



Annual Report 2001



John Menzies plc

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- STRATEGIC RESTRUCTURING COMPLETED
- ELC SOLD FOR £29 MILLION
- CHANGED YEAR END SIGNALS
END OF SEASONALITY
- ROBUST PERFORMANCE FROM
DISTRIBUTION
- AVIATION PROGRESS IN DIFFICULT
MARKET CONDITIONS
- DIVIDEND LEVEL MAINTAINED

8-30 Report of the Directors

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Cover: 8.30am Newbridge Edinburgh
Cliff Prestage and Anne Marie Dundas
Menzies Distribution

1.45am Cambuslang Branch

Stevie Russell
Menzies Distribution

Cambuslang "super" branch which opened on time and on budget in October 2001 is part of a £15m programme to rationalise 10 branches into 4.



2.35pm Schiphol Airport Amsterdam
Fauzia Handkoemarsing and Vincent Van Os
Menzies Aviation

Over 300 flights per week are handled by
Menzies Ground Services at Schiphol Airport,
Amsterdam.



7.35pm Connect Operations Centre, Heathrow Airport
Brian Wheeler
Menzies Aviation

8 million bags and 4 million passengers are transferred annually
between Heathrow's four terminals by Connect. Every vehicle is
efficiently monitored from the central control room.



9.45pm Sheffield
Peter Wood
Menzies Distribution

Menzies Distribution completed the £7.1m acquisition of Turners News in December 2001, increasing its geographical reach and market share.



10.35am Sainsbury's, Edinburgh
Natalie Joy
Menzies Distribution

Menzies Distribution's award winning added value services help to optimise magazine sales.



11.35am Edinburgh Airport

Scott McLaren

Execair Operations Manager

Menzies Aviation's rapidly expanding Execair operation extended its portfolio to 10 locations, with more to come.



06.15am Macau, China

Lou Chan Cheang

Menzies Aviation

Menzies Aviation's successful joint venture operation in Macau provides a strategic gateway to the Chinese market.



Menzies has the right base, the right skills and the right strategy; I believe that its prospects are excellent.

Menzies Group is now focused on two core divisions with a clear strategy in place for future growth.



Chairman's Statement

Whilst the period under review has been one of the most difficult in the Company's history, particularly triggered by a combination of the weak global economy and the events of 11th September, we can take satisfaction from the fact that we have completed the restructuring of the business which began in 1998.

This challenging task has been conducted with determination, and with the interests of shareholders as our first priority. We have exited a number of businesses, some as quickly as practicable, others after a period of development to increase shareholder value. We made an important acquisition in Ogden which has enabled us to develop Menzies Aviation Group as a major international player in its market.

The sense of achievement which this brings is, however, coupled with great sorrow. Two of our most senior executives in the USA, Dennis Blair

and Sylvie Greleau, were killed in the air crash in New York in November. We lost two exceptional colleagues; for their families, the loss was far greater, and we share in their sadness.

The Menzies Group now consists of two core businesses, Menzies Distribution and Menzies Aviation. Both operate from positions of considerable strength.

Menzies Distribution has earned a strong reputation both as an effective force and as a voice of reason within the industry. Its market share and geographical spread were increased by the acquisition of Turners News at the end of 2001. Two of the four planned distribution super-centres are now up-and-running, and the business is in excellent health.

Menzies Aviation Group has built a solid platform for expansion in a market which continues to have significant growth potential.

A key element of its strategy is to build on its successes by developing a full range of value-added services in carefully chosen markets. MAG is operating in 22 countries, including Spain which was added to the portfolio during the period. MAG is also at the forefront of the industry's moves to address the insurance and other issues which have recently arisen.

Turning to our figures, the shortened accounting period for these results (made necessary by the change of our financial year) makes it more difficult to make useful comparisons. However, it is naturally disappointing to report that MAG produced a loss in this financial period. In addition, the results are somewhat distorted by our process of change – Headline Profit, for example, is reduced by the trading losses of Early Learning Centre to the date of sale. In order to make better sense of our comparative performance, our commentary therefore

focuses on the unaudited pro forma results for the 12 months to December 2001 and 2000.

The Directors are recommending a final dividend of 6.6p, making a total dividend for the eight month period of 12.1p. This equates to an annualised dividend in line with last year and reflects your Board's confidence in the future prospects of the Group. The final dividend will be paid in June. The interim dividend will then be paid in November each year.

Businesses, no matter how good and how well managed, will always be affected by external factors.

A management's ability to be responsive and to take swift, decisive action whenever it is necessary is crucial. During my time as Chairman, Menzies' managers and employees have repeatedly proved that they can respond vigorously to whatever change occurs.

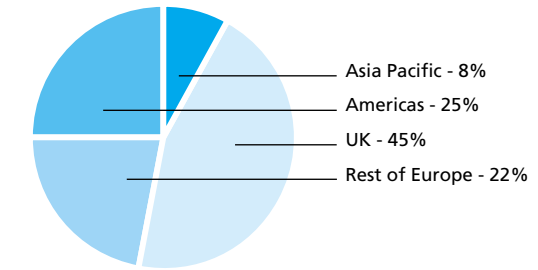
I will be handing over to William Thomson after the Annual General Meeting. As I prepare for this, I take great satisfaction in having played a part in transforming this Group into an international support services business. Menzies has the right base, the right skills and the right strategy; I believe that its prospects are excellent, and I have much confidence in those who take forward the challenge.

Gavin Reed
Chairman

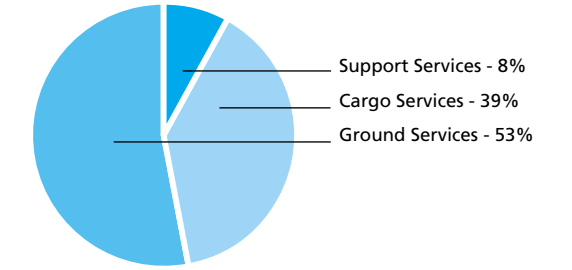
The Group now consists of two core businesses, Menzies Distribution and Menzies Aviation. Both hold leading positions in their respective markets.



Menzies Aviation Geographical Balance



Menzies Aviation Sector Spread



(Source - 12 months turnover to 29th December 2001)

Chief Executive's Review

The Group's restructuring is complete and our exposure to seasonal trading has been effectively ended. Accordingly, we have changed our financial year to match the calendar year. These results are for the eight months from May to December 2001. This is the period covered by the Interim Results we reported on 19th December, together with the months of November and December 2001. As might be expected, the additional two months of trading have not made a significant difference to the picture I presented in December.

The key messages of my interim report were that we had transformed the Group into an international support services organisation consisting of two highly focused and complementary businesses, Distribution and Aviation; that both these divisions were leading players in their markets; that our Distribution performance had been particularly strong and would be further enhanced by the acquisition of Turners News; and that Aviation, despite a difficult trading climate, further exacerbated by the effects of 11th September, was well positioned for the future because of a planned programme of swift and decisive management action.

The main points to emerge since our Interim Report are:

- Distribution has maintained its robust performance. Turners has been successfully integrated, with early trading in line with expectations.
- In the aviation sector, MAG has yet to see a sustained improvement in trading conditions but there are some encouraging signs of recovery in its market.
- Our Aviation Division further rationalised its operations. Decisive steps were completed post year end to address the remaining under-performing elements acquired in 2000 as part of the Ogden Ground Services deal. We have sold the operations in Germany. On completion of the acquisition of FR8, the largest independent cargo handler in the Netherlands, Amsterdam will be turned into a profitable operation. Other activity has included the purchase of the remaining 20% in Menzies World Cargo and the sale of our 49% holding in GlobeGround (UK) Limited.

Results

To assist comparisons we have presented unaudited turnover and profit for the pro forma 12 month periods to December 2001 and December 2000 (53 weeks). This is in addition to figures for the eight months to December 2001. After an initial overview of the eight month results, this review focuses on the two 12 month periods.

Eight months to December 2001

Turnover from continuing operations was £760.0m, comprising £594.4m from Menzies Distribution and £165.6m from Aviation. Operating profit from continuing operations was £11.3m. Distribution profits were £16.5m, whilst Aviation incurred a loss of £3.8m including some £2.5m of certain airline debtor provisions as well as losses from businesses that have now been exited.

Headline profit before tax was £3.6m, after a discontinued loss of £5.7m at ELC and interest expense. The ELC result had a marked seasonal element, and the transaction was therefore structured so that the Group was re-imbursed in cash for this. A higher than normal effective tax rate, from unrelieved

overseas losses, resulted in Headline earnings per share of 0.4p. The Headline earnings per share relating to continuing operations was 7.5p.

An inevitable consequence of our significant restructuring process is that results have been affected by a number of one-off exceptional items. Operating exceptionals totalled £11.2m. These mainly consisted of costs incurred in rationalising cargo capacity at Heathrow and reducing Menzies Aviation's cost base. The sale of ELC resulted in a non-operating exceptional loss of £12.7m, including £8.5m of goodwill previously written off.

Pro Forma 12 months to December 2001

Turnover from continuing operations increased by 18% to £1,145.3m. Distribution turnover was 4% higher at £900.9m mainly due to newspaper price increases, additional magazine market share and ongoing phone-card sales. Aviation turnover more than doubled to £244.4m, largely as a result of last year's Ogden acquisition.

Sales from discontinued operations, at £108.1m, were attributable to ELC and THE Games; the comparative period also included THE and SUOS.

Operating profits from continuing operations reduced by 33% to £21.1m. Menzies Distribution profits were lower at £26.1m, influenced by the additional 53rd week in 2000. The Division had a strong second half with cover price increases more than offsetting cost pressures.

Aviation made an operating loss of £2.6m as a result of the world-wide economic slowdown and current conditions within this sector, factors which also contributed to the debtor provision noted above.

The loss of £3.9m from discontinued operations reflected the timing of ELC trading to the date of sale, partially offset by profits from the final months of trading at THE Games. The comparative period discontinued profit of £17.9m benefited from the inclusion of peak trading profits at THE Games.

The funding cost of the Ogden acquisition accounted for most of the £3.0m increase in interest costs.

Headline profit before tax consequently was £14.6m and Headline earnings per share 14.2p. The Headline earnings per share relating to continuing operations was 19.2p.

After £3.3m of goodwill amortisation and exceptional items of £28.9m which also included the Ogden integration costs, the Group's overall loss before tax was £17.6m (2000: £18.5m profit). Earnings per share, post goodwill amortisation and exceptional items and after tax, were a loss of 37.5p (2000: earnings per share of 13.8p).

2001 saw the first significant increases in newspaper cover prices for six years.

Thomas Renwick of Menzies Distribution plays his part in the nightly miracle which sees 4.7 million newspapers delivered to 21,500 locations.

New magazine launches, the lifeblood of the industry, help Menzies Distribution to drive forward sales revenue.

Nancy van der Zwan of Menzies Ground Services welcomes a passenger to the Menzies executive lounge in Schiphol Airport.

Brian Hill of Menzies World Cargo tests the new Hermes cargo control system currently being installed throughout its network.



Menzies Distribution

| | Pro Forma 12 months 2001 £m | Pro Forma 12 months 2000 £m |
|-------------------------|--------------------------------------|--------------------------------------|
| Turnover | 900.9 | 867.7 |
| Operating Profit | 26.1 | 29.1 |

The impact of the additional week of trading in 2000 was some £18.3m in sales and £1.3m in profit. The comparisons which follow exclude this 53rd week.

Distribution performed strongly, helped by newspaper cover price increases, particularly in the latter half of the year. Underlying newspaper sales revenues were up by 2.7%, magazines by 2.2% and phone-cards by £16.4m. For the eight month period operating profit was in line with last year, the benefit of price increases being offset by the impact of lower margin phone-cards and a reduction in high margin sticker sales. Full year operating profit was lower than last year, affected by various contributory factors including some reduction to overall margins due to changing product mix, increased pagination and above inflation cost increases, especially for fuel, only partially offset by the recent cover price growth.

In early December 2001 we completed the purchase of Turners News for £7.1m including costs. Turners' annual sales were approximately £45.0m, and the acquisition is immediately earnings enhancing. The operations, based in Sheffield and Guildford, are highly complementary to our distribution network and the business has been successfully integrated, with early trading in line with expectations.

During October Menzies Distribution opened the first of four new regional branches at Cambuslang, on time and on budget. Of the three other planned new branches, Newbridge became operational from the beginning of February 2002; the other two will come on stream later in the year and early next year. At that point our programme to consolidate ten branches into four major units will be complete, delivering superior customer service and considerable operational efficiencies. This will assist us in maintaining operating margins despite inflationary cost pressures.

On 14th January 2002 the Office of Fair Trading (OFT) announced a further review of the Industry Code of Practice for the supply of national newspapers in England and Wales. We are due

to submit our response to the OFT questionnaire by 11th April 2002. The UK's approach to news wholesaling is generally envied throughout the world and we are confident that this review will again reaffirm the value of the present industry structure.

Menzies Aviation Group

| | Pro Forma 12 months 2001 £m | Pro Forma 12 months 2000 £m |
|--------------------------------|--------------------------------------|--------------------------------------|
| Turnover | 244.4 | 104.3 |
| Operating (Loss)/Profit | (2.6) | 3.8 |

Overview

MAG's turnover more than doubled following the acquisition of Ogden Ground Services (Ogden) in November 2000. The operating loss of £2.6m included some £2.5m of certain airline debtor provisions as well as losses from businesses which have been or are in the course of being closed or exited, and reflected a slowing global economy from early 2001 compounded by the tragic events of 11th September.

Management were actively responding to the economic environment prior to the events in the USA. In addition to capacity reduction at Heathrow, operational capital expenditure throughout the Division has been limited to essential items and discretionary revenue expenditure has been curtailed. By the end of 2001, the Division's global workforce was substantially reduced and by Spring 2002 the overall reduction will be over 1,200.

The four problem areas identified during the Ogden acquisition process have been addressed: Hong Kong is cash neutral; we have now sold the operations in Germany; losses at Amsterdam have been significantly reduced - the passenger and ramp operation is now profitable, and the merger with FR8 will be earnings enhancing; and UK cargo operations have been fully integrated into Menzies World Cargo, which has undergone substantial rationalisation during the year.

In my interim report I highlighted significant anticipated insurance premium increases in respect of war and terrorism risks. These have begun to take effect, and various initiatives are underway to mitigate their impact on the business including appropriate surcharges.

MAG has three divisions and a broad geographical spread. This diversity is a strength in periods of uncertainty and economic downturn.

UK/Europe

Most of our UK revenues come from cargo services. We are the biggest independent cargo handler with a strong presence at Heathrow, as well as a number of regional airports. On 21st December 2001 MAG consolidated this position in a settlement with Penauille Polyservices by the acquisition of the remaining 20% minority holding in Menzies World Cargo (MWC) for £5.5m including costs. At the same time, MAG sold its 49% share of GlobeGround's UK passenger service operation for £5.8m.

UK cargo activities, especially at Heathrow, were impacted by adverse global economic conditions, particularly reduced imports from the Far East. Reduction of excess cargo capacity at Heathrow, partly inherited from Ogden, but mainly reflecting the global economy, has been completed. Capacity has been reduced by some 25%. Employee and other costs have been significantly reduced. On a more positive note, during a period of great upheaval,

MWC retained all but one of the cargo contracts which came up for renewal during the year and has also won significant new business since the year end. This positions MWC well for the future. AMI, our consolidation and express business, has had a good year and the benefits of its investment in internet booking and track and trace facilities are now starting to show. Some 25% of all bookings are now made on-line.

Elsewhere in the UK, there were strong performances from Execair (our executive business aviation handler) and from Connect (the inter-terminal transfer service at Heathrow). Execair now operates from 10 stations, seven based in the UK and three in Europe. 2001 has seen new stations at Cardiff, Dublin and Prague. Connect continues to meet and surpass key operational measures and efforts continue to secure similar contracts at other major 'hub' airports. In the face of unrealistic price competition and a difficult labour environment, we sold Mecanix, our Heathrow vehicle repair and maintenance facility, for a consideration totalling £0.9m after the year end.

EVA AIR renewed their contract with Menzies World Cargo to handle their cargo at Heathrow Airport and extended the agreement to cover the whole of the UK.



Menzies World Cargo has completed the rationalisation of capacity at Heathrow and is well positioned to benefit from economic upturn.

Menzies Aviation provides a distinctive service in 80 locations throughout the world.



It was a year of contrasting fortunes for us in mainland Europe. The sale of the German operations, which consisted of a number of small loss-making and fragmented locations, was achieved in March 2002 for Euro 0.1m and is immediately earnings enhancing. This disposal marks another milestone in streamlining MAG's operations. At Amsterdam, losses have been greatly reduced from pre-acquisition levels, despite severe competitive and labour pressures. Passenger and ramp activities are now profitable. Post year end, we signed 'Heads of Terms' to acquire FR8, the leading independent cargo handler in the Netherlands. The acquisition will add 320,000 tonnes of cargo throughput and on completion should bring our cargo operation to profitability through capacity rationalisation. In February 2001, the Group purchased a 49% interest in Aeroporti di Roma Handling SpA. The Czech Republic, where we have both passenger and cargo activities, performed well. Finally, in July 2001 MAG acquired a 70% interest in a Spanish company, Main Gestion de Aeropuertos SA for £0.7m. Although relatively small, this provides the opportunity to bid for forthcoming licences throughout Spain as the liberalisation of European airports accelerates.

Americas

Our revenues in this region are split broadly 50:50 between North America and Latin America/Caribbean, with over 80% being in passenger and ramp handling. Overall, the region was profitable with performance before September in line with our expectations at the time of the Ogden acquisition. Inevitably, the results were affected by the tragic events in the United States and a consequent reduction in activity levels thereafter. Many airlines reduced schedules by some 30-35% and some, including Canada 3000 and Transbrasil, either went out of business or down-sized large operations.

By the end of the year we were seeing signs that the impact on sales revenue had abated and that activity levels were beginning to recover. Particularly pleasing is that since December we have commenced five new contracts.

Most locations performed well during the first half of the year. Our joint venture in Peru, where the main activity is in cargo, was especially strong, as were our Caribbean stations in St Maarten and the Dominican Republic. Whilst all stations were affected by the downturn, the main impact was seen in Mexico, Brazil and the USA.

Asia Pacific

Hong Kong was one of four loss makers when we bought Ogden. It was still making significant losses in the early part of the period but reached cash break-even in November thanks to new contracts and substantial reductions in the cost-base; a good result in the light of continued severe competitive pressure, further aided by new contracts won since the year end. We regard this as a key strategic station for the future.

Our joint venture in Macau, another key strategic location, performed exceptionally well and has been relatively unaffected by economic conditions and events elsewhere.

However, our operation at Incheon in South Korea has been suspended as we, like others, could not establish the critical mass necessary to justify ongoing investment there.

Our interests in Australia and New Zealand are growing well through new business and additional contracts.

Summary

2001 was a difficult year for the industry. However, MAG's management took swift and decisive action to deal with loss making activities; to re-position our cost base; and to retain and win key contracts. These initiatives ensure that MAG is poised to benefit from the expected upturn in activity levels. Furthermore, we believe the developments of the last year will accelerate the process of consolidation within the aviation sector, which we expect in turn to reinforce the trend towards outsourcing. We are in a strong position to win new business as this trend develops.

Discontinued operations

| | Pro Forma 12 months 2001 £m | Pro Forma 12 months 2000 £m |
|-------------------------|--------------------------------------|--------------------------------------|
| Turnover | 108.1 | 389.5 |
| Operating (Loss)/Profit | (3.9) | 17.9 |

The Group completed its programme of strategic repositioning with the sale, in September 2001, of Early Learning Centre. The business was sold for a total consideration of £29.6m, including a payment of £9.0m in respect of

seasonal losses and working capital build to the point of sale. This transaction substantially reduces our exposure to fixed property rents and eliminates the seasonal build up of inventory.

The comparative period profit of £17.9m benefited from the inclusion of discontinued one-off peak trading profits at THE Games.

People

The number of employees at Menzies' continuing operations has been substantially reduced during the past twelve months. Redundancies are never easy but it was essential to reduce our cost base in this way to take account of changing trading circumstances. We are grateful for the efforts of the staff who have left us, and for the loyalty, commitment and professionalism of those who remain.

Outlook

Distribution has made a powerful start to the year, supported by recent cover price increases. In the aviation sector, MAG has yet to see a sustained improvement in trading conditions but there are some encouraging signs of recovery in its markets.

Commentators remain divided on the prospective economic climate for the short to mid-term. If we look forward with more confidence than some other businesses, it is because we have a strong balance sheet and because we believe the Menzies Group has a good business mix – a resilient and strongly cash generative Distribution division, coupled with an international Aviation operation that is primed to capitalise on undoubted opportunities ahead. Following our reorganisation, we are focused and ready to take the difficult decisions that will give us the edge we need. Few organisations are likely to find the going easy this year; the successful companies will be those who respond quickly and wisely to the issues which arise. I am more certain than ever before that we are ready for the challenges and opportunities ahead.

David Mackay
Chief Executive

The results for the period reflect the significant amount of change within the Group as the restructuring into a focused support services organisation was completed.

Menzies Distribution uses 1,240 vehicles covering 58,000 miles a day with over 3,300 employees.



Financial Review

Change of Year End

As announced in the Interim Report in December, the Group has changed its year end to 31st December from 30th April. The Group's policy is to report to the nearest Saturday to 31st December, the current period consequently ending on 29th December.

In addition to the Group's audited accounts for the resultant eight month shortened period, pro forma unaudited accounts have also been prepared for comparison purposes for the 12 months to December 2001 and for the previous year.

Acquisitions and Disposals

During the period the Group has continued to invest by acquisition in both core activities – Distribution and Aviation Services.

On 25th July 2001 the Group acquired a 70% interest in Main Gestion de Aeropuertos SA, Spain, for £0.7m.

On 28th September 2001 the Group completed its strategic disposal programme by selling Early Learning Centre. The business was sold for a total consideration of £29.6m, including

£9.0m in respect of seasonal losses and working capital to the point of sale. Trading losses to the date of disposal of £5.7m have been treated as discontinued operations.

On 10th October 2001 the Group acquired Parc Aviation Handling, Dublin, for £0.6m.

On 3rd December 2001 the Group acquired Turners News for £7.1m.

On 21st December 2001 the Group acquired the remaining 20% outside interest in Menzies World Cargo for £5.5m whilst at the same time selling its 49% interest in GlobeGround (UK) for £5.8m.

In the pro forma comparative period to December 2000 discontinued operations comprised THE Games (exited in February 2001), THE (sold in August 2000) and SUOS BV (associate sold in March 2000).

Share of Operating Profit of Joint Ventures and Associates

In the eight month period to 29th December 2001 the share of operating profit before goodwill of joint ventures and associates was £4.2m (12 months to 5th May 2001: £3.4m).

Strong performances by our aviation interests in Macau and Peru were a major factor in this.

Goodwill

Capitalised goodwill at 29th December 2001 amounted to £66.5m. In the period, goodwill additions amounted to £8.6m and the amortisation charge was £2.2m. Goodwill is being amortised on a straight line basis over 20 years.

Balance Sheet

Shareholders' funds were £116.4m at 29th December 2001 compared with £136.6m at 5th May 2001. Principal movements were £11.9m post-exceptional loss in the period, after adding back goodwill already written off, and dividends of £8.0m.

Minority interests of £6.2m at 5th May 2001 were eliminated by the acquisition of the remaining 20% outside interest in Menzies World Cargo.

Net debt was £46.8m, reflecting the free cash outflow of £29.1m explained below, dividends paid of £7.1m and the acquisition spend of £7.4m offset by net disposal proceeds of £21.0m.

Cash Flow

| | 8 months to December 2001 | | 12 months to May 2001 | |
|--|---------------------------------|---------------|-----------------------------|--------|
| | £m | £m | £m | £m |
| Operating profit | | 3.4 | | 49.9 |
| Depreciation | | 11.0 | | 16.1 |
| Goodwill amortisation | | 2.2 | | 1.7 |
| Pension prepayment | | (3.3) | | (5.0) |
| Working capital | | (4.5) | | (1.5) |
| Cash spend on exceptionals | | (7.8) | | (7.6) |
| Non cash items | | (4.0) | | (3.0) |
| Operating cash flow | | (3.0) | | 50.6 |
| Purchase of fixed assets | (21.7) | | (23.0) | |
| Sale of fixed assets | 0.9 | | 2.1 | |
| Net capital expenditure | | (20.8) | | (20.9) |
| Dividends from associates and joint ventures less net financing cost | | (1.0) | | 1.3 |
| Tax paid | | (4.3) | | (3.4) |
| Free cash flow | | (29.1) | | 27.6 |
| Dividends paid | | (7.1) | | (10.0) |
| Acquisitions | | (7.4) | | (86.7) |
| Disposals | | 21.0 | | 0.8 |
| Shares | | - | | 0.1 |
| Total movement | | (22.6) | | (68.2) |
| Opening net (debt)/cash | | (24.2) | | 44.0 |
| Closing net debt | | (46.8) | | (24.2) |

Working Capital

Working capital movement is analysed as follows:

| | 8 months to December 2001 | 12 months to May 2001 |
|-----------|---------------------------------|-----------------------------|
| | £m | £m |
| Stocks | (6.1) | 17.2 |
| Debtors | 7.4 | 10.9 |
| Creditors | (5.8) | (29.6) |
| | (4.5) | (1.5) |

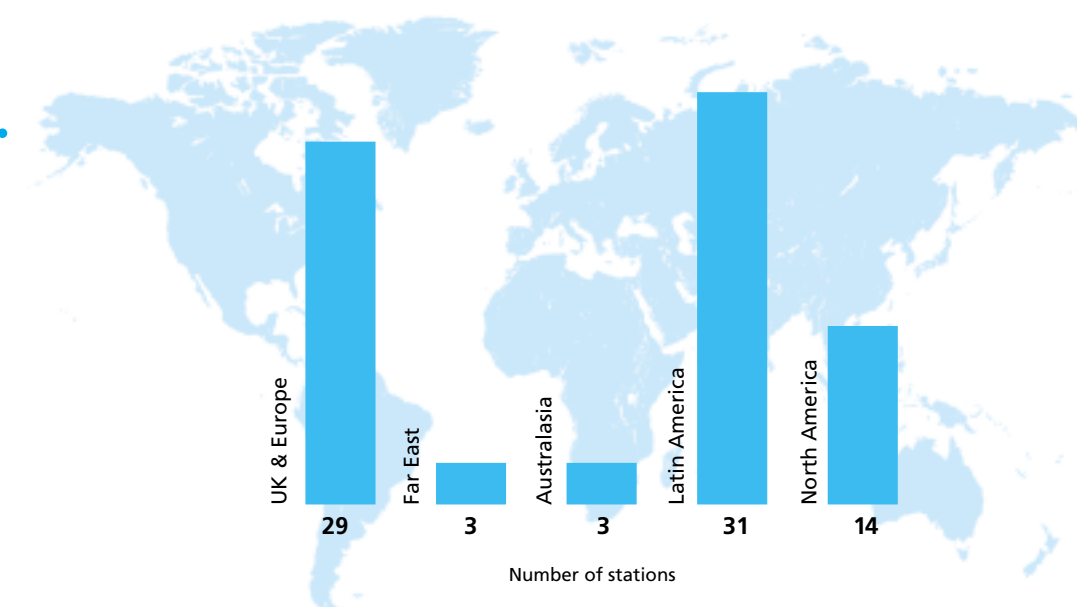
The net cash outflow on working capital in the eight month period was mainly due to the build up of seasonal stocks at Early Learning Centre prior to the sale of the business and higher levels of stock held by Distribution in December.

The net outflow in the comparative period was mainly due to sale of stock and settlement of letters of credit as the Group exited the THE Games business.

Menzies World Cargo provides the fundamental infrastructure needed by an airline to operate its cargo business with confidence, efficiency and security.



Menzies Aviation Group



Fixed Assets

Purchases of fixed assets totalled:

| | Property £m | Plant & Equip- ment £m | Total £m |
|-----------------------|----------------|------------------------------|-------------|
| Distribution Services | 7.8 | 3.4 | 11.2 |
| Aviation Services | 1.4 | 7.0 | 8.4 |
| Central | – | 0.1 | 0.1 |
| Discontinued Retail | – | 2.0 | 2.0 |
| | 9.2 | 12.5 | 21.7 |

Capital expenditure at Distribution was higher than normal ongoing maintenance levels as a result of the rationalisation programme to consolidate ten branches into four new regional branches. Lower levels of expenditure are expected next year.

Tax

Tax paid was £4.3m, benefiting from tax relief on exceptional restructuring charges incurred last year. Payments are expected to remain at this amount for the 12 months to December 2002. We will continue to benefit from relief on the current period operating exceptional charges.

Interest

The net interest charge is analysed as follows:

| | 8 months to December 2001 £m | 12 months to May 2001 £m |
|----------------------------------|---------------------------------------|-----------------------------------|
| Bonds | (1.7) | (2.6) |
| US dollar term loan | (1.2) | (1.9) |
| Cash/overdrafts | 0.9 | 4.6 |
| Joint ventures and associates | – | (0.1) |
| Net interest charge | (2.0) | – |

Interest increased largely as a result of the Ogden acquisition in the prior period.

Taxation

The effective Headline tax rate increased to 66.7% from 28.1%. The following table analyses this period's Headline tax rate:

| | % |
|----------------------------|-------------|
| Tax due at UK rate | 30.0 |
| Non tax-deductible items | 3.2 |
| Unrelieved overseas losses | 43.7 |
| Overseas rate impact | (10.2) |
| Headline tax rate | 66.7 |

The Headline tax rate increased substantially because of unrelieved overseas losses associated with operations within Ogden which are presently being rationalised. The Ogden acquisition also led to a shift in the geographical

mix of profit, which had a beneficial impact on the Headline tax rate in the period.

As most of the exceptional items were non-deductible, the overall tax charge only reduced to £0.5m from the Headline tax charge of £2.4m. Neither the goodwill charged on the disposal of ELC of £8.5m nor goodwill amortisation of £2.2m attract tax relief.

Pensions

The Group's main defined benefit scheme is in surplus under both prevailing accounting standards. The economic effect of this surplus is to eliminate the cash cost of the UK pension scheme and has led to a £3.3m credit accrued to the prepayment in the Group's balance sheet.

Financial Reporting Standard (FRS) 17 'Retirement Benefits' was issued in November 2000 and will replace SSAP 24 for accounting periods ending on or after 22nd June 2003. For the period ended 29th December 2001 we are applying the transitional rules and disclosures, and these have had no effect on the reported results. Whilst full implementation in 2003 could potentially introduce volatility to the reported pensions position and, therefore, profit and net assets, it will have no impact on cashflows nor the Group's contribution holiday for its principal defined benefit scheme.

Treasury Operations

From a Treasury perspective the main financial risks faced by the Group are liquidity, interest rate fluctuations and foreign exchange exposures. The Board has approved policies for each of these risks, which are managed on a day-to-day basis by Group Treasury. The purpose of these policies, which remained unchanged throughout the period, is to ensure that adequate funds are available to the Group at all times and that financial risks arising from the Group's operating and investment activities are carefully managed. Accordingly, Group policy is not to enter into transactions of a speculative nature.

The Group Treasurer reports formally on a monthly basis to a Treasury Committee under the chairmanship of the Group Finance Director and operates within scope and authorisation levels specified by the Board.

Liquidity: operations are financed by a mixture of shareholders' funds, long term bonds, bank borrowings and trade credit. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group. Surplus cash is currently held, and Group policy is to make major deposits only with substantial institutions with high credit ratings. In addition to its fully

drawn down term loans the Group has £34.0m of unutilised committed facilities, which mature by March 2006. The £20.0m 8.58% cumulative redeemable preference shares are due for redemption in June 2003.

Interest rate fluctuations: the Group's policy is to arrange core debt with fixed rate borrowings. The £35.0m bonds are fixed at 7.362%. Subsequent to the period end the Group swapped US dollar floating rate borrowing of \$18.5m to fixed rate at 5.205% covering the period until 28th February 2006. Other borrowings and cash deposits are at variable rates.

Foreign exchange exposures: following the completion of the strategic disposal programme, Group exposure to currency risk at a transactional level is minimal, with day to day transactions of overseas subsidiaries largely carried out in local currency.

In respect of the continuing businesses, approximately 13% of Group turnover and 43% of net assets are denominated in overseas currencies. It is policy to hedge material overseas net assets by means of foreign currency loans, where practicable. The Group does not actively hedge exchange rate movements on the translation of overseas profits except where those profits are effectively matched by foreign currency interest costs.

The majority of the Aviation Services operations are located outside the UK and operate in currencies other than sterling. The rates of exchange to sterling for those currencies which have principally affected the Group's results were:

| | Average for 8 month period to December 2001 | Period end 29th December 2001 | Average for 12 month period to May 2001 | Year end 5th May 2001 |
|------|--|--|--|--------------------------------|
| US\$ | 1.440 | 1.448 | 1.451 | 1.439 |
| Euro | 1.626 | 1.642 | 1.599 | 1.611 |

Credit risk: the Group is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but does not expect any failure by them to meet their obligations given the policy of selecting only counterparties with high credit ratings. Further disclosure in respect of the above is included in Note 16 to the Accounts.

Martyn Smith
Group Finance Director

Board of Directors



Gavin Reed *#§ (67) was appointed a non-executive director in 1992 and Chairman in 1998. He is Chairman of the Remuneration and Nomination Committees. Previously Vice Chairman of Scottish and Newcastle plc, he is Chairman of Hamilton & Inches Ltd and holds a number of other directorships. He will retire from the Board on 2nd May 2002.



David Mackay § (58) was appointed Chief Executive in 1997, having joined the Board as Wholesale Managing Director in 1984 and the Group in 1964.



Martyn Smith (46) was appointed Group Finance Director in 1999. He was previously Group Financial Controller of Inchcape plc, having undertaken a number of UK and international financial roles both there and earlier with Rothmans.



Iain Callaghan (54) joined the Group in 1965 and was appointed to the Board in January 1997. He is Managing Director of Menzies Distribution.



Peter Smith (57) joined the Group as Chief Executive of Menzies Aviation Group in 1996. His career in aviation has included senior positions in the UK and overseas as well as a period as an independent consultant to the airline industry. He was appointed a director in 1999.



William Thomson *#+§ (61), Deputy Chairman, has been a non-executive director since 1987 and chairs the Audit Committee as well as being Non-Executive Chairman of Menzies Aviation Group. He will relinquish these duties when he is appointed as Chairman of the Company on 2nd May 2002. He is Chairman of E G Thomson (Shipping) Ltd and British Assets Trust plc and holds a number of other directorships.



Dermot Jenkinson *#+ (47) was appointed to the Board in 1986 where he held various executive responsibilities prior to assuming a non-executive role in 1999. He is co-founder and Chairman of beCogent Ltd, Chairman of the Wren Press and holds a number of other directorships.



Ian Harrison *#+ (45) was appointed a non-executive director in 1987. He is a director of Record Currency Management Limited.



Charles Ramsay *#+ (65) was appointed a non-executive director in 1990. He is Chairman of Cockburns of Leith Ltd and holds several other directorships.



Michael Walker *#+ (49) was appointed a non-executive director in 1995. He is Managing Partner of solicitors Maclay Murray & Spens and holds a number of non-executive directorships including Securities Trust of Scotland plc.



David Coltman *# (59) was appointed a non-executive director on 1st February 2001. He has held various senior positions with airlines in the UK and, most recently, with United Airlines in Chicago.



Adair Anderson (55) was appointed Company Secretary in 1986, having joined the Group in 1974.

- * Non-executive director
- # Member of Remuneration Committee
- + Member of Audit Committee
- § Member of Nomination Committee

| | |
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Corporate Information

Directors

The names of the directors at the date of this report are listed on page 20.

The directors who retire by rotation at the Annual General Meeting are Mr D J Mackay, Mr I C L Harrison and Mr M J Walker who, being eligible, offer themselves for re-election.

Of the directors proposed for re-election, Mr Mackay has a service contract as set out on page 26. Mr Harrison and Mr Walker, as non-executive directors, do not have service contracts.

Substantial Shareholdings

In addition to the directors' interests, the Company has been notified of the following interests of three per cent or more in its issued ordinary share capital at 18th March 2002:

| | Number of Shares | Percentage of Issued Capital |
|---|------------------|------------------------------|
| D C Thomson & Co. Ltd | 4,990,000 | 8.82 |
| Mr J M Menzies | 4,189,650 | 7.41 |
| Mr D F Ramsay | 2,639,878 | 4.67 |
| Mrs S J Speke | 2,039,920 | 3.61 |
| Mrs K P Slater | 1,981,552 | 3.50 |
| Legal & General Investment Management Ltd | 1,707,707 | 3.02 |

Corporate Governance

The Board is committed to high standards of corporate governance and supports the Principles of Good Governance contained in the Combined Code set out in the Listing Rules of the Financial Services Authority. These principles are included in the Board's own Code of Practice which outlines the role and responsibilities of the Board and is regularly reviewed and updated as necessary. Other than as disclosed, the Group has complied throughout the period with the Combined Code.

Board of Directors

The Board comprises seven non-executive directors, including the Chairman, and four executive directors, providing a wide range of skills and experience. Their biographies are on page 20. The roles of the Chairman, who is non-executive, and Chief Executive are separate and clearly defined, and the Board considers the majority of its non-executives to be independent. The Board has considered the appointment of a senior independent non-executive director but has decided not to do so as it does not believe that this is necessary when the Chairman is also non-executive.

The Board normally meets nine times a year, with a formal schedule of matters specifically reserved to it for decision. These include the approval of financial statements, acquisitions and disposals, material agreements, major non-recurring projects, treasury policies, major capital expenditures and strategic plans. It also delegates specific responsibilities to the Board Committees detailed below. Information of an appropriate quality is issued in a timely manner to assist it in performing its duties. All members of the Board have access to the advice and services of the Company Secretary and may take independent professional advice and training as appropriate at the expense of the Company.

Group Executive Committee

The Group Executive Committee is chaired by the Chief Executive and consists of the executive directors together with certain senior executives. It is responsible for the implementation of strategy and plays a central role in planning, budgeting and in risk identification and management within the Group's operations. It normally meets ten times a year.

Nominations Committee

A Nominations Committee with a majority of non-executive directors under the Chairmanship of Mr Reed is responsible for recommending new members to the Board for appointment and meets as required. The Board as a whole is responsible for the appointment of its own members and for nominating them for election by shareholders on first appointment and thereafter for re-election at three yearly intervals.

Remuneration Committee

The Report on Directors' Remuneration on pages 26 to 29 details the constitution and role of the Remuneration Committee, and how the principles of the Combined Code relating to directors' remuneration have been applied. The committee is chaired by Mr Reed and meets at least once a year.

Audit Committee

The Audit Committee assists the Board in the execution of its responsibilities for corporate governance and internal control. It consists of five non-executive directors, chaired by Mr Thomson, and meets at least twice a year. It reviews the Group's internal control structure, approves the outsourced internal audit (Controls Assurance) and external audit programmes, and reviews reports from management, from the external Controls Assurance specialists, and from the external auditors on their work. It also reviews the Group's financial statements and any proposed changes in accounting policies prior to approval by the Board. Furthermore, it keeps under review the nature and extent of non-audit services provided to the Group by the external auditors.

Communication

The Group has developed a comprehensive programme to ensure that effective communication with shareholders, analysts and the financial press is maintained throughout the year. Through its annual and interim reports, results and other announcements, and presentations to institutional shareholders, the Group seeks to present its strategy and performance in an objective and balanced manner. Information is also available through the Group's website at www.menziesgroup.com.

Shareholders attending the Annual General Meeting are invited to ask questions during the meeting and also to meet the directors after the formal business of the meeting has concluded. The Chairmen of the Audit and Remuneration Committees are also available to answer questions from any shareholder at this meeting. Full details of proxy votes cast on each resolution are made available to shareholders at the meeting.

Corporate Information

(continued)

Internal Control

The directors are responsible for the Group's system of internal control, which covers financial, operational and compliance controls together with risk management. Whilst no system can provide absolute guarantee and protection against material loss, the system is designed to give the directors reasonable assurance that problems can be identified promptly and remedial action taken as appropriate.

The directors have reviewed the effectiveness of the system of internal control for the accounting period under review.

The key features of the Group's internal control system are:

Control Environment

A key factor in the Group's approach to internal control is the recognition of the need for risk awareness and the ownership of risk management by executives at all levels. Each operating Division has its own Board. A Statement of Group Policies sets out the responsibilities of these Divisional Boards, including authority levels, reporting disciplines and responsibility for risk management and internal control. Certain activities, including treasury, taxation, insurance, pension and legal matters are controlled centrally with reports reviewed by the Board as appropriate.

Risk Identification and Review

Key identified risks are reviewed at both Group and operating Divisional Board level on an ongoing basis, with a formal annual review of risks and controls supported by the Group's Controls Assurance provider. The Chief Executive and Group Finance Director have regular formal meetings with each Divisional Board to review their performance, strategy and risk management. Biannual compliance statements on internal control are certified by each Divisional Board. A Treasury Review Committee meets regularly to review the adequacy of the Group's facilities against potential utilisation and commitments.

Financial Reporting

There is a comprehensive Group-wide system of financial reporting. Figures reported include profit, cash flows, capital expenditure, balance sheet and relevant performance indicators. Each operating Division prepares an annual budget which is approved by the Board. Thereafter a formal re-forecasting exercise is undertaken at least twice during the year. Actual monthly results are monitored against budget, forecasts and the previous year's results. Any significant variances are investigated and acted upon as appropriate.

Investment Appraisal

There are clearly defined investment guidelines for capital expenditure. All such expenditure is subject to formal authorisation procedures, with major proposals being considered by the Board. Post investment appraisals are conducted for all major capital projects.

Audit Committee

The Audit Committee considers reports from management, the Controls Assurance provider and the external auditors, and makes its recommendations to the Board, prior to the approval of the Annual Report.

Going Concern

After making appropriate enquiries, the directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the accounts.

Employees, Ethics and Health & Safety

The Board recognises that the Group's success depends on the quality and performance of its employees. The principles of equal opportunities are recognised in the formulation and development of employment policies which are designed to attract, retain and motivate quality staff. The Board believes in creating throughout the Group a culture based on sound ethical practices which is open and free from discrimination and harassment.

Employees are encouraged to become involved in the financial performance of the Group; its savings-related share option scheme is open to all UK employees, of whom some 2,000 are members.

Internal communications are designed to ensure that employees throughout the Group are kept informed of developments and plans, both in their own Division and in the Group as a whole. The Group magazine "The Reporter" and Menzies Aviation Group's "The MAG" are issued on a regular basis and the interim and final results are circulated throughout the business.

The Group recognises the importance of employee and management development in securing the future of the business, and its central team of professional employees provide advice, support and training to operating Divisions. Health and safety training and audits are also undertaken regularly, with an annual report to the Board.

Environment

The Group recognises that its operations impact upon the environment, and also that environmentally responsible business practices can be compatible with sound commercial practices and can contribute to the well-being of its employees. Each operating Division has set out environmental policies which reflect their activities, and which have as their base legal and regulatory compliance as a minimum standard. These policies are reviewed regularly to reflect changes to both legislation and best practice. The Group magazine includes regular features focusing on various aspects of these policies primarily so as to ensure that a culture of environmental awareness and responsibility is encouraged for staff at all levels.

Supplier Payment Policy

The Group does not operate a standard code in respect of payments to suppliers. Each operating Division is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted, including the terms of payment. It is Group policy that payments to suppliers be made in accordance with the agreed terms, provided that the supplier has performed in accordance with all relevant terms and conditions.

The Company does not have any trade creditors, so the number of creditor days outstanding at the period end was nil.

Donations

The Group made no political donations during the period. Donations to various charitable, community and arts organisations totalling £71,000 were made during the period, and Early Learning Centre supported the NSPCC by donating a total of £44,000 raised through product sales and in-store and staff collections in the period prior to its disposal.

Annual General Meeting

A separate document has been sent to all shareholders containing the Notice of Meeting and explaining the Special Business to be transacted at the Annual General Meeting on 2nd May 2002.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution proposing their re-appointment and authorising the Board to set their remuneration will be submitted at the Annual General Meeting.

By order of the Board



C A Anderson

Secretary

18th March 2002

Report on Directors' Remuneration

Remuneration Committee

The Remuneration Committee deals with the remuneration of the executive directors on behalf of the Board and shareholders. It has a formal written constitution and comprises the non-executive directors under the chairmanship of Mr G B Reed. In addition, the Chief Executive, together with the Director of Group Personnel, who is not a member of the Board, attend meetings as appropriate. The Company Secretary is secretary of the Committee.

Members of the Remuneration Committee have no personal financial interest in the matters to be decided and no day-to-day involvement in the running of the business of the Group other than, where applicable, as shareholders.

In considering and determining suitable remuneration packages for the executive directors the Remuneration Committee has given full consideration to the relevant best practice provisions set out in the Combined Code appended to the Listing Rules.

Remuneration Policy

The Group recognises that its continuing success depends on the quality and motivation of its employees. The policies followed by the Group aim to ensure that its remuneration practices are competitive, thereby enabling it to attract, retain and motivate executives and staff who are expected to perform at the highest levels. These practices are reviewed each year to ensure that they support the Group's business objectives and the creation of shareholder value. The Remuneration Committee follows these principles with regard to the executive directors, and also reviews the principles underlying the remuneration of senior executives.

The main components of the Group's remuneration packages for executive directors are:

Basic Salary and Benefits

In setting the basic salary for the executive directors, the Remuneration Committee takes account of the rates of salary being paid by companies of similar size and complexity, and independent advice is taken as required. The principal benefits-in-kind are the provision of a car, fuel and private medical and health insurance.

Performance Related Bonuses

The executive directors participate in a bonus scheme which is linked to the achievement of performance targets set by the Remuneration Committee at the start of each financial year. The maximum potential payment under the scheme is limited to 50 per cent of basic salary for the Chief Executive and to 40 per cent for the other executive directors.

Share Options

The Group believes that share ownership by executives strengthens the link between their personal interests and those of shareholders. Under the John Menzies Executive Share Option Scheme options have been granted to executive directors on a regular basis at a level determined by the Remuneration Committee. They are also subject to appropriate performance criteria at the time of each grant.

In addition the Group operates a savings-related share option scheme which all UK employees, including executive directors, are entitled to join.

Service Contracts

Each of the executive directors has a service contract with the Company. These are terminable by the Company on two years' notice for Mr D J Mackay and Mr I M Callaghan, and on one year's notice for Mr M R Smith and Mr P S Smith.

The Remuneration Committee considers that the notice periods stated above are reasonable and in the interests of shareholders having due regard to prevailing market conditions and practice among companies of comparable size.

Pensions

Scheme Benefits

The executive directors are members of the Menzies Pension Fund, a defined benefit contributory scheme which provides pension on retirement at age 60 of up to two-thirds of pensionable earnings. Pensionable earnings are based on salary excluding bonuses.

Unfunded Arrangement

The pensionable salaries for Mr M R Smith and Mr P S Smith are restricted as a consequence of the Finance Act 1989 and each has an unfunded pension undertaking from the Company to provide in total the same level of pension as applicable to the other executive directors. This entitlement is effective from their date of appointment as a director.

Pension details are as follows:

| Director | Age | Members' contributions £'000 | Increase in accrued pension during period | | Total accrued pension entitlement at 29th December 2001 | | |
|---------------|-----|---------------------------------|---|-------------------|---|-------------------|----------------|
| | | | Scheme £'000 | Unfunded £'000 | Scheme £'000 | Unfunded £'000 | Total £'000 |
| D J Mackay | 58 | 11 | 10 | Nil | 189 | Nil | 189 |
| I M Callaghan | 54 | 7 | 5 | Nil | 123 | Nil | 123 |
| M R Smith | 46 | 3 | 2 | 2 | 8 | 8 | 16 |
| P S Smith | 57 | 3 | 1 | 1 | 19 | 4 | 23 |

The following additional information relates to the directors' pensions:

- Normal retirement age - The normal retirement age is 60, although with the consent of the Company members may retire after the age of 50 with reduced benefits.
- Spouses and dependant's benefits - The member's pension is guaranteed for ten years from date of retiral. Thereafter, the dependant's pension is two-thirds of the member's pension before any reduction in lieu of a cash sum.
- Pension increases after retirement - Pensions in payment are increased in line with the movements in the Retail Price Index subject to a minimum of 3% per annum and a cumulative maximum of 8.5% per annum.
- Inflation - The increase in accrued pension excludes any increase for inflation.

Non-executive Directors

The remuneration of the Chairman and the non-executive directors is determined by the Board on an annual basis within the limits contained in the Articles of Association and takes account of market rates based on independent advice as required. They do not have service contracts nor do they participate in any of the Group's bonus, share or pension schemes.

Report on Directors' Remuneration

(continued)

Directors' emoluments

Directors' emoluments for the eight months to 29th December 2001 (12 months to 5th May 2001) are:

| | Salary/fees £'000 | Bonus £'000 | Benefits £'000 | Total December 2001 £'000 | Total May 2001 £'000 |
|----------------|----------------------|----------------|-------------------|------------------------------------|-------------------------------|
| G B Reed | 67 | – | – | 67 | 96 |
| D J Mackay | 230 | – | 10 | 240 | 464 |
| I M Callaghan | 149 | – | 8 | 157 | 317 |
| M R Smith | 143 | – | 10 | 153 | 280 |
| P S Smith | 123 | – | 12 | 135 | 243 |
| W R E Thomson | 30 | – | – | 30 | 38 |
| D J Jenkinson | 15 | – | – | 15 | 108 |
| I C L Harrison | 15 | – | – | 15 | 22 |
| C A Ramsay | 15 | – | – | 15 | 22 |
| M J Walker | 15 | – | – | 15 | 22 |
| D A Coltman | 28 | – | – | 28 | 10 |
| | | | | 870 | 1,622 |

Share options

Share options held by the Directors at 29th December 2001 are analysed as follows:

| | At 5th May 2001 | Lapsed during period | At 29th December 2001 | Exercise price (pence) | Date exercisable from | Expiry date |
|---------------|-----------------------|----------------------------|-----------------------------|------------------------------|-----------------------------|----------------|
| D J Mackay | 25,000 | – | 25,000 | 501 | 27.2.98 | 26.2.05 |
| | 25,000 | – | 25,000 | 520 | 1.3.99 | 28.2.06 |
| | 30,000 | – | 30,000 | 461 | 21.2.00 | 20.2.07 |
| | 123,000 | – | 123,000 | 492 | 7.4.01 | 6.4.08 |
| | 3,186* | – | 3,186* | 304 | 1.10.02 | 1.4.03 |
| | 18,549 | – | 18,549 | 391 | 28.1.03 | 27.1.10 |
| | 225,563 | – | 225,563(c) | 399 | 20.11.03 | 19.11.10 |
| M R Smith | 84,224 | – | 84,224 | 407 | 5.10.02 | 4.10.09 |
| | 2,549* | – | 2,549* | 304 | 1.10.02 | 1.4.03 |
| | 25,000 | – | 25,000 | 391 | 28.1.03 | 27.1.10 |
| | 641* | – | 641* | 302 | 1.10.03 | 1.4.04 |
| | 47,619 | – | 47,619(c) | 399 | 20.11.03 | 19.11.10 |
| I M Callaghan | 15,000 | – | 15,000 | 653 | 25.2.97 | 24.2.04 |
| | 10,000 | – | 10,000 | 501 | 27.2.98 | 26.2.05 |
| | 10,000 | – | 10,000 | 520 | 1.3.99 | 28.2.06 |
| | 25,000 | – | 25,000 | 461 | 21.2.00 | 20.2.07 |
| | 70,300 | – | 70,300 | 492 | 7.4.01 | 6.4.08 |
| | 3,186* | – | 3,186* | 304 | 1.10.02 | 1.4.03 |
| | 25,000 | – | 25,000 | 391 | 28.1.03 | 27.1.10 |
| | 54,331 | – | 54,331(c) | 399 | 20.11.03 | 19.11.10 |
| P S Smith | 10,000 | – | 10,000 | 596 | 16.10.98 | 15.10.05 |
| | 5,000 | – | 5,000 | 520 | 1.3.99 | 28.2.06 |
| | 5,000 | – | 5,000 | 461 | 21.2.00 | 20.2.07 |
| | 5,000 | – | 5,000 | 404 | 10.10.00 | 9.10.07 |
| | 15,000 | – | 15,000 | 492 | 7.4.01 | 6.4.08 |
| | 10,000 | – | 10,000 | 348 | 18.2.02 | 17.2.09 |
| | 3,186* | 3,186* | – | 304 | 1.10.02 | |
| | 25,000 | – | 25,000 | 391 | 28.1.03 | 27.1.10 |
| | 40,897 | – | 40,897(c) | 399 | 20.11.03 | 19.11.10 |
| D J Jenkinson | 59,000 | 59,000 | – | 492 | 30.4.99 | |

Note:

- (a) All the above options were issued under the executive share option scheme with the exception of those items marked* which have been issued under the Group's savings-related share option scheme.
- (b) The market price for shares in John Menzies plc ranged from 251p to 470p during the period, and was 347.5p at 29th December 2001.
- (c) These options are subject to the performance condition that growth in Headline Earnings per Share for the three years commencing 7th May 2000 be equal to or greater than 6% above the level of the UK Retail Prices Index, failing which the options will lapse.
- (d) No options were granted or exercised during the eight months to 29th December 2001.

Directors' Shareholdings

The interests, all ordinary shares, of the directors in the share capital of the Company at 29th December 2001 and 5th May 2001 were as follows:

| | | December 2001 | May 2001 |
|----------------|----------------|-------------------|------------|
| G B Reed | Beneficial | 8,650 | 8,650 |
| D J Mackay | Beneficial | 24,651 | 16,651 |
| D J Jenkinson | Beneficial | 2,258,360 | 3,013,706 |
| | | 2,514,885* | 2,640,539* |
| | Non-beneficial | 3,570,360 | 3,570,360 |
| W R E Thomson | Beneficial | 2,000 | 2,000 |
| I C L Harrison | Beneficial | 2,122,832 | 2,786,832 |
| | | 2,514,885* | 2,640,539* |
| | Non-beneficial | 82,350 | 82,350 |
| C A Ramsay | Beneficial | 1,712,600 | 1,991,867 |
| | Non-beneficial | 759,286 | 514,303 |
| M J Walker | Beneficial | 1,000 | 1,000 |
| I M Callaghan | Beneficial | 6,884 | 6,884 |
| M R Smith | Beneficial | 3,000 | 3,000 |
| P S Smith | Beneficial | 13,315 | 9,315 |
| D A Coltman | Beneficial | – | – |

* Joint beneficial interests

There have been no subsequent changes to these interests as at 18th March 2002.

Directors' Responsibilities in respect of the preparation of accounts

The directors are required by law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss and cash flows of the Group for the financial period then ended.

In preparing the accounts the directors are required to:

- Maintain adequate accounting records;
- Apply suitable accounting policies in a consistent manner and make reasonable and prudent judgements and estimates where necessary;
- Comply with the provisions of the Companies Act 1985 and all applicable accounting standards;
- Prepare the accounts on a going concern basis.

The directors confirm that these accounts comply with these requirements. The directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention of fraud and other irregularities.

The maintenance and integrity of the John Menzies plc website is the responsibility of the Directors; the work carried out by the Auditors does not have consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of John Menzies plc

We have audited the financial statements on pages 32 to 53 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with applicable United Kingdom law and accounting standards, are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board, and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the Corporate Information Report on pages 22 to 25 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 29th December 2001 and of the loss and cash flows of the Group for the eight month period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Edinburgh
18th March 2002

Group Profit and Loss Account

for the 34 weeks ended 29th December 2001 (52 weeks ended 5th May 2001)

| | Notes | 8 months to December 2001 | | | 12 months to May 2001 | | |
|---|-------|--------------------------------|-------------------------------------|----------------|--------------------------------|-------------------------------------|-------------|
| | | Before exceptional items £m | Exceptional items (Note 5) £m | Total £m | Before exceptional items £m | Exceptional items (Note 5) £m | Total £m |
| Turnover | 2 | | | | | | |
| Continuing operations | | 760.0 | – | 760.0 | 1,024.6 | – | 1,024.6 |
| Discontinued operations | | 55.9 | – | 55.9 | 306.8 | – | 306.8 |
| | | 815.9 | – | 815.9 | 1,331.4 | – | 1,331.4 |
| Less share of: | | | | | | | |
| Joint ventures | | (9.5) | – | (9.5) | (10.6) | – | (10.6) |
| Associates | | (42.9) | – | (42.9) | (32.7) | – | (32.7) |
| Group turnover | | 763.5 | – | 763.5 | 1,288.1 | – | 1,288.1 |
| Net operating costs | 3 | (762.8) | (10.4) | (773.2) | (1,240.7) | (9.5) | (1,250.2) |
| Continuing operations | | 6.4 | (10.4) | (4.0) | 24.5 | (9.5) | 15.0 |
| Discontinued operations | | (5.7) | – | (5.7) | 22.9 | – | 22.9 |
| Group operating profit/(loss) | | 0.7 | (10.4) | (9.7) | 47.4 | (9.5) | 37.9 |
| Share of operating profit/(loss) in | | | | | | | |
| Joint ventures | | – | – | – | 0.2 | – | 0.2 |
| Associates | | 2.7 | (0.8) | 1.9 | 2.3 | – | 2.3 |
| Total operating profit/(loss) | 2 | 3.4 | (11.2) | (7.8) | 49.9 | (9.5) | 40.4 |
| Gain on disposal of fixed assets | 5 | – | – | – | – | 2.5 | 2.5 |
| Loss on disposal of businesses | 5 | – | (11.3) | (11.3) | – | (27.8) | (27.8) |
| Profit/(loss) on ordinary activities before interest | | 3.4 | (22.5) | (19.1) | 49.9 | (34.8) | 15.1 |
| Net interest payable | 7 | (2.0) | – | (2.0) | – | – | – |
| Profit/(loss) on ordinary activities before taxation | | 1.4 | (22.5) | (21.1) | 49.9 | (34.8) | 15.1 |
| Taxation | 8 | (2.4) | 1.9 | (0.5) | (14.5) | 3.0 | (11.5) |
| (Loss)/profit after taxation | | (1.0) | (20.6) | (21.6) | 35.4 | (31.8) | 3.6 |
| Minority interests | 22 | 0.2 | 1.0 | 1.2 | (0.3) | – | (0.3) |
| (Loss)/profit for the financial period | | (0.8) | (19.6) | (20.4) | 35.1 | (31.8) | 3.3 |
| Dividends (including non-equity) | 9 | (8.0) | – | (8.0) | (12.0) | – | (12.0) |
| Retained (loss)/profit for the financial period | | (8.8) | (19.6) | (28.4) | 23.1 | (31.8) | (8.7) |
| Earnings per ordinary share | 10 | | | | | | |
| Headline | | 0.4p | – | – | 62.8p | – | – |
| FRS 3 | | – | – | (38.7)p | – | – | 2.7p |
| Headline/FRS 3 diluted | | 0.4p | – | (38.7)p | 62.8p | – | 2.7p |

Statement of Total Recognised Gains and Losses

for the 34 weeks ended 29th December 2001 (52 weeks ended 5th May 2001)

| | December 2001 £m | May 2001 £m |
|---|------------------------|-------------------|
| (Loss)/profit for the financial period | (20.4) | 3.3 |
| Currency translation | (0.3) | 2.1 |
| Total recognised (losses)/gains for the financial period | (20.7) | 5.4 |

Group and Company Balance Sheets

as at 29th December 2001 (5th May 2001)

| | Notes | Group | | | Company | |
|--|-------|------------------------|------------------------|-------------------|------------------------|-------------------|
| | | December 2001 £m | December 2001 £m | May 2001 £m | December 2001 £m | May 2001 £m |
| Fixed assets | | | | | | |
| Intangible assets | 11 | | 26.6 | 17.6 | – | – |
| Tangible assets | 12 | | 113.8 | 124.4 | 4.9 | 5.0 |
| Investments | 13 | | | | | |
| – joint ventures | | | | | | |
| Goodwill | | 10.2 | | 10.7 | – | – |
| Share of gross assets | | 3.2 | | 3.0 | – | – |
| Share of gross liabilities | | (2.2) | | (2.3) | – | – |
| Shareholder loans | | 0.6 | | 0.4 | – | – |
| | | | 11.8 | 11.8 | – | – |
| – associates | | | 36.7 | 43.6 | – | – |
| – other | | | 6.9 | 3.6 | 3.3 | – |
| – subsidiaries | | | – | – | 95.6 | 128.2 |
| Total investments | | | 55.4 | 59.0 | 98.9 | 128.2 |
| | | | 195.8 | 201.0 | 103.8 | 133.2 |
| Current assets | | | | | | |
| Stocks | | | 11.2 | 30.3 | – | – |
| Debtors – amounts due after more than one year | 14 | | 45.0 | 41.7 | 42.5 | 42.5 |
| – amounts due within one year | 14 | | 92.6 | 99.7 | 95.3 | 70.6 |
| Cash at bank and in hand | 16 | | 38.8 | 58.8 | 1.6 | 0.8 |
| | | | 187.6 | 230.5 | 139.4 | 113.9 |
| Creditors: amounts falling due within one year | | | | | | |
| Bank loans and overdrafts | 16 | | (18.6) | (12.1) | (10.5) | (10.9) |
| Other | 15 | | (155.8) | (181.1) | (85.0) | (81.5) |
| Net current assets | | | 13.2 | 37.3 | 43.9 | 21.5 |
| Total assets less current liabilities | | | 209.0 | 238.3 | 147.7 | 154.7 |
| Creditors: amounts falling due after more than one year | | | | | | |
| Loans and other borrowings | 16 | | (66.9) | (70.5) | (66.8) | (70.2) |
| Other | 15 | | (4.2) | (4.3) | – | – |
| Provision for liabilities and charges | | | | | | |
| Deferred taxation | 19 | | (11.0) | (11.7) | – | – |
| Other | 19 | | (10.5) | (9.0) | – | – |
| | | | 116.4 | 142.8 | 80.9 | 84.5 |
| Capital and reserves | | | | | | |
| Called up share capital | 20 | | 14.1 | 14.1 | 14.1 | 14.1 |
| Share premium account | 21 | | 4.0 | 4.0 | 4.0 | 4.0 |
| Profit and loss account | 21 | | 73.6 | 93.5 | 39.8 | 43.4 |
| Other reserves | 21 | | 3.3 | 3.6 | 1.6 | 1.6 |
| Equity shareholders' funds | | | 95.0 | 115.2 | 59.5 | 63.1 |
| Non-equity share capital | 20 | | 21.4 | 21.4 | 21.4 | 21.4 |
| Shareholders' funds | | | 116.4 | 136.6 | 80.9 | 84.5 |
| Minority interests | 22 | | – | 6.2 | – | – |
| | | | 116.4 | 142.8 | 80.9 | 84.5 |

The accounts were approved by the Board of Directors on 18th March 2002 and signed on its behalf by:
David Mackay, Chief Executive

Martyn Smith, Group Finance Director

Group Cash Flow Statement

for the 34 weeks ended 29th December 2001 (52 weeks ended 5th May 2001)

| Notes | 8 months to December 2001 £m | 12 months to May 2001 £m |
|--|---------------------------------------|-----------------------------------|
| Net cash inflow from continuing operations | 7.2 | 26.4 |
| Net cash (outflow)/inflow from discontinued operations | (10.2) | 24.2 |
| Net cash (outflow)/inflow from operating activities | (3.0) | 50.6 |
| Dividends from joint ventures and associates | 3.3 | 2.1 |
| Returns on investments and servicing of finance | | |
| Interest received | 2.2 | 5.4 |
| Interest paid | (4.7) | (4.4) |
| Preference dividends paid | (1.8) | (1.8) |
| Minority interest dividends | – | (0.2) |
| Net cash outflow from returns on investments and servicing of finance | (4.3) | (1.0) |
| Tax paid | (4.3) | (3.4) |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (21.7) | (23.0) |
| Sale of tangible fixed assets | 0.9 | 2.1 |
| Employee share ownership advances | – | (0.1) |
| Net cash outflow from capital expenditure and financial investment | (20.8) | (21.0) |
| Acquisitions and disposals | | |
| Investment in joint ventures and associates | (0.2) | (51.8) |
| Purchase of subsidiaries | (7.3) | (43.0) |
| Net cash acquired with subsidiaries | 0.1 | 8.1 |
| Disposal of subsidiaries | 24.6 | 0.8 |
| Net cash disposed of with subsidiaries | (3.6) | – |
| Net cash inflow/(outflow) from acquisitions and disposals | 13.6 | (85.9) |
| Equity dividends paid | (7.1) | (9.8) |
| Management of liquid resources | | |
| Increase in short term deposits | (2.9) | (3.3) |
| Net cash outflow from management of liquid resources | (2.9) | (3.3) |
| Net cash outflow before financing | (25.5) | (71.7) |
| Financing | | |
| Proceeds from shares issued | – | 0.2 |
| Finance leases | (0.3) | (0.3) |
| Increase in loans | 0.9 | 41.1 |
| Net cash inflow from financing | 0.6 | 41.0 |
| Decrease in cash in the period | (24.9) | (30.7) |

Notes on Accounts

1 Accounting policies

Accounting convention and presentation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The accounting year end has been changed to 31st December. There were no material differences between reported profits and historical profits on ordinary activities of the Group both before and after taxation. In accordance with Section 230 of the Companies Act 1985 no profit and loss account is presented for the Company. A summary of the more significant accounting policies, which have been consistently applied, is given below.

Basis of consolidation

The consolidated accounts 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.

Turnover

Turnover represents the invoiced value of goods sold and services provided. Turnover excludes value added and sales taxes and intercompany transactions.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, including acquisition expenses, less accumulated depreciation. Depreciation is provided on a straight line basis at the following rates:

| | | |
|--|---|---------------------------------------|
| Freehold and long leasehold properties | – | over 50 years. |
| Short leasehold properties | – | over the remaining lease term. |
| Plant and equipment | – | over the estimated life of the asset. |

Stocks

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

Pensions

The cost of providing retirement benefits in the Group defined benefit scheme is charged to the profit and loss account over the period of the relevant employee's service. Variations identified at each actuarial valuation date are spread over the average remaining service lives of members. Pension costs are assessed in accordance with the advice of qualified actuaries. With regard to defined contribution schemes and a non-Group defined benefit scheme, in which the Group participates, the profit and loss charge represents contributions made.

Deferred taxation

Provision is made for deferred taxation where such taxation is expected to crystallise in the foreseeable future.

Goodwill

Goodwill, representing the excess of purchase consideration over the fair value of net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful life of 20 years. Goodwill arising on acquisitions prior to April 1998 (Note 21) has been set off directly against reserves in line with the provisions of FRS 10.

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 period, 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 profit and loss account.

Leases

Assets acquired under finance leases are capitalised in the balance sheet and are depreciated over their useful lives or over the lease term, whichever is shorter. The interest element of the rental obligations is charged to the profit and loss account as incurred.

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over applicable lease periods.

2 Segmental analysis

| | Turnover | | Pre-exceptional operating profit/(loss) | | Net assets | |
|---|---------------------------------|-----------------------------|---|-----------------------------|---------------------|----------------|
| | 8 months to December 2001 £m | 12 months to May 2001 £m | 8 months to December 2001 £m | 12 months to May 2001 £m | December 2001 £m | May 2001 £m |
| By class of business | | | | | | |
| Distribution Services | 594.4 | 866.8 | 16.5 | 26.3 | 31.5 | 11.6 |
| Aviation Services | 165.6 | 157.8 | (3.8) | 4.3 | 123.2 | 135.4 |
| | 760.0 | 1,024.6 | 12.7 | 30.6 | 154.7 | 147.0 |
| Central services | – | – | (4.7) | (6.9) | – | – |
| Pension credit/prepayment | – | – | 3.3 | 5.0 | 45.0 | 41.7 |
| Continuing operations | 760.0 | 1,024.6 | 11.3 | 28.7 | 199.7 | 188.7 |
| Goodwill amortisation | – | – | (2.2) | (1.7) | – | – |
| Discontinued operations | 55.9 | 306.8 | (5.7) | 22.9 | – | 21.3 |
| | 815.9 | 1,331.4 | 3.4 | 49.9 | 199.7 | 210.0 |
| Reconciliation of net assets: | | | | | | |
| Net debt | | | | | (46.8) | (24.2) |
| Unallocated net liabilities | | | | | (36.5) | (43.0) |
| Net assets | | | | | 116.4 | 142.8 |
| By geographical origin | | | | | | |
| United Kingdom | 662.8 | 963.8 | 9.9 | 25.6 | 114.0 | 105.6 |
| Continental Europe | 43.5 | 20.2 | (0.8) | (0.4) | 16.3 | 14.6 |
| Americas | 40.0 | 30.5 | (0.3) | 2.5 | 29.9 | 31.3 |
| Rest of the World | 13.7 | 10.1 | 0.3 | (0.7) | 41.3 | 39.3 |
| Continuing operations | 760.0 | 1,024.6 | 9.1 | 27.0 | 201.5 | 190.8 |
| Discontinued operations – United Kingdom | 55.9 | 306.8 | (5.7) | 22.9 | – | 21.3 |
| | 815.9 | 1,331.4 | 3.4 | 49.9 | 201.5 | 212.1 |
| Joint Ventures and Associates included above | | | | | | |
| | 8 months to December 2001 £m | 12 months to May 2001 £m | 8 months to December 2001 £m | 12 months to May 2001 £m | December 2001 £m | May 2001 £m |
| Distribution Services | | | | | | |
| Joint ventures | 6.0 | 8.3 | – | (0.1) | 0.9 | 0.8 |
| Associates | 9.6 | 14.3 | – | – | 0.8 | 0.8 |
| Aviation Services | | | | | | |
| Joint ventures | 3.5 | 2.3 | 0.4 | 0.5 | 10.9 | 11.0 |
| Associates | 33.3 | 18.4 | 3.8 | 3.0 | 35.9 | 42.8 |
| | 52.4 | 43.3 | 4.2 | 3.4 | 48.5 | 55.4 |
| Goodwill amortisation | – | – | (1.5) | (0.9) | – | – |
| | 52.4 | 43.3 | 2.7 | 2.5 | 48.5 | 55.4 |
| By geographical origin | | | | | | |
| United Kingdom | 20.6 | 28.7 | (0.4) | (0.1) | 1.9 | 7.0 |
| Continental Europe | 21.7 | 8.5 | 0.3 | 0.9 | 6.9 | 7.7 |
| Americas | 3.5 | 2.3 | 0.1 | 0.3 | 10.7 | 10.7 |
| Rest of the World | 6.6 | 3.8 | 2.7 | 1.4 | 29.0 | 30.0 |
| | 52.4 | 43.3 | 2.7 | 2.5 | 48.5 | 55.4 |

Turnover by geographical origin and destination do not materially differ.

Goodwill amortisation is attributable to Aviation Services.

Discontinued operations comprise Early Learning Centre (sold in September 2001), THE Games (exited in February 2001) and THE (sold in August 2000).

The results of acquisitions during the period were not material.

3 Net operating costs

| | 8 months to December 2001 | | 8 months to December 2001 £m | 12 months to May 2001 | |
|---|---------------------------|--------------------|---------------------------------|-----------------------|--------------------|
| | Continuing £m | Discontinued £m | | Continuing £m | Discontinued £m |
| Goods for resale and consumables | 554.9 | 40.6 | 595.5 | 788.7 | 1,017.1 |
| Other operating charges | 34.9 | 10.3 | 45.2 | 35.3 | 60.6 |
| Employment costs (Note 4) | 101.8 | 8.6 | 110.4 | 121.3 | 146.1 |
| Goodwill amortisation (Note 11) | 0.7 | – | 0.7 | 0.8 | 0.8 |
| Depreciation (Note 12) | 8.9 | 2.1 | 11.0 | 10.7 | 16.1 |
| Exceptional operating expenses (Note 5) | 10.4 | – | 10.4 | 9.5 | 9.5 |
| | 711.6 | 61.6 | 773.2 | 966.3 | 1,250.2 |
| Other operating charges include: | | | | | |
| Hire charges – plant and machinery | 3.8 | – | 3.8 | 4.7 | 4.7 |
| Rent of properties | 11.9 | 8.2 | 20.1 | 15.4 | 34.8 |
| During the period PricewaterhouseCoopers earned the following fees: | | | | | |
| Statutory UK audit | | | 0.3 | | 0.4 |
| Overseas audit | | | 0.2 | | – |
| Due diligence and Reporting Accountants work: | | | | | |
| – United Kingdom | | | 0.2 | | 0.8 |
| – Rest of the World | | | – | | 0.5 |
| Consultancy services | | | – | | 0.2 |

The auditors' remuneration for the parent company was £15,000 (May 2001: £15,000).

4 Employees

| | 8 months to December 2001 £m | 12 months to May 2001 £m |
|--|-------------------------------------|---------------------------------|
| Wages and salaries | 103.2 | 138.3 |
| Social security costs | 9.4 | 12.0 |
| | 112.6 | 150.3 |
| Pension credit (net) | (2.2) | (4.2) |
| | 110.4 | 146.1 |
| The average number of full time equivalent persons employed by Group subsidiaries during the period was: | | |
| | 8 months to December 2001 number | 12 months to May 2001 number |
| Distribution Services | 3,867 | 3,871 |
| Aviation Services | 5,661 | 4,477 |
| Central services | 65 | 69 |
| Continuing operations | 9,593 | 8,417 |
| Discontinued operations | 1,170 | 2,100 |
| | 10,763 | 10,517 |

The numbers above include 4,180 full time equivalent persons employed outside the UK (May 2001: 2,615).

The actual number of full time equivalent Aviation Services employees at 29th December 2001 was 5,191 (May 2001: 5,908).

4 Employees (continued)

Pension schemes

With regard to the principal Group defined benefit scheme in the UK (the Menzies Pension Fund), to which the employees contribute, the charge to the profit and loss account is assessed in accordance with independent actuarial advice from Aon Consulting ("the Actuary") using the projected unit method. Certain Group subsidiaries operate overseas and participate in a number of pension schemes, some of which are of a defined contribution nature. The profit and loss charge for defined contribution schemes represents the contributions made. A subsidiary company participates in the UK defined benefit scheme of a third party and accordingly the profit and loss charge in respect of this particular scheme represents the contributions made.

SSAP 24 regular pension costs

The net pension credit to the profit and loss account is analysed as follows:

| | 8 months to December 2001 £m | 12 months to May 2001 £m |
|--|---|-----------------------------------|
| Menzies Pension Fund | | |
| Regular pension cost | 2.6 | 3.8 |
| Interest on balance sheet prepayment | (1.9) | (2.8) |
| Amortisation of, and interest on, additional surplus | (4.0) | (6.0) |
| Increase in balance sheet prepayment | (3.3) | (5.0) |
| Other schemes | 1.1 | 0.8 |
| | (2.2) | (4.2) |

In respect of the Menzies Pension Fund, the Actuary prepared a valuation update as at 30th April 2001 when the market value of the scheme's assets was £167.7m. The actuarial value represented 185% of the value of the benefits that had accrued to members, yielding a surplus of £77.1m.

Interest on the balance sheet prepayment is calculated using a market related rate of investment return of 7.75%. The additional surplus over the balance sheet prepayment, which also earns interest at this rate, is credited to the profit and loss account, and brought onto the balance sheet, on a straight line basis over the anticipated remaining service lives of the current members. The assumptions used in the actuarial valuation to determine the valuation results were:

| | % |
|-------------------------------------|------|
| Rate of return on investments | 7.75 |
| Rate of increase in salaries | 3.0 |
| Rate of increase in pensions | 3.25 |
| Rate of increase in price inflation | 2.5 |

In view of the substantial surplus no employer contributions were payable during the periods covered by the Accounts.

4 Employees (continued)

FRS 17 disclosures

The Actuary also undertook an actuarial valuation of the Menzies Pension Fund as at 29th December 2001 for the purposes of disclosure under FRS 17.

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

| | % |
|-------------------------------------|------|
| Rate of increase in salaries | 3.25 |
| Rate of increase in pensions | 3.25 |
| Rate of increase in price inflation | 2.75 |
| Discount rate | 5.75 |

Net Pension Asset

The assets in the scheme and the expected rates of return as at 29th December 2001 were as follows:

| | Long term rate of return % | Value at December 2001 £m |
|-------------------------------------|----------------------------------|------------------------------------|
| Equities | 8.5 | 134.4 |
| Bonds | 6.0 | 21.7 |
| Cash | 3.0 | 2.2 |
| Total market value of assets | | 158.3 |
| Present value of scheme liabilities | | (148.2) |
| Surplus in scheme | | 10.1 |
| Related deferred tax liability | | (3.0) |
| Net pension asset | | 7.1 |

If FRS 17 had been adopted in the Accounts, the Group's net assets and profit and loss reserve at 29th December 2001 would be as follows:

| | £m |
|---|--------|
| Net assets per Accounts | 116.4 |
| Pension adjustment (net of deferred taxation) | (24.4) |
| Net assets | 92.0 |
| Profit and loss reserve per Accounts | 73.6 |
| Pension adjustment (net of deferred taxation) | (24.4) |
| Profit and loss reserve | 49.2 |

5 Exceptional items

| | Notes | 8 months to December 2001 £m | 12 months to May 2001 £m |
|--|-------|---------------------------------------|-----------------------------------|
| Exceptional operating expenses: | | | |
| Aviation Services | a | (9.0) | (6.0) |
| Distribution Services | b | (1.4) | (3.5) |
| | | (10.4) | (9.5) |
| Aviation Services - associate | c | (0.8) | – |
| Total exceptional operating expenses | | (11.2) | (9.5) |
| Non-operating exceptional items: | | | |
| Net profit on disposal of fixed assets | d | – | 2.5 |
| Net loss on disposal of businesses | e | (11.3) | (27.8) |
| Total non-operating exceptional items | | (11.3) | (25.3) |
| Total exceptional items | | (22.5) | (34.8) |

- a December 2001: Cost of rationalising excess capacity, comprising asset write downs, property costs and related staff costs.
May 2001: Cost of integrating Ogden Ground Services - £3.6m and costs in respect of an abortive acquisition - £2.4m.
- b December 2001: Rationalisation costs - £0.5m and additional provision in respect of an investment in an internet magazine subscription service - £0.9m.
May 2001: Provision in respect of the aforementioned internet investment - £3.5m.
- c December 2001: Share of the cost of reducing excess capacity in Aeroporti di Roma Handling SpA.
- d May 2001: Gain realised on a fixed asset investment in a subsidiary.
- e December 2001: On 28th September 2001 Early Learning Centre was sold for £29.6m. The disposal generated a loss of £4.2m before writing off goodwill of £8.5m previously charged to reserves (Note 21).
On 21st December 2001 the Group, in selling its 49% interest in GlobeGround (UK) Limited for £5.8m, generated a gain of £1.4m.
May 2001: On 11th August 2000 THE was sold at a loss of £13.9m before writing off goodwill of £12.5m previously charged to reserves. Redundancy and other costs on the closure of THE Games amounted to £1.4m.

6 Directors

A detailed analysis of Directors' remuneration, together with shareholdings and options, is provided in the Report of the Remuneration Committee on pages 26 to 29.

7 Interest

| | 8 months to December 2001 £m | 12 months to May 2001 £m |
|-----------------------------|---------------------------------------|-----------------------------------|
| Payable: | | |
| Bank loans and overdrafts | 3.9 | 5.5 |
| Share of associates | – | 0.1 |
| | 3.9 | 5.6 |
| Receivable | (1.9) | (5.6) |
| Net interest payable | 2.0 | – |

8 Taxation

| | 8 months to December 2001 £m | 12 months to May 2001 £m |
|---------------------------------------|---------------------------------------|-----------------------------------|
| UK corporation tax at 30% | (1.6) | 10.9 |
| Overseas tax | 1.0 | 1.1 |
| Deferred tax – (credit)/charge | (0.1) | 0.7 |
| Adjustments to prior year liabilities | | |
| – corporation tax | – | (2.0) |
| – deferred tax | 0.1 | (0.3) |
| Share of joint ventures | 0.2 | 0.2 |
| Share of associates | 0.9 | 0.9 |
| | 0.5 | 11.5 |

The tax charge includes a credit of £1.9m (May 2001: £3.0m) in respect of exceptional items.

9 Dividends

| | 8 months to December 2001 £m | 12 months to May 2001 £m |
|---|---------------------------------------|-----------------------------------|
| Dividends on equity shares: | | |
| Ordinary – Interim, 5.5p (May 2001: 5.5p) per share | 3.1 | 3.1 |
| – Final proposed, 6.6p (May 2001: 12.6p) per share | 3.7 | 7.1 |
| Dividends on non-equity shares: | | |
| Preference shares | 1.2 | 1.8 |
| | 8.0 | 12.0 |

Dividends of £0.1m (May 2001: £0.1m) were waived by employee share trusts (Note 13) during the period.

10 Earnings per share

| | Headline | | Post exceptional items | |
|--|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
| | 8 months to December 2001 £m | 12 months to May 2001 £m | 8 months to December 2001 £m | 12 months to May 2001 £m |
| Operating profit | 3.4 | 49.9 | 3.4 | 49.9 |
| add back: goodwill amortisation | 2.2 | 1.7 | – | – |
| Exceptional items | – | – | (22.5) | (34.8) |
| Interest | (2.0) | – | (2.0) | – |
| Profit/(loss) before taxation | 3.6 | 51.6 | (21.1) | 15.1 |
| Taxation | (2.4) | (14.5) | (0.5) | (11.5) |
| Minority interests | 0.2 | (0.3) | 1.2 | (0.3) |
| Preference dividends | (1.2) | (1.8) | (1.2) | (1.8) |
| Earnings for the period | 0.2 | 35.0 | (21.6) | 1.5 |
| Headline | | | | |
| Earnings per ordinary share (pence) | 0.4 | 62.8 | | |
| Diluted earnings per ordinary share (pence) | 0.4 | 62.8 | | |
| FRS 3 | | | | |
| Earnings per ordinary share (pence) | | | (38.7) | 2.7 |
| Diluted earnings per ordinary share (pence) | | | (38.7) | 2.7 |
| Number of ordinary shares in issue (millions) | | | | |
| Weighted average | 55.761 | 55.705 | | |
| Diluted weighted average | 55.780 | 55.745 | | |

The weighted average number of fully paid shares in issue during the period excludes those held by the employee share trusts (Note 13). The diluted weighted average is calculated by adjusting for all outstanding share options which are dilutive potential ordinary shares.

11 Intangible assets – goodwill

| | Joint ventures £m | Associates £m | Subsidiaries £m | Total £m |
|------------------------|-------------------------|------------------|--------------------|-------------|
| Cost | | | | |
| At 5th May 2001 | 10.9 | 33.4 | 18.8 | 63.1 |
| Acquisitions (Note 25) | – | – | 8.6 | 8.6 |
| Fair value adjustments | – | 1.0 | 1.1 | 2.1 |
| Disposals (Note 25) | – | (2.9) | – | (2.9) |
| Currency translation | (0.1) | (0.2) | – | (0.3) |
| At 29th December 2001 | 10.8 | 31.3 | 28.5 | 70.6 |
| Amortisation | | | | |
| At 5th May 2001 | 0.2 | 0.7 | 1.2 | 2.1 |
| Charge for the period | 0.4 | 1.1 | 0.7 | 2.2 |
| Disposals (Note 25) | – | (0.2) | – | (0.2) |
| At 29th December 2001 | 0.6 | 1.6 | 1.9 | 4.1 |
| Net book value | | | | |
| At 29th December 2001 | 10.2 | 29.7 | 26.6 | 66.5 |
| At 5th May 2001 | 10.7 | 32.7 | 17.6 | 61.0 |

The fair value adjustments relate to certain working capital items. Goodwill arising on the earlier acquisition of Ogden Ground Services continues to remain provisional pending finalisation of the formal completion accounts process, which may result in an adjustment to the consideration.

12 Tangible fixed assets

| | Group | | | | | Company | | | |
|-------------------------------|---------------------|------------------------------|-------------------------------|---------------------------------|-------------|---------------------|------------------------------|-------------------------------|-------------|
| | Free- hold £m | Long lease- hold £m | Short lease- hold £m | Plant and equipment £m | Total £m | Free- hold £m | Long lease- hold £m | Short lease- hold £m | Total £m |
| Cost | | | | | | | | | |
| At 5th May 2001 | 30.9 | 14.3 | 24.6 | 134.0 | 203.8 | 5.6 | 0.1 | 0.3 | 6.0 |
| Acquisitions | – | – | – | 0.3 | 0.3 | – | – | – | – |
| Additions | 7.7 | 0.1 | 1.4 | 12.0 | 21.2 | – | – | – | – |
| Transfers | (0.7) | – | 0.2 | 0.5 | – | – | – | – | – |
| Disposals | (0.1) | – | (8.1) | (55.5) | (63.7) | – | – | – | – |
| Currency translation | – | – | 0.3 | (0.2) | 0.1 | – | – | – | – |
| At 29th December 2001 | 37.8 | 14.4 | 18.4 | 91.1 | 161.7 | 5.6 | 0.1 | 0.3 | 6.0 |
| Depreciation | | | | | | | | | |
| At 5th May 2001 | 2.5 | 0.1 | 8.6 | 68.2 | 79.4 | 0.8 | – | 0.2 | 1.0 |
| Charge for the period | 0.4 | 0.7 | 0.6 | 9.3 | 11.0 | 0.1 | – | – | 0.1 |
| Exceptional operating expense | – | – | 0.8 | 1.2 | 2.0 | – | – | – | – |
| Disposals | – | – | (5.5) | (39.0) | (44.5) | – | – | – | – |
| At 29th December 2001 | 2.9 | 0.8 | 4.5 | 39.7 | 47.9 | 0.9 | – | 0.2 | 1.1 |
| Net book value | | | | | | | | | |
| At 29th December 2001 | 34.9 | 13.6 | 13.9 | 51.4 | 113.8 | 4.7 | 0.1 | 0.1 | 4.9 |
| At 5th May 2001 | 28.4 | 14.2 | 16.0 | 65.8 | 124.4 | 4.8 | 0.1 | 0.1 | 5.0 |

13 Investments

| | Group | | | | | | | Company | | |
|---------------------------------|--------------------------------|-------------------------------|----------------------------|---------------------------|-----------------------|-------------|-------------|-------------|--------------------|-------------|
| | Shares in joint ventures £m | Loans to joint ventures £m | Shares in associates £m | Loans to associates £m | Own shares held £m | Other £m | Total £m | Other £m | Subsidiaries £m | Total £m |
| Cost | | | | | | | | | | |
| At 5th May 2001 | 0.7 | 0.4 | 9.6 | 1.3 | 3.6 | – | 15.6 | – | 128.2 | 128.2 |
| New investments | – | 0.2 | – | – | – | 4.2 | 4.4 | 3.3 | 3.8 | 7.1 |
| Share of profits after tax | 0.2 | – | 2.1 | – | – | – | 2.3 | – | – | – |
| Exceptional provision (Note 5) | – | – | – | – | – | (0.9) | (0.9) | – | – | – |
| Fair value adjustment (Note 11) | – | – | (1.0) | – | – | – | (1.0) | – | – | – |
| Disposals (Note 25) | – | – | (0.4) | (1.3) | – | – | (1.7) | – | (36.4) | (36.4) |
| Dividends received | – | – | (3.3) | – | – | – | (3.3) | – | – | – |
| Currency translation | 0.1 | – | – | – | – | – | 0.1 | – | – | – |
| | 1.0 | 0.6 | 7.0 | – | 3.6 | 3.3 | 15.5 | 3.3 | 95.6 | 98.9 |
| Goodwill | | | | | | | | | | |
| At 5th May 2001 | 10.7 | – | 32.7 | – | – | – | 43.4 | – | – | – |
| Fair value adjustment (Note 11) | – | – | 1.0 | – | – | – | 1.0 | – | – | – |
| Disposals (Note 25) | – | – | (2.7) | – | – | – | (2.7) | – | – | – |
| Amortisation | (0.4) | – | (1.1) | – | – | – | (1.5) | – | – | – |
| Currency translation | (0.1) | – | (0.2) | – | – | – | (0.3) | – | – | – |
| | 10.2 | – | 29.7 | – | – | – | 39.9 | – | – | – |
| At 29th December 2001 | 11.2 | 0.6 | 36.7 | – | 3.6 | 3.3 | 55.4 | 3.3 | 95.6 | 98.9 |
| At 5th May 2001 | 11.4 | 0.4 | 42.3 | 1.3 | 3.6 | – | 59.0 | – | 128.2 | 128.2 |

Joint ventures

The Group holds:

a 50% interest in the ordinary share capital of Ogden & Talma Aviation Services of Peru SA

a 50% interest in the ordinary share capital of Dolphin Logistics Ltd

a 33.3% interest in the ordinary share capital of Eurobip, a border inspection post facility at London Heathrow.

During the period the Group subscribed £0.2m of interest bearing loan notes at par in cash in Dolphin Logistics Ltd.

Associates

The Group holds:

a 29% interest in the ordinary share capital of MASC-Ogden Aviation Services (Macau) Ltd

a 49% interest in the ordinary share capital of Aeroporti di Roma Handling SpA

a 30% interest in the ordinary share capital of Worldwide Magazine Distribution Ltd

a 33.3% interest in the ordinary share capital of TC Cox and Son (Tonbridge) Ltd.

Own shares held

The Company's ordinary shares are held in trust for an employee share scheme and are treated as assets of the Group. The trusts are funded by loans from a Group subsidiary. At 29th December 2001 the trusts held 797,770 (May 2001: 797,770) shares with a market value of £2,772,251 (May 2001: £3,454,344).

Other

New investments include £3.3m of loan notes received in respect of the disposal of Early Learning Centre (Note 25).

Subsidiaries

On 22nd September 2000 John Menzies plc subscribed for Discounted Convertible Unsecured Loan Stock due 2030 issued by Menzies Aviation Group plc. The principal amount of the loan stock is £75m and the original cost to the company was £62.9m.

On 28th September 2001 John Menzies plc sold John Menzies (UK) Ltd, which traded as Early Learning Centre (Note 25).

14 Debtors

| | Group | | Company | |
|-------------------------------------|---------------------|----------------|---------------------|----------------|
| | December 2001 £m | May 2001 £m | December 2001 £m | May 2001 £m |
| Due within one year | | | | |
| Trade debtors | 65.9 | 76.9 | – | – |
| Other debtors | 17.2 | 10.0 | – | 0.9 |
| Prepayments and accrued income | 9.5 | 12.8 | 0.6 | 1.7 |
| Amounts owed by Group companies | – | – | 94.7 | 68.0 |
| | 92.6 | 99.7 | 95.3 | 70.6 |
| Due after more than one year | | | | |
| Pension prepayment (Note 4) | 45.0 | 41.7 | – | – |
| Amounts owed by Group companies | – | – | 42.5 | 42.5 |
| | 45.0 | 41.7 | 42.5 | 42.5 |

15 Creditors

| | Group | | Company | |
|---------------------------------------|---------------------|----------------|---------------------|----------------|
| | December 2001 £m | May 2001 £m | December 2001 £m | May 2001 £m |
| Due within one year | | | | |
| Trade creditors | 85.7 | 102.4 | – | – |
| Accruals and deferred income | 48.8 | 51.5 | 3.5 | 5.3 |
| Corporation tax | 10.7 | 13.4 | – | – |
| Other taxes and social security costs | 3.6 | 5.6 | – | – |
| Dividends | 6.9 | 7.8 | 6.9 | 7.8 |
| Unsecured loan stock | 0.1 | 0.1 | – | – |
| Obligations under finance leases | – | 0.3 | – | – |
| Amounts owed to Group companies | – | – | 74.6 | 68.4 |
| | 155.8 | 181.1 | 85.0 | 81.5 |
| Due after more than one year | | | | |
| Accruals and deferred income | 4.2 | 4.3 | – | – |

16 Financial instruments

The objectives, policies and strategies pursued by the Group in relation to financial instruments are described within the Financial Review on page 16.

| | Group | | Company | |
|---|---------------------|----------------|---------------------|----------------|
| | December 2001 £m | May 2001 £m | December 2001 £m | May 2001 £m |
| Maturity profile | | | | |
| Borrowings due within one year: | | | | |
| Bank loans and overdrafts | 18.6 | 12.1 | 10.5 | 10.9 |
| Finance leases | – | 0.3 | – | – |
| Unsecured loan stock | 0.1 | 0.1 | – | – |
| Total borrowings due within one year | 18.7 | 12.5 | 10.5 | 10.9 |
| Borrowings due after one year: | | | | |
| Loans repayable between one and two years | 6.5 | 6.7 | 6.4 | 6.4 |
| Loans repayable between two and five years | 19.2 | 19.3 | 19.2 | 19.3 |
| Loans repayable after five years | 41.2 | 44.5 | 41.2 | 44.5 |
| Total borrowings due after one year | 66.9 | 70.5 | 66.8 | 70.2 |
| Total borrowings | 85.6 | 83.0 | 77.3 | 81.1 |
| Cash at bank and in hand | (38.8) | (58.8) | (1.6) | (0.8) |
| Net debt | 46.8 | 24.2 | 75.7 | 80.3 |

Other than trade debtors and creditors there are no financial assets or liabilities excluded from the above analysis.

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

Borrowing facilities

At 29th December 2001, the Group had undrawn committed facilities of £34.0m (May 2001: £40.8m) with the following expiry profile:

| | December 2001 £m | May 2001 £m |
|---------------------------|---------------------|----------------|
| Less than one year | 26.1 | 31.9 |
| Between one and two years | 7.9 | 8.9 |
| Total | 34.0 | 40.8 |

In addition to these undrawn committed facilities, the Group has undrawn uncommitted facilities totalling £2.0m (May 2001: £2.0m).

16 Financial instruments (continued)

Fair values and hedges

Set out below is an analysis of the fair and book value of the Group's financial instruments as at 29th December 2001.

| | December 2001 Book value £m | December 2001 Fair value £m | May 2001 Book value £m | May 2001 Fair value £m |
|--|-----------------------------------|-----------------------------------|------------------------------|------------------------------|
| Primary financial instruments held or issued to finance the Group's operations: | | | | |
| Cash and deposits | (38.8) | (38.8) | (58.8) | (58.8) |
| Short term borrowings | 18.7 | 18.7 | 12.2 | 12.2 |
| Finance leases | – | – | 0.3 | 0.3 |
| Medium term borrowings | 25.7 | 25.7 | 26.0 | 26.0 |
| Long term borrowings | 41.2 | 41.2 | 44.5 | 44.5 |
| Derivative financial instruments held to manage interest rate profile and currency transaction exposure: | | | | |
| Interest rate swap | – | 0.3 | – | – |
| Forward foreign exchange contracts | – | – | – | 1.0 |

The fair values of the interest rate swap and forward foreign exchange contracts have been determined by reference to quoted market prices.

The fair value of provisions, preference shares and other financial liabilities are not considered to be materially different from their book value.

Gains on hedges

Unrecognised gains on instruments used for hedging, and the movements therein, are as follows:

| | Gains £m |
|--|-------------|
| Unrecognised gains on hedges arising before 5th May 2001 that were not recognised by 5th May 2001 | 1.0 |
| Gains arising in the period to 29th December 2001 that were not recognised in the period | 0.3 |
| Gains recognised in this period's profit and loss account that arose in previous years and were unrecognised at 5th May 2001 | (1.0) |
| Unrecognised gains on hedges as at 29th December 2001 | 0.3 |
| Of which: | |
| Gains expected to be recognised between 28th February 2002 and 28th February 2006 | 0.3 |

16 Financial instruments (continued)

Interest rate and currency risk profile of financial assets and liabilities

Financial assets and liabilities

The interest rate and currency profile of the Group's financial assets and liabilities (excluding trade debtors and trade creditors) at 29th December 2001 is shown below.

| Currency | Floating rate | Fixed rate | December | Floating rate | Fixed rate | May |
|------------------|------------------|------------------|-----------------------------|------------------|------------------|-----------------------------|
| | financial assets | financial assets | 2001 Total financial assets | financial assets | financial assets | 2001 Total financial assets |
| | £m | £m | £m | £m | £m | £m |
| Sterling | 20.2 | 10.3 | 30.5 | 40.4 | 7.4 | 47.8 |
| Euro | 2.9 | 1.2 | 4.1 | – | – | – |
| US dollar | 2.3 | 0.3 | 2.6 | 6.1 | – | 6.1 |
| Hong Kong dollar | 0.3 | – | 0.3 | 0.1 | 0.3 | 0.4 |
| Other | 0.8 | 0.5 | 1.3 | 1.7 | 2.8 | 4.5 |
| | 26.5 | 12.3 | 38.8 | 48.3 | 10.5 | 58.8 |

The floating rate financial assets of £26.5m (May 2001: £48.3m) are at interest rates linked to Base rates and LIBID. Of the £12.3m fixed rate financial assets, £10.0m is on 3 month fixed deposit at 3.94% and the remaining £2.3m (May 2001: £10.5m) is at interest rates based on 2 month LIBID.

| Currency | Floating rate | Fixed rate | December | Floating rate | Fixed rate | May |
|------------------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|----------------------------------|
| | financial liabilities | financial liabilities | 2001 Total financial liabilities | financial liabilities | financial liabilities | 2001 Total financial liabilities |
| | £m | £m | £m | £m | £m | £m |
| Sterling | 5.0 | 34.8 | 39.8 | 6.4 | 34.8 | 41.2 |
| Euro | 3.8 | – | 3.8 | – | – | – |
| US dollar | 41.1 | – | 41.1 | 41.8 | – | 41.8 |
| Hong Kong dollar | 0.5 | – | 0.5 | – | – | – |
| Other | 0.4 | – | 0.4 | – | – | – |
| | 50.8 | 34.8 | 85.6 | 48.2 | 34.8 | 83.0 |

Floating rate financial liabilities of £50.8m (May 2001: £48.2m) comprise bank loans and overdrafts, finance leases and unsecured loan stock. Interest on these liabilities is determined by reference to short term rates linked to Base rates and LIBOR.

Fixed rate financial liabilities comprise loans repayable after five years of £34.8m (May 2001: £34.8m) on which interest is at a fixed rate of 7.362%. These loans are repayable from 2007 to 2009.

17 Operating lease commitments

| | Group | | | |
|---|---------------|----------|---------------|----------|
| | Property | | Other | |
| | December 2001 | May 2001 | December 2001 | May 2001 |
| | £m | £m | £m | £m |
| Annual commitments in respect of leases which expire: | | | | |
| within one year | 1.4 | 1.7 | 0.4 | 0.4 |
| between one and five years | 5.7 | 9.5 | 2.6 | 3.2 |
| after five years | 10.7 | 28.0 | – | – |
| | 17.8 | 39.2 | 3.0 | 3.6 |

The Company had no operating lease commitments (May 2001: £Nil).

18 Capital commitments

| | Group | | Company | |
|-----------------------------|---------------|----------|---------------|----------|
| | December 2001 | May 2001 | December 2001 | May 2001 |
| | £m | £m | £m | £m |
| Contracted but not provided | 3.6 | 9.3 | – | – |

19 Provisions for liabilities and charges

| | Group | |
|---|---------------|----------|
| | December 2001 | May 2001 |
| | £m | £m |
| Deferred taxation | | |
| Provided: | | |
| Accelerated capital allowances and other timing differences | (2.5) | (0.8) |
| Pension prepayment | 13.5 | 12.5 |
| | 11.0 | 11.7 |
| Movement in period: | | |
| Profit and loss charge (Note 8) | – | 0.4 |
| Disposals (Note 25) | (0.7) | – |
| Acquisitions | – | 0.1 |
| | (0.7) | 0.5 |

Other

| | Property related |
|------------------------|------------------|
| | £m |
| At 5th May 2001 | 9.0 |
| Provided during period | 2.6 |
| Utilised during period | (1.1) |
| At 29th December 2001 | 10.5 |

The property related provision is in respect of obligations for vacated leasehold properties where applicable sublet income may be insufficient to meet obligations under head leases.

Contingent liabilities

Nintendo and certain of its present and previous European distributors are currently under investigation by the European Commission for alleged restriction of cross-border trading in Nintendo products, with a formal Statement of Objections having been issued on 26th April 2000. The Group was the exclusive distributor of such product in the UK and the Republic of Ireland at the relevant time. It remains the opinion of the directors that it is too early at this stage to form a clear view on the extent of any liability which may result from this action.

There are other contingent liabilities, including those in respect of acquired and disposed businesses, which are not expected to give rise to any significant loss to the Group. In addition, in the normal course of business the Company has guaranteed certain trading obligations of its subsidiaries.

20 Share capital

| | December 2001 £m | May 2001 £m |
|--|------------------------|-------------------|
| Authorised | | |
| 73,056,248 Ordinary shares of 25p each | 18.3 | 18.3 |
| 20,000,000 8.58% Cumulative redeemable preference shares of £1 each, redeemable at par on 20th June 2003 | 20.0 | 20.0 |
| 1,735,938 9% Cumulative preference shares of £1 each | 1.7 | 1.7 |
| | 40.0 | 40.0 |
| Issued | | |
| 56,566,105 Ordinary shares of 25p each, fully paid (May 2001: 56,551,626 shares) | 14.1 | 14.1 |
| 20,000,000 8.58% Cumulative redeemable preference shares of £1 each, fully paid, redeemable at par on 20th June 2003 (May 2001: 20,000,000 shares) | 20.0 | 20.0 |
| 1,394,587 9% Cumulative preference shares of £1 each, fully paid (May 2001: 1,394,587 shares) | 1.4 | 1.4 |
| | 35.5 | 35.5 |

As a result of options being exercised, 14,479 Ordinary shares having a nominal value of £3,620 were issued during the period, at a share premium of £40,798.

At 29th December 2001 options granted and outstanding under the Company's executive share option schemes amounted to 2,518,493 ordinary shares (May 2001: 2,797,432). These options are exercisable at varying dates up to 29th January 2011 and at prices varying from 334p to 653p per share.

21 Reserves

| | Group | | | | Company | | |
|---|--------------------------|----------------------------|---------------------|-------------------------------|--------------------------|----------------------------|-------------------------------|
| | Share premium account £m | Profit and loss account £m | Currency reserve £m | Capital redemption reserve £m | Share premium account £m | Profit and loss account £m | Capital redemption reserve £m |
| At 5th May 2001 | 4.0 | 93.5 | 2.0 | 1.6 | 4.0 | 43.4 | 1.6 |
| Movement during the period | – | – | (0.3) | – | – | – | – |
| (Loss)/profit for the period | – | (20.4) | – | – | – | 4.4 | – |
| Dividends | – | (8.0) | – | – | – | (8.0) | – |
| Goodwill previously written off to reserves | – | 8.5 | – | – | – | – | – |
| At 29th December 2001 | 4.0 | 73.6 | 1.7 | 1.6 | 4.0 | 39.8 | 1.6 |

The cumulative amount of goodwill resulting from acquisitions undertaken before April 1998, which has been written off to reserves, is £28.9m (May 2001: £37.4m).

22 Minority interests

| | December 2001 £m | May 2001 £m |
|----------------------------------|------------------------|-------------------|
| At beginning of period | 6.2 | 5.8 |
| Share of (loss)/profit after tax | (1.2) | 0.3 |
| Dividends | – | (0.2) |
| Additions | – | 0.3 |
| Disposals | (5.0) | – |
| At end of period | – | 6.2 |

23 Reconciliation of movements in shareholders' funds

| | December 2001 £m | May 2001 £m |
|--|------------------------|-------------------|
| Retained loss for the financial period | (28.4) | (8.7) |
| Goodwill previously written off to reserves | 8.5 | 12.5 |
| New share capital issued (Note 20) | – | 0.2 |
| Currency translation | (0.3) | 2.2 |
| Net (decrease)/increase to shareholders' funds | (20.2) | 6.2 |
| Shareholders' funds at beginning of period | 136.6 | 130.4 |
| Shareholders' funds at end of period | 116.4 | 136.6 |

24 Cash flow

| | 8 months to December 2001 | | | 12 months to May 2001 | |
|--|---------------------------------|--------------------|-------|-----------------------------|--------------------|
| | Continuing £m | Discontinued £m | £m | Continuing £m | Discontinued £m |
| a Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities | | | | | |
| Total operating profit/(loss) | 9.1 | (5.7) | 3.4 | 27.0 | 22.9 |
| Depreciation | 8.9 | 2.1 | 11.0 | 10.7 | 5.4 |
| Goodwill amortisation | 0.7 | – | 0.7 | 0.8 | – |
| Share of operating profit in joint ventures | – | – | – | (0.2) | – |
| Share of operating profit in associates | (2.7) | – | (2.7) | (2.3) | – |
| Cash spend on exceptional items | (6.7) | (1.1) | (7.8) | (7.2) | (0.4) |
| Movement on pension prepayment | (3.3) | – | (3.3) | (5.0) | – |
| Other items not involving the movement of cash | 0.2 | – | 0.2 | 0.4 | – |
| (Increase)/decrease in stocks | (3.6) | (2.5) | (6.1) | (1.6) | 18.8 |
| Decrease in debtors | 5.3 | 2.1 | 7.4 | 1.1 | 9.8 |
| (Decrease)/increase in creditors | (0.7) | (5.1) | (5.8) | 2.7 | (32.3) |
| Net cash inflow/(outflow) from operating activities | 7.2 | (10.2) | (3.0) | 26.4 | 24.2 |

Operating cash flows relating to acquisitions during the period were not material.

| | December 2001 £m | May 2001 £m |
|---|------------------------|-------------------|
| b Reconciliation of net cash flow to movement in net debt | | |
| Decrease in cash in the period | (24.9) | (30.7) |
| Increase in short term deposits | 2.9 | 3.3 |
| Increase in debt and finance leases | (0.6) | (40.8) |
| Movement in net debt in the period | (22.6) | (68.2) |
| Net (debt)/cash at beginning of period | (24.2) | 44.0 |
| Net debt at end of period | (46.8) | (24.2) |

24 Cash flow (continued)

| | December 2001 £m | May 2001 £m | Cash flows £m |
|--|------------------------|-------------------|------------------|
| c Analysis of changes in net debt | | | |
| Cash at bank and in hand | 12.5 | 35.4 | (22.9) |
| Bank overdrafts | (7.6) | (5.6) | (2.0) |
| | 4.9 | 29.8 | (24.9) |
| Short term deposits | 26.3 | 23.4 | 2.9 |
| Bank loans due within one year | (11.0) | (6.5) | (4.5) |
| Loan stock due within one year | (0.1) | (0.1) | – |
| Current portion of finance leases | – | (0.3) | 0.3 |
| Debt due after one year | (66.9) | (70.5) | 3.6 |
| | (46.8) | (24.2) | (22.6) |

25 Acquisitions and disposals

Acquisitions

| | Main Gestion de Aeropuertos SA £m | Parc Aviation Handling Ltd £m | Turners News £m | Menzies World Cargo Ltd £m | Total £m |
|---------------------------------|---|---|-----------------------|--|--------------|
| Net assets acquired: | | | | | |
| Tangible fixed assets (Note 12) | 0.1 | – | 0.2 | – | 0.3 |
| Debtors | 0.3 | 0.2 | – | – | 0.5 |
| Cash | 0.1 | – | – | – | 0.1 |
| Creditors | (0.5) | (0.1) | – | – | (0.6) |
| | – | 0.1 | 0.2 | – | 0.3 |
| Satisfied by: | | | | | |
| Cash | 0.6 | 0.5 | 5.8 | 5.1 | 12.0 |
| Acquisition costs | 0.1 | 0.1 | 0.8 | 0.4 | 1.4 |
| Deferred consideration | – | – | 0.5 | – | 0.5 |
| Minority interests (Note 22) | – | – | – | (5.0) | (5.0) |
| | 0.7 | 0.6 | 7.1 | 0.5 | 8.9 |
| Goodwill (Note 11) | 0.7 | 0.5 | 6.9 | 0.5 | 8.6 |

On 25th July 2001 the Group acquired a 70% interest in Main Gestion de Aeropuertos SA, Spain. Further performance related payments of £0.2m may become payable between the date of the acquisition and August 2002.

On 10th October 2001 the Group acquired Parc Aviation Handling Limited, Dublin.

On 3rd December 2001 the Group acquired Turners News. Deferred consideration of £0.5m is payable between the date of acquisition and December 2006.

On 21st December 2001 the Group acquired the remaining 20% interest in Menzies World Cargo Limited from GlobeGround (UK) Limited.

25 Acquisitions and disposals (continued)

Disposals

On 28th September 2001 the Group disposed of Early Learning Centre.

| | £m | £m |
|---|--------|--------|
| Net assets disposed: | | |
| Tangible fixed assets | | 18.1 |
| Stocks | | 25.2 |
| Debtors | | 5.7 |
| Corporation tax | | 1.8 |
| Cash | | 3.6 |
| Creditors | | (22.5) |
| Deferred taxation | | (0.7) |
| | | 31.2 |
| Goodwill previously written off to reserves | | 8.5 |
| Disposal costs | | 2.6 |
| Consideration received: | | |
| Cash | (26.3) | |
| Loan notes | (3.3) | (29.6) |
| Loss on disposal | | 12.7 |

Additional consideration may be received on a subsequent sale or flotation of the business.

On 21st December the Group sold its 49% interest in GlobeGround (UK) Limited. Consideration received was £5.8m and the investment and capitalised goodwill disposed of amounted to £4.4m, generating a gain of £1.4m.

26 Related party transactions

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

| Related party | Group share- holding % | Sales to related party £m | Amounts owed by related party at 29th Dec 2001 £m |
|--|---------------------------------|------------------------------------|---|
| Dolphin Logistics Ltd | 50 | 0.2 | – |
| Ogden & Talma Aviation Services of Peru SA | 50 | 0.6 | 0.1 |
| GlobeGround (UK) Ltd | 49 | 0.4 | 0.1 |
| Aeroporti di Roma Handling SpA | 49 | 0.4 | 0.2 |

Mr W R E Thomson, a director of the Company, is a director of Dolphin Logistics Ltd and has an interest in EG Thomson (Shipping) Ltd which owns 50% of Dolphin.

During the period the Group also incurred fees for legal services amounting to £0.2m (May 2001: £0.4m) to Maclay Murray & Spens, of which Mr M J Walker, a director of the Company, is a partner.

27 Subsidiary companies

The principal subsidiaries, Menzies Distribution Ltd, Menzies Group Holdings Ltd, Menzies Aviation Group plc and Menzies Aviation Holdings Ltd are ultimately wholly owned by the Company and operate mainly in the United Kingdom. The issued share capital of these subsidiaries is in the form of equity shares.

Five Year Summary

| | 8 months to December 2001 £m | 12 months to April | | | |
|--|---------------------------------------|--------------------|-------------|------------|------------|
| | | 2001 £m | 2000* £m | 1999 £m | 1998 £m |
| Turnover (excluding joint ventures and associates) | | | | | |
| Distribution Services | 578.8 | 844.2 | 847.5 | 814.4 | 805.7 |
| Aviation Services | 128.8 | 137.1 | 67.6 | 42.4 | 43.0 |
| Continuing operations | 707.6 | 981.3 | 915.1 | 856.8 | 848.7 |
| Discontinued operations | 55.9 | 306.8 | 383.0 | 422.5 | 694.3 |
| | 763.5 | 1,288.1 | 1,298.1 | 1,279.3 | 1,543.0 |
| Operating profit | | | | | |
| Distribution Services | 16.5 | 26.3 | 30.0 | 30.8 | 33.1 |
| Aviation Services | (3.8) | 4.3 | 2.2 | 1.7 | 0.9 |
| | 12.7 | 30.6 | 32.2 | 32.5 | 34.0 |
| Central services | (4.7) | (6.9) | (7.1) | (6.9) | (7.4) |
| Pension credit | 3.3 | 5.0 | 5.0 | 4.0 | 2.3 |
| Continuing operations | 11.3 | 28.7 | 30.1 | 29.6 | 28.9 |
| Goodwill amortisation | (2.2) | (1.7) | (0.4) | – | – |
| Discontinued operations | (5.7) | 22.9 | 4.2 | 1.2 | 10.2 |
| Total operating profit | 3.4 | 49.9 | 33.9 | 30.8 | 39.1 |
| Exceptional items | (22.5) | (34.8) | 2.0 | (15.2) | (62.6) |
| (Loss)/profit before interest | (19.1) | 15.1 | 35.9 | 15.6 | (23.5) |
| Interest payable | (2.0) | – | (2.6) | (2.2) | (5.1) |
| (Loss)/profit before taxation | (21.1) | 15.1 | 33.3 | 13.4 | (28.6) |
| Per ordinary share | | | | | |
| Dividends | 12.1p | 18.1p | 17.1p | 15.8p | 15.2p |
| Headline earnings | 0.4p | 62.8p | 37.9p | 32.3p | 40.0p |
| FRS 3 earnings | (38.7)p | 2.7p | 48.0p | 13.9p | (71.4)p |

*53 week year

Shareholder Information

Internet

The Group operates a website which can be found at www.menziesgroup.com. This site is regularly updated to provide information about the Group and each of its operating divisions. In particular all of the Group's press releases and announcements can be found on the site together with copies of the Group's accounts.

Registrars

Any enquiries concerning your shareholding should be addressed to the Company's Registrars:

Capita IRG plc, Attn Simon Stafford, Bourne House,
34 Beckenham Road, Beckenham, Kent BR3 4TU

Tel: 020 8639 2473 Fax: 020 8639 2487

E-mail: ssd@capitaig.com

The Registrar should be notified promptly of any change in a shareholder's address.

Share price

The current share price of John Menzies plc ordinary shares can be obtained from the Group's website and on FT Cityline by dialling 0906 843 3339 (calls cost 50p per minute).

Low cost dealing service

The Group has arranged a low cost dealing service for those wishing to buy or sell shares in John Menzies plc.

To use this service please call 0845 601 0995 and quote ref: LOW C0014.

Alternatively, write to:

Menzies Group Share Dealing Service, Stocktrade, PO Box 1076, 10 George Street, Edinburgh EH2 2PZ.

Payment of dividends

It is in the interests of shareholders and the Company for dividends to be paid directly into bank or building society accounts.

Any shareholder who wishes to receive dividends in this way should contact the Company's Registrar to obtain a dividend mandate form.

| Dividends are paid as follows: | Interim | Final |
|--------------------------------|---------------|---------------|
| Ordinary shares | 30th November | 30th June |
| 9% Preference shares | 1st April | 1st October |
| 8.58% Preference shares | 20th June | 20th December |

The final dividend on ordinary shares will be payable to shareholders on the register at 7th June 2002.

Investor relations

For further copies of the Annual Accounts or other investor relations enquiries, please contact:

The Company Secretary, John Menzies plc,
108 Princes Street, Edinburgh, EH2 3AA

Tel: 0131 459 8181 Fax: 0131 226 3752

E-mail: cosec@menziesgroup.com

Report by PricewaterhouseCoopers

to the Directors of John Menzies plc on the pro forma statements

We report on the pro forma statements set out on pages 57 to 60 which have been prepared to enable comparability of accounting periods following the change in the financial year end. The statements have been prepared for illustrative purposes only and do not constitute statutory accounts.

Responsibilities

You have requested us to undertake a review of the basis of preparation of the pro forma statements and to report to you whether, in our opinion, the pro forma statements have been properly compiled on the basis stated on page 59.

It is the responsibility solely of the Directors of John Menzies plc to prepare the pro forma statements in accordance with the basis set out in the Note to the proforma statements on page 59.

Basis of opinion

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the nature of the adjustments made to arrive at the pro forma statements and discussing the pro forma statements with the Directors of John Menzies plc.

Opinion

In our opinion the pro forma statements for the years ended 29th December 2001 and 30th December 2000 have, so far as the calculations are concerned, been properly compiled on the basis described in the Note to the pro forma statements on page 59.

PricewaterhouseCoopers

Chartered Accountants
Edinburgh

18th March 2002

Group Profit and Loss Account

| | Notes | Pro Forma | | | Pro Forma | | |
|---|-------|--------------------------------------|--|----------------|--------------------------------------|--|-------------|
| | | 52 weeks to 29th December 2001 | | | 53 weeks to 30th December 2000 | | |
| | | Before exceptional items £m | Exceptional items (Note b) £m | Total £m | Before exceptional items £m | Exceptional items (Note b) £m | Total £m |
| Turnover | a | | | | | | |
| Continuing operations | | 1,145.3 | – | 1,145.3 | 972.0 | – | 972.0 |
| Discontinued operations | | 108.1 | – | 108.1 | 389.5 | – | 389.5 |
| | | 1,253.4 | – | 1,253.4 | 1,361.5 | – | 1,361.5 |
| Less: share of joint ventures and associates | | (76.6) | – | (76.6) | (51.8) | – | (51.8) |
| Group turnover | | 1,176.8 | – | 1,176.8 | 1,309.7 | – | 1,309.7 |
| Group operating profit/(loss) | | | | | | | |
| Continuing operations | | 13.4 | (16.8) | (3.4) | 27.1 | (8.0) | 19.1 |
| Discontinued operations | | (3.9) | – | (3.9) | 15.8 | (5.6) | 10.2 |
| Share of operating profit/(loss) in | | | | | | | |
| Joint ventures | | (0.6) | – | (0.6) | 1.2 | (0.5) | 0.7 |
| Associates (including discontinued) | | 5.0 | (0.8) | 4.2 | 4.1 | – | 4.1 |
| Total operating profit/(loss) | a | 13.9 | (17.6) | (3.7) | 48.2 | (14.1) | 34.1 |
| Gain on disposal of fixed assets | b | – | – | – | – | 11.5 | 11.5 |
| Loss on disposal of businesses | b | – | (11.3) | (11.3) | – | (27.5) | (27.5) |
| Profit/(loss) on ordinary activities before interest | | 13.9 | (28.9) | (15.0) | 48.2 | (30.1) | 18.1 |
| Net interest (payable)/receivable | | (2.6) | – | (2.6) | 0.4 | – | 0.4 |
| Profit/(loss) on ordinary activities before taxation | | 11.3 | (28.9) | (17.6) | 48.6 | (30.1) | 18.5 |
| Taxation | | (5.3) | 2.4 | (2.9) | (13.9) | 5.4 | (8.5) |
| Profit/(loss) after taxation | | 6.0 | (26.5) | (20.5) | 34.7 | (24.7) | 10.0 |
| Minority interests | | 0.4 | 1.0 | 1.4 | (0.5) | – | (0.5) |
| Profit/(loss) for the financial period | | 6.4 | (25.5) | (19.1) | 34.2 | (24.7) | 9.5 |
| Dividends (including non-equity) | | (12.0) | – | (12.0) | (11.8) | – | (11.8) |
| Retained (loss)/profit for the financial period | | (5.6) | (25.5) | (31.1) | 22.4 | (24.7) | (2.3) |
| Earnings per ordinary share | c | | | | | | |
| Headline | | 14.2p | | | 60.0p | | |
| FRS 3 | | | | (37.5)p | | | 13.8p |

Group Balance Sheet

| | Actual | Pro Forma |
|---|---|---|
| | As at 29th December 2001 £m | As at 30th December 2000 £m |
| Note | | |
| Fixed assets | | |
| Intangible assets | 26.6 | 20.7 |
| Tangible assets | 113.8 | 120.2 |
| Investments | 55.4 | 39.4 |
| | 195.8 | 180.3 |
| Current assets | | |
| Stocks | 11.2 | 33.5 |
| Debtors | 137.6 | 168.7 |
| Cash at bank and in hand | 38.8 | 96.8 |
| Creditors: amounts falling due within one year | (174.4) | (235.8) |
| Net current assets | 13.2 | 63.2 |
| Total assets less current liabilities | 209.0 | 243.5 |
| Creditors: amounts falling due after more than one year | (71.1) | (76.3) |
| Provision for liabilities and charges | (21.5) | (21.7) |
| | 116.4 | 145.5 |
| Capital and reserves | | |
| Equity share capital | 14.1 | 14.1 |
| Non-equity share capital | 21.4 | 21.4 |
| Called up share capital | 35.5 | 35.5 |
| Reserves | 80.9 | 103.7 |
| Shareholders' funds | 116.4 | 139.2 |
| Minority interests | - | 6.3 |
| | 116.4 | 145.5 |

Notes on Pro Forma Accounts

Basis of preparation

Following the change in financial year end to 31st December, in addition to the shortened 8 month period, pro forma accounts have been prepared for the 52 weeks ended 29th December 2001 and the 53 weeks ended 30th December 2000, to provide a better understanding of the Group's performance on an annualised basis.

The unaudited pro forma information has been derived from the Group Annual and Interim Accounts and management accounts. The pro formas were prepared in accordance with applicable accounting standards and using accounting policies consistent with those adopted for the Group Accounts on pages 32 to 53.

a Segmental analysis

| | Turnover | | Pre exceptional operating profit/(loss) | |
|-------------------------|---|---|---|---|
| | 52 weeks to 29th December 2001 £m | 53 weeks to 30th December 2000 £m | 52 weeks to 29th December 2001 £m | 53 weeks to 30th December 2000 £m |
| Distribution Services | 900.9 | 867.7 | 26.1 | 29.1 |
| Aviation Services | 244.4 | 104.3 | (2.6) | 3.8 |
| | 1,145.3 | 972.0 | 23.5 | 32.9 |
| Central services | - | - | (7.4) | (6.6) |
| Pension credit | - | - | 5.0 | 5.0 |
| Continuing operations | 1,145.3 | 972.0 | 21.1 | 31.3 |
| Goodwill amortisation | - | - | (3.3) | (1.0) |
| Discontinued operations | 108.1 | 389.5 | (3.9) | 17.9 |
| | 1,253.4 | 1,361.5 | 13.9 | 48.2 |

b Exceptional items

| | Notes | 52 weeks to 29th December 2001 £m | 53 weeks to 30th December 2000 £m |
|--|-------|---|---|
| Exceptional operating expenses: | | | |
| Distribution Services | (i) | (2.4) | (7.4) |
| Aviation Services | (ii) | (14.4) | (1.1) |
| Aviation Services - associate | (iii) | (0.8) | - |
| Retail restructuring | (iv) | - | (2.4) |
| Discontinued fixed asset impairment | (v) | - | (3.2) |
| Total exceptional operating expense | | (17.6) | (14.1) |
| Non-operating exceptional items: | | | |
| Net profit on disposal of fixed assets | (vi) | - | 11.5 |
| Net loss on disposal of businesses | (vii) | (11.3) | (27.5) |
| Total non-operating exceptional items | | (11.3) | (16.0) |
| Total exceptional items | | (28.9) | (30.1) |

- (i) 2001: Rationalisation costs - £0.5m and additional provision in respect of an investment in an internet magazine subscription service - £1.9m.
2000: Cost of restructuring Distribution Services operations comprising asset write downs, property costs and related staff costs - £4.9m.
Provision in respect of the aforementioned internet investment - £2.5m.
- (ii) 2001: Costs of rationalising excess capacity, comprising asset write downs, property costs and related staff costs - £9.0m.
Costs of integrating Ogden Ground Services - £3.6m and costs in respect of an abortive acquisition - £1.8m.
2000: Costs in respect of an abortive acquisition - £0.6m.
Share of London Cargo Centre restructuring costs - £0.5m.
- (iii) 2001: Share of the cost of reducing excess capacity at Aeroporti di Roma Handling SpA.
- (iv) 2000: Cost of restructuring certain of Early Learning Centre's operations - £2.4m.
- (v) 2000: Fixed asset diminution in respect of THE - £3.2m.
- (vi) 2000: On 31st January 2000 the Group sold its 37% interest in Funsoft Holding GmbH for a gain of £2.0m.
On 31st March 2000 the Group sold its 36% interest in SUOS BV for a gain of £7.0m, after writing off goodwill of £24.8m previously charged to reserves.
Gain realised on a fixed asset investment in a subsidiary - £2.5m.

Notes on Pro Forma Accounts (continued)

b Exceptional items (continued)

- (vii) 2001: On 28th September 2001 Early Learning Centre was sold for £29.6m. The disposal generated a loss of £4.2m before writing off goodwill of £8.5m previously charged to reserves.
On 21st December 2001 the Group, in selling its 49% interest in GlobeGround (UK) Limited for £5.8m, generated a gain of £1.4m.
- 2000: On 2nd May 2000 the Group sold a 20% interest in its UK air cargo subsidiaries to GlobeGround GmbH. The disposal generated a gain of £0.3m after writing off goodwill of £1.7m previously charged to reserves.
On 11th August 2000 THE was sold at a loss of £26.4m, after writing off goodwill of £12.5m previously charged to reserves.
Redundancy and other costs on the closure of THE Games - £1.4m.

c Earnings per share

| | Headline | | Post exceptional items | |
|--|---------------------------------------|--------------------------------|---------------------------------------|--------------------------------|
| | 52 weeks to 29th December 2001 | 53 weeks to 30th December 2000 | 52 weeks to 29th December 2001 | 53 weeks to 30th December 2000 |
| | £m | £m | £m | £m |
| Operating profit | 13.9 | 48.2 | 13.9 | 48.2 |
| add back: goodwill amortisation | 3.3 | 1.0 | – | – |
| Exceptional items | – | – | (28.9) | (30.1) |
| Interest | (2.6) | 0.4 | (2.6) | 0.4 |
| Profit/(loss) before taxation | 14.6 | 49.6 | (17.6) | 18.5 |
| Taxation | (5.3) | (13.9) | (2.9) | (8.5) |
| Minority interests | 0.4 | (0.5) | 1.4 | (0.5) |
| Preference dividends | (1.8) | (1.8) | (1.8) | (1.8) |
| Earnings for the period | 7.9 | 33.4 | (20.9) | 7.7 |
| Earnings per ordinary share (pence) | | | | |
| Headline | 14.2 | 60.0 | | |
| FRS3 | | | (37.5) | 13.8 |
| Number of ordinary shares in issue (millions) | | | | |
| Weighted average (excluding employee share trusts) | 55.750 | 55.688 | | |

d Reconciliation of movements in shareholders' funds

| | As at 29th December 2001 | As at 30th December 2000 |
|---|---------------------------------|--------------------------|
| | £m | £m |
| (Loss)/profit for the financial period | (19.1) | 9.5 |
| Goodwill previously written off to reserves | 8.5 | 39.0 |
| Dividends: ordinary shares | (10.2) | (10.0) |
| preference shares | (1.8) | (1.8) |
| New share capital issued | 0.1 | 0.1 |
| Currency translation | (0.3) | 0.8 |
| Net (decrease)/increase in shareholders' funds | (22.8) | 37.6 |
| Shareholders funds' at beginning of period | 139.2 | 101.6 |
| Shareholders funds' at end of period | 116.4 | 139.2 |

e Analysis of net debt

| | As at 29th December 2001 | As at 30th December 2000 |
|---|---------------------------------|--------------------------|
| | £m | £m |
| Cash at bank and in hand (net of bank overdrafts) | 31.2 | 96.8 |
| Bank loans due within one year | (11.0) | (6.3) |
| Loan stock due within one year | (0.1) | (0.1) |
| Finance leases due within one year | – | (0.3) |
| Debt due after one year | (66.9) | (69.8) |
| Net (debt)/cash | (46.8) | 20.3 |

Principal Business Addresses

| | |
|-----------------------------|---|
| John Menzies plc | 108 Princes Street, Edinburgh, EH2 3AA Tel +44 (0) 131 225 8555 Fax +44 (0) 131 226 3752 E-mail: cosec@menziesgroup.com |
| Menzies Distribution | 2 Lochside Avenue, Edinburgh Park, Edinburgh, EH12 9DJ Tel +44 (0) 131 467 8070 Fax +44 (0) 131 469 4797 |
| Menzies Aviation | 5 The Enterprise Centre, Kelvin Lane, Crawley, West Sussex, RH10 9PT Tel +44 (0) 1293 583 300 Fax +44 (0) 1293 526 478 |

Principal Advisors

| | |
|---|--|
| Auditors PricewaterhouseCoopers | Erskine House, 68 Queen Street, Edinburgh, EH2 4NF |
| Corporate Financial Advisers and Joint Brokers Dresdner Kleinwort Wasserstein | 20 Fenchurch Street, London, EC3P 3DB |
| Joint Brokers Bell Lawrie White | 48 St Vincent Street, Glasgow, G2 5TS |