.7 million turnarounds. Customers include Air Canada, Air France-KLM, Alaska Airlines, American Airlines, Cathay Pacific, Delta Air Lines, easyJet, Emirates, Frontier Airlines, IAG, Lufthansa, Norwegian Air Shuttle and United Airlines. Best in class safety and security is the number one priority each day and every day.

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. In addition to its core role within the UK print media supply chain, delivering over five 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.

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Chairman's Statement

My first full year as Chairman of John Menzies plc has proven to be an exhilarating one that has strongly reinforced my belief in the significant potential that exists within the Group. The acquisition of ASIG at the beginning of 2017 was a transformational deal that substantially increased the pipeline of opportunities available to us and, significantly, represented a step change in the trajectory of our Aviation business. Unsurprisingly, therefore, the seamless integration of ASIG into our operations was a key focus during 2017. To ensure a robust platform was in place to support the enlarged business, a dedicated integration team was established and tasked with the successful integration of the business and anticipated synergy delivery. I'm pleased to report that the integration team are delivering on time and are exceeding the projected synergy target.

From a Group structure perspective, I, together with my fellow Board members, continue to believe there is strategic merit in and potential shareholder value to be created by separating the Aviation and Distribution Divisions into strategically focused and independent businesses. Accordingly, following termination of discussions with the DX (Group) plc and as announced in our Trading Update in November 2017, the Board appointed NM Rothschild to assist in undertaking a strategic review of Distribution with the objective of assessing the optimum route to split the Group and create two strong market players. Following the review, a sale process for Menzies Distribution has begun.

Governance

In our journey to be regarded as the undisputed market leader in the Aviation Services industry in terms of the quality of service we provide, we recognise that we must distinguish ourselves from our competitors through setting the highest standards in safety, security and performance. Our continuous drive to enforce standardisation and transparency across our networks is critical to achieving this, together with the rigorous corporate governance systems and processes we have implemented that ensure risks are mitigated and quality prioritised. Health, safety and security are at the heart of our business activities; optimum health, safety and security practices promote the interests of our stakeholders and are fundamental to the welfare of our People and the success of the Group more generally.

Board Changes

Dermot Jenkinson, the Company's longest serving Director, intimated his intention to retire from the Board in August of last year. Dermot formally stepped down at the end of October 2017, having first been appointed to the Board in 1986 as an Executive Director and serving as a Non-Executive Director from 1999 onwards. I would, again, like to thank Dermot for the outstanding contribution he made to the Group throughout his 32 year tenure; over the years he not only provided continued representation of the founding Menzies family's interests, but also possessed a deep insight and knowledge of our business which, when coupled with his astute business acumen, proved invaluable.

I was delighted to welcome a new Non-Executive Director, Philipp Joeinig, to the Board in June 2017. Philipp's considerable Aviation Services and management consultancy experience serves to broaden the Board's knowledge base and skillset and also strengthens the Group's overall leadership as it positions itself to become the market leader in the Aviation Services industry. I am confident that our current Board, together with Senior Management, is well-positioned to drive the Group's strategic objectives and priorities in 2018 and tackle the ever-changing needs of our operations.

Looking Forward

Throughout 2018 we will remain on our quest to become the premium provider in the Aviation Services industry. We will continue to explore ways of creating shareholder value through optimisation of the Group's structure whilst investing in infrastructure and innovation throughout our networks. Underpinning this will be the required investment in our People, which remains a high priority for the Board as evidenced by the constitution of our new Human Resources Board Committee at the beginning of 2017 and the inaugural appointment of Claire Hall as Group EVP People. As a people-focused business these are both developments that I am excited about and which underline our strong commitment to investing in our most valued resource.

Both myself and the rest of your Board look forward to 2018 with renewed vigour.

Current Trading and Outlook

2018 has started well. Menzies Aviation is trading ahead of last year, even after accounting for the impact of the upside of the extra month of trading from the ASIG acquisition and year on year foreign exchange headwinds. Underlying volumes are strong, synergy benefits are being realised and contract win momentum continues. Across the network, our commercial and business development teams are busy pursuing many opportunities to grow the business both organically and through acquisition, whilst also pursuing the many exciting opportunities available within the into-plane fuelling and fuel farm management markets.

Trading at Menzies Distribution is in line with our expectations and the sale process for the division continues to plan.

The Board is focused on creating a global pure play Aviation Services business and is excited by the opportunities that presents. We are a very well placed, well-funded Group operating in a structural growth market and we look to the future with confidence.

Group Performance Review

Group performance in 2017 improved significantly with underlying operating profit up 41% (34% in constant currency) and underlying profit before tax up 35% (27% in constant currency). The improvement was the result of a strong performance at Menzies Aviation, particularly as a result of the completion of the ASIG acquisition in February. The Group's profit before tax was £26.7m reflecting the significant level of investment in the ASIG acquisition and integration, the work to demerge and sell the Menzies Distribution business and the de-risking and restructuring of the Company's defined benefit pension scheme.

Menzies Aviation continues to go from strength to strength. The recently acquired ASIG business is integrating well, synergies are tracking ahead of expectations and we are developing many new opportunities for growth. Contract win momentum continued with constant currency turnover excluding the impact of ASIG up 11% year on year, while we continue to benefit from our investments into infrastructure and innovation. Menzies Distribution remains a strong business, performing well despite cost and volume pressures. Turnover of the Aviation segment exceeded that of Distribution for the first time in 2017.

The Group's turnover was £2,517.7m (2016: £2,077.6m). Underlying profit before tax grew to £67.1m (2016: £49.7m) following a strong performance in Menzies Aviation and favourable foreign exchange translation. The Group's profit before tax was £26.7m (2016: £19.8m). Group underlying earnings per share rose to 57.2p (2016: 47.8p).

Menzies Aviation – Business Review

2017 has been a very busy year for the business with the acquisition and successful integration of ASIG. Underlying operating profit was up 72% to £58.8m, a record for the division. This is a result of not only the ASIG contribution but also the continuing growth of the underlying business, successful commercial and business development initiatives and our network-wide drive for margin improvement.

In acquiring ASIG we broadened our portfolio of customers and services. This when combined with our existing portfolio and investment into systems and processes significantly broadens our customer offering and creates many new business development opportunities. We are a major player in a structural growth market and we will look to expand into new territories as well as growing within our existing footprint.

Our commitment to our excellence manifesto that was launched in the business in Q2 of 2017 is making tangible progress. Centralised functions have a relentless drive for standardisation and efficiency and we are implementing this approach across our network. In 2017, we continued to invest to ensure we remain recognised as the leading player in the market, providing airlines with a service provision that allows them to outsource their operations and therefore not invest in their own handling provisions.

Our growth plans both commercially and on a business development front progressed during the year with excellent contract gain momentum and a far greater commercial focus on our key customers. In addition to the ASIG acquisition, we also made two other acquisitions, one in Gold Coast, Australia and the other in Budapest,

Hungary, both of which were bolt on cargo businesses. These acquisitions complement existing operations and strengthen our product offering in the respective regions.

The second half of the year brought with it some challenges outside of the Group's control. Our operations experienced three hurricanes and an earthquake within a six-week period. Operations in Sint Maarten were badly hit as the island was devastated by Hurricane Irma. Operations ceased for a period but are now gradually returning although it will not be until Q4 of 2018 that we expect a normal flight schedule to be in place. Operations in Florida were also impacted for a short while before returning to normal. However, our business model is resilient and our portfolio broad and diversified therefore the impact of these incidents were absorbed by gains elsewhere in the business.

During the year we continued our focus on margin improvement. This involved every station seeking to improve the returns that they make. We are almost at the end of the tail of contracts entered into some years ago that do not deliver acceptable returns. As previously stated, we did not retain the business of easyJet at London Gatwick, which involved some 60,000 annual turns and some £26m of annual revenue. Whilst this contract renewal was priced in line with our internal disciplines, we were unfortunately not successful. As this demonstrates, going forward we will always seek to match risk and reward. Importantly, there was no earnings dilution as a result of this loss. Across the ASIG portfolio we inherited a number of contracts that were sub-optimal. We have re-priced many but where we were unable to do so we either took decisive action to close the operations, as we did at JFK, New York, or we parted company amicably with our customer as was the case with Delta Air Lines at Atlanta.

The integration of ASIG is nearing a successful end. The transitional services agreement with the vendor BBA Aviation plc was exited on time on 31 July and the business is now fully integrated into our core systems. Synergy attainment has been a key focus and we are delighted that the initial annualised target of £10.5m for 2017 was validated and exceeded. We now expect synergies to exceed £15m annually by the end of 2018.

Volumes across the network were positive. Absolute cargo volumes were up 5%, reflecting underlying volume improvement, new contracts and acquisitions. Ground handling turns were up 11% on an absolute basis. This reflected prior year contract wins (particularly at London Gatwick), the addition of ASIG and was despite the loss of Alaska Airlines hub operation in Seattle that was in-sourced in April 2017. During the year we carried out 3.7 million into-plane fuelling turns. Core volumes in the USA and the UK were slightly behind budget but this was offset by contract wins.

Commercially we had a very strong year with 150 net contract wins. The contracts were spread across the regions with 74 in the Americas, 45 in EMEA and 31 in the Rest of the World. Significant contracts were won in Europe with IAG, in Americas with American Airlines and Southwest Airlines and in Australia with Cathay Pacific. We were disappointed to lose the business of Etihad at four locations in Australia and Amsterdam, this profitable business was lost despite the delivery of excellent service although we believe we were not destined to retain the contracts. Whilst this represents significant profit leakage to the Australian and the Dutch businesses we are seeking to replace the tonnage with new customers or increased volume from existing customers and early signs are positive.

Renewing our existing business is vital and we were delighted to renew 154 contracts representing £119m of revenue with no yield diminution. This is testament to our commercial offering and the safe and consistent service that we deliver.

In general, market pricing is sensible with major players seeming to focus on adequate returns. However, certain markets, most recently the UK, are still susceptible to new market entrants with low pricing models that we believe are not sustainable. We will always seek to match risk and reward and will not be drawn into a price war in any region. Quality, safe and secure operations that deliver on-time performance will always be our 'unique selling proposition'. This is evidenced by the launch of our excellence manifesto and continuing investment into industry leading systems and processes.

All three regions performed well during the year. In the Americas region the team performed very well given the scale of the new operations that ASIG brought, together with the challenge of expanding the underlying business. Significant opportunities now exist to cross-sell services and our commercial teams are working hard in this area. Following the acquisition we now have enhanced relationships with a number of US airlines and we hope to be able to expand our offering to them beyond fuelling. General contract momentum was encouraging with ground handling contracts won at Los Angeles with Sun Country Airlines and fuelling contracts at San Francisco with American Airlines and Southwest Airlines. Key renewals with Viva Aerobus at 25 locations in Mexico and fuelling contracts with UPS at 14 locations in the USA were also secured. Within North America, the labour market continues

to be difficult for all market participants as unemployment is at record low levels and staff retention is an industry-wide issue, leading to higher level of overtime to support the operations. To secure service at a number of locations we have incurred extra cost that we have only been able to pass onto the airlines in certain locations. This is an ongoing area of focus for the Americas management team.

EMEA, our largest geographical region, delivered a strong financial performance. Challenges materialised from the failure of Air Berlin and Monarch Airlines, as well as selective contract losses. In November, we secured a multi airport deal with IAG across the UK, Scandinavia and the Republic of Ireland that includes the business of British Airways, Vueling, Iberia, Iberia Express and Aer Lingus. The deal included some key renewals but also the provision of new services such as de-icing in Edinburgh, Glasgow and Aberdeen as well as the opening of operations in Dublin where we will handle all of IAG's flights excluding the hub operations of Aer Lingus. This is a significant multi airport deal with a key global customer. The cargo business in the region had a good year with strong underlying volumes particularly in Prague, London Heathrow and Amsterdam. As previously mentioned, we bolstered our cargo presence in Eastern Europe with the acquisition of Farnair in Budapest which will complement our existing ground handling business and allows us to offer a full service provision to airlines. Key contracts were renewed during the year including a number of contracts inherited from ASIG at London Heathrow. Within the fuelling business the UK performed very well with excellent operating standards. We also landed our first expansion of the fuels business in Europe outside of the UK with contracts to maintain and operate fuel farms and deliver into-plane fuelling at Nice and Bordeaux with World Fuel Services. Operations commenced on 1 January 2018. Significant opportunities exist to expand the fuelling business throughout Europe and we are excited by the prospects. Disappointingly, our proposed joint venture with Oman Air in Oman has been hit by further delays outside our control and we do not have any visibility on when operations may start.

In the Rest of the World, where our operations are more focused towards cargo handling, the business benefited from strong cargo volume. Key contract renewals were secured, with the exception of Etihad, and we prospered with a number of new contracts particularly with Asian and Chinese carriers such as Air China, Sichuan Airlines and Vietnam Airlines. We continue to develop our relationship with Cathay Pacific which has delivered benefits to all regions and within Oceania we added their business in Adelaide, Perth and Christchurch. Our expansion plans for South East Asia continued with the opening of an office in Malaysia and we will start handling operations in Indonesia in 2018. South East Asia remains an area of focus for Menzies Aviation as the local market has a high number of attractive airports where in-sourced operations remain prevalent.

Our drive to be the market leader in our industry continues. We aim to be an airline's logistics partner of choice who innovates and at all times delivers on the metrics an airline requires. To support this aim we launched our 'Excellence Manifesto' in May which sets out clear standards and goals for the business and seeks to set us apart from our competitors. We believe that as a professional Aviation Services business with global operations our customers can benefit from our research and development activities. We are continuing with our investment into infrastructure and innovation across the whole of our business. Central dedicated teams are in place to appraise all industry developments and then where appropriate to roll them out across our network. We have a relentless drive for standardisation that undoubtedly helps to win business, as our airline customers see the level of automation and innovation we are bringing to their operations, and this also drives cost out of their business as they no longer have to invest in new technologies. Our industry is professionalising and is no longer in its infancy.

Business development is key to our future success. We are a major player in the Aviation Services marketplace but we have a small share of the available market. The Aviation Services marketplace is full of opportunity and we remain committed to growing organically and through acquisition in a structural growth market. Our growth will be disciplined as risk must match reward and we will not enter markets or contracts where our minimum rate of return cannot be achieved.

Menzies Distribution – Business Review

Distribution had a strong second half and the division delivered underlying operating profit at £24.8m, £0.1m ahead of the previous year. This represents a solid result in the light of continuing volume decline and increased wage costs. The result is particularly pleasing given that 2017 did not benefit from an uplift in sales relating to a major football tournament. The result was boosted by the closure of the final salary pension scheme which will produce a full year ongoing benefit of £1.0m.

Overall sales of newspapers and magazines continued to decline in line with our expectations. Like for like magazine volumes reduced by 9.5% with newspaper volumes declining by 9.9%. The Division continued to demonstrate its ability to drive out cost in the light of reducing volume with around £7m cost savings delivered.

During the year we completed the buy-out of Eason & Son Ltd from our joint venture operations in Northern Ireland and the Republic of Ireland. This acquisition now gives the division all-Ireland coverage and puts us in a strong position to offer a compelling proposition to publishers while also offering joined-up logistics services to new clients, as we continue to seek new volume to put through our network. The acquisition is integrated and the projected synergies have been realised.

Plans are in place for the forthcoming round of publisher renewals. Initial negotiations have started and we are confident that our service levels and ability to offer more services within the supply chain will help us obtain a favourable outcome.

Our retail logistics business continues to develop capabilities to serve the UK high street. Our contract with WHSmith continues to deliver an excellent operational service and we are working hard to improve financial returns. There are many opportunities within this sector and our commercial teams have been enhanced to ensure we are best placed to participate in this important marketplace.

Menzies Parcels continued to build momentum through the year. Returns improved year on year through new business and organic growth although this was partially offset by higher vehicle costs. We also completed the acquisition of Gnewt Cargo, a logistics business in Central London. This business is unique in that it offers an all-electric fleet of vehicles. The business has great potential and we have completed its integration and re-located its base into our existing London branch network. We will now seek to add new customers and expand the business.

Menzies Response encountered a difficult year trading marginally behind expectations. Prior year contract losses were not fully replaced and underlying volume declined. Cost savings partly offset the decline and we are reviewing the optimal structure for the business as we move into 2018.

Menzies Media & Retail Services performed well during the year adding customers and broadening its product range, particularly in the Fore Retail Consultancy and Hand2Hand distribution businesses.

Overall, the business is in good health and we look forward to the publisher renewals with confidence. Our diversification moves are building momentum and are positioned in growing markets.

Financial Overview

Exceptional and Other Items in Operating Profit

Included in the Group's exceptional items in operating profit were transaction related costs of £21.7m, primarily relating to the acquisition and integration of ASIG and the work to demerge and sell the Menzies Distribution business, and £5.4m of costs and charges relating to de-risking the defined benefit pension scheme. This primarily closed the pension scheme to future accrual and subsequently sectionalised it ahead of any transaction relating to the disposal of the Distribution business.

Finance Costs

The Group's underlying net finance charge in the period was £10.8m (2016: £5.5m). The increase reflects higher levels of debt to fund the acquisition of ASIG, higher interest rates on US dollar borrowings and fixing of the interest rates payable on 50% of the US\$250m term loan.

Taxation

As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. The Group's underlying tax charge for the period was £20.0m (2016: £15.9m), representing an effective underlying tax rate of 30% (2016: 32%). As already announced, the recent US tax changes has meant a one off non-cash impact to our 2017 effective tax rate of approximately 3%, which relates to the revaluation of the deferred tax assets relating to US tax losses bought forward. We are still analysing the final legislation and impact to the Group with particular

reference to the overseas subsidiaries toll charges, we do not expect these to have a material cash impact to the Group.

Earnings Per Share

The Group's underlying earnings per share was 57.2p (2016: 47.8p) as a result of the increase in profits. The corresponding basic earnings per share was 15.1p (2016: 11.8p).

Defined Benefit Pension Scheme

As at 31 December 2017, the Group's defined benefit pension scheme showed a deficit of £49.5m (2016: £71.0m) with the effect of the impacts of favourable demographic assumptions, higher returns on invested assets and continuing additional cash contributions, partly offset by a decrease in the discount rate applied to the scheme liabilities. As previously reported, the Trustee and the Company have agreed a long-term funding plan that resulted 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. The next triennial valuation is set for 31 March 2018 and new deficit contributions will be set to reflect the sectioned pension scheme's different funding profiles.

The Group and the Trustee are continually looking to de-risk the scheme. On 31 March 2017 the Company and Trustee agreed to close the defined benefit pension scheme to future accrual and on 31 May 2017 to sectionalise the scheme. On 31 May 2017 the Company and Trustee further agreed to split the defined benefit pension scheme into two sections, one supported by the covenant of the Menzies Distribution division and the remainder by the Company. The Group will continue to guarantee the funding of the Menzies Distribution section for as long as the business remains part of the Group. On 30 June 2017, 17.2% of the scheme's assets and liabilities were transferred to the new Menzies Distribution section, and this section has been structured in a way that the funding is set up to achieve a buy in funding level within five to six years. The related exceptional charge of £5.4m comprises the accounting impact of revaluing of past benefits for those impacted and the costs and fees expensed to de-risk the scheme.

Cash Flow and Investments

Investments by the Group in the period were £158.4m, primarily for the acquisition of ASIG. Also included were the investments to acquire Gold Coast Air Terminal Services and Farnair Handling in Menzies Aviation and Gnewt Cargo and the partner's share of the Irish joint ventures in Menzies Distribution.

Operating cash flow was £109.9m (2016: £75.0m). Working capital management remains a key focus for the business. Free cash flow was £49.2m (2016: £31.1m). Net capital expenditure totalled £31.8m (2016: £24.7m).

Debt and Facilities

The Group continues to operate on a strong financial footing with a robust balance sheet built from strong operating cash flows across both Divisions. At the year end, net debt was £214.4m (2016: £70.5m) with the increase mostly reflecting the impact of the acquisition of ASIG.

The Group's covenanted debt to EBITDA ratio was 1.9 times at 31 December 2017 (31 December 2016: 0.8 times) and interest cover was 8.3 times (2016: 13.0 times), which were both well within covenanted levels and ahead of the targeted below 2 times debt to EBITDA by end of 2018. The Group had £341.9m of committed facilities at the year end of which £56.5m were undrawn.

As previously reported, the Group entered into a syndicated debt facility, comprising a US\$250m term loan and a £150m revolving credit facility in September 2016, which expires in June 2021. The new facility was drawn down to fund the acquisition of ASIG on 1 February 2017 and repay existing facilities with the exception of £10.0m remaining on a term loan with RBS. In February 2017 the Company entered into interest rate swaps to fix 50% of the US\$250m term loan facility for the duration of the loan.

Impact of Foreign Currency Movements

The majority of Menzies Aviation's stations are located outside the UK and operate in currencies other than Sterling. The Group hedges the exposure of foreign currency denominated assets to manage the impact of currency

movements in the Group's net assets using 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 2017 the Group benefitted from favourable movements against the prior year, particularly with respect to Sterling against the US and Australian dollars. The year on year exchange benefit was £4.1m.

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 14.5p per share which is payable on 2 July 2018 to all shareholders on the register at 25 May 2018. The total paid and proposed dividend for the year is 20.5p per ordinary share (2016: 18.5p per share), up 11% from last year.

GROUP INCOME STATEMENT

for the year ended 31 December 2017 (year ended 31 December 2016)

| | Notes | Before exceptional and other items £m | Exceptional and other items £m | 2017 £m |
|--|-------|---|---|------------------|
| Revenue | 2 | 2,460.5 | - | 2,460.5 |
| Net operating costs | | (2,391.5) | (37.6) | (2,429.1) |
| Operating profit before joint ventures and associates | | 69.0 | (37.6) | 31.4 |
| Share of post-tax results of joint ventures and associates | | 8.9 | (1.1) | 7.8 |
| Operating profit | 2 | 77.9 | (38.7) | 39.2 |
| Analysed as: | | | | |
| Underlying operating profit ⁽ⁱ⁾ | | 77.9 | - | 77.9 |
| Non-recurring items – transaction related and integration | 3 | - | (21.7) | (21.7) |
| Non-recurring item – pension related | 3 | - | (5.4) | (5.4) |
| Non-recurring item – impairment charges | 3 | - | - | - |
| Contract amortisation | 3 | - | (10.5) | (10.5) |
| Share of joint ventures and associates interest | | - | 0.9 | 0.9 |
| Share of joint ventures and associates tax | | - | (2.0) | (2.0) |
| Operating profit | | 77.9 | (38.7) | 39.2 |
| Finance income | 4 | 1.2 | - | 1.2 |
| Finance charges excluding retirement benefit obligation interest | 4 | (10.2) | (1.7) | (11.9) |
| Retirement benefit obligation interest | 12 | (1.8) | - | (1.8) |
| Profit before taxation | | 67.1 | (40.4) | 26.7 |
| Taxation | 5 | (20.0) | 5.3 | (14.7) |
| Profit for the year | | 47.1 | (35.1) | 12.0 |
| Attributable to equity shareholders | | 47.7 | (35.1) | 12.6 |
| Attributable to non-controlling interests | | (0.6) | - | (0.6) |
| | | 47.1 | (35.1) | 12.0 |
| Earnings per ordinary share | | | | |
| Basic | 7 | 57.2p | (42.1)p | 15.1p |
| Diluted | 7 | 57.0p | (41.9)p | 15.1p |

Note:

- (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 Restated (Note 16) £m | Exceptional and other items £m | 2016 Restated (Note 16) £m |
|--|-------|--|---|-------------------------------------|
| Revenue | 2 | 1,982.5 | - | 1,982.5 |
| Net operating costs | | (1,936.1) | (26.3) | (1,962.4) |
| Operating profit before joint ventures and associates | | 46.4 | (26.3) | 20.1 |
| Share of post-tax results of joint ventures and associates | | 8.8 | (1.3) | 7.5 |
| Operating profit | 2 | 55.2 | (27.6) | 27.6 |
| Analysed as: | | | | |
| Underlying operating profit ⁽ⁱ⁾ | | 55.2 | - | 55.2 |
| Non-recurring items – transaction related and integration | 3 | - | (8.8) | (8.8) |
| Non-recurring items – pension related | 3 | - | - | - |
| Non-recurring items – impairment charges | 3 | - | (9.6) | (9.6) |
| Contract amortisation | 3 | - | (7.9) | (7.9) |
| Share of joint ventures and associates interest | | - | 0.6 | 0.6 |
| Share of joint ventures and associates tax | | - | (1.9) | (1.9) |
| Operating profit | | 55.2 | (27.6) | 27.6 |
| Finance income | 4 | 0.7 | - | 0.7 |
| Finance charges excluding retirement benefit obligation interest | 4 | (4.6) | (2.3) | (6.9) |
| Retirement benefit obligation interest | 12 | (1.6) | - | (1.6) |
| Profit before taxation | | 49.7 | (29.9) | 19.8 |
| Taxation | 5 | (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 | | | | |
| Basic | 7 | 47.8p | (35.9)p | 11.8p |
| Diluted | 7 | 47.7p | (35.9)p | 11.8p |

Note:

- (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.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017 (year ended 31 December 2016)

| | Notes | 2017 £m | 2016 £m |
|---|-------|--------------|------------|
| Profit for the year | | 12.0 | 8.0 |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial gain/(loss) on defined benefit retirement obligation | 12 | 15.7 | (36.8) |
| Actuarial loss on unfunded retirement benefit obligation | | (0.1) | (0.3) |
| Income tax effect on unfunded retirement benefit obligation | | (2.7) | 7.4 |
| Impact of UK rate change on deferred tax on retirement benefit obligation | | - | (1.6) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Movement on cash flow hedges | 11 | 0.5 | - |
| Income tax effect on cash flow hedges | | (0.1) | - |
| Movement on net investment hedges | 11 | 2.0 | (15.2) |
| Income tax effect on net investment hedges | | (0.4) | 3.0 |
| Exchange (loss)/gain on translation of foreign currency net assets | | (3.7) | 33.1 |
| Income tax effect of exchange loss/gain on foreign currency net assets | | 0.7 | (4.0) |
| Other comprehensive income/(loss) for the year | | 11.9 | (14.4) |
| Total comprehensive income/(loss) for the year | | 23.9 | (6.4) |
| Attributable to equity shareholders | | 24.5 | (5.8) |
| Attributable to non-controlling interests | | (0.6) | (0.6) |
| | | 23.9 | (6.4) |

GROUP AND COMPANY BALANCE SHEETS

as at 31 December 2017 (31 December 2016)

| | Notes | Group | | Company | |
|--|-------|----------------|-------------------------------|----------------|---------|
| | | 2017 | 2016 Restated (Note 16) | 2017 | 2016 |
| | | £m | £m | £m | £m |
| Assets | | | | | |
| Non-current assets | | | | | |
| Intangible assets | 8 | 203.7 | 104.0 | - | - |
| Property, plant and equipment | | 155.6 | 127.3 | 23.4 | 23.9 |
| Investments in joint ventures and associates | | 27.7 | 30.9 | - | - |
| Investments in subsidiaries | | - | - | 306.1 | 292.6 |
| Deferred tax assets | | 24.2 | 24.2 | 5.8 | 10.1 |
| Derivative financial assets | 11 | 0.9 | - | 0.9 | - |
| | | 412.1 | 286.4 | 336.2 | 326.6 |
| Current assets | | | | | |
| Inventories | | 20.9 | 16.0 | - | - |
| Trade and other receivables | | 350.2 | 224.8 | 504.5 | 345.4 |
| Derivative financial assets | 11 | 1.1 | 0.4 | 1.1 | 0.4 |
| Cash and cash equivalents | | 72.8 | 38.9 | 5.0 | 1.0 |
| | | 445.0 | 280.1 | 510.6 | 346.8 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Borrowings | 11 | (5.1) | (39.0) | (3.3) | (38.5) |
| Derivative financial liabilities | 11 | (0.5) | (6.1) | (0.5) | (6.1) |
| Trade and other payables | | (344.8) | (234.2) | (338.0) | (317.1) |
| Current income tax liabilities | | (13.5) | (11.3) | - | - |
| Provisions | | (15.8) | (4.2) | (2.7) | - |
| | | (379.7) | (294.8) | (344.5) | (361.7) |
| Net current assets/(liabilities) | | 65.3 | (14.7) | 166.1 | (14.9) |
| Total assets less current liabilities | | 477.4 | 271.7 | 502.3 | 311.7 |
| Non-current liabilities | | | | | |
| Borrowings | 11 | (283.6) | (64.7) | (283.6) | (64.7) |
| Other payables | | (4.6) | (4.0) | - | (4.9) |
| Deferred tax liabilities | | (4.7) | (2.8) | - | - |
| Provisions | | (2.5) | (4.0) | - | (1.1) |
| Retirement benefit obligation | 12 | (49.5) | (71.0) | (42.5) | (71.0) |
| | | (344.9) | (146.5) | (326.1) | (141.7) |
| Net assets | | 132.5 | 125.2 | 176.2 | 170.0 |
| Shareholders' equity | | | | | |
| Ordinary shares | | 21.0 | 20.9 | 21.0 | 20.9 |
| Share premium account | | 21.9 | 20.5 | 21.9 | 20.5 |
| Treasury shares | | (1.3) | (1.6) | (1.3) | (1.6) |
| Other reserves | | (5.6) | (4.6) | (0.5) | (0.9) |
| Merger relief reserve | | 67.3 | 67.3 | 67.3 | 67.3 |
| Retained earnings ⁽ⁱ⁾ | | 11.4 | 0.1 | 46.2 | 42.2 |
| Capital redemption reserve | | 21.6 | 21.6 | 21.6 | 21.6 |
| Total shareholders' equity | | 136.3 | 124.2 | 176.2 | 170.0 |
| Non-controlling interest in equity | | (3.8) | 1.0 | - | - |
| Equity | | 132.5 | 125.2 | 176.2 | 170.0 |

Note:

(i) The Company's loss after tax for the year was £0.1m (2016: profit £46.5m).

The accounts were approved by the Board of Directors on 12 March 2018 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 2017 (31 December 2016)

| | 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 | Equity £m |
|--|--------------------------|-----------------------------------|--------------------------|--|-----------------------------------|----------------------------|--|--|-------------------------------------|--------------|
| Group | | | | | | | | | | |
| At 31 December 2016 as previously reported | 20.9 | 20.5 | (1.6) | (4.6) | 67.3 | 3.2 | 21.6 | 127.3 | 1.0 | 128.3 |
| Prior year adjustment (Note 16) | - | - | - | - | - | (3.1) | - | (3.1) | - | (3.1) |
| At 31 December 2016 restated | 20.9 | 20.5 | (1.6) | (4.6) | 67.3 | 0.1 | 21.6 | 124.2 | 1.0 | 125.2 |
| Profit/(loss) for the year | - | - | - | - | - | 12.6 | - | 12.6 | (0.6) | 12.0 |
| Other comprehensive (loss)/income | - | - | - | (1.0) | - | 12.9 | - | 11.9 | - | 11.9 |
| Total comprehensive (loss)/income | - | - | - | (1.0) | - | 25.5 | - | 24.5 | (0.6) | 23.9 |
| New share capital issued | 0.1 | 1.4 | - | - | - | - | - | 1.5 | - | 1.5 |
| Share-based payments | - | - | - | - | - | 1.4 | - | 1.4 | - | 1.4 |
| Income tax effect of share-based payments | - | - | - | - | - | 0.6 | - | 0.6 | - | 0.6 |
| Subsidiaries acquired (Note 14) | - | - | - | - | - | - | - | - | (4.2) | (4.2) |
| Dividends paid | - | - | - | - | - | (15.9) | - | (15.9) | - | (15.9) |
| Disposal of own shares | - | - | 0.3 | - | - | (0.3) | - | - | - | - |
| At 31 December 2017 | 21.0 | 21.9 | (1.3) | (5.6) | 67.3 | 11.4 | 21.6 | 136.3 | (3.8) | 132.5 |
| At 31 December 2015 as previously reported | 15.4 | 20.4 | (1.8) | (21.6) | - | 35.6 | 21.6 | 69.6 | 1.6 | 71.2 |
| Prior year adjustment (Note 16) | - | - | - | - | - | (3.1) | - | (3.1) | - | (3.1) |
| At 31 December 2015 restated | 15.4 | 20.4 | (1.8) | (21.6) | - | 32.5 | 21.6 | 66.5 | 1.6 | 68.1 |
| 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 | 0.1 | 21.6 | 124.2 | 1.0 | 125.2 |
| Company | | | | | | | | | | |
| At 31 December 2016 | 20.9 | 20.5 | (1.6) | (0.9) | 67.3 | 42.2 | 21.6 | 170.0 | - | 170.0 |
| Loss for the year | - | - | - | - | - | (0.1) | - | (0.1) | - | (0.1) |
| Other comprehensive gain | - | - | - | 0.4 | - | 12.6 | - | 13.0 | - | 13.0 |
| Total comprehensive income | - | - | - | 0.4 | - | 12.5 | - | 12.9 | - | 12.9 |
| New share capital issued | 0.1 | 1.4 | - | - | - | - | - | 1.5 | - | 1.5 |
| Share-based payments | - | - | - | - | - | 1.4 | - | 1.4 | - | 1.4 |
| Income tax effect of share-based payments | - | - | - | - | - | 0.1 | - | 0.1 | - | 0.1 |
| Intragroup transfer of pension obligation | - | - | - | - | - | 6.2 | - | 6.2 | - | 6.2 |
| Dividends paid | - | - | - | - | - | (15.9) | - | (15.9) | - | (15.9) |
| Disposal of own shares | - | - | 0.3 | - | - | (0.3) | - | - | - | - |
| At 31 December 2017 | 21.0 | 21.9 | (1.3) | (0.5) | 67.3 | 46.2 | 21.6 | 176.2 | - | 176.2 |
| 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 |

GROUP AND COMPANY STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017 (year ended 31 December 2016)

| | Notes | Group | | Company | |
|---|-------|-------------|-------------|------------|------------|
| | | 2017 £m | 2016 £m | 2017 £m | 2016 £m |
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 9 | 70.2 | 46.1 | (9.4) | (15.8) |
| Interest received | | 1.2 | 0.7 | - | - |
| Interest paid | | (13.7) | (7.7) | (12.4) | (7.2) |
| Tax paid | | (17.0) | (15.4) | (2.7) | (3.7) |
| Net cash flow from/(used in) operating activities | | 40.7 | 23.7 | (24.5) | (26.7) |
| Cash flows from investing activities | | | | | |
| Acquisitions | 14 | (171.3) | (4.7) | - | - |
| Cash acquired with subsidiaries | 14 | 12.9 | 0.3 | - | - |
| Investment in associate | | - | (0.4) | - | - |
| Loan repayment by associate | | - | 0.3 | - | - |
| Purchase of property, plant and equipment | | (29.8) | (24.5) | (0.3) | - |
| Intangible asset additions | | (2.8) | (2.6) | - | - |
| Proceeds from sale of property, plant and equipment | | 0.8 | 2.4 | - | - |
| Dividends received from equity accounted investments | | 6.3 | 6.6 | - | - |
| Net cash flow used in investing activities | | (183.9) | (22.6) | (0.3) | - |
| Cash flows from financing activities | | | | | |
| Net proceeds from issue of ordinary share capital | | 1.5 | 72.9 | 1.5 | 72.9 |
| Proceeds from borrowings | | 293.4 | - | 293.4 | - |
| Repayment of borrowings | | (101.3) | (64.0) | (101.3) | (63.4) |
| Dividends paid to ordinary shareholders | 6 | (15.9) | (10.6) | (15.9) | (10.6) |
| Net amounts (lent to)/repaid by subsidiaries | | - | - | (148.9) | 28.0 |
| Net cash flow from/(used in) financing activities | | 177.7 | (1.7) | 28.8 | 26.9 |
| Increase/(decrease) in net cash and cash equivalents | | | | | |
| Effects of exchange rate movements | | (1.7) | 4.8 | - | - |
| Opening net cash and cash equivalents ⁽ⁱ⁾ | | 38.1 | 33.9 | 1.0 | 0.8 |
| Closing net cash and cash equivalents⁽ⁱ⁾ | 10 | 70.9 | 38.1 | 5.0 | 1.0 |

Note:

(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 2017 were approved and authorised for issue in accordance with a resolution of the Directors on 12 March 2018. 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, 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

Three new accounting standards and amendments are applicable for the Group for the first time in 2017. However, they do not impact the annual consolidated financial statements of the Group. These 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
Annual improvements to IFRS 2014-2016 cycle – effective date 1 January 2017

Standards and amendments to standards that have been issued that are applicable for the Group but are not effective for 2017 and have not been early adopted in these financial statements are:

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⁽ⁱ⁾ – effective date 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration⁽ⁱ⁾ – effective date 1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments⁽ⁱ⁾ – effective date 1 January 2019
Annual improvements to IFRS 2015-2017 cycle⁽ⁱ⁾ – effective date 1 January 2019
Amendment to IAS 19⁽ⁱ⁾ – effective date 1 January 2019

Note:

(i) IFRS 2 amendment, IFRIC 22 and 23, annual improvements 2015-2017 and IAS 19 amendment are not yet adopted for use in the European Union.

The above standards and amendments will be adopted in accordance with their effective dates and 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's review of a representative sample of material contracts to ensure compliance with the new standard is at an advanced stage and has indicated that there is expected to be no material adjustment on adoption of IFRS 15. Substantially all revenue earned by the Group is recognised at the point of service or on delivery of goods, and revenue recognised does not vary materially from the consideration to which the Group is entitled. Were any adjustment to be required, the modified retrospective approach would be adopted with the cumulative impact of any adjustment recognised in retained earnings on transition date.

As part of the IFRS 15 review exercise, reconsideration has been made of the previous view that the historic approach to accounting for sales returns in the Distribution Division in the period in which they occurred was not materially misstated and concluded that, with the imminent application of the new standard, it is qualitatively material and have adjusted retrospectively. A restatement has been made to the Balance Sheet

to recognise an adjustment to receivables and corresponding payables to reflect contractual obligations in relation to returns. The Income Statement also has been restated to reflect the change in sales and net operating costs as a result of the movements in these amounts. See Note 16 for detail. For clarity, there is no impact from these adjustments on prior year reported profit before taxation or earnings per share. Following the restatement, management does not expect there to be an impact from the accounting for sales returns assets and liabilities on implementation of IFRS 15 on 1 January 2018.

Ahead of the adoption of IFRS 16 Leases on 1 January 2019, management is in the process of collating information to ensure compliance with the new standard. The new standard removes the distinction between operating leases and finance leases and brings most of the assets subject to lease on to the Balance Sheet as fixed assets with the corresponding liability shown as debt. This will materially gross up the Balance Sheet with the recognition of a new right of use asset which will be depreciated through the Income Statement and a lease liability on which interest will be charged through the Income Statement.

Ahead of the application of IFRS 9 Financial Instruments on 1 January 2018, management has reviewed the impact of the new standard. Management expects the impact on the accounting for hedging arrangements to be minimal and the expected credit loss model for impairment reviews will not have an overall impact on the Group. The expected credit loss approach may impact the individual retained earnings of individual entities within the Group due to the potential additional impairment provision for long term intercompany receivables. These potential impairments would not impact on the Group as they would be intragroup items.

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 do not have 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 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: contractual arrangement with other vote holders 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 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, the related assets including goodwill, liabilities, non-controlling interests and other components of equity are derecognised, 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 Statement of Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

In India, 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 in China is 29% owned. They are treated as joint ventures in the Group accounts as 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 Group's three Indian joint ventures have a statutory year end of 31 March. 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, into plane fuelling 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 costs to acquire, less accumulated depreciation. Depreciation is provided on a straight-line basis at the following rates:
Freehold and long leasehold properties - over the shorter of the remaining lease term and 50 years
Short leasehold properties - over the remaining lease term
Plant and equipment - over the estimated life of the asset between three and 20 years.

Inventories

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

Retirement benefit obligation

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

For the defined contribution pension 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 the Statement of Changes in Equity or in the Statement of Comprehensive Income as appropriate.

Intangible assets

Goodwill

Business combinations are 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 the date of transition to IFRS on 26 December 2004 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 of intangible assets 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. 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 the same criteria as for the testing of the goodwill. 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 cost 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 is not able to collect amounts due under the original terms of a sales invoice, a provision against 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 interest rate swaps and forward contracts as derivatives to hedge the risks arising from interest rates and the retranslation of foreign currency denominated items.

The Group has derivatives that are designated as hedges of overseas net investments in foreign currency denominated entities (net investment hedges) and derivatives that are designated as hedges of interest rates and the exchange risk arising from the retranslation of highly probable forecast revenue denominated in foreign 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, derivatives have been recorded using hedge accounting. Derivatives are measured at fair value, which is calculated as the present value of 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 liabilities of uncertain timing and amount. 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.

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

Management has made a number of accounting assumptions and estimates which, if they transpire to be materially incorrect, have a risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the future. 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 assumptions and estimates 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 8 for further details.

Impairment

In accordance with IAS 36, management performs an impairment review on any assets that show indications of impairment and annually on goodwill and intangibles that are deemed to have indefinite lives. During the current year, no impairment indicators were noted over individual assets. Management's impairment review of goodwill and indefinite life intangibles involves exercising judgement about future cash flows and other events that are by their nature uncertain. Management has disclosed the pre-tax discount rates used when performing this review in Note 8. From management's review, no impairment was identified (2016: £9.6m).

Retirement benefit obligation

In accordance with IAS 19, management is responsible for making a number of financial and demographic assumptions in relation to the defined benefit pension scheme that has a direct impact on the pension deficit recognised within the financial statements. The assumptions underlying the calculation of the retirement benefit obligation are important and management has determined the appropriate estimates based on independent actuarial advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligation. See Note 12 for further details.

Judgements

The following are key judgements, apart from those involving estimations which are dealt with separately above, that management has made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognised within the financial statements.

Provisions

In accordance with IAS 37, 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. Management has performed a review of all leases at year end and concluded that a small minority are deemed to be onerous and such leases have been fully provided for.

In accordance with IAS 37, the Group also exercises judgement in determining whether provisions are required in relation to workers' compensation claims, warranty claims and legal claims. Judgement is necessary in assessing the veracity, measurement and probability of the claims. Management has reviewed available external and internal information relating to these claims and has made appropriate provisions accordingly.

Income taxes

The Group is subject to income tax in a number of jurisdictions and 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 by estimating 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 the expertise and historic experience of the Group's in-house tax team 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 5 for further details.

The main provision held by the Group is against a claim for a reduced rate of tax in an overseas territory based on the nature of its activities in that territory, which is subject to enquiry by the relevant tax authority. The Group does not recognise the potential benefit to its effective tax rate from that claim 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 transfer pricing arrangements, deemed distributions of profits, the tax treatment of interest and foreign exchange differences on certain intercompany loans and for tax authority challenge against the interpretation of local tax legislation where the application of that legislation is unclear. During the year the tax treatment of the pension funding arrangement which the Group has in place was agreed with the relevant tax authority resulting in a £1.0m credit to prior year current tax. 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 £2.0m to a decrease in the tax liability of £0.2m.

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.

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 that 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 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 11 for further details.

Non-GAAP measures

The Group's reported results are prepared in accordance with IFRSs 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 are used include those which have been derived from the reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures. This information, along with comparable GAAP measurements, is useful to investors in providing a basis for measuring our operational performance. Management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating 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 separately 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 within operating profit. IAS 1 Presentation of Financial Statements does not prescribe where the investors' 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 businesses.

The Group's definitions of non-GAAP measures are set out below and provide reconciliations to relevant GAAP measures.

Turnover

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

| | 2017 | 2016 ⁽ⁱ⁾ |
|---|----------------|---------------------|
| | £m | £m |
| Revenue | 2,460.5 | 1,982.5 |
| Share of revenue of joint ventures and associates | 57.2 | 95.1 |
| Turnover | 2,517.7 | 2,077.6 |

Note:

(i) As set out in Note 16 revenue for the year ending 31 December 2016 has been restated.

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 joint ventures and associates interest and tax to provide an appreciation of the impact of those items on operating profit.

Underlying operating profit and the reconciliation to operating profit are set out on the face of the Income Statement.

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.

The calculation of underlying earnings per share is set out in Note 7.

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.

| | 2017 | 2016 |
|---|---------------|--------|
| | £m | £m |
| Cash generated from operations | 70.2 | 46.1 |
| Adjusted for: | | |
| Net interest paid | (12.5) | (7.0) |
| Exceptional interest paid | 0.6 | 3.2 |
| Tax paid | (17.0) | (15.4) |
| Dividends received from equity accounted investments | 6.3 | 6.6 |
| Purchase of property, plant and equipment | (29.8) | (24.5) |
| Intangible asset additions | (2.8) | (2.6) |
| Proceeds from sale of property, plant and equipment | 0.8 | 2.4 |
| Additional retirement benefit obligation contribution | 11.3 | 10.9 |
| Exceptional cash spend | 22.1 | 11.4 |
| Free cash flow | 49.2 | 31.1 |

Underlying operating cash flow

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

| | 2017 | 2016 |
|---|--------------|-------|
| | £m | £m |
| Free cash flow as set out above | 49.2 | 31.1 |
| Adjusted for: | | |
| Purchase of property, plant and equipment | 29.8 | 24.5 |
| Intangible asset additions | 2.8 | 2.6 |
| Proceeds from sale of property, plant and equipment | (0.8) | (2.4) |
| Net interest paid excluding exceptional interest | 11.9 | 3.8 |
| Tax paid | 17.0 | 15.4 |
| Underlying operating cash flow | 109.9 | 75.0 |

2. SEGMENT INFORMATION

For management purposes the Group is organised into two Operating Divisions, Aviation and Distribution, and a central Corporate function. The two Operating Divisions are organised and managed separately based upon their key markets. The Aviation Division provides ground handling and cargo services as well as into-plane fuelling and fuel farm management services across the world. The Distribution Division provides newspaper and magazine distribution services along with marketing and logistics services across the United Kingdom and the Republic of 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, intangible amortisation and share of joint ventures and associates interest and tax. Net finance income and expenditure is not allocated to segments as this activity is managed by a 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) | |
|-------------------------------|----------------|---------------------|------------------------------------|-------|
| | 2017 | 2016 ⁽ⁱ⁾ | 2017 | 2016 |
| | £m | £m | £m | £m |
| Aviation | | | | |
| Americas | 460.4 | 219.8 | 23.0 | 12.9 |
| EMEA | 525.1 | 391.2 | 14.9 | 6.0 |
| Rest of World | 173.3 | 139.6 | 15.5 | 10.9 |
| Cargo Forwarding | 143.4 | 117.5 | 5.4 | 4.4 |
| | 1,302.2 | 868.1 | 58.8 | 34.2 |
| Distribution | 1,215.5 | 1,209.5 | 24.8 | 24.7 |
| Corporate | - | - | (5.7) | (3.7) |
| | 2,517.7 | 2,077.6 | 77.9 | 55.2 |
| Joint ventures and associates | (57.2) | (95.1) | - | - |
| | 2,460.5 | 1,982.5 | 77.9 | 55.2 |

The reconciliation of segmental underlying operating profit/(loss) to profit before tax is:

| 2017 | Notes | Aviation £m | Distribution £m | Corporate £m | Group £m |
|--|-------|------------------------|----------------------------|-------------------------|---------------------|
| Operating profit/(loss) before joint ventures and associates | | 28.2 | 19.4 | (16.2) | 31.4 |
| Share of post-tax results of joint ventures and associates | | 7.0 | 0.8 | - | 7.8 |
| Operating profit/(loss) | | 35.2 | 20.2 | (16.2) | 39.2 |
| Analysed as: | | | | | |
| Underlying operating profit/(loss) ⁽ⁱⁱ⁾ | | 58.8 | 24.8 | (5.7) | 77.9 |
| Exceptional transaction related items | 3 | (15.5) | (1.1) | (5.1) | (21.7) |
| Exceptional pension de-risking costs | 3 | - | - | (5.4) | (5.4) |
| Contract amortisation | 3 | (7.1) | (3.4) | - | (10.5) |
| Share of joint ventures and associates interest | | 0.9 | - | - | 0.9 |
| Share of joint ventures and associates tax | | (1.9) | (0.1) | - | (2.0) |
| Operating profit/(loss) | | 35.2 | 20.2 | (16.2) | 39.2 |
| Net finance expense | | | | | (12.5) |
| Profit before taxation | | | | | 26.7 |
| 2016 | Notes | Aviation £m | Distribution £m | Corporate £m | Group £m |
| Operating profit/(loss) before joint ventures and associates | | 7.9 | 20.0 | (7.8) | 20.1 |
| Share of post-tax results of joint ventures and associates | | 5.8 | 1.7 | - | 7.5 |
| Operating profit/(loss) | | 13.7 | 21.7 | (7.8) | 27.6 |
| Analysed as: | | | | | |
| Underlying operating profit/(loss) ⁽ⁱⁱ⁾ | | 34.2 | 24.7 | (3.7) | 55.2 |
| Rationalisation and acquisition related items | 3 | (4.9) | 0.2 | (4.1) | (8.8) |
| Net impairment loss | 3 | (9.6) | - | - | (9.6) |
| Contract amortisation | 3 | (5.1) | (2.8) | - | (7.9) |
| Share of joint ventures and associates interest | | 0.6 | - | - | 0.6 |
| Share of joint ventures and associates tax | | (1.5) | (0.4) | - | (1.9) |
| Operating profit/(loss) | | 13.7 | 21.7 | (7.8) | 27.6 |
| Net finance expense | | | | | (7.8) |
| Profit before taxation | | | | | 19.8 |

Notes:

(i) As set out in Note 16 revenue for the year ending 31 December 2016 has been restated.

(ii) Underlying operating profit/(loss) is defined as operating profit/(loss) excluding intangible amortisation as shown in Note 3 and exceptional items but including the pre-tax share of results from joint ventures and associates.

| 2017 | Aviation £m | Distribution £m | Corporate £m | Group £m |
|---|------------------------|----------------------------|-------------------------|---------------------|
| Segment assets | 574.0 | 179.2 | 6.9 | 760.1 |
| Unallocated assets | | | | 97.0 |
| Total assets | | | | 857.1 |
| Segment liabilities | (241.6) | (100.2) | (25.9) | (367.7) |
| Unallocated liabilities including retirement benefit obligation | | | | (356.9) |
| Total liabilities | | | | (724.6) |
| Segment net assets/(liabilities) | 332.4 | 79.0 | (19.0) | 392.4 |
| Unallocated net liabilities including retirement benefit obligation | | | | (259.9) |
| Net assets | | | | 132.5 |

| 2016 | Aviation £m | Distribution ⁽ⁱ⁾ £m | Corporate £m | Group £m |
|----------------------------------|----------------|-----------------------------------|-----------------|----------------|
| Segment assets | 314.2 | 181.2 | 8.0 | 503.4 |
| Unallocated assets | | | | 63.1 |
| Total assets | | | | 566.5 |
| Segment liabilities | (126.6) | (95.6) | (30.4) | (252.6) |
| Unallocated liabilities | | | | (188.7) |
| Total liabilities | | | | (441.3) |
| Segment net assets/(liabilities) | 187.6 | 85.6 | (22.4) | 250.8 |
| Unallocated net liabilities | | | | (125.6) |
| Net assets | | | | 125.2 |

Note:

(i) As set out in Note 16 current receivables and payables at 31 December 2016 have been restated.

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.

| 2017 | Aviation £m | Distribution £m | Corporate £m | Group £m |
|---|------------------------|----------------------------|-------------------------|---------------------|
| Capital expenditure – property, plant and equipment | 26.5 | 2.1 | 0.3 | 28.9 |
| Capital expenditure – intangible assets | 1.9 | 0.9 | - | 2.8 |
| Depreciation | 23.3 | 3.7 | 0.8 | 27.8 |
| Amortisation of intangible assets | 8.1 | 5.8 | - | 13.9 |
| Gain on disposal of property, plant and equipment | - | (0.1) | - | (0.1) |

| 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) |

Geographic information

| | Revenue | | Non-current assets ⁽ⁱ⁾ | |
|--------------------------|----------------|----------------------------|-----------------------------------|--------------|
| | 2017 £m | 2016 ⁽ⁱⁱ⁾ £m | 2017 £m | 2016 £m |
| United Kingdom | 1,423.7 | 1,332.8 | 129.3 | 102.5 |
| United States of America | 362.0 | 169.1 | 136.3 | 44.3 |
| Others | 674.8 | 480.6 | 121.4 | 115.4 |
| | 2,460.5 | 1,982.5 | 387.0 | 262.2 |

Notes:

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

(ii) As set out in Note 16 revenue for the year ending 31 December 2016 has been restated.

3. EXCEPTIONAL AND OTHER ITEMS

Exceptional items included in operating profit

| | 2017 £m | 2016 £m |
|--|---------------|--------------|
| Acquisition and other transaction related costs ⁽ⁱ⁾ | (7.8) | (9.1) |
| Pension de-risking costs ⁽ⁱⁱ⁾ | (5.4) | - |
| Integration costs ⁽ⁱⁱⁱ⁾ | (13.9) | - |
| Acquisition related earn-out adjustment ^(iv) | - | 0.3 |
| | (27.1) | (8.8) |

Notes:

(i) Acquisition and other transaction related costs reflect £3.2m of costs incurred relating to the work undertaken to demerge and sell the Distribution business, £2.2m pre-acquisition costs (including corporate finance and professional advisor fees) relating to the acquisition of ASIG Holdings Ltd and ASIG Holdings Corp. (ASIG) on 1 February 2017, £1.2m increase in onerous lease provision, £0.4m transaction related costs relating to Hyderabad Menzies Air Cargo Private Ltd, £0.4m transaction related costs relating to the planned acquisition of the joint venture business in Oman and £0.3m relating to the step acquisition of EM News Distribution (Ireland) Ltd and EM News Distribution (NI) Ltd and acquisitions of Gold Coast Air Terminal Services Pty Ltd and Gnewt Cargo Ltd.

Acquisition and other transaction related costs in the prior year relate to the Rights Issue process and acquisition of ASIG (acquisition costs £5.7m and integration costs £1.3m) as well as the acquisition of Renaissance Aviation Ltd, Thistle Couriers Ltd and Edinburgh Arts and Entertainment Ltd (£0.2m total). In addition, aborted Aviation transaction costs were £0.9m, restructure consultancy costs were £0.8m and other transaction costs were £0.2m.

(ii) Pension de-risking costs relate to fees and charges incurred in order to close the Company's defined benefit pension fund to future accrual (including curtailment costs of £2.7m) and in relation to the sectionalisation of the scheme as set out in Note 12.

(iii) Integration costs relate to the ASIG acquisition in Aviation and comprise integration related costs incurred post acquisition, predominantly integration team, IT consultancy and systems related costs and rationalisation, predominantly redundancy.

(iv) In the prior year, contingent consideration relating to the acquisition of Fore Partnership in Distribution was settled for £1.3m being £0.3m lower than anticipated at 31 December 2015.

Exceptional items included in finance charges

| | 2017 £m | 2016 £m |
|--|------------|------------|
| Acquisition related finance costs ⁽ⁱ⁾ | (0.7) | (1.5) |
| Unwind discount costs ⁽ⁱⁱ⁾ | (0.1) | (0.2) |

Notes:

(i) Acquisition related finance costs relate to write-off of bilateral facility fees, pre-acquisition ticking fees and amortisation of underwriting fees on the financing facilities agreed in 2016 to fund the acquisition of ASIG on 1 February 2017. In the prior year £1.5m of costs were recognised relating to ticking fees and amortisation of underwriting fees on the same financing facilities.

(ii) Unwind discount costs relate to deferred consideration and onerous lease provisions.

Intangible assets amortisation and impairment included in operating profit

| | 2017 £m | 2016 £m |
|--------------------------------------|------------|------------|
| Contract amortisation ⁽ⁱ⁾ | (10.5) | (7.9) |
| Net impairment loss ⁽ⁱⁱ⁾ | - | (9.6) |

Notes:

(i) Contract amortisation relates to intangible assets recognised on the acquisition of businesses.

(ii) In the prior year a £9.6m impairment was recognised relating to goodwill (£7.2m) and property, plant and equipment (£2.4m) at the cargo operations in Amsterdam.

The taxation effect of the exceptional items is a net credit of £2.2m (2016: net credit of £2.2m) in relation to tax deductions available for a proportion of the exceptional costs arising during the year.

4. FINANCE COSTS

| | 2017 £m | 2016 £m |
|---|---------------|--------------|
| Finance income | | |
| Bank deposits | 1.2 | 0.7 |
| Finance charges | | |
| Bank loans and overdrafts | (10.1) | (4.5) |
| Preference dividends | (0.1) | (0.1) |
| | (10.2) | (4.6) |
| Net finance costs excluding retirement benefit obligation interest charge (pre-exceptional) | (9.0) | (3.9) |

5. TAXATION

Tax charge in Income Statement

| | 2017 £m | 2016 £m |
|---|--------------|--------------|
| Current tax | | |
| UK corporation tax on profits for the year | 0.2 | 1.0 |
| Overseas tax | 16.8 | 11.4 |
| Adjustments to prior years' liabilities | (1.3) | (0.1) |
| | 15.7 | 12.3 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (1.6) | (1.5) |
| Adjustments to prior years' liabilities | (0.4) | (0.6) |
| | (2.0) | (2.1) |
| Retirement benefit obligation | 1.0 | 1.6 |
| | (1.0) | (0.5) |
| Tax on profit on ordinary activities | 14.7 | 11.8 |

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

| | 2017 £m | 2016 £m |
|--|------------|--------------|
| Deferred tax on actuarial gain/(loss) on retirement benefit obligation | 2.7 | (7.4) |
| Deferred tax impact of UK rate change on pension arrangements | - | 1.6 |
| Current tax on share-based payments | (0.1) | - |
| Deferred tax on share-based payments | (0.5) | (0.3) |
| Current tax on net exchange adjustments | (0.2) | 0.4 |
| Deferred tax on net exchange adjustments | - | 0.6 |
| | 1.9 | (5.1) |

Effective tax rate

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

| | 2017 | 2016 |
|---|--------------|-------|
| | £m | £m |
| Profit before tax | 26.7 | 19.8 |
| Profit before tax multiplied by standard rate of UK corporation tax of 19.25% (2016: 20%) | 5.1 | 4.0 |
| Non-deductible expenses including intangible amortisation | 3.3 | 3.5 |
| Depreciation on non-qualifying assets | 0.3 | 0.3 |
| Unrelieved overseas losses | 0.9 | 1.5 |
| Deferred tax assets written off | - | 1.5 |
| Deferred tax asset recognised on overseas losses carried forward | (0.3) | (1.6) |
| Deferred tax liability recognised on undistributed reserves of overseas subsidiaries | - | 1.1 |
| Exceptional items | 3.2 | 1.8 |
| Utilisation of previously unrecognised losses | (1.4) | (0.9) |
| Higher tax rates on overseas earnings | 4.8 | 2.8 |
| Share of joint venture and associate post-tax result included in profit before tax | (1.6) | (1.5) |
| Adjustments to prior years' liabilities | (1.7) | (0.7) |
| Impact of tax rate changes | 2.1 | - |
| At the effective corporation tax rate of 55.1% (2016: 59.6%) | 14.7 | 11.8 |

The main rate of UK corporation tax reduced from 20% to 19% from 1 April 2017 and is legislated to reduce further to 17% from 1 April 2020.

The US Tax Cuts and Jobs Act was enacted on 22 December 2017 implementing significant changes to the US corporate tax regime. Whilst most of the US tax changes take effect from 1 January 2018, the reduction in the US federal tax rate from 35% to 21% has resulted in the US deferred tax asset being revalued at 31 December 2017 based on the lower federal tax rate, resulting in a tax charge of £2.1m for the year. The mandatory deemed repatriation of certain deferred foreign earnings (the toll tax) arose in 2017 and those deemed earnings provisionally estimated at £9.8m have been sheltered by losses not recognised in deferred tax. The Group continues to consider the implications of the US tax changes including whether the toll tax can be sheltered by foreign tax credits rather than losses.

Factors that may affect future tax charges

The Group has tax losses carried forward that 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 | | Expiry |
|--------------------------|-------------|------|----------------------------------|
| | 2017 | 2016 | |
| | £m | £m | |
| Colombia | 1.2 | 3.5 | Carry forward indefinitely |
| Germany | 20.2 | 20.8 | Carry forward indefinitely |
| Namibia | 0.5 | 0.4 | Carry forward indefinitely |
| Norway | 16.5 | 14.7 | Carry forward indefinitely |
| South Africa | 14.7 | 8.1 | Carry forward indefinitely |
| Sweden | 2.2 | 4.3 | Carry forward indefinitely |
| The Netherlands | 1.6 | 4.4 | Carry forward for 4 years |
| United States of America | 23.2 | 31.2 | Carry forward for up to 20 years |

The Group has capital losses in the United Kingdom of approximately £10.4m (2016: £10.4m) that are available for offset against future taxable gains arising in the United Kingdom. No deferred tax asset has been recognised in respect of these losses.

6. DIVIDENDS

| | 2017 | 2016 |
|---|-------------|------|
| | £m | £m |
| Dividends paid on ordinary shares | | |
| Interim paid in respect of 2017, 6.0p per share | 5.0 | - |
| Final paid in respect of 2016, 13.1p per share | 10.9 | - |
| Interim paid in respect of 2016, 5.4p per share | - | 3.3 |
| Final paid in respect of 2015, 11.8p per share | - | 7.3 |
| | 15.9 | 10.6 |

Dividends of £Nil were waived on Treasury shares (2016: £0.1m).

The Directors are proposing a final dividend in respect of the year to 31 December 2017 of 14.5p per ordinary share, which will absorb an estimated £12.1m of shareholders' funds. Payment will be made on 2 July 2018 to shareholders on the register at the close of business on 25 May 2018.

Treasury shares

Ordinary shares are held for employee share schemes. At 31 December 2017, the Company held 257,523 (2016: 310,338) ordinary shares with a market value of £1.8m (2016: £1.8m).

7. EARNINGS PER SHARE

| | Basic | | Underlying ⁽ⁱ⁾ | |
|---|--------------|-------|---------------------------|-------|
| | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m |
| Profit for the year as set out in the Income Statement | 12.0 | 8.0 | 47.1 | 33.8 |
| Loss relating to non-controlling interests | 0.6 | 0.5 | 0.6 | 0.5 |
| Earnings for the year attributable to equity shareholders | 12.6 | 8.5 | 47.7 | 34.3 |
| Basic earnings per ordinary share | | | | |
| Earnings per ordinary share | 15.1p | 11.8p | | |
| Diluted earnings per ordinary share | 15.1p | 11.8p | | |
| Underlying earnings per ordinary share⁽ⁱ⁾ | | | | |
| Earnings per ordinary share | | | 57.2p | 47.8p |
| Diluted earnings per ordinary share | | | 57.0p | 47.7p |
| Number of ordinary shares in issue | | | | |
| Weighted average (million) | 83.4 | 71.8 | | |
| Diluted weighted average (million) | 83.7 | 71.9 | | |

Note:

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

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 (i.e. where the exercise price is less than the average market price of the shares during the year).

8. INTANGIBLE ASSETS

| | Goodwill £m | Contracts, customer relationships and brand £m | Computer software £m | Total £m |
|------------------------------------|----------------|--|----------------------------|--------------|
| Cost | | | | |
| At 31 December 2016 | 77.1 | 101.1 | 35.0 | 213.2 |
| Acquisitions (Note 14) | 78.0 | 42.4 | - | 120.4 |
| Additions | - | - | 2.8 | 2.8 |
| Disposals | - | (3.1) | (1.9) | (5.0) |
| Currency translation | (7.4) | (2.3) | - | (9.7) |
| At 31 December 2017 | 147.7 | 138.1 | 35.9 | 321.7 |
| Amortisation and impairment | | | | |
| At 31 December 2016 | 25.3 | 58.7 | 25.2 | 109.2 |
| Amortisation charge | - | 10.5 | 3.4 | 13.9 |
| Released on disposal | - | - | (1.9) | (1.9) |
| Currency translation | (2.3) | (0.9) | - | (3.2) |
| At 31 December 2017 | 23.0 | 68.3 | 26.7 | 118.0 |
| Net book value | | | | |
| At 31 December 2017 | 124.7 | 69.8 | 9.2 | 203.7 |
| At 31 December 2016 | 51.8 | 42.4 | 9.8 | 104.0 |

As set out in Note 14, the step acquisitions relating to the Irish joint ventures in the Distribution Division resulted in the effective disposal of £3.1m historic contracts and the subsequent recognition of £3.3m goodwill relating to these fully controlled entities.

| | Goodwill £m | Contracts, customer relationships and brand £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 |
| Released on disposal | - | - | - | - |
| Impairment (Note 3) | 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 |

As set out in Note 3, the impairment of goodwill of £7.2m in the prior year relates to the Aviation cargo business in the Netherlands.

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.

| | | 2017 | | | 2016 | | | |
|---------------------|--------------------------------|---|--------------|--------------|---|-------------|--------------|-------------|
| | | 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 | Ground handling | 11% | 54.1 | - | 9% | 11.7 | - | |
| | Cargo handling | 11% | 9.3 | - | 8% | 10.1 | - | |
| EMEA | Ground handling | 9% | 30.4 | - | 9% | 3.5 | - | |
| | Cargo handling | 9% | 3.0 | - | 7% | 2.9 | - | |
| Cargo Forwarding | USA, Australia and New Zealand | 10% | 6.3 | - | 10% | 6.4 | - | |
| | South Africa | 12% | 2.1 | - | 11% | 2.1 | - | |
| Rest of World | | 10% | 4.0 | - | 9% | 3.2 | - | |
| Distribution | | | | | | | | |
| Core | Great Britain | 9% | 7.3 | 12.9 | 8% | 7.3 | 12.9 | |
| | Ireland | 9% | 3.4 | - | 8% | - | 3.1 | |
| Other | | 9% | 4.8 | - | 8% | 4.6 | - | |
| | | | 124.7 | 12.9 | | | 51.8 | 16.0 |

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

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

The value in use calculations use a post-tax discount rate assumption in a range from 7% to 9% (2016: 5% to 13%) 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 9% to 12% (2016: 7% to 11%) 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 £46.1m (2016: £14.1m) and the average remaining amortisation period is six years (2016: 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% (2016: 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 United Kingdom. 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 2021 and 2022. Growth rates in the cash flows beyond the three year period have been assumed to be -8% to Nil% (2016: -9% 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 £10.9m (2016: £12.3m) and the average remaining amortisation period is four years (2016: five years).

9. CASH GENERATED FROM OPERATIONS

| | Group | | Company | |
|--|---------------|--------|---------------|--------|
| | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m |
| Operating profit/(loss) before joint ventures and associates | 31.4 | 20.1 | (2.3) | (4.1) |
| Depreciation | 27.8 | 22.3 | 0.8 | 0.8 |
| Amortisation of intangible assets | 13.9 | 11.1 | - | - |
| Share-based payments | 1.4 | 0.7 | 1.4 | 0.7 |
| Non exceptional onerous lease provision (release)/charge | (0.8) | 1.6 | - | - |
| Cash spend on onerous leases | (1.0) | (1.5) | - | - |
| Gain on sale of property, plant and equipment | (0.1) | (0.1) | - | - |
| Pension charge | 2.2 | 3.5 | - | - |
| Pension credit | - | (0.3) | - | - |
| Pension contributions in cash | (12.5) | (14.0) | (12.5) | (14.0) |
| Acquisition and related exceptional items | 27.1 | 9.1 | 10.5 | 4.1 |
| Cash spend on exceptional items | (21.1) | (9.9) | (7.3) | (3.3) |
| Acquisition related earn-out adjustment | - | (0.3) | - | - |
| Net impairment loss | - | 9.6 | - | - |
| Increase in inventories | (4.9) | (1.3) | - | - |
| Increase in trade and other receivables | (25.4) | (37.3) | - | - |
| Increase in trade and other payables and provisions | 32.2 | 32.8 | - | - |
| | 70.2 | 46.1 | (9.4) | (15.8) |

10. CHANGES IN NET BORROWINGS

| | 2016 £m | Cash flows £m | Subsidiaries acquired £m | Fair value movements £m | Currency translation £m | 2017 £m |
|--------------------------------|------------|---------------------|--------------------------------|-------------------------------|-------------------------------|----------------|
| Cash at bank and in hand | 38.9 | 22.7 | 12.9 | - | (1.7) | 72.8 |
| Bank overdrafts | (0.8) | (1.1) | - | - | - | (1.9) |
| Net cash and cash equivalents | 38.1 | 21.6 | 12.9 | - | (1.7) | 70.9 |
| Bank loans due within one year | (38.0) | 34.8 | - | - | - | (3.2) |
| Preference shares | (1.4) | - | - | - | - | (1.4) |
| Finance leases | (0.2) | 0.2 | - | - | - | - |
| Debt due after one year | (63.3) | (231.8) | - | - | 12.9 | (282.2) |
| Net derivative liabilities | (5.7) | 4.7 | - | 2.5 | - | 1.5 |
| Net debt | (70.5) | (170.5) | 12.9 | 2.5 | 11.2 | (214.4) |

As set out in the cash flow statement, proceeds from borrowings were £293.4m (2016: £Nil) and repayments of borrowings were £101.3m (2016: £64.0m).

Currency translation movements result from the Group's policy of hedging its overseas net assets, which are denominated mainly in US dollars, Euros and Australian dollars. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange loss of £1.4m (2016: gain of £16.9m). The net loss is recognised in other comprehensive income.

11. FINANCIAL INSTRUMENTS

Derivative financial instruments

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2017 £m | 2016 £m | 2017 £m | 2016 £m |
| Cash flow hedges: | | | | |
| Foreign exchange forward contracts | 0.1 | (0.4) | 0.1 | (0.4) |
| Interest rate swaps | 0.9 | - | 0.9 | - |
| Foreign currency net investment hedges: | | | | |
| Foreign exchange forward contracts | 0.5 | (5.3) | 0.5 | (5.3) |
| Net fair value | 1.5 | (5.7) | 1.5 | (5.7) |
| Current value | 0.6 | (5.7) | 0.6 | (5.7) |
| Non-current value | 0.9 | - | 0.9 | - |
| | 1.5 | (5.7) | 1.5 | (5.7) |

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 2017 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

2017

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|-------------------------------------|---------------|---------------|---------------|-------------|
| Financial assets: | | | | |
| Foreign exchange contracts – hedged | - | 1.1 | - | 1.1 |
| Interest rate swaps - hedged | - | 0.9 | - | 0.9 |
| Financial liabilities: | | | | |
| Foreign exchange contracts – hedged | - | 0.5 | - | 0.5 |

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 |

During the year ended 31 December 2017, 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 2017 the Group held foreign currency forward contracts designed as hedges of transaction exposures arising from revenue in foreign currencies. 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 for revenue in foreign currencies were assessed to be highly effective.

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.

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 2017 the Group entered into US\$125m of interest rate swaps with an amortising profile to match 50% of the US\$250m term loan maturing in June 2021. At 31 December 2017, 34.9% (2016: 8.6%) of the Group's borrowings were fixed.

| | 2017 | | 2016 |
|---|--------------|-------------------|-------------------|
| | Assets £m | Liabilities £m | Liabilities £m |
| Fair value of cash flow hedges – currency forward contracts | 0.3 | (0.2) | (0.4) |
| Fair value of cash flow hedges – interest rate swaps | 0.9 | - | - |
| | 1.2 | (0.2) | (0.4) |
| Current value | 0.3 | (0.2) | (0.4) |
| Non-current value | 0.9 | - | - |
| | 1.2 | (0.2) | (0.4) |

For 2017, 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 £0.4m (2016: £0.6m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

For 2017, if interest rates on US dollar denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.5m (2016: £Nil) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency net investment hedges

The Group's 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:

| | Currency value | | Sterling equivalent | |
|--------------------|-----------------|-----------------|---------------------|------------|
| | 2017 million | 2016 million | 2017 £m | 2016 £m |
| Australian dollar | 23.9 | 24.0 | 13.8 | 14.1 |
| Canadian dollar | 5.5 | 5.5 | 3.2 | 3.3 |
| Colombian peso | 4,000 | 4,000 | 1.0 | 1.1 |
| Czech koruna | 115.0 | 115.0 | 4.0 | 3.6 |
| Danish krone | 10.0 | 10.0 | 1.2 | 1.1 |
| Euro | 3.6 | 9.6 | 3.2 | 8.2 |
| Indian rupee | 810 | 810 | 9.4 | 9.7 |
| Mexican peso | 51.0 | 51.0 | 1.9 | 2.0 |
| New Zealand dollar | 6.0 | 3.0 | 3.2 | 1.7 |
| Norwegian krone | 35.0 | 7.0 | 3.2 | 0.7 |
| South African rand | 30.0 | 30.0 | 1.8 | 1.8 |
| Swedish krona | 50.0 | 50.0 | 4.5 | 4.5 |
| US dollar | - | 41.5 | - | 33.6 |

Following the acquisition of ASIG in February 2017 and the related draw down of US dollar denominated debt, the Group no longer enters into US dollar denominated forward foreign exchange contracts.

| | 2017 | | 2016 | |
|---|--------------|-------------------|--------------|-------------------|
| | Assets £m | Liabilities £m | Assets £m | Liabilities £m |
| Fair value of foreign currency net investment hedges | 0.8 | (0.3) | 0.4 | (5.7) |
| Current value | 0.8 | (0.3) | 0.4 | (5.7) |

Other financial instruments

Contingent consideration

As set out in Note 14, in the current year the Group acquired the share capital of Gold Coast Air Terminal Services Pty Ltd in Queensland, Australia. The final purchase price included earn out targets which, should these be met, will require the Group to pay the vendor up to an additional £0.4m in each of March 2018 and March 2019. The earn out targets are based on annualised EBITDA levels and, should the minimum target not be met, no further payment would be required. The difference between the fair value at the date of acquisition and the maximum payable contingent consideration is not considered to be material. Management expects that the target will be met and therefore the full contingent consideration has been provided for.

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.

| | 2017 | 2016 |
|---|-------------|------|
| | £m | £m |
| Fair value of contingent acquisition related amounts: | | |
| PlaneBiz 2015 Ltd | 3.2 | 3.4 |
| Gold Coast Air Terminal Services Pty Ltd | 0.8 | - |

Interest-bearing loans and borrowings

| | Maturity | Group | | Company | |
|------------------------------------|----------------|--------------|-------|--------------|-------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | £m | £m | £m | £m |
| Bank overdrafts | On demand | 1.9 | 0.8 | 0.1 | 0.5 |
| Obligations under finance leases | June 2018 | - | 0.2 | - | - |
| Amortising Sterling term loan | March 2020 | 7.1 | 10.0 | 7.1 | 10.0 |
| Non-amortising Sterling bank loans | June 2021 | 93.6 | 91.3 | 93.6 | 91.3 |
| Amortising US dollar term loan | June 2021 | 184.7 | - | 184.7 | - |
| Preference shares | Non-redeemable | 1.4 | 1.4 | 1.4 | 1.4 |
| | | 288.7 | 103.7 | 286.9 | 103.2 |
| Current value | | 5.1 | 39.0 | 3.3 | 38.5 |
| Non-current value | | 283.6 | 64.7 | 283.6 | 64.7 |
| | | 288.7 | 103.7 | 286.9 | 103.2 |

To fund the acquisition of ASIG, the Group put in place in September 2016 unsecured, committed bank loans that were conditional on the acquisition occurring. These facilities were drawn down in February 2017 and, as well as funding the ASIG acquisition, were used to refinance all existing bank loans. The new facilities were drawn down on 1 February 2017 and comprise a US\$250m term loan and a £150m revolving credit facility, both with a maturity of June 2021. At 31 December 2017 the average interest rates on these US dollar and Sterling loans were 3.6% and 2.5%, respectively.

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing in June 2021.

The amortising Sterling term loan is repayable between 2018 and 2020 with interest payable at a fixed rate of 6.23%. The loan has a weighted average maturity of one year (2016: two years).

The amortising US dollar term loan is repayable between 2019 and 2021. The loan has a weighted average maturity of three 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 | |
|--|--------------|-------|--------------|-------|
| | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m |
| Interest-bearing loans and borrowings | 288.7 | 103.7 | 286.9 | 103.2 |
| Derivative financial instruments | (1.5) | 5.7 | (1.5) | 5.7 |
| Total borrowings | 287.2 | 109.4 | 285.4 | 108.9 |
| Less: cash at bank, cash in hand and short-term deposits | 72.8 | 38.9 | 5.0 | 1.0 |
| | 214.4 | 70.5 | 280.4 | 107.9 |

At 31 December 2017, the book and fair values of net debt were:

| | 2017 | | 2016 | |
|--|------------------|------------------|------------------|------------------|
| | Book value £m | Fair value £m | Book value £m | Fair value £m |
| Short-term borrowings | 3.2 | 3.4 | 38.0 | 38.2 |
| Medium-term borrowings | 14.1 | 14.3 | 63.3 | 64.0 |
| Long-term borrowings | 269.5 | 269.5 | 1.4 | 1.4 |
| Derivative financial instruments | (1.5) | (1.5) | 5.7 | 5.7 |
| Finance leases | - | - | 0.2 | 0.2 |
| Bank overdrafts | 1.9 | 1.9 | 0.8 | 0.8 |
| Total financial liabilities | 287.2 | 287.6 | 109.4 | 110.3 |
| Less: cash at bank, cash in hand and short-term deposits | 72.8 | 72.8 | 38.9 | 38.9 |
| Net debt | 214.4 | 214.8 | 70.5 | 71.4 |

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 £1.8m difference in book values relates to interest bearing loans and borrowings and is deemed to be short-term in nature.

At 31 December 2017, the currency and interest rate profile of financial liabilities was:

| | 2017 | | | 2016 | | |
|-------------------------------------|---|--|-------------|---|--|-------------|
| | 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 | 95.4 | 8.5 | 103.9 | 92.3 | 11.4 | 103.7 |
| US dollar denominated | 92.4 | 92.4 | 184.8 | - | - | - |
| Net derivative (assets)/liabilities | (1.5) | - | (1.5) | 5.7 | - | 5.7 |
| | 186.3 | 100.9 | 287.2 | 98.0 | 11.4 | 109.4 |

At 31 December 2017, the expiry profile of undrawn committed facilities was:

| | Group | | Company | |
|----------------------------|------------|------------|------------|------------|
| | 2017 £m | 2016 £m | 2017 £m | 2016 £m |
| Between one and two years | - | 68.7 | - | 68.7 |
| Between two and five years | 56.5 | - | 56.5 | - |
| | 56.5 | 68.7 | 56.5 | 68.7 |

Trade and other receivables and payables

Trade and other receivables and trade and other payables carrying values of £270.9m (2016: £184.3m restated) and £296.0m (2016: £228.3m restated) respectively, in respect of the Group, and £500.0m and £338.0m (2016: £338.8m and £317.1m), in respect of the Company, approximate their fair values due to their short-term nature.

Sensitivity and risk information

Foreign currency sensitivity

For 2017, 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:

| | Changes in rate | 2017 | | 2016 | |
|--------------------|-----------------|-----------------------------------|------------------------|-----------------------------------|------------------------|
| | | Effect on profit before tax £m | Effect on equity £m | Effect on profit before tax £m | Effect on equity £m |
| US dollar | +10% | 2.0 | 1.6 | 1.5 | 3.8 |
| US dollar | -10% | (1.6) | (1.3) | (1.2) | (3.1) |
| Australian dollar | +10% | 1.4 | 1.6 | 1.0 | 1.8 |
| Australian dollar | -10% | (1.2) | (1.3) | (0.8) | (1.5) |
| Euro | +10% | 1.1 | (0.8) | 0.5 | - |
| Euro | -10% | (0.9) | 0.7 | (0.4) | - |
| Indian rupee | +10% | 0.7 | 1.3 | 0.6 | 1.3 |
| Indian rupee | -10% | (0.6) | (1.1) | (0.5) | (1.0) |
| Canadian dollar | +10% | 0.5 | 0.7 | 0.3 | 0.5 |
| Canadian dollar | -10% | (0.4) | (0.6) | (0.2) | (0.4) |
| South African rand | +10% | - | 0.5 | (0.1) | 0.8 |
| South African rand | -10% | - | (0.4) | 0.1 | (0.7) |

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

Capital risk

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

Credit risk

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

| | Group | | Company | |
|-------------------|------------|---------------------------|------------|------------|
| | 2017 £m | 2016 ⁽ⁱ⁾ £m | 2017 £m | 2016 £m |
| Bank deposits | 72.8 | 38.9 | 5.0 | 1.0 |
| Trade receivables | 259.4 | 177.1 | - | - |
| | 332.2 | 216.0 | 5.0 | 1.0 |

Note:

(i) As set out in Note 16 trade and other receivables at 31 December 2016 have been restated.

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.

| | Due under 1 year £m | Due between 1 and 2 years £m | Due between 2 and 5 years £m | Due over 5 years £m |
|---------------------------------------|---------------------------|------------------------------------|------------------------------------|---------------------------|
| 2017 | | | | |
| Interest-bearing loans and borrowings | 14.6 | 23.3 | 281.7 | - |
| Preference shares | 0.1 | 0.1 | 0.4 | 1.5 |
| Other liabilities | - | - | - | - |
| Trade and other payables | 131.9 | 4.6 | - | - |
| Financial derivatives | 50.3 | (0.1) | (0.2) | - |
| | 196.9 | 27.9 | 281.9 | 1.5 |

| | Due under 1 year £m | Due between 1 and 2 years £m | Due between 2 and 5 years £m | Due over 5 years £m |
|---|---------------------------|------------------------------------|------------------------------------|---------------------------|
| 2016⁽ⁱ⁾ | | | | |
| 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 ⁽ⁱ⁾ | 112.2 | 4.0 | - | - |
| Financial derivatives | 85.6 | - | - | - |
| | 238.2 | 65.0 | 7.2 | 1.5 |

Note:

(i) As set out in Note 16 trade and other payables at 31 December 2016 have been restated.

12. RETIREMENT BENEFIT OBLIGATION

Defined benefit scheme

The principal Group-funded defined benefit pension scheme is the Menzies Pension Fund (the Fund) in the United Kingdom to which employees have contributed until the Fund closed to future accrual on 31 March 2017.

On 31 May 2017 the Fund was split into two sections such that the Company was the principal employer for Section A and Menzies Distribution Ltd was the principal and sole employer for Section B. £64.3m of assets and £71.8m of liabilities in respect of a group of pensioner members of the Fund were transferred from Section A to Section B on 30 June 2017. Going forward the two sections of the Fund will have separate funding and investment strategies but will continue to be governed by the Fund Rules.

In accordance with IAS 19 the scheme valuations were assessed in accordance with independent actuarial advice from PricewaterhouseCoopers (the Actuary).

Fund financial assumptions and information

The Actuary undertook a valuation of the Fund as at 31 December 2017 (2016: 31 December 2016) based on the Fund's membership data as at 31 March 2017. In deriving the results the Actuary used the following financial assumptions:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|--|----------------|----------------|------------|---------------------|
| | Section A % | Section B % | Group % | Group % |
| Price inflation | 3.1 | 3.2 | 3.1 | 3.3 |
| Discount rate | 2.5 | 2.3 | 2.5 | 2.7 |
| Rate of increase on pensions accrued pre 2006 | 3.6 | 3.6 | 3.6 | 3.7 |
| Rate of increase on pensions accrued post 2006 | 2.2 | 2.2 | 2.2 | 2.2 |

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:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|--------|--------------------|--------------------|----------------|---------------------|
| | Section A Years | Section B Years | Group Years | Group Years |
| Male | 22 | 22 | 22 | 22 |
| Female | 23 | 23 | 23 | 24 |

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

| | 2017 | 2016 ⁽ⁱ⁾ |
|--------|---------------------------------|---------------------|
| | Section A and Group Years | Group Years |
| Male | 23 | 24 |
| Female | 24 | 25 |

The membership of the Fund on the balance sheet date is:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|--------------------------------|-----------|-----------|-------|---------------------|
| | Section A | Section B | Group | Group |
| Active members ⁽ⁱⁱ⁾ | - | - | - | 401 |
| Deferred members | 3,556 | - | 3,556 | 3,200 |
| Pensioners | 1,639 | 509 | 2,148 | 2,131 |
| | 5,195 | 509 | 5,704 | 5,732 |

The liability split of the Fund by membership on the balance sheet date is:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|--------------------------------|-----------|-----------|-------|---------------------|
| | Section A | Section B | Group | Group |
| Active members ⁽ⁱⁱ⁾ | - | - | - | 18% |
| Deferred members | 59% | - | 49% | 37% |
| Pensioners | 41% | 100% | 51% | 45% |

The average liability duration of the Fund by membership on the balance sheet date is:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|--------------------------------|--------------------|--------------------|----------------|---------------------|
| | Section A Years | Section B Years | Group Years | Group Years |
| Active members ⁽ⁱⁱ⁾ | - | - | - | 23 |
| Deferred members | 21 | - | 21 | 23 |
| Pensioners | 12 | 11 | 12 | 13 |

Overall weighted average liability duration is 17 years (2016: 18 years).

Notes:

(i) Prior year comparative information for the Company is not presented separately as the information set out for the Group was the same as that of the Company.

(ii) The Fund closed to future accrual on 31 March 2017 and therefore there are no active members at 31 December 2017.

Fair value of Fund assets and liabilities at balance sheet date

| Section A | 2017 ⁽ⁱ⁾ | | |
|------------------------------------|---------------------|--------------------------------|-------------|
| | Quoted £m | Unquoted ⁽ⁱⁱ⁾ £m | Total £m |
| Equities | 120.1 | - | 120.1 |
| Bonds | 80.8 | - | 80.8 |
| Investment funds | 6.3 | - | 6.3 |
| Liability driven investment funds | - | 63.4 | 63.4 |
| Property | - | 26.4 | 26.4 |
| Annuity contracts ⁽ⁱⁱⁱ⁾ | - | 6.1 | 6.1 |
| Cash | 6.4 | - | 6.4 |
| Other | 0.4 | - | 0.4 |
| Assets | 214.0 | 95.9 | 309.9 |
| Defined benefit obligation | | | (352.4) |
| Recognised in Balance Sheet | | | (42.5) |
| Related deferred tax asset | | | 7.2 |
| Net retirement obligation | | | (35.3) |

| Section B | 2017 ⁽ⁱ⁾ | | |
|-----------------------------------|---------------------|--------------------------------|-------------|
| | Quoted £m | Unquoted ⁽ⁱⁱ⁾ £m | Total £m |
| Liability driven investment funds | - | 64.0 | 64.0 |
| Cash | 0.5 | - | 0.5 |
| Assets | 0.5 | 64.0 | 64.5 |
| Defined benefit obligation | | | (71.5) |
| Recognised in Balance Sheet | | | (7.0) |
| Related deferred tax asset | | | 1.2 |
| Net retirement obligation | | | (5.8) |

| Group | 2017 | | | 2016 | | |
|------------------------------------|--------------|--------------------------------|-------------|--------------|--------------------------------|-------------|
| | Quoted £m | Unquoted ⁽ⁱⁱ⁾ £m | Total £m | Quoted £m | Unquoted ⁽ⁱⁱ⁾ £m | Total £m |
| Equities | 120.1 | - | 120.1 | 131.5 | 0.3 | 131.8 |
| Bonds | 80.8 | - | 80.8 | 92.0 | - | 92.0 |
| Investment funds | 6.3 | - | 6.3 | 6.3 | - | 6.3 |
| Liability driven investment funds | - | 127.4 | 127.4 | - | 77.2 | 77.2 |
| Property | - | 26.4 | 26.4 | - | 25.0 | 25.0 |
| Annuity contracts ⁽ⁱⁱⁱ⁾ | - | 6.1 | 6.1 | - | 7.8 | 7.8 |
| Cash | 6.9 | - | 6.9 | 13.0 | - | 13.0 |
| Other | 0.4 | - | 0.4 | 3.4 | 12.4 | 15.8 |
| Assets | 214.5 | 159.9 | 374.4 | 246.2 | 122.7 | 368.9 |
| Defined benefit obligation | | | (423.9) | | | (439.9) |
| Recognised in Balance Sheet | | | (49.5) | | | (71.0) |
| Related deferred tax asset | | | 8.4 | | | 12.1 |
| Net retirement obligation | | | (41.1) | | | (58.9) |

Notes:

- (i) Prior year comparative information for the Company is not presented separately as the information set out for the Group was the same as that of the Company.
(ii) The valuations of unquoted assets have been determined by reference to latest available manager valuation reports.
(iii) The Fund holds annuity contracts in respect of a number of members that provide cash flows to the Fund which match the benefit payments to these members.

The value of Fund liabilities at the balance sheet date at various assumptions are:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|--------------------------------------|-----------------|-----------------|-------------|---------------------|
| | Section A £m | Section B £m | Group £m | Group £m |
| 0.5% decrease in discount rate | 386.5 | 75.6 | 462.1 | 481.0 |
| One year increase in life expectancy | 366.1 | 75.1 | 441.2 | 454.4 |
| 0.5% decrease in inflation | 334.8 | 70.1 | 404.9 | 425.2 |
| 0.25% increase in pensions | 377.8 | 73.4 | 451.2 | 449.4 |

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 charge to the Income Statement is assessed in accordance with independent actuarial advice from the Actuary using the projected unit method.

The components of pension expense are:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|---|-----------------|-----------------|-------------|---------------------|
| | Section A £m | Section B £m | Group £m | Group £m |
| Amounts charged/(credited) to operating profit | | | | |
| Current service cost | 0.6 | - | 0.6 | 1.9 |
| Administrative costs | 1.5 | 0.1 | 1.6 | 1.6 |
| Effect of curtailments and settlements | 2.7 | - | 2.7 | (0.3) |
| Total service cost | 4.8 | 0.1 | 4.9 | 3.2 |
| Amounts included in finance costs | | | | |
| Interest cost on defined benefit obligation | 10.6 | 0.9 | 11.5 | 13.9 |
| Interest income on Fund assets | (8.9) | (0.8) | (9.7) | (12.3) |
| Net finance charge | 1.7 | 0.1 | 1.8 | 1.6 |
| Pension expense | 6.5 | 0.2 | 6.7 | 4.8 |

As set out in Note 3, £2.7m of curtailment costs have been recognised as an exceptional cost in the current year (2016: £Nil).

The amounts recognised in the Statement of Comprehensive Income are:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|---|-----------------|-----------------|-------------|---------------------|
| | Section A £m | Section B £m | Group £m | Group £m |
| Returns on assets excluding interest income | 17.0 | 1.2 | 18.2 | 48.9 |
| Changes in demographic assumptions | 7.1 | - | 7.1 | 4.7 |
| Changes in financial assumptions | (5.5) | (0.7) | (6.2) | (93.3) |
| Experience | (3.1) | (0.3) | (3.4) | 2.9 |
| Actuarial gain/(loss) | 15.5 | 0.2 | 15.7 | (36.8) |

Changes in Fund assets and defined benefit obligation

The change in scheme assets during the year is:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|---|-----------------|-----------------|-------------|---------------------|
| | Section A £m | Section B £m | Group £m | Group £m |
| Fair value of assets at start of year | - | - | 368.9 | 312.4 |
| Sectionalisation of the Fund | 304.6 | 64.3 | - | - |
| Interest income | 8.9 | 0.8 | 9.7 | 12.3 |
| Returns on assets excluding interest income | 17.0 | 1.2 | 18.2 | 48.9 |
| Company contributions | 12.0 | 0.5 | 12.5 | 14.0 |
| Employee contributions | 0.2 | - | 0.2 | 0.7 |
| Effect of settlements | - | - | - | (0.4) |
| Benefits and expenses paid | (32.8) | (2.3) | (35.1) | (19.0) |
| Fair value of assets at end of year | 309.9 | 64.5 | 374.4 | 368.9 |
| Return on scheme assets including interest income | 25.9 | 2.0 | 27.9 | 61.2 |

The change in defined benefit obligation during the year is:

| | 2017 | | | 2016 ⁽ⁱ⁾ |
|---|-----------------|-----------------|-------------|---------------------|
| | Section A £m | Section B £m | Group £m | Group £m |
| Defined benefit obligation at start of year | - | - | 439.9 | 355.8 |
| Sectionalisation of the Fund | 368.1 | 71.8 | - | - |
| Total service cost | 2.1 | 0.1 | 2.2 | 3.5 |
| Exceptional curtailments | 2.7 | - | 2.7 | - |
| Interest cost | 10.6 | 0.9 | 11.5 | 13.9 |
| Effect of settlements | - | - | - | (0.7) |
| Employee contributions | 0.2 | - | 0.2 | 0.7 |
| Benefits and expenses paid | (32.8) | (2.3) | (35.1) | (19.0) |
| Changes in demographic assumptions | (7.1) | - | (7.1) | (4.7) |
| Changes in financial assumptions | 5.5 | 0.7 | 6.2 | 93.3 |
| Experience | 3.1 | 0.3 | 3.4 | (2.9) |
| Defined benefit obligation at end of year | 352.4 | 71.5 | 423.9 | 439.9 |

Note:

(i) Prior year comparative information for the Company is not presented separately as the information set out for the Group was the same as that of the Company.

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 interests 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 of the Fund

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 and pension 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

In the prior year the Trustee agreed to de-risk and increase hedging of liabilities on a gilts basis across interest rates (40% hedged) and inflation (30% hedged) 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.

Following the sectionalisation of the Fund, the Trustees and the Company agreed new investment strategies tailored to each section's liability profile.

The Trustee's current investment strategy for Section A 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 for Section A assets such that the 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 triennial valuation exercise. The current benchmark is to hold 60% in growth assets such as equities and 40% in bonds including index-linked and fixed-interest Government bonds and corporate bonds. Section A has also increased the hedging of liabilities across interest rates (50% hedged) and inflation (50% hedged) using LDI.

Section B's assets are invested in a range of credit, LDI and corporate bonds that target matching the liabilities of Section B.

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 was concluded in the prior year and a Schedule of Contributions agreed and dated 4 March 2016. 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 applies if dividends paid are at least at the level of those paid in 2013.

The next triennial valuation of the Fund is effective as at 31 March 2018 and the Company and Trustee will look to agree revised long term funding strategies for Section A and Section B as part of this valuation. Specifically the Company and Trustee have an understanding that any deficit on a gilts funding measure in Section B as at 31 March 2018 will be funded over a five or six year period.

In total, the Company expects to contribute around £11.8m to the Fund during the year to 31 December 2018.

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. As set out in Note 3, £2.7m (2016: £Nil) of curtailment costs have been recognised as an exceptional cost.

13. CONTINGENT LIABILITIES

The Group has a number of claims in the normal course of business that management believes should not result in a material impact to the accounts. These include pre-acquisition claims against ASIG that management expects to be largely recoverable from the previous owners.

14. ACQUISITIONS

During the year the Group acquired 100% of the share capital of ASIG Holdings Ltd and ASIG Holdings Corp. (together ASIG) and Gold Coast Air Terminal Services Pty Ltd, Gnewt Cargo Ltd and Farnair Handling Kft.

On 1 February 2017 the Group acquired ASIG, a leading aviation services business. The Group has acquired the business in order to provide comprehensive service solutions including into-plane fuelling, fuel farm management, ground handling, aircraft technical services, facilities equipment maintenance and de-icing at airports across seven countries in the Americas, Europe and Asia. These financial statements include the impact of 11 months' trading results.

On 3 May 2017 the Group acquired Gold Coast Air Terminal Services Pty Ltd, a company based in Australia. The Group has acquired the company to expand its cargo service offering in Australia. These financial statements include the impact of eight months' trading results.

On 30 August 2017 the Group acquired Gnewt Cargo Ltd, a company based in England. The Group has acquired the company to expand its delivery service offering in England. These financial statements include the impact of four months' trading results.

On 1 November 2017 the Group acquired Farnair Handling Kft, a company based in Hungary. The Group has acquired the company to expand its cargo service offering in Hungary. These financial statements include the impact of two months' trading results.

On 27 May 2017 the Group acquired 75% of the share capital of EM News Distribution (Ireland) Ltd and 25% of EM News Distribution (NI) Ltd (together EMND). This step acquisition enables the Distribution Division to realise the benefits of control and create the only news wholesaler serving the United Kingdom and the Republic of Ireland. The intention is to use the existing network under the Division's control to diversify into the wider logistics and parcel carrier market. These financial statements include the impact of seven months' trading results.

| | ASIG £m | Gold Coast Air Terminal Services Pty Ltd £m | EMND £m | Gnewt Cargo Ltd £m | Farnair Handling Kft £m | 2017 £m | 2016 £m |
|--|--------------|---|------------|-----------------------------|----------------------------------|--------------|------------|
| Purchase consideration: | | | | | | | |
| Cash paid | 168.2 | 1.6 | 1.9 | - | 1.1 | 172.8 | 3.5 |
| Impact of assets not transferred | (2.2) | - | - | - | - | (2.2) | - |
| Contingent consideration | - | 0.8 | - | - | - | 0.8 | - |
| Deferred consideration | - | - | - | - | - | - | 0.5 |
| Fair value of existing equity interest in joint ventures | - | - | 5.8 | - | - | 5.8 | - |
| Total purchase consideration | 166.0 | 2.4 | 7.7 | - | 1.1 | 177.2 | 4.0 |
| Less: non-controlling interest acquired | 4.2 | - | - | - | - | 4.2 | - |
| Less: fair value of net assets acquired | 88.4 | 1.4 | 4.4 | (0.2) | 1.0 | 95.0 | 3.6 |
| Goodwill | 73.4 | 1.0 | 3.3 | 0.2 | 0.1 | 78.0 | 0.4 |

The non-controlling interest relating to ASIG is 49% of the net liabilities of ASIG Thailand (Company) Ltd of £8.6m.

Goodwill recognised with respect to ASIG is primarily attributable to workforce expertise and synergies with other Group companies. Goodwill recognised with respect to all other acquisitions relates to anticipated synergies with other Group companies.

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

| | ASIG | Gold Coast Air Terminal Services Pty Ltd | EMND | Gnewt Cargo Ltd | Farnair Handling Kft | 2017 | 2016 |
|--|---------------|---|---------------|--------------------------------|-------------------------------------|---------------|-------------|
| | £m | £m | £m | £m | £m | £m | £m |
| Intangible assets – customer relationships and contracts | 31.8 | 1.6 | 2.0 | - | 0.4 | 35.8 | 2.7 |
| Intangible assets – brand | 6.6 | - | - | - | - | 6.6 | - |
| Deferred tax assets | 3.6 | - | - | - | - | 3.6 | - |
| Property, plant and equipment | 30.9 | 0.1 | 0.6 | 0.1 | 0.2 | 31.9 | 0.6 |
| Inventory | 2.5 | - | 2.5 | - | - | 5.0 | 0.1 |
| Trade and other receivables | 89.5 | 0.2 | 10.7 | 0.6 | 0.5 | 101.5 | 1.4 |
| Cash | 12.3 | 0.2 | 0.2 | - | 0.2 | 12.9 | 0.3 |
| Trade and other payables | (71.4) | - | (11.0) | (0.9) | (0.3) | (83.6) | (0.9) |
| Provisions | (11.2) | - | (0.1) | - | - | (11.3) | (0.1) |
| Current income tax liabilities | (0.7) | (0.2) | (0.2) | - | - | (1.1) | (0.1) |
| Borrowings | - | - | - | - | - | - | (0.3) |
| Deferred tax liability | (5.5) | (0.5) | (0.3) | - | - | (6.3) | (0.1) |
| Net assets acquired at fair value | 88.4 | 1.4 | 4.4 | (0.2) | 1.0 | 95.0 | 3.6 |

The fair value of the acquired ASIG net assets has decreased by £5.9m from the amounts recognised in the June 2017 results announcement. This reduction primarily relates to the recognition of additional fair value provisions of £5.4m and property, plant and equipment fair value adjustments of £2.3m, partly offset by higher intangible assets relating to customer relationships of £2.5m.

Current assets acquired with ASIG include £64.0m of trade receivables at fair value. Current assets acquired with all other acquisitions include £5.1m of trade receivables at fair value, the gross amount acquired. The fair values of the net assets of all companies acquired except ASIG remain provisional pending the formal completion of the valuation process.

The acquired businesses contributed £11.0m profit before taxation excluding the amount contributed from EMND as joint venture undertakings to 27 May 2017 and £380.3m revenue from acquisition date.

If the businesses had been acquired on 1 January 2017, Group revenue and profit before taxation would have been £2,561.6m and £30.1m, respectively. The acquired ASIG business contributed £291.7m revenue and £7.3m profit before taxation from acquisition date. Transaction fees of £2.4m relating to acquisitions were incurred and expensed during the period.

Deferred consideration

Deferred consideration of £0.2m relating to the acquisition of Renaissance Aviation Ltd was cash settled in March 2017. Deferred consideration of £0.3m relating to the acquisition of AJG Parcels Ltd was cash settled in May 2017. Deferred consideration of £0.2m relating to the acquisition of Thistle Couriers Ltd was cash settled in February 2017.

15. 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:

| | Group share holding % | Sales to related party £m | Amounts owed to related party at 31 December 2017 £m | Amounts owed by related party at 31 December 2017 £m |
|--|--------------------------------|------------------------------------|--|--|
| Related party | | | | |
| Hyderabad Menzies Air Cargo Private Ltd | 49 | 0.1 | - | 0.1 |
| Menzies Aviation Bobba (Bangalore) Private Ltd | 49 | 0.1 | - | - |
| Menzies Macau Airport Services Ltd | 29 | 0.4 | - | - |
| EM News Distribution (NI) Ltd | 50 | 0.2 | - (i) | - (i) |
| EM News Distribution (Ireland) Ltd | 50 | 0.4 | - (i) | - (i) |

Note:

(i) Following the step acquisition set out in Note 14 these entities are no longer joint venture undertakings at 31 December 2017.

Key management personnel include individuals who are Directors of the Company 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:

| | 2017 £m | 2016 £m |
|--|------------|------------|
| Short-term employee benefits | 6.8 | 5.5 |
| Post-employment pension and medical benefits | 0.5 | 0.5 |
| Termination payments | - | 0.1 |
| Share-based payments | 1.4 | 0.7 |
| | 8.7 | 6.8 |

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 2017 was £0.2m (2016: £0.2m).

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

16. PRIOR YEAR ADJUSTMENT

As set out in Note 1, management's review of the impact of IFRS 15 Revenue from Contracts with Customers has highlighted that the historic accounting treatment does not comply fully with IAS 18 Revenue. Although the historic approach adopted was not materially misstated, with the imminent application of IFRS 15 it is considered qualitatively material and therefore there is a need for a restatement to the historic Group Balance Sheets to recognise a sales returns asset and corresponding liability. The movement in these amounts also requires to be shown in the Group Income Statement.

There is no impact from this restatement on the Group Statement of Comprehensive Income, the Group Cash Flow Statement, the Group's earnings per share or on the Company's financial statements.

Impact on Group Income Statement

For the year ended 31 December 2016

| | As previously reported £m | Prior year adjustment £m | As restated £m |
|--|---------------------------------|--------------------------------|-------------------|
| Revenue | 1,981.6 | 0.9 | 1,982.5 |
| Net operating costs | (1,961.5) | (0.9) | (1,962.4) |
| Operating profit before joint ventures and associates | 20.1 | - | 20.1 |
| Share of post-tax results of joint ventures and associates | 7.5 | - | 7.5 |
| Operating profit | 27.6 | - | 27.6 |
| Finance income | 0.7 | - | 0.7 |
| Finance charges excluding retirement benefit obligation interest | (6.9) | - | (6.9) |
| Retirement benefit obligation interest | (1.6) | - | (1.6) |
| Profit before taxation | 19.8 | - | 19.8 |
| Taxation | (11.8) | - | (11.8) |
| Profit for the year | 8.0 | - | 8.0 |

Impact on Group Balance Sheet

| | 2016 | | | 2015 | | |
|---------------------------------------|------------------------------|-----------------------------|-------------------|------------------------------|-----------------------------|-------------------|
| | As previously reported £m | Prior year adjustment £m | As restated £m | As previously reported £m | Prior year adjustment £m | As restated £m |
| Assets | | | | | | |
| Non-current assets | 286.4 | - | 286.4 | 261.3 | - | 261.3 |
| Current assets | | | | | | |
| Inventories | 16.0 | - | 16.0 | 14.7 | - | 14.7 |
| Trade and other receivables | 243.6 | (18.8) | 224.8 | 201.9 | (19.7) | 182.2 |
| Derivative financial assets | 0.4 | - | 0.4 | 0.6 | - | 0.6 |
| Cash and cash equivalents | 38.9 | - | 38.9 | 34.1 | - | 34.1 |
| | 298.9 | (18.8) | 280.1 | 251.3 | (19.7) | 231.6 |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Borrowings | (39.0) | - | (39.0) | (3.4) | - | (3.4) |
| Derivative financial liabilities | (6.1) | - | (6.1) | (2.3) | - | (2.3) |
| Trade and other payables | (249.9) | 15.7 | (234.2) | (217.3) | 16.6 | (200.7) |
| Current income tax liabilities | (11.3) | - | (11.3) | (10.0) | - | (10.0) |
| Provisions | (4.2) | - | (4.2) | (4.9) | - | (4.9) |
| | (310.5) | 15.7 | (294.8) | (237.9) | 16.6 | (221.3) |
| Net current (liabilities)/assets | (11.6) | (3.1) | (14.7) | 13.4 | (3.1) | 10.3 |
| Total assets less current liabilities | 274.8 | (3.1) | 271.7 | 274.7 | (3.1) | 271.6 |
| Non-current liabilities | (146.5) | - | (146.5) | (203.5) | - | (203.5) |
| Net assets | 128.3 | (3.1) | 125.2 | 71.2 | (3.1) | 68.1 |
| Shareholders' equity | | | | | | |
| Ordinary shares | 20.9 | - | 20.9 | 15.4 | - | 15.4 |
| Share premium account | 20.5 | - | 20.5 | 20.4 | - | 20.4 |
| Treasury shares | (1.6) | - | (1.6) | (1.8) | - | (1.8) |
| Other reserves | (4.6) | - | (4.6) | (21.6) | - | (21.6) |
| Merger relief reserve | 67.3 | - | 67.3 | - | - | - |
| Retained earnings | 3.2 | (3.1) | 0.1 | 35.6 | (3.1) | 32.5 |
| Capital redemption reserve | 21.6 | - | 21.6 | 21.6 | - | 21.6 |
| | 127.3 | (3.1) | 124.2 | 69.6 | (3.1) | 66.5 |
| Non-controlling interest in equity | 1.0 | - | 1.0 | 1.6 | - | 1.6 |
| Equity | 128.3 | (3.1) | 125.2 | 71.2 | (3.1) | 68.1 |

Impact on Group Statement of Changes in Equity

Retained earnings at 1 January 2016 and 1 January 2017 have both been reduced by £3.1m.

17. ACCOUNTS

The figures used in this statement, which was approved by the Directors on 12 March 2018, are not the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the year, but are taken from those accounts. The Auditor's report on the statutory accounts was unqualified and did not contain a statement under section 428 (4(f)) of the Companies Act 2006.

18. ANNUAL REPORT

The Annual Report and Accounts will be available ahead of the Annual General Meeting to be held at the Waldorf Astoria Hotel in Edinburgh on 18 May 2018 at 2.00pm. Statutory accounts for the year ended 31 December 2016 have been delivered to the Registrar of Companies and those for the year to 31 December 2017 will be delivered following the Company's Annual General Meeting.