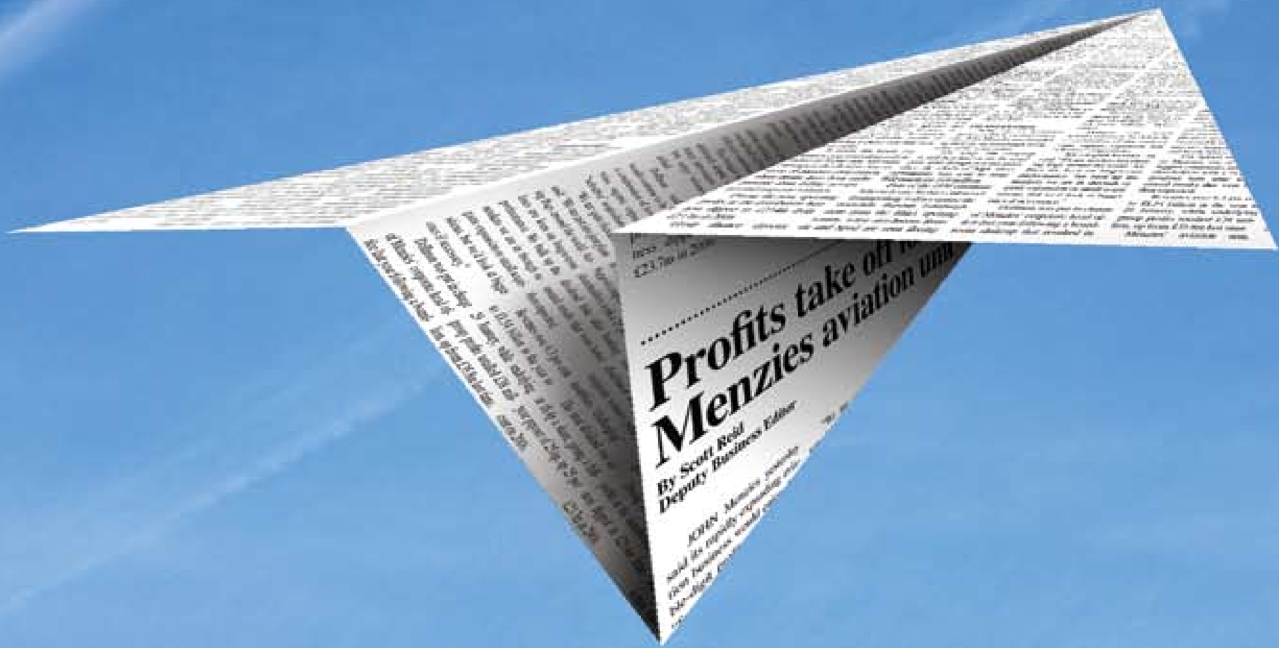
GROWING FROM STRENGTH



John Menzies plc
Annual Report 2007

JOHN MENZIES PLC IS A TIME CRITICAL LOGISTICS COMPANY WITH TWO OPERATING DIVISIONS, MENZIES AVIATION AND MENZIES DISTRIBUTION.

MENZIES AVIATION IS ONE OF THE WORLDS LEADING INDEPENDENT GROUND AND CARGO HANDLERS, WITH OVER 14,000 EMPLOYEES WORLDWIDE SERVICING OVER 500 AIRLINE CUSTOMERS AT 120 LOCATIONS IN 28 COUNTRIES.

MENZIES DISTRIBUTION IS A LEADING PROVIDER OF ADDED VALUE DISTRIBUTION AND MARKETING SERVICES TO THE UK'S NEWSPAPER AND MAGAZINE SUPPLY CHAIN. THE DIVISION HAS 4,000 EMPLOYEES AT 19 HUB AND 18 SPOKE BRANCHES THROUGHOUT THE UK AND IRELAND.

BOTH DIVISIONS OPERATE IN DISTINCT B2B SECTORS WHERE SUCCESS DEPENDS ON PROVIDING A SAFE, EFFICIENT AND HIGH QUALITY SERVICE TO THEIR CUSTOMERS AND PARTNERS.

Menzies AVIATION

IS RAPIDLY EXPANDING IN TERMS OF REVENUE, CONTRACT WINS, GEOGRAPHICAL SPREAD AND REGIONAL DENSITY. OPERATING IN GROWING MARKETS, IT IS A LEADING PLAYER IN THE GLOBAL GROUND AND CARGO HANDLING SECTORS, WITH TEAMS WORKING AT 120 LOCATIONS WORLDWIDE. THE DIVISION HAS OVER 14,000 EMPLOYEES.

Underlying Operating Profit 2007

£20.6m

Ground Handling

A full ground handling service is available to customers, including ticketing, check-in, dispatch, boarding, management of passenger lounges and baggage services. Airside, we offer load control, passenger and baggage transfer, ramp handling services, aircraft towing and pushback, cabin cleaning, water services, de-icing and other ancillary services.

Menzies DISTRIBUTION

IS A STRONGLY CASH GENERATIVE BUSINESS WITH AROUND 30% OF THE NEWSPAPER AND MAGAZINE WHOLESALE DISTRIBUTION MARKET IN THE UK. IT HAS A RECORD OF INVESTMENT IN INNOVATION AND CUSTOMER SERVICE DELIVERY.

Underlying Operating Profit 2007

£23.4m

Newspaper and Magazine Distribution

We handle 5.7 million newspapers (6.1 million on Sundays) and 2.7 million magazines (covering 3,000 titles) every day. Deliveries are made in the early hours of the morning 364 days a year to more than 23,000 retail customers from the Northern Isles to the Isle of Wight.

CAUTIONARY STATEMENT:
This Annual Report contains information which readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations and businesses of John Menzies plc. Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Cargo Handling

Our service provision includes ramp transfer, load management, import and export handling, warehousing, trucking and other track and trace services. Our AMI business provides airfreight and courier wholesaling services and forwarder handling.

Marketing Services

Services to multiple and independent retailers include space and range planning, racking, displays and sales promotion, category management and sales based replenishment. Services to publishers include supporting the launch of new titles, ongoing sales promotion and development, and bespoke services such as data services and returns processing.

OVERVIEW

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SHAREHOLDER INFORMATION

CHAIRMAN'S STATEMENT

2007 WAS A STRONG YEAR. THE GROUP HAD CLEAR OBJECTIVES FOR THE YEAR, NAMELY TO CONTINUE THE RAPID EXPANSION OF MENZIES AVIATION AND TO STABILISE MENZIES DISTRIBUTION. I AM PLEASED THAT WE HAVE ACHIEVED BOTH OUR OBJECTIVES.

WILLIAM THOMSON, CHAIRMAN

Results

2007 was a strong year. The Group had clear objectives for the year, namely to continue the rapid expansion of Menzies Aviation and to stabilise Menzies Distribution. I am pleased that we have achieved both our objectives.

The expansion of Menzies Aviation has continued with a fourth consecutive year of profit growth in excess of 20%. New markets were entered and customer relationships developed and strengthened. Major investment into infrastructure and new projects in India and South Africa will deliver earnings growth in the second half of 2008 and fully in 2009.

At Menzies Distribution, stability returned to its core markets. 2007 was a year of major operational change with the centralisation of newspaper allocations and the further installation of new technologies within the branch network. Cost initiatives were aggressively pursued as we remodelled the business to fit its changing marketplace.

Dividend

The Group is delivering on its strategy and to reflect the Board's confidence in the future prospects and performance of the Group the final dividend has been increased by 28% to 18.4p (2006: 14.4p), making a full year increase of 25% to 25.6p (2006: 20.5p). The dividend will be paid on 27 June 2008 to shareholders on the share register at the close of business on 30 May 2008.

Financial Highlights

Revenue	£1,541.1m
Underlying profit before tax*	£38.0m
Free cash flow*	£14.9m
Underlying earnings per share*	47.9p
Proposed final dividend per share	18.4p

*Terms are defined on page 5

Board

Our new corporate structure, implemented in March 2007, places greater emphasis for the day to day delivery of strategy onto the Operating Boards of both Menzies Aviation and Menzies Distribution, with the strong financial disciplines continuing to be controlled from the Corporate Centre. The members of the Operating Boards are shown on pages 26 and 27 and comprise experts in their fields. I am confident that with this corporate structure we are well placed and resourced to deliver the Group's strategy.

People

Our staff continue to be our greatest asset and, in businesses which rely on delivering a service, it is essential that we have the best people working for us. Throughout a year of growth in Menzies Aviation and change in Menzies Distribution, our staff have adapted and developed, and continue to be motivated to deliver a world class service. Their dedication and commitment to providing the best possible service to our customers is an integral part of the product that we offer and I wish to express my gratitude to them all.

Pension Fund

As noted at the half year, the Company made a payment of £4.3m representing the balance of a £10m special contribution. I am pleased to report that as at 29 December 2007 the Pension Fund is fully funded and in surplus. During the year, Professor Ian Percy (who is independent) replaced Paul Dollman as Chairman of the Trustees, representing best practice in Pension Fund Governance. Two Member Nominated Trustees were also appointed.

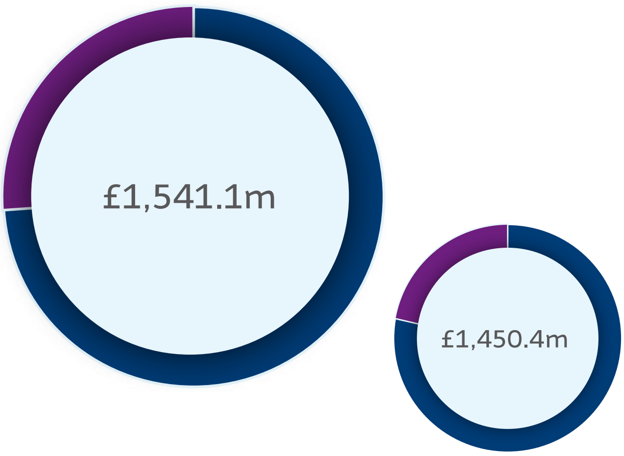
Prospects

I look forward to the future developments within the Group. We shall continue to deploy our resources in expanding our businesses organically and by acquisition, improving profitability and efficiency and providing the top rate services which our customers demand. With its clear strategy, I am confident that the Group is now well placed to create further shareholder value.

WILLIAM THOMSON
CHAIRMAN
10 March 2008

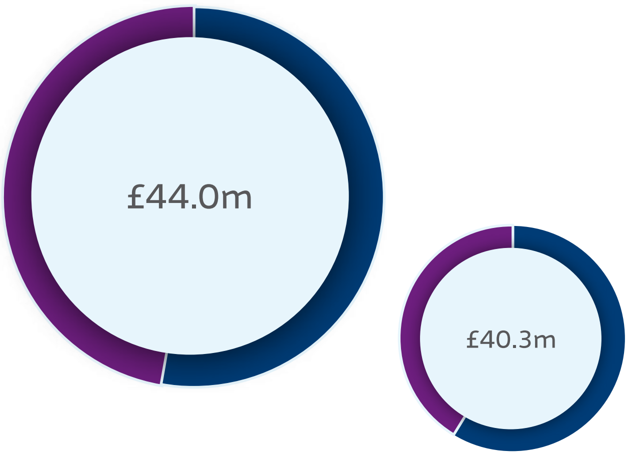
Revenue and profit analysis

Divisional Revenue (2007 vs 2006)



	2007	%	2006	%
Aviation	£393.8m	26%	£318.4m	22%
Distribution	£1,147.3m	74%	£1,132.0m	78%

Divisional Operating Profit (2007 vs 2006)



	2007	%	2006	%
Aviation	£20.6m	47%	£16.6m	41%
Distribution	£23.4m	53%	£23.7m	59%

BUSINESS REVIEW: GROUP PERFORMANCE

2007 HAS BEEN A GOOD YEAR FOR THE GROUP WITH A 6% INCREASE IN UNDERLYING OPERATING PROFIT. MENZIES AVIATION HAD ANOTHER STRONG YEAR WITH UNDERLYING OPERATING PROFITS UP 24% TO £20.6M. MENZIES DISTRIBUTION DELIVERED AN UNDERLYING OPERATING PROFIT OF £23.4M, BROADLY FLAT COMPARED TO 2006.

PAUL DOLLMAN, GROUP FINANCE DIRECTOR

Group Results

	2007	2006
Revenue	£1,541.1m	£1,450.4m
Underlying profit before taxation[1]	£38.0m	£35.8m
Profit before taxation	£31.8m	£35.6m
Underlying operating profit by division[2]		
Aviation	£20.6m	£16.6m
Distribution	£23.4m	£23.7m
Underlying earnings per share[3]	47.9p	46.9p
Basic earnings per share	44.2p	46.4p
Final dividend	18.4p	14.4p

Group Performance

2007 has been a good year for the Group with a 6% increase in underlying profit before tax. Underlying earnings per share were 2% up year on year. At the start of the year we set out with two clear objectives namely, continuing the growth in profitability at Aviation and stabilising Distribution. We have delivered on both of these objectives.

Menzies Aviation had another strong year with underlying operating profits up 24% to £20.6m. This is now the fourth consecutive year of profit growth in excess of 20%. The division has made good progress driven by strong organic growth, with a number of significant contract wins supported by two modest acquisitions. It also strengthened its reputation for quality and service delivery within the industry, as evidenced by contract tender successes in India and South Africa. In the year we secured licences at 10 airports in South Africa which, along with the new Indian airport openings in early 2008, resulted in a significant level of capital investment in the latter part of the year. We maintained our strategy of investing in infrastructure to support the rapid growth plans for the division and to deliver future earnings growth. Results for the year were impacted by the adverse movement in exchange rates, particularly against the US Dollar.

Menzies Distribution delivered an underlying operating profit of £23.4m, broadly flat compared to 2006. The magazine market, which dropped in revenue terms in 2006, returned to stability this year. Monthlies still fell back year on year but this was offset by the growth in weeklies. Newspapers continued their long term trends with volume losses being largely offset by cover price increases. 2007 was also a year of focusing on cost and productivity and we reduced the cost base by in excess of £3m as planned.

Cashflow and Investment

As expected we continued our significant level of investment to fuel the growth in the Aviation division, particularly in our joint ventures in India and South Africa where we have invested in excess of £15m during the year. Capital expenditure once again exceeded depreciation in Aviation, reflecting the strong net contract wins in the year. We believe that the division will see substantial benefits from our well planned investment programme as these ventures start to deliver the anticipated returns.

We also invested in process automation in Distribution, which will streamline the business processes and improve efficiency, as well as spending £3.6m on acquisitions during the period, including the acquisition of Grays of York and Leadenhall News.

The Group's net debt at the end of 2007 was £111.3m, an increase of £34.3m on 2006 reflecting the continued investment in both divisions.

Exceptional Items
Profit before tax and basic earnings per share reflect two exceptional items with a net credit of £0.1m.

During the year, there was an exceptional gain of £2.5m, resulting from Distribution entering into a joint venture agreement with Eason & Son Ltd in Northern Ireland and the Republic of Ireland.

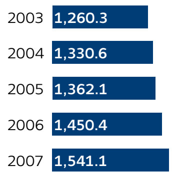
Since the year end we have surrendered an onerous long term lease for a property in Buchanan Street, Glasgow, for the value of the dilapidations required. As a result we have provided an additional £2.4m.

Interest
Bank interest costs increased in the year from £5.6m last year to £8.2m in 2007 as the Group's debt increased, resulting from the investment activity particularly in our Aviation division.

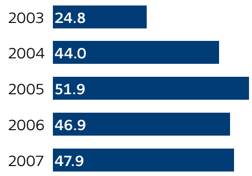
In addition, the Group executed cross-currency basis swaps which reduced its interest charges. The foreign currency loss of £2.1m was exactly matched by tax relief of £2.1m, resulting in no economic effect on the results and as such this charge has been excluded from underlying profit before taxation.

FINANCIAL KPIs

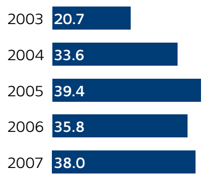
Revenue (£m)



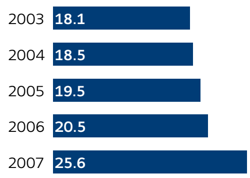
Underlying EPS (pence)



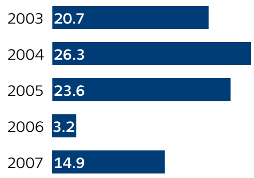
Underlying PBT (£m)



Full dividend per share (pence)



Free Cash Flow (£m)



Definitions
1 Underlying profit before tax is defined as profit before taxation, intangible amortisation, exceptional items and foreign currency loss on cross-currency basis swaps.
2 Underlying operating profit includes each division's share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.
3 Underlying earnings per share is profit after taxation and minority interest, but before intangible amortisation and exceptional items, divided by weighted average number of ordinary shares in issue.
4 Free cash flow is defined as the cash generated by the business after capital investment, interest and taxation, and before special pension contribution, acquisitions, disposals, ordinary dividend and share issues.

STRATEGY

THE GROUP HAS A CLEAR STRATEGY.

MENZIES AVIATION: CONTINUE ON ITS RAPID GROWTH PATH, CREATING REGIONAL DENSITY ORGANICALLY BY TARGETING ATTRACTIVE CUSTOMERS IN ATTRACTIVE MARKETS AND SELECTIVELY ACQUIRING COMPLEMENTARY BUSINESSES.

MENZIES DISTRIBUTION: MAINTAIN ITS CORE EARNINGS WHILST MITIGATING COST INFLATION AND PURSUING NEW REVENUE STREAMS.

The Board has challenged the Operating Board of Menzies Aviation to deliver the following key priorities:
- Safety & security as number one priority
- Get basics right
- Organic growth at existing and new locations
- Deliver regional density
- Selective acquisitions that add value
- Developing and exploiting cross-sell and key account opportunities across the network

The Operating Board of Menzies Distribution has been challenged to deliver the following key priorities:
- Continuing to remove costs to mitigate inflation
- Introduce further initiatives to improve efficiency
- Develop further new revenue streams and products
- Improve customer service – aim to be the most respected in the industry

BUSINESS REVIEW:
MENZIES AVIATION

	2007	2006	Growth
Revenue	£393.8m	£318.4m	23.7%
Underlying operating profit	£20.6m	£16.6m	24.0%

Performance
Menzies Aviation enjoyed another record year and is now firmly established as one of the world's leading independent ground handlers. During the year the division continued to grow and now operates at 120 airports in 28 countries.

This growth resulted from the division following its planned expansion which is underpinned by a focus on providing excellent customer service.

Acquisition activity during the year was quieter than we expected with only two new businesses being acquired. This was partly a result of the rapid organic expansion and a strict policy of only acquiring businesses that fit strategically and can be acquired at a realistic price. Organically, the division had an excellent year winning more customers at existing locations and entering new markets with new and existing customers, driving regional density. Overall the division was a net winner of 54 new contracts.

Start up costs associated with these contracts inevitably result in a drag on earnings in the year that the contracts are won and this has held back the full year result. However, the division is well placed to deliver substantial earnings growth once the full annualised effect of these contracts is realised.

ORGANICALLY, WE HAD AN EXCELLENT YEAR WINNING MORE CUSTOMERS AT EXISTING LOCATIONS AND ENTERING NEW MARKETS WITH NEW AND EXISTING CUSTOMERS, DRIVING REGIONAL DENSITY.

CRAIG SMYTH, MANAGING DIRECTOR
MENZIES AVIATION

INVESTING IN NETWORK **STANDARDS AND SAFETY**

SPIRIT
The values of Menzies Aviation are fundamentally important and are one of the reasons that customers prefer to choose to work with us. Launched in 2005 'SPIRIT' represents these values. Developed through extensive consultation and discussion, these values underpin everything we do.

Safety & Security,
Passion,
Integrity,
Reliability,
Innovation,
Teamwork.

As the division continues on its rapid expansion plan it has been necessary to put in place the infrastructure to support the business for both now and the future. Accordingly a significant investment was made during the year in systems and people. Our business objective is to provide our airline customers with excellent service and to do this our IT systems, finance, training and safety functions have all received significant investment. The deepening of our customer relationships and contract win performance is evidence that this investment is paying dividends.

New Ventures
In July it was announced that following a competitive tender process, the division had been awarded one of only three licences to operate at ten airports in South Africa, including Johannesburg, Cape Town and Durban. These ground handling licences have allowed entry into another attractive market.

The major projects in India announced in late 2006 progressed well during the year. Operations at the new Hyderabad and Bangalore airports are due to start at the end of March 2008. Both airports are new greenfield site ventures. At Hyderabad we will offer ground and cargo handling services. At Bangalore we will offer a cargo handling service. At both airports our teams and systems are in place and intensive training is underway as we look for both operations to deliver the standards of service the customer demands.

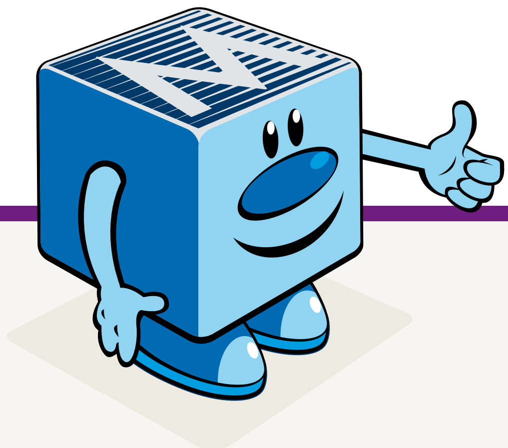
These entries into new attractive markets will allow the division to create regional densities and build on its existing strong customer relationships with international carriers as well as attracting new customers. By the end of 2008 we expect both regions to be making a significant contribution to earnings.

24%

INCREASE IN UNDERLYING OPERATING PROFIT

During the year two businesses were acquired. Universal Air Cargo Pty Ltd (UAC) was acquired in April. UAC is an international airfreight consolidator operating at 11 locations in Australasia and the USA. The business is highly synergistic with the existing Air Menzies International (AMI) business and was quickly integrated. It exceeded expectations during the year and further expansion is planned.

In November, the ground handling businesses of Northport Norway AS and Finnhandling AB were acquired from Northport Oy, a wholly owned subsidiary of Finnair, which offer full ground handling services at Stockholm and Oslo international airports. The integration has been successful with many of the core back office functions being merged into our existing Amsterdam operation. The Scandinavian market had been identified as an attractive one and this acquisition was the best route to establish a presence. Expansion plans are in place for the region and the division will seek to create regional density.



This values recognition programme is delivered to staff by local management and now the SPIRIT values are integrated into the daily activities and programmes of Menzies Aviation.

For example, while performing a routine pushback at Sydney Airport in April, Robert Godoy's actions prevented what could have been a catastrophic incident. Robert brought a Thai Airlines aircraft back onto the stand having seen an on-coming Japan Airlines Boeing 747 – despite having been given clearance by the tower. His impressive cool thinking has won him the Group Handling International magazine's 2007 Ramp Safety and Industry Award in the Far East and Australasia category.

"MENZIES AVIATION HAS INVESTED HEAVILY IN 2007 TO PROMOTE A SAFETY CULTURE TO ENSURE THAT IN ALL OUR OPERATIONS AROUND THE WORLD SAFETY COMES FIRST. THE CONTINUOUS IMPROVEMENT OF OUR SAFETY STANDARDS IS AN OVER-RIDING BUSINESS OBJECTIVE, IN SUPPORT OF WHICH WE HAVE IMPLEMENTED VARIOUS UNIQUE SOLUTIONS. OUR 'SPIRIT' VALUES ARE ESSENTIAL IN DIFFERENTIATING MENZIES AVIATION AND DELIVERING A CONSISTENT WORLD CLASS PRODUCT WORLDWIDE."

BOB NEWMAN, HEAD OF RISK MANAGEMENT MENZIES AVIATION

BUSINESS REVIEW: MENZIES AVIATION (CONTINUED)

Cargo Handling
2007 was a difficult year in cargo handling. As we predicted at the start of the year, global volumes remained soft. Cargo handling is an operationally geared business and the soft volumes made for a tough year. However, due to its geographical spread, the business remains well placed to benefit when cargo volumes start to strengthen.

Like for like tonnes were up 1.6% although overall cargo tonnes were up 15.9% as a result of new contracts and the annualised effect of the new businesses acquired during the previous year.

In Europe, the division's largest cargo region, volumes were flat (like for like up 2.0%) after the loss of Dragonair in Manchester following their merger with Cathay Pacific. This was partly offset by contract wins from Emirates in Prague and Dragonair/Cathay Pacific in Amsterdam.

In North America tonnage was up 49.9% (like for like down 1.1%) as a result of the annualisation of the Aeroground and Catamount acquisitions and significant contract wins including Aer Lingus at seven airports across the USA and Emirates in Houston. The USA remains a difficult marketplace with overall tonnes weak and high staff turnover. We continue to install the Menzies ethos to this area and are focussed on improving customer service and reviewing customer rates across the region.

Asia Pacific, where the division does not have a significant cargo presence, saw a moderate uplift in tonnes, with contract wins in Australia and New Zealand offsetting disappointing volumes in Macau.

During the year the division continued to roll out Hermes, its industry leading cargo IT system. Hermes is an integral part of the cargo offering and differentiates the division from its competitors. The system is now being progressively rolled out to our major cargo operations and any significant new cargo operations will have Hermes installed as part of the integration process.

AMI, the world's largest trade-only airfreight consolidator, had a very good year. Turnover was up £22.6m following a good performance from the core business and the acquisition of UAC. The combined business now extends the geographical reach of AMI and this business makes a welcome contribution to the division's earnings.

Cargo handling is an integral part of the division's service offering and we are continuing to develop our business model and looking to establish network cohesion. The model focuses on providing leading edge systems and first class customer service to attractive customers in attractive markets.

Ground Handling
Across the network the ground handling business had an excellent year. Overall turns were up 34% (like for like up 3%).

The division's specialisation in handling low cost airlines was enhanced during the year. Our partnership with easyJet was extended to six new stations and the contracts to operate

GROWTH THROUGH QUALITY

Virgin America
Virgin America launched in August 2007 as a "next generation" US airline, designed to change the way people fly, with low fares, great service and innovative features throughout the customers' experience. When looking for a provider for ramp handling and cabin cleaning services at their home bases in San Francisco and Los Angeles, Virgin America naturally turned to Menzies Aviation. Servicing over 36 flights daily, Virgin America needed a team committed to delivering high levels of customer service, providing innovative solutions and implementing operational simplicity. Menzies Aviation's low-cost model first rolled out in Europe was exactly what Virgin America required.

their hubs at London Luton and Amsterdam were extended for a further five years. We also started up operations for Virgin America at their San Francisco and Los Angeles hubs.

The contract tender process was particularly pleasing with our conversion rate significantly higher than the previous year. This justifies the investment we have made to create the highest standards and builds on the division's reputation for placing customer service and safety as its core values whilst securing business at a price which provides acceptable levels of return.

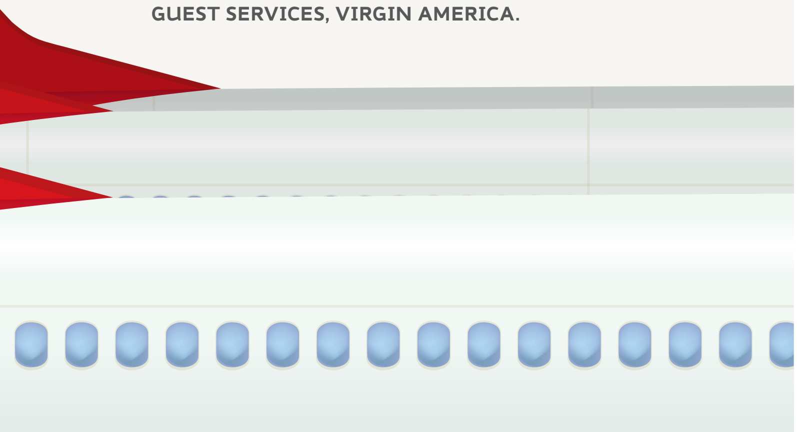
Europe continues to be our largest region. Our operations throughout Spain performed ahead of expectations. Through the acquisition of Northport, we started operations in Sweden and Norway for the first time. In addition to this acquisition, the contract to handle easyJet at Copenhagen Airport in Denmark was secured late in the year, further expanding operations within Scandinavia and providing an opportunity to create regional density.

In the Americas region the turnaround of the business continued. At Los Angeles, loss making contracts were re-priced or exited and new replacement business was secured at acceptable rates. Labour continues to be an issue with staff turnover much higher than in other regions. However, management are focused on improving staff retention rates.

Asia Pacific, where much of the management focus was on the Indian start-ups, enjoyed some significant new contracts notably British Airways at Sydney and United Airlines at Sydney and Melbourne. These wins were offset by the loss of Emirates at Sydney, Melbourne and Brisbane, who moved their handling to Dnata, who are part of the Emirates Group.

"VIRGIN AMERICA IS BUILDING AN AIRLINE WE THINK PEOPLE WILL LOVE. TO ACCOMPLISH THIS WE HAVE ENLISTED A TEAM OF SERVICE PARTNERS TO ASSIST IN DELIVERING ON OUR GUEST PROMISE OF ON TIME FLIGHTS, TIMELY DELIVERY OF CHECKED BAGGAGE AND CLEAN AIRCRAFT IN A COST-EFFICIENT MANNER SO WE CAN KEEP OUR FARES LOW. MENZIES IS A GREAT ADDITION TO THAT TEAM AS THEY ARE A PROVEN SERVICE PARTNER AND SHARE OUR GUEST SERVICE PHILOSOPHY."

TODD PAWLOWSKI, VICE PRESIDENT OF AIRPORTS AND GUEST SERVICES, VIRGIN AMERICA.



99.3%

GROUND HANDLING – ON-TIME PERFORMANCE

Strategy
Menzies Aviation is continuing on its rapid growth path. The strategy is clear. The division will continue to expand by targeting attractive customers in attractive airports at sustainable margins. There will always be a focus on firstly getting the basics right and then growing from a scaleable platform. Providing great customer service in a safe and secure environment is embedded in the culture. We will also continue to seek out appropriate acquisitions at the right price that fit strategically with our existing businesses.

There are few global economies of scale in this business but there can be regionally, and by creating regional density with shared service centres for back office functions such as Finance and Human Resources the business can grow rapidly but also sensibly and profitably.

As the business grows the commercial activity and structure has evolved. An enhanced commercial function in the head office now exists with key account managers looking after targeted customers centrally. This new focus is paying dividends as the division looks to strengthen customer relationships and cross-sell its services as it expands into new markets.

Key Performance Indicators
Menzies Aviation monitors a number of financial and operational key performance indicators (KPIs) to help achieve key business objectives.

The main financial KPIs are highlighted on page 5 of this annual report.

The table below includes operational KPIs which are principally aimed at monitoring levels of customer service and operational effectiveness.

KPI	2007	2006
Ground handling – labour hours per turn	30.5	32.5
Cargo handling – labour hours per tonne	2.5	2.9
Ground handling – on-time performance (%)	99.3	99.3
Aircraft damage – category A incidents per 1,000 turns	0.10	0.10

Key Statistics	
Stations worldwide	120
Countries operate in	28
Employees	14,000
Tonnes of cargo handled	1.8m
Aircraft turns	530,000

BUSINESS REVIEW: MENZIES DISTRIBUTION

THE FOCUS FOR 2007 WAS TO DELIVER IN THREE KEY AREAS: (I) STABILISE EARNINGS; (II) DELIVER COST INITIATIVE PLANS; AND (III) INVESTIGATE NEW REVENUE STREAMS. I BELIEVE WE WERE SUCCESSFUL IN ALL THREE AREAS.

ELLIS WATSON, MANAGING DIRECTOR
MENZIES DISTRIBUTION

	2007	2006	Growth
Revenue	£1,147.3m	£1,132.0m	1.4%
Underlying operating profit	£23.4m	£23.7m	(1.3%)

Performance
2007 was a key year for the division after the fall in earnings experienced during 2006. The focus for 2007 was to deliver in three key areas. Namely:

i) stabilise earnings
ii) deliver cost initiative plans
iii) investigate new revenue streams

The division was successful in all three areas.

Revenue was up 1.4% (like for like 1.1%). Significantly the trends highlighted at the time of the Interim Results have continued and underlying operating profit for the year was broadly flat.

During the year stability returned to the core markets. Newspapers continued their recent trends with gradual volume decline, but this was broadly offset by increased cover prices.

Overall, volume in the magazine market declined but gross profit was flat as a result of cover price increases particularly in the weeklies sector.

IMPROVING THROUGH **INCREASED EFFICIENCY**

Throughout 2007 state of the art "Axon" returns processing systems have been successfully introduced to the Menzies estate. Following significant development and testing with partner Axon, this new "machine vision" technology has now been successfully installed at 14 of our branches in the UK and Ireland, facilitating a major step forward in both speed and accuracy of unsold product identification.

The system uses advanced computer controlled camera technology to identify bar codes anywhere on front or back covers of magazines as they pass individually through a reading chamber on a high speed conveyor belt. To cater for instances where bar

Cost Initiatives

Cost initiative plans remain on track. During the year the division installed new technology to improve the efficiency of both the product returns process and magazine packing. The new returns technology revolutionises the process with a significant increase in the amount of product scanned per hour. The new magazine packing technology streamlines the process and is now operating in eight hub branches.

As a result of this new technology the division was able to accelerate its hub and spoke programme, which involves the merging of the magazine packing and back office processes into a hub branch, and the downsizing of a previous full service branch into a spoke which solely packs newspapers. During the year, three hub branches were created which allowed four previous full service branches to become spokes.

A centralisation programme was also implemented during the year. The allocation of newspapers and magazines were taken out of individual branches and centralised within the head office. Three regional call centres were opened during the year to handle all calls from newsagents across the network. This function was previously carried out at branch level.

£3.6m

COST SAVINGS

codes are damaged or obscured, the system also uses photographic cover recognition and "self learning" mechanisms. This technology is a major step forward in both speed and accuracy of unsold product identification and processing, with a significant increase in amount of product scanned per hour. It will roll out through the rest of the division during 2008.

"INCREASING ACCURACY, SPEED AND EFFICIENCY WHILST REDUCING THE OVERALL COST BASE ARE ESSENTIAL ELEMENTS IN MANAGING THE BUSINESS. AXON HAS SIGNIFICANTLY IMPROVED THE WAY WE MANAGE AND PROCESS RETURNS, WHICH IS NOT ONLY GOOD FOR US, BUT GOOD FOR ALL OUR CUSTOMERS TOO."

DAVID MORTON, STRATEGIC DEVELOPMENT DIRECTOR MENZIES DISTRIBUTION

BUSINESS REVIEW: MENZIES DISTRIBUTION (CONTINUED)

New Revenue Streams
Grays of York, an independent which previously served retailers in the York area with a portfolio of newspaper titles, was acquired and integrated into our existing York operations. The combined business is performing well and delivering the anticipated returns.

The challenging position in the Chester area, which was being served by both Menzies Distribution and Dawson News, was resolved after Dawson agreed to subcontract their business in the area to Menzies. This was a logical outcome and provided compelling rationale why the existing industry template is the most efficient way of serving retailers and consumers.

From the outset the joint venture with Eason & Son in Northern Ireland proved challenging with a number of operational issues dragging down earnings. Most of these issues have now been resolved and by the end of the period the venture was delivering improved levels of return.

Leadenhall News, a competitor to the division's Jones Yarrell subsidiary, was acquired during the year. Both businesses are distributors of newspapers, principally to banks and institutions in the City of London area and operations were quickly and successfully integrated.

D-Cipher, the retail category management service business, made progress during the year. Full range planning services are now provided to Marks and Spencer, Boots, Easons and Musgrave.

Menzies Digital, a virtual wholesaling venture, remains at the embryonic stage but is an exciting concept that will launch during 2008.

A trial is underway with Tesco, investigating the potential to broaden our offering to them to include papershop related products. In addition, in some of our areas we have piloted a logistics partnership with Ceva (ex TNT) to link our local delivery fleet with their large scale trunking capability, to provide a delivery service for "packet traffic", including some home delivery.

D-CIPHER, THE RETAIL CATEGORY MANAGEMENT SERVICE BUSINESS, MADE PROGRESS DURING THE YEAR. FULL RANGE PLANNING SERVICES ARE NOW PROVIDED TO MARKS AND SPENCER, BOOTS, EASONS AND MUSGRAVE.

ELLIS WATSON, MANAGING DIRECTOR
MENZIES DISTRIBUTION

DEVELOPING **NEW REVENUE STREAMS**

In a competitive marketplace, it is important for retailers to ensure they are promoting the correct material to maximise their returns. D-Cipher provide industry leading retail category management services, which include promotional and sales development, operational support, financial consolidation, retail display solutions and field marketing support. D-Cipher provide direct marketing services and promotional management to numerous national retailers and independent retailers.

D-Cipher has enjoyed fantastic growth in 2007 with key contract wins and unprecedented category growth for retail customers. For example, Marks & Spencer has experienced 20% sales growth in 2007, their 5th consecutive year of double digit growth.

97.6%

MAGAZINES DELIVERED ON TIME

97.5%

NEWSPAPERS DELIVERED ON TIME

Office of Fair Trading

The division, as well as responding to continuing information requests from the OFT, has been working with all sections of the industry to develop proposals for consideration by the OFT and relevant Government departments to ensure a competitive, efficient and sustainable supply chain for the future. The OFT have still to confirm specific timelines, but at this stage we anticipate publication later in the year, most likely late summer.

Key Performance Indicators

Menzies Distribution monitors a number of financial and operational key performance indicators (KPIs) to help achieve key business objectives.

The main financial KPIs are highlighted on page 5 of this annual report.

The table below includes operational KPIs which are principally aimed at monitoring levels of customer service and operational effectiveness.

KPI	2007	2006
Newspapers delivered on time	97.5%	98.0%
Magazines delivered on time	97.6%	98.0%
Newspaper packing accuracy	99.8%	99.8%
Magazine packing accuracy	99.6%	99.6%
Newspaper return	89.7%	90.0%

KPIs are affected by the late receipt of newspapers and magazines at our branches.

"2008 WILL SEE D-CIPHER CONTINUE TO FOCUS ON SECURING NEW RETAIL BUSINESS ACROSS THE UK AND IRELAND. WE ALSO BELIEVE THAT OUR EXPANDING DIRECT MARKETING OFFERING WILL CONTINUE TO BRING EXCITING NEW RETAIL OPPORTUNITIES TO THE INDEPENDENT MARKET."

DAVID STEPHENS, HEAD OF D-CIPHER MARKETING

BUSINESS REVIEW:
GROUP FINANCIAL REVIEW

Shareholders' Funds

Shareholders' funds increased by £16.2m during the year to £108.4m, as follows:

	£m
Shareholders' funds at December 2006	**92.2**
Profit for year	31.8
Taxation	(5.7)
Dividends	(12.8)
Minority interests	(0.5)
Net actuarial loss	(2.2)
Currency translation	2.4
Increase in share capital	2.7
Share-based payment	0.4
Movement in own shares	0.1
Shareholders' funds at December 2007	**108.4**

Cash Flow

The Group generated an operating cash flow of £52.8m in 2007 (2006: £35.4m). Share issues in 2007 raised a further £2.7m. Some £63m was re-invested in the business whilst dividend and tax payments accounted for £15.8m. Net debt increased from £77m to £111.3m.

Cash Flow	£m	2007 £m	£m	2006 £m
Operating Profit		**33.2**		34.0
Share-based payments		**0.4**		0.7
Depreciation		**21.0**		18.1
Amortisation of intangibles		**1.6**		1.3
Net pension movement		**0.2**		(6.5)
Working capital		**(1.5)**		(12.3)
Cash spend on exceptional items		**(1.2)**		(2.5)
Non-cash items		**(0.9)**		2.6
Operating cash flow		**52.8**		35.4
Purchase of property, plant and equipment	**(32.0)**		(25.4)	
Sale of property, plant and equipment	**0.7**		1.1	
Net capital expenditure		**(31.3)**		(24.3)
Dividends from associates and joint ventures		**4.0**		4.1
Net interest paid		**(7.6)**		(3.4)
Minority dividends paid		**(0.1)**		(0.1)
Tax paid		**(2.9)**		(8.5)
Free cash flow		**14.9**		3.2

Cash Flow (continued)	2007 £m	2006 £m
Free cash flow	**14.9**	3.2
Equity dividends paid	**(12.8)**	(11.6)
Additional pension payment	**(4.3)**	(5.7)
Acquisitions	**(14.9)**	(37.0)
Other investments	**(13.5)**	–
Minority interest acquisition	**(0.4)**	–
Intangible asset additions	**(3.0)**	(0.4)
Shares	**2.7**	1.8
Total movement	**(31.3)**	(49.7)
Opening net debt	**(77.0)**	(32.8)
Currency translation	**(3.0)**	5.5
Closing net debt	**(111.3)**	(77.0)

The statutory IFRS cash flow statement is shown on page 47.

Pensions

Income Statement	£m	2007 £m	£m	2006 £m
Current service cost		**(3.6)**		(4.7)
Past service credit		–		5.8
Expected return on scheme assets	**15.1**		13.4	
Interest on pension liabilities	**(11.7)**		(11.0)	
Net financial return		**3.4**		2.4
Net (charge) / credit		**(0.2)**		3.5

Balance Sheet	2007	2006
Total market value of assets	**250.2**	237.2
Present value of scheme liabilities	**(240.7)**	(231.8)
Surplus in scheme	**9.5**	5.4
Related deferred tax liability	**(2.7)**	(1.6)
Net pension assets	**6.8**	3.8

With effect from 1 May 2006, the main UK pension scheme changed from a final pensionable salary scheme to an average salary scheme and employee contributions were increased. Benefits accrued to current active members prior to 1 May 2006 are now linked to future price inflation rather than future salary increases. The impact of these changes was a reduction of £5.8m in the present value of the scheme liabilities in respect of past service.

The current service cost for 2007 decreased due to the full year impact of the changes implemented during 2006 combined with a reduction in the pensionable payroll. The service cost for 2008 is expected to reduce further.

During 2007 the Group contributed cash of £7.7m, comprising regular payments of £3.4m and an additional payment of £4.3m in January 2007.

The market value of invested assets increased by 5% in the year, mainly as a result of strong investment growth in the equity component of the assets.

The present value of scheme liabilities increased by 4% over the same period.

Reconciliation between IFRS operating profit and underlying operating profit

	£m
IFRS operating profit	**36.6**
(a) net gain on exchange of businesses	**(2.5)**
(b) dilapidations settlement on onerous lease	**2.4**
(c) goodwill impairment	**1.8**
(d) contract amortisation	**1.0**
(e) joint venture and associate interest and taxation	**1.7**
Underlying operating profit	**41.0**

The results for the year include the following one-off and/or material items, which the Group considers should be highlighted:

(a) The net gain on exchange of businesses results from the completion of joint venture agreements with Eason & Son Ltd combining newspaper and magazine distribution businesses in Northern Ireland and the Republic of Ireland.
(b) The dilapidations settlement relates to an onerous leasehold property where the remaining lease term was 65 years. As part of the negotiated settlement all remaining lease obligations have been renounced.
(c) Under IFRS, previously capitalised goodwill is no longer amortised. However, these results include an impairment charge of £1.8m, reflecting the remaining life of the current licence at Menzies Macau Aviation Services Ltd.
(d) IFRS requires the price paid for a business to be allocated between goodwill and other intangible assets. The other intangible assets capitalised in Aviation are amortised and this amortisation charge has been highlighted to present a clearer trading position.
(e) IFRS operating profit is shown after deducting the Group's share of the interest and tax charges in the joint ventures and associates but these are added back in this table to present a clearer trading position.

Further details are disclosed in Note 5 to the Accounts.

Interest

The net interest charge is analysed as follows:

	2007 £m	2006 £m
Fixed rate sterling term loan	**1.9**	2.0
Floating rate sterling loan	**1.6**	0.5
US dollar loans	**2.3**	1.4
Preference shares	**0.1**	0.1
Cash / overdrafts	**0.2**	(0.5)
Other finance income	**(3.4)**	(2.4)
Foreign currency loss	**2.1**	–
Net interest charge	**4.8**	1.1

The sterling term loan is at a fixed rate of 6.23% and is repayable between 2008 and 2020.

Other finance income is the net financial return from the pension scheme under IAS19. The amount has increased due to the additional cash contributed by the Group during 2007 and the higher returns on invested assets.

During the year the Group executed cross-currency basis swaps which reduced its interest costs by £0.6m. The foreign currency loss incurred of £2.1m is exactly matched by tax relief of £2.1m.

Taxation
The effective underlying tax rate for the year was 20.9% compared with 23.2% in 2006 and is analysed as:

	%
Tax due at UK rate	30.0
Non tax-deductible items	(0.1)
Unrelieved overseas losses	5.1
Reduction in tax rate	(1.1)
Utilisation of tax losses	(6.2)
Non-taxable exchange gain	(4.0)
Adjustments in respect of prior years	(2.8)
Underlying tax rate	20.9

The tax rate on underlying earnings continues to be below the standard UK rate as a result of the realisation of carry-forward overseas tax losses, the creation of overseas deferred tax assets on brought-forward losses and the resolution of prior year matters.

Tax paid during the year was £2.9m. Payments are expected to be higher than this for the year to December 2008.

The tax effect of the exceptional items is a credit of £0.5m. Goodwill and other intangible asset amortisation of £2.8m does not attract any tax relief.

In the March 2007 Budget the UK Government announced the phased abolition of industrial buildings allowances by the end of March 2011 and a reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum, on a reducing balance basis, from 1 April 2008. If these changes are enacted in the proposed manner, they will have an adverse impact on the Group's tax position. At 29 December 2007 the changes are not regarded as 'substantially enacted' as they are still subject to parliamentary agreement, and so their effect is not reflected in the Group's balance sheet at 29 December 2007. The estimated effect would be an increase in the deferred tax liability of £5m. The effect on the Group of these proposed changes will be fully reflected in the Group's financial statements for the year ending December 2008, assuming the legislation is enacted during 2008.

The adverse changes to capital allowances will be partially offset by the reduction in the UK rate of corporation tax from 30% to 28%, with effect from 1 April 2008.

Acquisitions and Intangible Assets
During the year the Group acquired six new businesses. The consideration paid, in excess of the fair value of the net assets acquired, has been allocated between goodwill and other intangible assets, mainly customer contracts.

Capitalised goodwill amounts to £53.2m compared to £48.5m in 2006. This goodwill is no longer amortised but rather is subject to an annual impairment review.

Contracts capitalised in the year amount to £13.9m. This amount includes £8.2m in respect of businesses acquired, £3.1m in respect of the fair value of the Group's shareholding in the combined joint venture businesses in Ireland and £1.3m capitalised in respect of the new start contracts in India and South Africa.

Amortisation periods for these contracts are business-stream dependent and vary from zero to ten years. Where the contracts are not amortised, they are subject to an annual impairment test at cash-generating unit level, generally considered to be 'station' level.

During the year the Group purchased the 26% minority interest in The Big Orange Handling Company Limited.

Property, Plant and Equipment
Purchases of property, plant and equipment totalled:

	Property £m	Plant & Equipment £m	Total £m
Distribution	0.2	8.4	**8.6**
Aviation	1.1	22.1	**23.2**
Corporate	–	0.2	**0.2**
	1.3	30.7	**32.0**

During the year Distribution invested some £5m in new technology.

Aviation's capital expenditure mainly comprised equipment to service new contracts.

Other investments
The cash spend on joint ventures during 2007 was £13.5m, comprising £10.6m in support of the new start contracts in India and £2.9m in support of Swissport Menzies Handling in Spain.

These investments represent mainly plant and equipment to service the business.

Working Capital
Working capital movement is analysed as follows:

	2007 £m	2006 £m
Inventories	**(0.4)**	1.0
Trade and other receivables	**(21.0)**	0.4
Trade and other payables	**19.9**	(13.7)
	(1.5)	(12.3)

The overall movement in working capital is due to the effect of acquisitions.

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 year, 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 and bank borrowings. 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 of £30m the Group has £29.7m of unutilised committed facilities, which are committed to November 2011.

Interest rate fluctuations: the Group's policy is to arrange core debt with fixed rate borrowings. The term bank loan of £30m is fixed at 6.23% and is repayable between 2008 and 2020. US dollar bank borrowings totalling £35.6m are fixed at rates ranging from 4.36% to 5.3725%, which mature during 2009. Other borrowings and cash deposits are at variable rates.

Foreign exchange exposures: the Group's exposure to currency risk at a transactional level is minimal, with day-to-day transactions of overseas subsidiaries largely carried out in local currency.

The Group's exposure to balance sheet translation risk in respect of its overseas net investments is minimised by borrowings in the functional currency of the investment and by use of derivative financial instruments, which have the effect of converting sterling borrowings into borrowings of the functional currency.

Approximately 17% of Group turnover and 50% of assets are denominated in overseas currencies. 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 Menzies Aviation's stations 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 year to December 2007	Year end 29 December 2007	Average for year to December 2006	Year end 30 December 2006
US$	**2.005**	**1.993**	1.853	1.957
Euro	**1.462**	**1.355**	1.468	1.484

Credit risk: the Group is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but mitigates such risk through its policy of selecting only counterparties with high credit ratings.

Further disclosure in respect of the above is included in Note 16 to the Accounts.

BUSINESS REVIEW: GROUP BUSINESS RISKS

The management of the business and the execution of strategy are subject to a number of risks.

Risks are formally reviewed by each Divisional Operating Board on an annual basis. A formal Group-wide review of risks is also performed annually by the Group Board and appropriate processes and controls are put in place to monitor and mitigate these risks.

The key business risks affecting the Group are as follows:

Safety
This is the risk of safety incidents occurring within the business. Both divisions have dedicated health and safety teams who regularly visit operational sites monitoring health and safety issues and driving improvements. They also monitor legislative and regulatory changes. We work with industry bodies to lead improvements and to benchmark our performance. Health and safety reports are tabled at the Divisional Operating Boards and the Group Board.

Changing Business Environment
This is the risk that we do not respond to a changing business environment. A strategy review exercise, which involves a full examination of market conditions, is held each year prior to budget setting. Board reports from each Managing Director, reviewing all aspects of market conditions, are tabled for discussion at each meeting. Customer surveys have been introduced in both divisions which we will repeat regularly.

Investment Decisions
This is the risk of making the wrong corporate portfolio investment decisions. A weekly investment review meeting is held to review significant capital expenditure decisions and all acquisitions and disposals. Projects are measured against a number of strict financial criteria such as payback, net present value and internal rate of return.

Recommendations from the investment review meetings must be ratified by the Group Board. All potential acquisitions are subject to rigorous due diligence involving internal and external specialists.

People Development
This is the risk that we do not successfully develop our people and lose key management. To mitigate this risk, the Group has introduced a leadership development programme and a regular 360 degree appraisal process. A number of incentive schemes linked to the Group's results have been designed to help retain key managers.

External Shock
This is the risk of the business being impacted by a major external shock, such as terrorism, disease, or natural disaster. To mitigate this risk, we have emergency response procedures in place at both Divisions, which deal with communication guidelines, customer liaison, staff safety contingency actions and escalation procedures. In each division, we have developed strong leadership teams with broad experience of dealing with a wide variety of operational issues.

BUSINESS REVIEW:
GROUP TRADING OUTLOOK

Menzies Aviation

In India, our start up ventures in Hyderabad and Bangalore remain on track. Both airports are brand new and are due to open before the end of March 2008. Our staff, systems and equipment are in place and ready to start. A number of customers, both existing and new, have been secured and we look forward to making both of these significant new operations a success.

In South Africa, following the award of the required licences, operations at six airports (including Johannesburg, Cape Town and Durban) commenced on 1 March. We have secured a large portfolio of international airlines including Cathay Pacific, Malaysian, Qantas, SA Express, British Airways, Air Botswana and Cargolux and we look forward to this new region delivering positive returns.

Since the year end the division acquired Air Cargo Resources, a cargo handling business based at Johannesburg, Cape Town and Durban in South Africa. This acquisition provides the division with a cargo business to complement the ground handling licences awarded during 2007 and allows a full service provision to be offered to airlines.

Current trading is in line with our expectations. US cargo, where poor volumes persist, continues to disappoint offsetting positive trading across the rest of the network.

Menzies Distribution

The outlook for Menzies Distribution continues to be stable. Our cost rationalisation project has been successful and our investment in technology has improved efficiencies within the business.

The division has entered into formal agreements with SAP to invest in the implementation of an Enterprise Resource Planning (ERP) solution throughout the business. This initial investment, which will be around £7m over a two year period, will increase efficiency and productivity as well as providing our publisher and retailer customers with an enhanced service offering. Project scoping is underway and the implementation will start in the second half of the year with completion expected to be during 2009.

Magazine volumes, particularly monthlies, remain challenging, but trading is in line with our expectations.

Group

The Group strategy is clear. Aviation will continue on its rapid growth path creating regional density organically by targeting attractive customers in attractive markets and selectively acquiring complementary businesses. Distribution will maintain its core earnings while mitigating cost inflation and pursuing new revenue streams.

The Board is satisfied that with this clear strategy in place the Group is well placed to deliver further shareholder value.

PAUL DOLLMAN
GROUP FINANCE DIRECTOR
10 March 2008

CORPORATE SOCIAL RESPONSIBILITY

Introduction
Environmental, social and governance responsibility is fundamental to the ongoing success of the Group. We acknowledge the impact our business activities have on the environment and communities in which we operate, and have systems in place to identify, analyse and manage key risks arising from our operations. This includes ensuring that we comply with relevant environmental legislation.

We recognise that as an employer we have a responsibility to our employees for their safety and welfare whilst at work. This responsibility extends to their training and development, as well as to setting appropriate standards for their dealings with customers and suppliers. We take business conduct seriously and have policies and guidelines in place which set standards concerning ethics, sound business practices and wider governance issues.

Board Responsibility and Management Framework
The Board member with overall responsibility for environmental, social and governance ("ESG") risks is the Group Finance Director, with the Divisional Managing Directors responsible for ESG within their respective divisions. This responsibility also specifically includes employees and health and safety. Significant ESG issues arising in or affecting our businesses are discussed at each Board meeting.

The Company recognises that being a socially responsible company adds to and enhances the Company's overall value, both short and long term. For example, mishandled ESG risks can be damaging to the Company's reputation as an employer, supplier or business partner. The financial costs from mishandled ESG risks can affect the Company's profitability. The Board therefore has systems in place, including access to adequate information, to identify and assess ESG risks, and to ensure that these risks, and our exposure to them, are managed appropriately.

The principal ESG risks to the Group include: failure to retain and develop key staff; failure to provide safe working conditions for staff; failure to have systems in place that prevent the occurrence of environmental hazards arising from our operations; failure to manage risks that can damage corporate image and reputation; failure to ensure that the Group's operations are conducted on a lawful, sound and ethical basis and in compliance with Group Policies and Procedures; failure to carry out adequate due diligence or business planning on joint venture partners/ acquisitions.

A description of the Company's internal control system for the management particularly of financial risks is in the Corporate Governance report on pages 28 to 32. An analysis of the key business risks facing the Group appears in the Business Review on pages 4 to 19. Although the remuneration of executives is not directly related to attainment of ESG objectives, our bonus arrangements allow senior managers to base a proportion of performance related pay for executives on achieving personal goals such as improving staff turnover rates or improving injury or aircraft incident rates. These flexible arrangements apply to station managers at Aviation and branch managers at Distribution.

Health and Safety

Introduction
Good health and safety practices are integral both to employee welfare and to the success of the Group. We are continually reviewing our procedures and our training in order to develop and adopt methods of working which reduce the likelihood of accidents occurring. Both divisions operate in a time critical environment: newspaper deliveries work to a tight schedule, with any delay losing sales for ourselves and our customers. Ground handling operations focus on aircraft, where any slip can delay departure or damage a customer's aircraft. Reports on health and safety performance are the first operating item at all meetings of the Group Board and at Divisional Operating Board meetings. They include injury statistics and trends as well as lessons learned, training performance, contacts with regulators and legislative changes. The Group's health and safety policy statement, which is published on our website, focuses on establishing a suitable environment, providing proper training, and communication and consultation with employees.

Each division has a specialist health and safety manager, who is supported by local management.

Menzies Aviation
The division has a comprehensive safety management programme called MORSE (Menzies Operating Responsibly Safely and Effectively), which focuses on:
- Personal Injury;
- Aircraft Damages;
- Damage to Equipment;
- Emergency Response;
- Security Awareness;
- Avoiding the Cost of Carelessness.

The MORSE safety management system and network safety team provides a dedicated resource within each region to support the field organisation and ensure we maintain a strong safety compliance focus. The network team works together to set policy, agree standard operational procedures and communicate regular safety awareness information to the field organisation. With operations at 120 airports worldwide, our priority has been to continue standardising safety processes. One key feature of MORSE is that it incorporates an intranet-based network reporting and investigation system for the recording of all incidents, including near misses to UK standards, with follow-up action taken so that lessons are learned and shared. Additionally, an Incident Review Board chaired by the Division's Managing Director meets quarterly to review major (category A) incidents, shifting the emphasis to prevention rather than cure. MORSE has been rolled out to the new businesses we acquired during 2007 and is now part of standard operating procedures across our global network.

Menzies Distribution

The most common types of injuries in this business are those sustained from manual handling, slips and trips, and moving objects. Menzies Distribution also uses the MORSE programme, and the division is now moving into the second year of its three year safety strategy. The year saw the divisional directors attend a safety briefing which was designed to bring them up to date with the changes in Health and Safety legislation and also to integrate safety into the business risk management plan. Eighty six managers from across the division have undertaken various levels of Institution of Occupational Safety & Health ("IOSH") approved Risk Management training, aimed at increasing awareness of the need to assess risk, and equipping staff with the knowledge that allows them to be part of the risk management process.

Innovative use of the intranet has made specialist Ergonomic and Manual handling assessments available to all managers as well as new, more detailed generic assessments.

The division continued to improve its vehicle movement practices, separating workplace vehicle movements from people movements, and has significantly reduced the opportunity for accidents. Our practices were highly commended in 2005 by the Freight Transport Association and the Health & Safety Executive ("HSE") which has lead to the HSE publishing a case study on their web site highlighting Menzies Distribution's safe systems of work as the blueprint for good working practices. Our 'pack-by-light' newspaper allocation system has enabled standardisation of pack sizes, reducing our exposure to lifting injuries.

In terms of motor and vehicle related incidents, Distribution continually keeps its fleet under review to ensure that the most appropriate vehicles are used for driving/training purposes, loading/unloading and accessing routes for making deliveries. Consideration is also given to environmental impact when choosing fleet suppliers. All staff receive health and safety training relevant to the tasks they perform. CD based training materials are also available, including our driver training programme which covers safety as well as advanced driving skills to maximise fuel savings.

Injury and Incident Reporting

Both divisions utilise key performance measures to monitor trends and to improve our performance in this area. However, our two divisions operate in very different sectors, so comparing injury or incident statistics between them or overall figures against figures published by comparator companies would be meaningless.

In 2007, Menzies Aviation had 52 (2006: 29) injuries reportable under UK RIDDOR with an equivalent rate per 100 FTE employees of 1.5 (2006: 1.2). This compares to a rate of 1.8 in the HSE's transport sector. Menzies Distribution had 42 (2006: 62) incidents during the year that resulted in injuries reportable under UK RIDDOR, which is equivalent to an injury rate per 100 FTE employees of 1.16 (2006: 1.62) – again below the HSE's transport sector figure of 1.8. The total figure includes businesses acquired during the year.

In respect of Menzies Aviation's overseas operations, there is no comparable UK RIDDOR, as each country where it operates has different reporting requirements. However, under the MORSE incident reporting system, all injuries are reported under different categories depending on seriousness, where category A would be for the most serious incidents. Category A level is not the same as UK RIDDOR, but it includes major/serious incidents involving fatality, serious harm, dangerous occurrence or aircraft damage, including significant misses.

To provide some context, there were 107 category A incidents altogether reported during 2007 (2006: 76), including, regrettably, one fatality following a serious accident. Of the 107 incidents, 60 involved aircraft damage and 47 involved personal injury. This total of 107 includes injuries reported under UK RIDDOR that were serious enough to be classed under MORSE as being category A incidents. Another significant figure that we monitor is the number of incidents involving aircraft damage per 1,000 turns handled, which is an industry recognised measure. In 2007, our incident rate per 1,000 aircraft turns for category A aircraft damage was 0.10 (2006: 0.10) which compares against an IATA published benchmark figure of 0.67 and IAHA's figure for 2007 of 0.16 per 1,000 turns.

Employees

Recruitment and Equal Opportunities

The Board expects the Group to conduct its operations based on sound ethical practices which are open and free from discrimination and harassment, and will not tolerate discrimination in any form. It has adopted and disseminated appropriate policies and procedures, including clear guidelines on matters such as competition law, bribery and whistleblowing. The principles of equal opportunities are recognised through published employment policies which are designed to attract, retain and motivate quality staff and to give full consideration to the employment of disabled people and to staff who become disabled, including providing support and retraining to enable them to continue their employment. Full consideration is also given to age discrimination laws and our policies and practices encourage recruitment and promotion based on merit, irrespective of factors such as age, gender, race, religious beliefs or sexual orientation.

Reward

The Group recognises that its continuing success depends on the quality and motivation of its employees. It aims to ensure that its remuneration practices are competitive, enabling it to attract, retain and motivate executives and employees who have the experience, skills and talents to operate and develop its businesses to their maximum potential.

Incentives

Employees are able to develop a direct interest in the financial performance of the Group through its savings-related share option scheme, which is open to all UK employees, of whom over 1,000 are members. Options are granted over the Company's shares at a discount of 20% from the prevailing market price at the time of grant at an aggregate value based on savings of up to £250 per month over three years. Some 700 employees (10.7% of those eligible to participate) took up their invitation and subscribed to the 2007 sharesave scheme in which some 370,000 shares are now held under option.

For staff in the UK, the Group offers many benefits. A childcare scheme allows staff to opt to receive part of their pay in tax-free childcare vouchers. Other benefits offered to staff, dependent on grade and location, include: private medical care, subsidised staff restaurant, gym membership, life insurance and a company car or car allowance.

Training

All executives and managers, from the executive directors downwards, undergo an annual review where feedback is given on the previous year's performance and goals for the upcoming year are agreed. Leadership development initiatives continue and 2007 saw the introduction of the "Leading from the Front" programme in Menzies Aviation, which provides supervisory level employees with basic leadership skills and reinforces the "Menzies Way", known as SPIRIT. SPIRIT – Safe & Secure, Passion, Integrity, Reliability, Innovation and Teamwork, underpins our leadership principles. The programme is delivered by local management and ensures local buy-in to the SPIRIT principles.

A coaching project was also introduced which focuses on senior management levels. Eight executives undertook the coaching which provides individual development plans and appropriate levels of support.

All new employees are given induction training designed to ensure that they can fulfil their tasks safely and securely, particularly where this involves lifting. All the Group's commercial vehicle drivers are given driver training designed to help them to drive safely, economically and with consideration to those around them. Each division has resources made available to it to ensure the training needs of its staff carrying out particular functions and tasks are fully met. Managers are also encouraged to foster a work-based culture based on values espoused as part of a campaign promoting and providing guidance on ethical business practices and professional conduct concerning dealings with all our stakeholder groups such as customers, suppliers and of course employees.

Communication and Consultation

A comprehensive internal communication programme exists to ensure that all employees throughout the Group are kept informed about the direction and performance of their own division and of the Group as a whole. The Group's final and interim results are communicated to all employees, supplemented by presentations being made during location visits by the executive directors. Both divisions operate in very different environments and during 2007 each division enhanced its own internal communication programme.

A programme of employee communications, differentiated by location and function, was introduced in Menzies Aviation to provide all staff with timely information about all aspects of the Group and Division's performance. Communications are managed for the audience, with translation into host languages as necessary.

New media is being utilised within Menzies Aviation to bring news bulletins to all e-mail addresses and to mobile devices, for dynamic relay of important news. More than 80 e-News Bulletins were delivered over a six month period, equating to more than 150,000 individual e-mails. Channels are incorporated into the bulletins to aid immediate and frank feedback. A new and more inclusive intranet is being developed, able to be adapted down to individual team level. Video is used, with division-wide and interest-group communications being delivered using this medium.

During the year the Managing Director of Menzies Distribution undertook a series of site visits and numerous sessions in the division's head office, meeting with management representatives to discuss strategy, culture and final/interim results. The format of these meetings is a main presentation and an open Q&A.

Menzies Distribution also produced 10 staff newsletters, which were circulated to every employee in the division. The aim of this communication is to inform our teams about the major developments and initiatives within the business, whilst supporting a positive, open company culture. All employees are free to raise any issues they wish either with their line manager or directly with the newsletter team by post or email.

Environment

Environmental Policy

The Board acknowledges its responsibilities for ensuring that environmental risks arising from the activities of its businesses are properly identified, managed and controlled, and that its businesses are compliant with all local laws, as well as with best practice – the latter where it is practicable. Each of our two divisions has its own environmental policy, which has been approved by the Divisional Operating Boards and is integrated within existing management structures and implemented through normal business practices and procedures.

These environmental policies address the following areas:

- allocating roles, responsibilities and resources;
- complying with legislation and best practice;
- monitoring, verification and auditing of compliance;
- data collection, analysis and reporting;
- risk identification, assessment and management;
- communication and dissemination of information;
- adopting technology and working practices that are modern, environmentally friendly and energy efficient; and
- working with customers and suppliers to address environmental issues affecting our businesses.

At Group level, environmental issues affecting the businesses are reported by each Divisional Managing Director to the Board. Environmental risks associated with new businesses are always assessed as part of our due diligence process on all acquisitions. Our operating procedures are reviewed following reporting of any significant actual or near-miss incidents involving safety issues or environmental hazards. Operational management also have to certify periodically compliance with local environmental regulations. There were no incidents last year which posed a significant environmental risk to the Group's operations and systems are in place to try to prevent their occurrence. These systems are reviewed periodically.

Fleet & Fuel

Menzies Aviation

The division operates various vehicles in connection with its activities. Typically, these are on and off airport activities and include: bussing, trucking (cargo between airports) and air freight couriering by AMI.

The on airport activities involve use of specialist Ground Servicing Equipment ("GSE") for both our ground and cargo handling businesses. Other than passenger steps and baggage or cargo carts ("dollies"), which need to be towed, most GSE can be driven and run on diesel, electricity or LPG. These include: hydraulic loaders, aircraft push back tugs, conveyor belt loaders, and tow tractors which pull passenger steps and dollies. This equipment is not designed to travel long distances so the mileage is low.

We also operate a fleet of forklift trucks for warehouse activity in our cargo handling operations. Of these forklift trucks, 91% run on LPG, the remaining larger machines on diesel and their average age is between 1 and 5 years old.

Our "Connect" bussing operation at London Heathrow has a fleet of 64 single deck passenger buses (2006: 68) that transport some 34,000 workers daily to and from off-airport sites to the airport, including Terminal 5 construction workers. This service is under contract to BAA who supply our buses with fuel.

Our UK trucking operation, which includes the AMI business (which consists of mainly forwarder handling and courier and air freight wholesaling) involves a fleet of twenty 38 tonne articulated units with trailers which transport cargo between airports, mainly in the UK and Ireland. Total mileage for 2007 was c. 1.6 million (2006: 2.2 million) miles. These run on diesel fuel and 18 of the trucks are less than 2 years old. The remaining trucks are due to be replaced during 2008 with Euro IV standard low emission vehicles, further increasing the fuel efficiency of the fleet. The division also has trucking operations in the USA and in Sweden, most of which are provided through subcontractors.

Menzies Distribution

The business operates 454 vehicles (2006: 437) ranging from light commercial vehicles with a Gross Vehicle Weight of 3.5 tonne or less, up to 26 tonne articulated commercial vehicles. 54% (2006: 47%) of our fleet is made up of vehicles that have a gross vehicle weight of 3.5 tonnes or less. A further 1,173 (2006: 1,147) vehicles are operated by contractors in the newspaper and magazine distribution process.

Our fleet comprises diesel only vehicles on a leased basis. Lease terms typically run for between 3 and 5 years, ensuring a modern and efficient fleet. All new additions to our fleet since January 2007 run on Euro IV engines.

A MODEC electric vehicle will be added to the fleet during 2008 to be operated in central London as part of our assessment of more eco-friendly vehicles.

Third party contractors carry out some 68% of our delivery mileage. The same focus on costs, regulatory compliance, vehicle suitability and health and safety which influences the division's direct operations is also applied in selection and management of such subcontractors. Mileage and related fuel cost is a significant overhead in our Distribution business and we have ongoing programmes to address delivery route scheduling and driver training. Such initiatives continue to deliver success, having received industry recognition and awards. During 2007 we covered 13.6 million miles per annum with our fleet, using 3 million litres of fuel (2006: 3 million litres).

Company Cars

We currently have a fleet of 229 company cars (2006: 243). In addition to lifecycle costing, future fleet structure will reflect relative emissions efficiency, with a commitment to reduction.

Energy Consumption

At Menzies Distribution, energy consumption during the year amounted to 29,660,698 kWh, an increase of 1.3% on 2006. Until October 2007, 26% of the electricity supplied was from "green" sources. Since then, and following the carbon reduction review discussed below, all mainland UK electricity has been procured from fully "green" renewable resources. Due to the international spread of operations at Menzies Aviation, comparable figures are not yet available.

Waste and Emissions

Waste

At Menzies Distribution, packaging waste, namely cardboard and polythene, and office paper are by-products of our activities. We have waste compactors installed in our 19 hub branches (2006: 17). The total volume of waste uplifted in 2007 was 5,747 tonnes (2006: 5,460 tonnes) of which 13.3% (2006: 11.0%) is recycled. Under our contracts with newspaper and magazine publishers, we are responsible for the collection of unsold copies from retail outlets. For magazine publishers, we are further responsible for recycling unsold magazines, whereas newspaper publishers retain the responsibility for managing the flow to recycling of unsold newspaper copies.

Newspaper publishers outsource the physical uplift and recycling from our premises via third party agents with whom we work closely to integrate an efficient transition from our processes to their collection. In 2007, we facilitated the consignment to recycling of 110,000 tonnes of newsprint. For magazines, we are responsible for cleansing the unsold copies of polythene wrapping and cover mounted gifts where this is required to facilitate the subsequent de-inking process. Thereafter we manage a logistics service to consolidate unsold copy from all of our branches, primarily feeding into UPM Kymmene's Shotton Paper Mill for conversion into future newsprint. All unsold magazine products which are not required for re-sale are consigned for paper recycling. In 2007, some 62,444 tonnes (2006: 60,000 tonnes) of unsold magazines were processed for recycling.

The division also handles other unsold products such as collectible partworks and sticker collections. These are sent back to publishers for subsequent re-use. The waste elements stripped from magazines to cleanse pre recycling are currently consigned to landfill. Menzies Distribution is active in industry initiatives aimed at reducing the volumes of such material to landfill and supporting initiatives to increase consumer awareness of the magazine recycling opportunity.

Carbon Reduction

During 2007 Menzies Distribution set out to establish its direct carbon footprint and (1) benchmark this in relation to the newspaper and magazine supply chain overall and (2) establish how our footprint has evolved over recent years. The exercise proved revealing and endorses the strong link between operational effectiveness and environmental impact. The division's internal work was supported and reviewed by a team from Heriot Watt University and their academic partners in the government funded "green logistics" project for which it is an early case study on the practicalities of foot-printing in the distribution sector. Menzies Distribution were also supported by PIRA, the paper sector consultants, in pioneering a high level supply chain analysis, the principles of which are now being adopted for further in-depth collaborative supply chain analysis aimed at total commitment to business efficient carbon reduction.

Menzies Aviation plans to carry out a similar exercise during 2008.

Menzies Distribution prime exposures are (1) warehouse energy usage and (2) vehicle diesel fuel. Whilst business territory gains have inevitably pushed absolute footprint up to around 37,000 tonnes of CO_2, past attention to warehouse design, operations and to route scheduling has supported a reduction over time in CO_2 per tonne handled and miles run of around 15% over the previous five years. Following the electricity switch mentioned above, further pilot activity supported by Carbon Trust is expected to lead to opportunities for some absolute energy reduction in warehouses.

Community Investment

Each year the Board approves a budget for charitable donations of around one percent of gross dividends for the previous financial year. Donations are made through either the John M. Menzies Community Fund or the Charities Fund.

The Charities Fund

The Charities Fund is the Company's main channel for supporting charitable causes or investing in community projects. Its activities are managed by a Charities Committee, which is chaired by the Group Finance Director and met four times during the year. Altogether, the Charities Fund receives over 300 applications every year from very diverse charities and projects, both local and international and donations are approved by the Charities Committee. In 2007, some 84 organisations benefited from charitable donations of around £80,000.

In addition, and supporting its commitment to the areas in which it operates, Menzies Aviation provides financial support to various local projects including an annual donation of around £7,000 to support children living in a children's village programme in Romania, and an annual donation of US $5,000 to the Educando project which provides support for children in Peru.

The John M. Menzies Community Fund

The Group employs more than 18,000 people in 28 countries all around the world, many of whom participate in various forms of charitable, voluntary and other community related work. We are therefore supportive of these initiatives, and encourage and support these through the work of our Community Investment team. The John M. Menzies Community Fund supports the work of our employees whether engaging in voluntary work or other charitable or community-related projects. It makes individual cash awards of up to £350 per employee, or £700 per team of employees, undertaking a charitable or community project. Such awards are made in consultation with the Managing Directors of each business. During 2007, some 20 projects were supported by this Fund to a total of around £6,000.

BOARD OF DIRECTORS

1 **William Thomson, non-executive chairman** (Note 3)
William was appointed chairman in 2002, having been a non-executive director since 1987. He also chairs the Nomination Committee. He is Chairman of E G Thomson (Holdings) Ltd, a shipping and logistics group with interests in Asia, British Assets Trust plc and Fidelity Japanese Values plc. (Age 67).

2 **Ellis Watson, executive director, Menzies Distribution**
Ellis was appointed to the Board in March 2007 and has been managing director of Menzies Distribution since September 2005. Prior to this he was managing director of National Newspapers at Trinity Mirror plc and of Celador International. His media career began with 9 years at News International, where latterly he was marketing director. He was also previously chairman of the Newspaper Publishers Association, the trade body for daily national newspapers. (Age 40).

3 **Ian Harrison, non-executive director** (Note 1)
Ian was appointed a non-executive director in 1987. He is a director of Record Currency Management Ltd, an institutional investment management company specialising in currency management for pension funds worldwide. (Age 51).

4 **Dermot Jenkinson, non-executive director** (Notes 2, 3)
Dermot was appointed to the Board in 1986 and held various executive responsibilities before assuming a non-executive role in 1999. He is founder and chairman of beCogent Ltd, a contact centre and related consultancy business, and is a director of a number of other private companies. (Age 53).

5 **Craig Smyth, executive director, Menzies Aviation**
Craig was appointed to the Board in March 2007. He was a founder executive of the Aviation division and has worked for Menzies Aviation for 15 years. In 2003, he moved from being the chief financial officer into the operational & commercial role as vice president, Americas and was appointed managing director of Menzies Aviation in February 2004. He is a chartered accountant. (Age 40).

Menzies Aviation Operating Board:

Craig Smyth, managing director, Menzies Aviation see above

Paul Dollman see above

Mervyn Walker, EVP operations Mervyn is responsible for the service delivery of the Menzies Aviation operational network. His career spans nearly 30 years in aviation having also worked for Aer Lingus and Servisair. (Age 47).

Philip Harnden, EVP commercial Philip is responsible for customer affairs as well as the business development activity of Menzies Aviation. He has served as Menzies Aviation company secretary as well as assistant company secretary at John Menzies plc. (Age 43).

Graeme Jenkins, EVP finance Graeme oversees all finance activities for Menzies Aviation including acquisitions, legal and company secretarial. He qualified as a chartered accountant with Ernst and Young prior to joining Menzies. (Age 32).

Stephen Koller, EVP IT Stephen is responsible for all information technology systems used in the business, from office PCs to real-time critical systems used by airlines, customs and Menzies-owned companies. His decade in the international aviation industry began with Ogden Aviation. (Age 48).

Simon Yiend, EVP people and network standards Simon is responsible for health and safety, security, HR, internal communications and standardisation of operational processes, including training, equipment and environmental policy. Formerly in charge of UK Ground Handling, Simon began his career as an army officer. (Age 52).

6 **Iain Robertson, non-executive director (Note 1)**
Iain was appointed a non-executive director in 2004 and chairs the Audit Committee. Previously a director of The Royal Bank of Scotland Group plc, he is chairman of Cairn Capital Ltd and BT Scotland. He is a chartered accountant. (Age 62).

7 **Octavia Morley, non-executive director (Notes 1, 2)**
Octavia was appointed a non-executive director in 2006. She is currently chief executive of Lighterlife Ltd and was previously executive director, marketing director and commercial director at Woolworths plc, and held positions as managing director, ecommerce at Asda Stores Ltd and as buying and merchandising director at Laura Ashley plc. (Age 39).

8 **David Coltman, non-executive director, senior independent director (Notes 2, 3)**
David was appointed a non-executive director in 2001, senior independent director in 2006 and chairs the Remuneration Committee. He is currently chairman of Eredene Capital plc and Edinburgh Worldwide Investment Trust plc. He has held various senior positions with airlines in the UK and with United Airlines in Chicago. (Age 65).

9 **Paul Dollman, executive director, group finance director**
Paul was appointed as group finance director in 2002. He is also a non-executive director of Scottish Amicable Life Association Society. A chartered accountant, he was previously finance director for William Grant & Sons Ltd, and has also held senior financial positions with Inveresk PLC, Maddox Group plc and Clydesdale Retail Group. (Age 51).

10 **John Geddes, company secretary**
John was appointed as company secretary in 2006. A chartered secretary, he joined the Group in 1997 and was previously company secretary of Menzies Aviation. His career has also included posts at Bank of Scotland plc and Guinness plc. (Age 39).

Notes:
1. Member of Audit Committee
2. Member of Remuneration Committee
3. Member of Nomination Committee

Menzies Distribution Operating Board:

Ellis Watson, managing director, Menzies Distribution see above

Paul Dollman see above

Tom Boyle, operations director Tom has board responsibility for Menzies Distribution's operational performance. In addition, he leads the Newspaper, Business Development, Property, Health and Safety and Facilities teams. Tom started his career with the company in 1974 and was appointed to the board in 1996. (Age 53).

David McIntosh, commercial and marketing director David is responsible for commercial contractual arrangements, key retail relationships, magazine publishers, regulatory/OFT matters and business information provision. David joined John Menzies in 1989 and became Finance Director of Menzies Distribution in 1999. (Age 45).

David Speirs, IT director David joined Menzies Distribution in May 2006 as IT director. Previously executive director for IT and production with The Scotsman, David has also worked for a variety of major multi-national organisations. (Age 44).

David Morton, strategic development director David joined John Menzies in 1992 and is responsible for innovation, implementation and evolution of logistics technologies and processes, and other developments of strategic added value to the business, clients and customers. He is also involved in various distribution sector initiatives. (Age 55).

George Kirkwood, finance director George qualified as a chartered accountant with KPMG before joining the finance department of John Menzies in 1983. He held a number of positions within Menzies Distribution before being appointed finance director in 2003. (Age 51).

CORPORATE GOVERNANCE

Corporate Governance Statement
The Board is committed to maintaining high standards of corporate governance. The Company has applied throughout the year under review all the provisions of Section 1 of the Combined Code of Corporate Governance 2006 (the "Code"), other than the provisions concerning committee independence explained below.

The Board

Composition
The Board currently consists of nine directors, six of whom are non-executive (including the Chairman) and three executive. The role of the Chairman is distinct from other positions and clearly defined. The Company does not have a Chief Executive, instead it has an Executive Managing Director for Menzies Aviation, an Executive Managing Director for Menzies Distribution and an Executive Group Finance Director. Each Executive Director has clearly defined duties and responsibilities to the Board. Non-executive directors are appointed for an initial term of three years, and all directors are required under the Articles to retire and offer themselves for re-election at least every three years.

Following a review of the Board's composition as a result of the new structure for the Group, it was felt that an additional independent non-executive director should join the Board and a search is currently underway. The Board will then have four independent non-executive directors, well in excess of the minimum recommended by Corporate Governance guidelines for a company of our size, and will ensure that the Board is well balanced and able to meet the ambitions and challenges that will face the business.

Independence
Three of the non-executive directors, David Coltman, Iain Robertson and Octavia Morley, are independent under the terms of the Code, where the number required for smaller companies is two. David Coltman has been Senior Independent Director since 25 May 2006.

Dermot Jenkinson and Ian Harrison are not independent under the terms of the Code due to their shareholding and length of service. However, they not only represent the continuing involvement of the founding Menzies family, but also contribute effectively to the Board and the work of its committees. They bring to the Board a breadth of skills and experience from their knowledge of the Company and from their backgrounds in business and general management.

At least two of the members on each of the Audit and Remuneration Committees are independent (being a majority) including the Chairman of these Committees. The Nomination Committee only has one independent member and in this respect it is not fully compliant with the Code.

Board and Committee meetings and attendance in 2007

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Meetings	10	1	4	3
W R E Thomson	10	1	–	–
P B Dollman	10	–	–	–
C A G Smyth**	8	–	–	–
E A N Watson**	8	–	–	–
D A Coltman	10	1	–	3
D J Jenkinson	10	1	–	3
I C L Harrison	10	–	4	–
O K Morley	10	–	4	3
I S Robertson	9	–	4	–
P J Macdonald*	2	–	–	–

*P J Macdonald resigned from the Board on 20 March 2007
**C A G Smyth and E A N Watson were appointed to the Board on 20 March 2007

A description of the Board's Committees is provided below, along with the Chairman and membership of each Committee. The Board met ten times in 2007 and has a formal schedule of matters specifically reserved to it for decision. These include: strategic plans, the approval of financial statements, acquisitions and disposals, major non-recurring projects and major capital expenditures. It also delegates specific responsibilities with written terms of reference to the Board Committees detailed below. Information of an appropriate quality is issued in a timely manner to assist the Board in performing its duties. New directors receive an appropriate induction tailored to their needs. All members of the Board have access to the advice and services of the Company Secretary and may take independent professional advice as appropriate at the expense of the Company.

At least one meeting of the Board each year is held at an operating division's offices and directors are encouraged to visit both divisional operations at other times, and to undertake such activities and training as is appropriate or may be required or desirable in order to carry out their duties.

Board Performance Evaluation

The Board is supportive of the principles and provisions of the Code on Board Performance Evaluation. It first undertook a rigorous process of performance evaluation of the whole Board and of its individual members in December 2004/January 2005, with the assistance of external consultants.

The Board's policy is to conduct performance evaluations internally on an annual basis, using external consultants to refresh the process every three to five years. It is envisaged that external consultants will next be used during 2009 to review the Board performance programme.

During 2007, the Senior Independent Director undertook a detailed and formal discussion with each member of the Board, reviewing performance and addressing any concerns they had relating to their performance, the Board's performance and to the composition of the Board and its Committees. The results of these discussions were then reviewed by the Board. In addition to this review, the non-executive directors held one meeting last year without the Chairman being present at which his performance was reviewed. They also held a meeting with the Chairman present at which the performance of the executive directors and the new structure was discussed.

Communication with Shareholders

The Board 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, as well as through presentations to institutional shareholders and the dissemination of information via the Group's website at www.johnmenziesplc.com, the Board seeks to present its strategy and performance in an objective and balanced manner.

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 Board Committees are also available to answer questions from any shareholder at the meeting. Full details of proxy votes cast on each resolution are made available to shareholders at the Meeting and, in keeping with best practice, are made available on the Company's website after the Meeting.

The Board receives reports at each of its meetings on any meetings held with shareholders or analysts. The Chairman and Senior Independent Director are also available for contact by shareholders at any time.

Board Committees

The Board has established committees with defined terms of reference. The Board's policy on the membership of its committees is that all non-executive directors should contribute, and to keep membership fresh one member of each committee be changed every two years.

The Nomination, Remuneration and Audit Committees each consist of three non-executive directors. The chairmen of the Audit and Remuneration Committees will be chosen from directors who are independent under the terms of the Code. It is the Board's intention that they will serve for three years. The inclusion of Dermot Jenkinson on the Remuneration and Nomination Committees and of Ian Harrison on the Audit Committee respectively does not comply with the Code, however they provide valuable experience from their knowledge of the Group's operations, and from their backgrounds in business.

The Board has also delegated operational and strategy implementation matters to the Operating Boards of Menzies Aviation and Menzies Distribution, both of which have two executive directors on them.

Nomination Committee

Composition:

Name	Position	Meetings attended in 2007
W R E Thomson	Chairman	1/1
D J Jenkinson	Member	1/1
D A Coltman	Member	1/1

The Nomination Committee has terms of reference modelled closely on those set out in the Code and its responsibilities include recommending new Board appointments and succession planning.

A copy of the terms of reference is available on the Company's website. The Board as a whole is responsible for making new appointments to the Board on the recommendation of the Nomination Committee and nominating recommended candidates for election by shareholders on first appointment and thereafter for re-election at relevant intervals.

During the year the Committee reviewed the structure, balance and composition of the Board and its committees and concluded that an additional independent non-executive director should be appointed in 2008.

Remuneration Committee

Composition:

Name	Position	Meetings attended in 2007
D A Coltman	Chairman	3/3
D J Jenkinson	Member	3/3
O K Morley	Member	3/3

The Report on Directors' Remuneration on pages 33 to 39 details the constitution and role of the Remuneration Committee, and how the principles of the Code relating to directors' remuneration have been applied.

Audit Committee

Composition:

Name	Position	Meetings attended in 2007
I S Robertson	Chairman	4/4
I C L Harrison	Member	4/4
O K Morley	Member	4/4

The Audit Committee assists the Board in the execution of its responsibilities for corporate governance and internal control, and has adopted terms of reference modelled closely on those set out in the Code. The Group Finance Director and certain senior financial executives as appropriate, together with representatives from the internal and external audit teams, attend each meeting.

A copy of the terms of reference is available on the Company's website.

The Committee has delegated authority from the Board for ensuring adherence to the Code provisions and related guidance concerning the following matters which it is responsible for:

- monitoring the integrity of the financial statements and reviewing significant accounting policies, judgements and estimates contained within them;
- reviewing the effectiveness of the internal control and risk management systems, including control over financial reporting;
- reviewing the effectiveness of the internal audit function, including the business risk programme;
- reviewing the Group's policies and practices concerning business conduct, ethics and integrity and on whistleblowing; and
- overseeing all aspects of the relationship with the external auditors, including their appointment, the audit process, the supply of non-audit services and monitoring their effectiveness and independence.

The Committee met four times in 2007 and a full report of its activities and of findings and recommendations from each meeting is given to the Board.

During the year, the Committee formally reviewed and approved (prior to the Board) draft annual and interim reports (including the statements on internal control and the work of the Committee), associated preliminary and interim results announcements and the two trading statements made by the Company. This aspect of its work focused on key accounting policies, estimates and judgements, including significant or unusual transactions or changes to these. In doing so the Committee reviewed the reports of management and the controls assurance (internal audit) provider and took into account the views of the external auditors.

The Committee also reviewed the Group's internal control structure, approved the scope of work of and fees for the controls assurance provider and debated whether the internal audit function should be brought in-house. It concluded that due to the complexity of the Group's business and the international nature of the aviation business, the internal audit function was best served by continuing to outsource to Deloitte & Touche LLP, given their global spread and resources.

Findings from the internal audit programme (on financial and key non-financial risks) and areas identified for improvement are reviewed by the Committee and prioritised for action by management. The Committee reviews follow-up reports from management to ensure that any weaknesses identified in internal audit reports submitted to it are fully addressed and that improved procedures are adopted.

The Committee also reviewed the work of management on updating the Group's Business Risk register, which involved assessing key risks at Group and divisional level according to their significance, likelihood and impact, as well as the Company's exposure to and management of these risks. After taking into account reports from the controls assurance provider, the Committee was satisfied that management had appropriate risk management strategies and systems in place to address these.

The Committee reviewed and approved the audit plan as well as the findings of the external auditors from its review of the interim announcement and its audit of the annual financial statements. It also assessed the effectiveness of the external auditors and of the audit process through meetings and interviews with management and key finance staff. As part of this, it keeps under review the objectivity and independence of the external auditors and the nature and extent of the non-audit services which they provide. These services consist mainly of acquisition-related due diligence, where their knowledge of the Group's business processes and controls makes them best placed to undertake this work cost-effectively on the Group's behalf.

The external auditors do not deal with the Group's tax affairs. The Committee believes that the level and scope of these non-audit services does not impair the objectivity of the auditors.

Divisional Operating Boards
The Operating Boards of both Menzies Aviation and Menzies Distribution consist of senior executives from within each division, together with the Divisional Executive Managing Director and the Group Finance Director. The Boards have responsibility for the day to day running of their division and the implementation of the strategy for their division agreed by the Group Board. They also retain responsibility for approving divisional performance targets consistent with the strategic objectives set by the Group Board, and monitoring achievement. The Operating Boards also have responsibility to make recommendations to the Group Board and to monitor major initiatives. Each Operating Board normally meets four times per year.

The three executive directors also meet prior to each Board meeting with the Chairman joining them as appropriate. The meetings provide a forum for sharing ideas and experiences from within the Operating Divisions. It also allows the common financial controls, managed at Group level, to be reviewed and discussed.

The composition of the Menzies Aviation Operating Board is shown on page 26 and the Menzies Distribution Operating Board is shown on page 27.

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, through the Board's review of risk and the work of the Audit Committee, have reviewed the effectiveness of the system of internal control for the accounting period under review and consider that it accords with revised guidance. There were no material weaknesses in the Group's system of internal control relating to financial control during the year. 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 and Procedures sets out the responsibilities of these Operating 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, both financial and non-financial (the latter including environmental, social and governance "ESG" risks), are reviewed by the Board as well as at Operating Board level on an ongoing basis, with a formal annual review of risks and controls taking place, supported by the Group's Controls Assurance provider.

The Divisional Operating Boards also review each division's performance, strategy and risk management. Annual 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, as well as to monitor and manage the Group's exposure to interest rate and currency movements. Further details on how the Board manages ESG risks in particular is given in the Corporate Social Responsibility report on pages 20 to 25.

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 material capital projects.

REPORT ON DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee ("the Committee") determines the remuneration of the Chairman and the executive directors on behalf of the Board. It has formal Terms of Reference set by the Board modelled on the Combined Code, which are displayed on the Company's website.

The Committee's membership is shown on page 30 and no change is proposed for 2008. David Coltman will continue to chair the Committee until the expiry of his three year term, subject to the requirement to retire by rotation. The Company Secretary is the secretary of the Committee. Paul Dollman, Group Finance Director, who also has responsibility for executive remuneration, attends meetings as appropriate. Research commissioned from Kepler Associates was used by the Committee in its determination of executive bonus payments and review of executive remuneration. Legal advice, from Maclay Murray & Spens LLP, was sought by the Committee during the year where it felt appropriate.

Members of the Committee have no personal financial interest (other than as shareholders) in the matters to be decided and no day-to-day involvement in the running of the business of the Group. The Board extended its review of its own performance to the performance of the Committee during the year. The Senior Independent Director held individual and confidential discussions with each member where they were invited to raise any concerns or issues that they felt needed addressing. No such matters were identified.

Annual General Meeting

A resolution to approve this report on Directors' Remuneration will be tabled at the AGM. The Chairman of the Committee will be available to answer questions from shareholders on the Report.

Remuneration Policy and Practice

The Group recognises that its continuing success depends on the quality and motivation of its employees. The Group aims to ensure that its remuneration practices are competitive, thereby enabling it to attract, retain and motivate executives who have the experience, skills and talents to operate and develop its businesses to their maximum potential.

The Committee applies these principles with regard to the executive directors and also reviews the policies underlying the remuneration of senior executives. Directors' salaries are maintained at competitive levels for comparable positions based on information provided by Kepler Associates reflecting, where appropriate, the international nature of the business. Additional rewards for success are built into the remuneration package through incentives designed to share with these directors any increasing profitability of the Group and increased wealth generated for shareholders. The Company introduced incentive arrangements to achieve this alignment in 2005 and 2007. In considering and determining suitable remuneration packages for the executive directors the Committee has given full consideration to the relevant best practice provisions set out in the Combined Code. The Committee also determines the extent to which all performance targets are met, using research findings as described above.

Basic Salary and Benefits

Salaries are reviewed annually, on appointment, or on change in position or responsibility. In addition to salary, the executive directors may receive additional benefits covering car allowance, private medical insurance and life cover. Craig Smyth and Ellis Watson who joined the Board during 2007 and Patrick Macdonald, who left the Group during 2007, also received a cash allowance in place of any pension entitlement above the 'earnings cap'. Paul Dollman has an unfunded pension undertaking from the Company to provide in total the same level of pension as if the 'earnings cap' did not apply.

Annual Bonus Scheme

The executive directors participate in a discretionary bonus scheme which is subject to the achievement of challenging Group and individual business and personal targets designed to encourage excellent performance. Bonus payments are non-pensionable.

The 2007 bonus scheme contained performance targets that were de-linked from budget and include threshold and stretch levels derived from a review of the historical and projected performance of the Group and its peers, together with an analysis of city analysts' expectations. The stretch level represents upper quartile performance. The calculation of bonus awards was

Annual Bonus Scheme (continued)
also de-linked from salary, with payment of £nil on achieving threshold for the executive directors, increasing on a straight line basis to a maximum payment of £150,000 for stretch performance. Up to 20% of any entitlement is dependent on the extent to which identified personal key result areas are achieved. Bonus awards for 2007 performance were paid to Paul Dollman (£127,000), Craig Smyth (£110,000) and Ellis Watson (£97,000).

Incentive Plan
Following the restructuring of the Board in 2007, and acknowledging the unique set of circumstances and extra responsibility placed upon the executive directors and the Divisional Operating Boards, the Company introduced a 2008 Incentive Plan. Designed to promote retention and stability during a period of change this one-off plan operates over a 1 year period which commenced on 1 January 2008 and runs concurrently with the Company's accounting year. Any award from the plan will be paid during 2009, based on the performance in 2008.

The performance conditions are based on the achievement of targeted Divisional Financial Results ("DFR"). The DFR are set at threshold and stretch level; at the stretch level, the performance target has been set by the Remuneration Committee as being suitable and challenging and as being equivalent to achieving upper quartile performance. For Menzies Distribution, the DFR are based on a combination of operating profit, reduction in operating costs and income from new revenue streams. For Menzies Aviation the DFR are based on the division's operating profit and for Group Executives the DFR are based on the Group's operating profit. As disclosure of these targets is commercially sensitive and could be interpreted as a profits forecast the Committee has decided that it will retrospectively disclose the targets in the year following the performance period, when any potential payout is made. A threshold performance will receive a payout of 25%, rising on a straight-line basis to a maximum payout at stretch level. The maximum potential payout under the plan is capped at £250,000.

Bonus Co-Investment Plan
Under the Bonus Co-Investment Plan executive directors may elect to invest up to 50% of their annual bonus in shares of the Company which qualify for an award of up to 2:1 matching shares dependent on achieving a performance target set prior to election.

The performance target for the Plan is for real 3%-8% per annum Earnings Per Share ("EPS") growth above the Group's EPS over a three year period, with the number of shares vesting being calculated on a straight-line basis from a nil award at 3% to a full award at 8%. Any dividends accrued on shares which vest are paid in cash on vesting. The John Menzies Employee Benefit Trust holds sufficient shares to cover any shares which may vest under the Bonus Co-Investment Plan.

The maximum number of matching shares possible are:

Bonus Co–Investment Plan	30/12/06	Granted during year	Market price of award	Lapsed during year	29/12/07
P B Dollman	16,375	3,296	515.5p	–	**19,671**
C A G Smyth	4,968	11,426	515.5p	–	**16,394**
E A Watson	–	1,144	515.5p	–	**1,144**
P J Macdonald	15,792	–	–	–	**15,792**
	37,135	**15,866**	**–**	**–**	**53,001**

The contents of this table have been audited.

An award of conditional matching shares was made during the year (subject to performance conditions as noted above) at a market price of 515.5p (2006: 530p). They will vest on the day on which the Company announces its preliminary results for the year to December 2009 (2006 share awards: December 2008, 2005 share awards: December 2007). The figures shown above are maximum entitlements and the actual number of shares which vest will depend on the performance conditions being achieved, as set out above.

Performance Share Plan
Executive directors may be awarded a number of conditional shares annually under the Performance Share Plan ("PSP") as determined by the Committee. The maximum number of conditional shares which may be awarded to any individual under the rules of the PSP in any year is 100,000. During the year, the only director to receive an award under the PSP was

Paul Dollman who received an award of 35,000 shares. This was an increase of 5,000 shares over the previous year, reflecting his additional responsibility for the Corporate Centre.

The shares awarded in 2007 will vest after three years if the Company's Total Shareholder Return ("TSR") is equal to or outperforms the FTSE 250 Index (the "Index") TSR for the three years to December 2009. The number of shares to vest will be based on the extent of any outperformance, with shares vesting on a straight-line basis up to 100% of the award for performance at 30% above the Index's TSR. Any dividends accrued on shares which vest are paid in cash on vesting.

The John Menzies Employee Benefit Trust holds sufficient shares to cover any shares which may vest under the PSP. The maximum number of shares which could vest under the PSP are:

Performance Share Plan	30/12/06 (or date of appointment)	Granted during year	Market price (pence)	Lapsed during year	29/12/07
P B Dollman	60,000	35,000	576.0	–	**95,000**
C A G Smyth	60,000	–	–	–	**60,000**
E A Watson	72,500	–	–	–	**72,500**
P J Macdonald	90,000	–	–	–	**90,000**
	282,500	**35,000**	**–**	**–**	**317,500**

The contents of this table have been audited.

An award of conditional shares was made during the year (subject to performance conditions as noted above) at a market price of 576.0p (2006: 530p). These will vest on the day on which the Company announces its preliminary results for the year to December 2009 (2006 share awards: December 2008, 2005 share awards: December 2007). The figures shown above are maximum entitlements and the actual number of shares which vest will depend on the performance conditions being achieved, as set out above.

Divisional Performance Share Plan

At the Annual General Meeting in 2007 the Divisional Performance Share Plan ("DPSP") as recommended by the Committee was approved. It was felt by the Board that the Company's existing incentive schemes did not operate as well as was intended in motivating directors responsible for the Operating Divisions, and on the Committee's recommendation, the Company adopted the 2007 Divisional Performance Share Plan, to augment the Company's existing share incentive plans as part of the Company's policy of ensuring that its remuneration practices remain competitive.

The DPSP is the same in practically all respects as the PSP, except that the performance conditions are based on the achievement of targeted Divisional Financial Results ("DFR"), rather than Total Shareholder Return. The DFR are set at threshold and stretch level; at the stretch level, the performance target has been externally verified by Kepler Associates as being equivalent to achieving upper quartile performance. For Menzies Distribution, the DFR are based on operating profit, reduction in operating costs and income from new revenue streams, and for Menzies Aviation the DFR are based on operating profit.

The John Menzies Employee Benefit Trust holds sufficient shares to cover any shares which may vest under this Plan. The maximum number of shares which could vest under the DPSP are:

Divisional Performance Share Plan	30/12/06 (or date of appointment)	Granted during year	Market price (pence)	Lapsed during year	29/12/07
C A G Smyth	–	35,000	576.0	–	**35,000**
E A N Watson	–	35,000	576.0	–	**35,000**
	–	**70,000**	**–**	**–**	**70,000**

The contents of this table have been audited.

Divisional Performance Share Plan (continued)

An award of conditional shares was made during the year (subject to performance conditions as noted above) at a market price of 576.0p. These will vest on the day which the Company announces its preliminary results for the year to December 2009. The figures shown above are maximum entitlements and the actual number of shares which vest will depend on the performance conditions being achieved, as set out above.

When the DPSP was proposed to shareholders at the 2007 Annual General Meeting it was the Committee's stated intention that no individual would receive an award from both the PSP and DPSP in any given year.

However, on reflection and after reviewing feedback from shareholders, the Committee has decided that an award split between the two schemes would be appropriate.

The performance criteria set within the PSP is measured against Total Shareholder Return (TSR) and therefore aligns each divisional director to the performance of the Group while the performance criteria within the DPSP is set against future divisional profitability and remains appropriate given the structure of the Group and to incentivise each divisional managing director. It is therefore the intention of the Committee to split the overall award of any future awards to each divisional managing director equally between the two schemes.

For the avoidance of doubt under no circumstances will any individual receive combined awards of more than 100,000 conditional shares (the stated annual maximum for each participant in each scheme) in any one year as a result of awards under both schemes.

Share Options

Executive Share Option Scheme

Prior to the introduction of the above share schemes, share options were granted to each executive director normally on an annual basis at a level of one times salary. All grants were discretionary, and awards could be varied depending on specific circumstances. Paul Dollman was granted options at three times salary in 2002, reflecting market conditions at the time of his recruitment, and an award of one times salary in 2004. These awards were subject to EPS-based performance conditions which have now been fully met. The cost to the Company is shown in Note 20 to the accounts.

Executive Share Option Scheme	30/12/06 (or date of appointment)	Granted during year	Exercised during year	Market price at date of exercise (pence)	Lapsed during year	29/12/07	Exercise price (pence)	Date exercisable from	Expiry date
P B Dollman	205,166	–	9,118	576	–	**196,048**	329	08/11/2005	07/11/2012
	58,714	–	–	–	–	**58,714**	418	07/05/2007	06/05/2014
C A G Smyth	2,500	–	2,500	518.5	–	**–**	461	21/02/2000	20/02/2007
	7,500	–	–	–	–	**7,500**	492	07/04/2001	06/04/2008
	5,000	–	–	–	–	**5,000**	348	18/02/2002	17/02/2009
	5,000	–	–	–	–	**5,000**	391	28/01/2003	27/01/2010
	43,062	–	–	–	–	**43,062**	418	07/05/2007	06/05/2014
P J Macdonald	360,577	–	9,615	523.75	–	**200,962**	312	13/05/2006	31/03/2008
	–	–	50,000	541	–	**–**	–	–	–
	–	–	100,000	550	–	**–**	–	–	–
	97,856	–	97,856	541	–	**–**	418	07/05/2007	31/03/2008

The contents of this table have been audited.

The options are exercisable on a sliding scale if growth in underlying earnings per share exceeds RPI plus 3%-8% per annum in the three years from grant, adjusted to normalise pension and tax charges. The performance conditions attaching to these options have been met in full.

Savings Related Share Option Scheme

The Company operates a HM Revenue & Customs approved Savings Related Share Option Scheme (the "SAYE Scheme") available to all UK based employees in the Group, including executive directors. As currently worded, no further options can be granted under the SAYE Scheme after 8 September 2008. The Company believes that the SAYE Scheme is an important tool in the motivation and retention of staff, and it is proposed that a resolution be put to the Annual General Meeting in 2008 to continue the SAYE Scheme indefinitely. Further details of the SAYE Scheme are set out on page 71. The cost to the Company is shown in Note 20 to the accounts.

The interests of the directors in the SAYE Scheme are set out below:

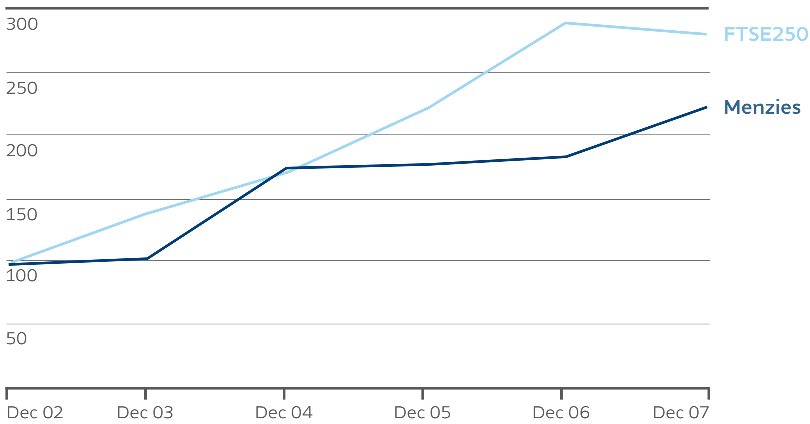
Savings Related Share Option Scheme	30/12/06 (or date of appointment)	Granted during year	Exercised during year	Lapsed during year	29/12/07	Exercise price (pence)	Market price at date of exercise (pence)	Date exercisable from	Expiry date
P B Dollman	78	–	78	–	**–**	388	545	01/12/2007	01/06/2008
	1,561	–	–	–	**1,561**	467	–	01/12/2008	01/06/2009
	510	–	–	–	**510**	348	–	01/12/2009	01/06/2010
	–	67	–	–	**67**	452	–	01/12/2010	01/06/2011
C A G Smyth	–	2,123	–	–	**2,123**	452	–	01/12/2010	01/06/2011
P J Macdonald	410	–	410	–	**–**	388	546.5	31/03/2007	30/09/2007

The contents of this table have been audited.

Service Contracts
The executive directors have service contracts with the Company, the dates of which are listed in the Directors Emoluments table below. The Group's practice on notice periods is that they should be for a period of 12 months' notice, with any termination payment restricted to the actual loss incurred by the director. All executive directors who served during the year have or had service contracts on this basis. The 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.

Non-executive Directors
The Chairman and each of the non-executive directors have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and the directors can be removed in accordance with the company's Articles of Association. The Chairman and all non-executive directors are subject to re-election by shareholders at least every three years, with the exception of any director whose appointment exceeds nine years, in which case there is a requirement for annual re-election.

Performance Graph
The following graph compares the Company's total shareholder return for the five years to December 2007 with the equivalent performance of the FTSE 250 Index. The directors consider that, given the scale and global spread of the businesses within the Group, the most appropriate comparison is with this index.



REPORT ON DIRECTORS' REMUNERATION (CONTINUED)

THE FOLLOWING SECTIONS OF THIS REPORT HAVE BEEN AUDITED

Directors' Emoluments

Directors' emoluments for the year to 29 December 2007 (30 December 2006) were:

	Date of appointment (a)	Salary/Fees 2007 £'000	Salary/Fees 2006 £'000	Benefits 2007 £'000	Benefits 2006 £'000	Bonus 2007 £'000	Bonus 2006 £'000	Compensation for loss of office 2007 £'000	Compensation for loss of office 2006 £'000	Total 2007 £'000	Total 2006 £'000
Chairman											
W R E Thomson	24/05/2007	**151**	122	**–**	–	**–**	–	**–**	–	**151**	122
Executive Directors											
P B Dollman	08/08/2002	**294**	257	**13**	17	**127**	29	**–**	–	**434**	303
C A G Smyth	20/03/2007	**211**	–	**39**	–	**110**	–	**–**	–	**360**	–
E A N Watson	20/03/2007	**237**	–	**42**	–	**97**	–	**–**	–	**376**	–
P J Macdonald (up to resignation on 20/03/2007)	25/08/2002	**108**	371	**4**	80	**33**	41	**447**	–	**592**	492
Non-executive Directors											
D J Jenkinson	24/05/2007	**33**	31	**–**	–	**–**	–	**–**	–	**33**	31
I C L Harrison	24/05/2007	**33**	33	**–**	–	**–**	–	**–**	–	**33**	33
D A Coltman	24/05/2007	**51**	49	**–**	–	**–**	–	**–**	–	**51**	49
I S Robertson	28/04/2005	**37**	36	**–**	–	**–**	–	**–**	–	**37**	36
O K Morley	25/05/2006	**33**	23	**–**	–	**–**	–	**–**	–	**33**	23
M J Walker (retired 25/05/2006)		**–**	13	**–**	–	**–**	–	**–**	–	**–**	13
		1,188	935	**98**	97	**367**	70	**447**	–	**2,100**	1,102

Notes

(a) For executive directors, this is the date of their service contract, and for non-executive directors, the date of appointment or latest date of re-election to the Board.

(b) Provision of pension benefits under the Group's approved pension arrangements is restricted as a consequence of the Finance Act 1989 (the 'earnings cap').

External Appointments

During the year, no executive directors had any external non-executive directorships or received fees. Prior to accepting an invitation to become a non-executive director of another company, an executive director must receive approval from the Chairman. This approval will not be denied where the Chairman is confident that the appointment will not interfere in any way with the director's ability to perform his duties for the Company. Executive directors are entitled to retain any fees received under these appointments. Subsequent to the year end, Paul Dollman accepted an external non-executive appointment with Scottish Amicable Life Association Society.

Payments to Outgoing Directors

Patrick Macdonald

Patrick Macdonald stepped down from the Board on 20 March 2007. Based on his service contract, he received on his departure the following:

- One year's base salary, car allowance and pension benefit above the earnings cap (£447,143);
- He retained the right to receive the bonus payable with regards to the financial year ended 30 December 2006;
- He retained his entitlement to 25% of the bonus that would otherwise be payable in respect of the bonus year 2007, such payment to be determined in line with normal practice in 2008;
- He retained his entitlement to interests in the Executive Share Option Plan (exercisable within 12 months of his departure date) and the Save As You Earn Scheme (exercisable within 6 months of his departure date); and
- In accordance with the rules of the schemes, he retained a pro-rated interest in the Bonus Co-Investment Plan and the Performance Share Plan. His interests in both these schemes are detailed above.

Share Price

The market price for shares in John Menzies plc ranged from 486p to 594p during the 2007 financial year and was 570p at 29 December 2007.

Pensions

Scheme Benefits

The executive directors are members of the Menzies Pension Fund, a contributory defined benefit scheme which provides pension on retirement at age 60 of up to two-thirds of pensionable earnings, or the 'earnings cap' if lower, together with additional benefits as detailed below. Pensionable earnings are based on salary excluding bonuses.

Unfunded Arrangement

The pensionable salary of Paul Dollman is restricted as a consequence of the 'earnings cap'. He has an unfunded pension undertaking from the Company to provide in total the same level of pension as if the 'earnings cap' did not apply. This entitlement is effective from his date of appointment as a director. In the case of Craig Smyth and Ellis Watson they both receive a cash payment equal to 20% of their respective salaries above the earnings cap which is included in other benefits. Pension details are as follows:

				Transfer Value (b, c)		
Name	Age	Increase in accrued pension during year £'000 pa	Total pension entitlement at 29/12/07 (a) £'000 pa	29/12/07 £'000	30/12/06 £'000	Increase excluding members' contributions £'000
P B Dollman [d]	51	12	**49**	665	406	238
C A G Smyth [f]	40	4	**31**	260	189	62
E A N Watson [f]	40	n/a	**n/a**	68 [h]	37 [h]	25
P J Macdonald [g]	45	5	**20**	220	128	90

Notes

(a) Accrued pension entitlements are the amounts which would be paid at normal retirement date if the director left service as at 29 December 2007, with no allowances for increases in the period between leaving service and normal retirement date. The entitlements disclosed above include unfunded benefits.

(b) Transfer values represent the value of the assets which the pension scheme (together with the Company where appropriate) would need to transfer to another pension provider on transferring its liability in respect of the directors' pension entitlements. They do not represent sums payable to individual directors.

(c) Transfer values have been calculated in accordance with 'Retirement Benefit Schemes (GN 11)' published by the Institute of Actuaries and the Faculty of Actuaries. This methodology determines the values attributable to the deferred pensions for younger members by reference mainly to the UK All-Share Index and for members nearing normal retirement date mainly to the Gilts Over 15 Years Index and the Index-linked Over 5 Years (5% inflation) Index.

(d) The unfunded transfer value at 29 December 2007 relating to P B Dollman, calculated on a cash equivalent transfer value basis, totalled £409,900.

(e) The total of the transfer values for unfunded pension entitlements as above, held on the Company's balance sheet at 29 December 2007 for current and former directors, calculated on an IAS 19 basis, totalled £810,105 (2006: £710,114), from which an annual pension of £16,982 (2006: £15,915 p.a.) is paid to former directors.

(f) C A G Smyth and E A N Watson joined the Board of directors on the 20 March 2007. Movements in transfer values are for the whole year rather than from the date they became directors.

(g) P J Macdonald left the Board on 20 March 2007. His figures are based on service to and pension accrued as at that date.

(h) These are fund values as E A N Watson is a member of the Defined Contribution Fund.

By order of the Board
J F A GEDDES
SECRETARY
10 March 2008

DIRECTORS' REPORT

Principal Activities and Results
The principal activities of the Company and its subsidiaries ("the Group") are the provision of ground and cargo handling services at airports and the wholesale distribution of newspapers and magazines.

Business Review
The Company is required to produce a statutory business review of Group operations. A review of the Group's business performance, developments during the year and its position at the year end for the 52 weeks to 29 December 2007 is contained on pages 4 to 19. The review incorporates a commentary on likely future developments, and on principal risks and uncertainties. A separate review summarising the Group's approach to employee, health and safety, and community and environmental matters is contained in the Corporate Social Responsibility report on pages 20 to 25.

Directors and their Interests
The directors who served during the year and at the date of this report are shown below. The directors as at the end of the financial year, and their biographies, are shown on pages 26 and 27. Their interests in the ordinary shares of the Company were as follows:

		29 December 2007	**30 December 2006 (or date of appointment)**
W R E Thomson	Beneficial	**4,000**	4,000
P B Dollman	Beneficial	**25,467**	14,623
C A G Smyth (appointed 20.03.07)	Beneficial	**18,720**	13,007
E A N Watson (appointed 20.03.07)	Beneficial	**572**	–
D J Jenkinson	Beneficial	**2,098,360**	2,098,360
	Non-Beneficial	**3,570,360**	3,570,360
	See note	**2,514,885**	2,514,885
I C L Harrison	Beneficial	**2,122,832**	2,122,832
	See note	**2,514,885**	2,514,885
D A Coltman	Beneficial	**35,000**	15,000
O K Morley	Beneficial	**–**	–
I S Robertson	Beneficial	**20,000**	20,000
P J Macdonald (resigned 20.03.07)	Beneficial	**n/a**	21,578

Note: These holdings are joint beneficial interests.

In addition to the above holdings, William Thomson and Iain Robertson, as directors of a subsidiary which is a trustee of employee benefit trusts in which they have no beneficial interest, have non-beneficial interests in 418,361 shares.

There have been no subsequent changes to these interests as at 10 March 2008.

No director had any material interest in any contract, other than a service contract as set out on page 37.

Under the Company's Articles of Association, a third of the directors, or a number nearest to a third, must retire by rotation. Additionally, the Combined Code requires non-executive directors serving for more than 9 years to offer themselves up for annual re-election. The directors who retire and, being eligible, offer themselves for re-election at the Annual General Meeting ("AGM") are William Thomson, Paul Dollman, Dermot Jenkinson, Ian Harrison and Iain Robertson.

All five directors have undergone a formal performance evaluation and the performance of each continues to be effective and to demonstrate commitment to their role including commitment of time for Board and Committee meetings and their other duties. William Thomson, who is Chairman, has extensive leadership skills and experience, and provides highly valued advice and support to the executive management team. Paul Dollman has been group finance director since October 2002, and has successfully guided the financial performance of the Group during a period of sustained growth in Menzies Aviation and change in Menzies Distribution.

Dermot Jenkinson contributes from his breadth of experience gained from his knowledge of the Company and through a wide range of executive management roles. Ian Harrison provides counsel and support to the Board and brings particular skills relating to pension investment and currency management. The latter two also represent the interests of the Menzies family, who collectively are our major shareholder. Iain Robertson has substantial experience in large, multinational financial companies, and brings guidance and experience to the Board.

The Board recommends to shareholders the re-election of William Thomson, Paul Dollman, Dermot Jenkinson, Ian Harrison and Iain Robertson.

Directors' and Officers' Liability Insurance
The Company maintains liability insurance for the directors and officers of the Company and its subsidiaries. No director or officer was in receipt of any indemnity from the Company during the year.

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 as at 10 March 2008.

	Number of shares	Percentage of Issued Capital
D C Thomson & Co Ltd	5,190,000	8.64%
The Estate of the late Mr J M Menzies	4,189,650	6.97%
Audley Capital Management Ltd	3,488,674	5.81%
Ameriprise Financial Inc and its group (Threadneedle Asset Management Ltd)	2,807,300	4.67%
Legal & General Investment Management	2,784,973	4.63%
Aberdeen Asset Managers	2,769,418	4.61%
Mr D F Ramsay	2,589,878	4.31%
Mrs S J Speke	2,039,920	3.39%
Mrs K P Slater	1,981,552	3.30%

Share Incentive Schemes
The Company operates various share incentive schemes for its directors, information on which is shown in the Report on Directors' Remuneration. It also operates share incentive schemes for its executives, and a Savings Related Share Option Scheme for its UK employees, details on which are set out in Note 20 to the Accounts on pages 70 to 74.

Dividends
The directors recommend the payment of a final dividend of 18.4p per ordinary share, payable on 27 June 2008 to shareholders on the Register as at the close of business on 30 May 2008. The shares will be quoted as ex-dividend on 28 May 2008.

This final dividend, together with the interim dividend of 7.2p per ordinary share paid on 30 November 2007, makes a total dividend of 25.6p per ordinary share for the year ended 29 December 2007.

Directors' Responsibilities and Going Concern
The directors are required by law to prepare financial statements for each financial year 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 year and of the profit or loss and cash flows of the Group for the financial year then ended. In preparing the financial statements the directors are required to:

- maintain adequate accounting records;
- apply suitable accounting policies in a consistent manner and make reasonable and prudent judgments and estimates where necessary;

Directors' Responsibilities and Going Concern (continued)

- comply with the provisions of the Companies Act 1985 and International Financial Reporting Standards as adopted by the European Union; and
- prepare the financial statements on a going concern basis.

The directors are satisfied that, after making appropriate enquiries, 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 financial statements.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to and re-appointment of Auditors

The directors have confirmed that they are confident that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have confirmed that they have taken all steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the Board to set their remuneration will be proposed at the Annual General Meeting.

Supplier Payment Policy

The Group does not operate a standard code in respect of payments to suppliers. Each 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. At the year end, the amount owed to trade creditors by the Group was equivalent to 37.4 days (2006: 32.8 days) of purchases from suppliers.

Significant Agreements – change of control

The Company's divisions, Menzies Aviation and Menzies Distribution, have agreements in place with suppliers and customers, some of which contain change of control clauses giving rights to these suppliers and customers on a takeover bid for the Company. A change of control of the Company following a takeover bid may cause a number of other agreements to which the Company or its subsidiaries are party, such as banking arrangements, property leases and licence agreements to take effect, alter or terminate. In addition, the directors' service agreements and employee share plans would be similarly affected on a change of control.

Donations

It is the Company's policy not to make political donations and no political donations were made during the year (2006: £nil). Details of charitable donations made by the Group are contained in the Corporate Social Responsibility report on page 25. The total amount donated in 2007 was £86,000 (2006: £112,000).

Annual General Meeting

The Notice of Meeting and explanations of the Special Business to be transacted at the Annual General Meeting which will be held on 22 May 2008 at the Roxburghe Hotel, Edinburgh can be found on pages 85 to 87 of this Annual Report.

By order of the Board
J F A GEDDES
SECRETARY
10 March 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHN MENZIES PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of John Menzies plc for the year ended 29 December 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, 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 form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Business Review, the Corporate Governance Statement, the Directors' Report and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHN MENZIES PLC (CONTINUED)

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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 29 December 2007 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 29 December 2007 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
Edinburgh
10 March 2008

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 29 DECEMBER 2007 (YEAR ENDED 30 DECEMBER 2006)

	Notes	2007 £m	2006 £m
Revenue	2	**1,541.1**	1,450.4
Net operating costs	3	**(1,507.9)**	(1,416.4)
Operating profit	2	**33.2**	34.0
Share of post–tax results of joint ventures and associates		**3.4**	2.7
Operating profit after joint ventures and associates	2	**36.6**	36.7
Analysed as:			
Underlying operating profit		**41.0**	36.9
Exceptional items	5	**0.1**	3.0
Intangible amortisation	5	**(2.8)**	(2.2)
Share of interest and tax on joint ventures and associates		**(1.7)**	(1.0)
Operating profit after joint ventures and associates		**36.6**	36.7
Finance income	7	**17.3**	15.6
Finance charges	7	**(22.1)**	(16.7)
Profit before taxation		**31.8**	35.6
Taxation	8	**(5.7)**	(8.4)
Profit for the year		**26.1**	27.2
Attributable to equity shareholders		**26.0**	27.0
Attributable to minority interests		**0.1**	0.2
		26.1	27.2
Earnings per ordinary share	10		
Basic		**44.2p**	46.4p
Diluted		**44.0p**	46.1p

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 29 DECEMBER 2007 (YEAR ENDED 30 DECEMBER 2006)

	Notes	2007 £m	2006 £m
Profit for the year		**26.1**	27.2
Actuarial (loss)/gain on defined benefit pensions	4	**(3.2)**	23.4
Deferred tax associated with defined benefit pensions		**1.0**	(7.0)
Net exchange adjustments		**2.4**	(1.7)
Net gains recognised directly in equity		**0.2**	14.7
Total recognised income for the year		**26.3**	41.9
Attributable to equity shareholders		**26.2**	41.7
Attributable to minority interests		**0.1**	0.2
		26.3	41.9

The parent Company Statement of Recognised Income and Expense includes the loss for the year of £5.6m (2006: profit of £31.1m) and a net actuarial loss on defined benefit pensions of £2.2m (2006: gain of £16.4m). There are no minority interests in the parent Company.

GROUP AND COMPANY BALANCE SHEETS
AS AT 29 DECEMBER 2007 (30 DECEMBER 2006)

	Notes	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Assets					
Non-current assets					
Intangible assets	11	**78.6**	59.0	**–**	–
Property, plant and equipment	12	**146.9**	133.3	**38.2**	39.0
Investments	13	**34.8**	18.9	**236.7**	99.8
Derivative financial assets	16	**–**	0.3	**–**	0.3
Deferred tax assets	19	**4.1**	3.8	**–**	–
Retirement benefit obligations	4	**9.5**	5.4	**9.5**	5.4
		273.9	220.7	**284.4**	144.5
Current assets					
Inventories		**12.4**	12.0	**–**	–
Trade and other receivables	14	**142.2**	110.8	**101.7**	152.6
Derivative financial assets	16	**0.6**	1.5	**0.6**	1.5
Cash and cash equivalents		**22.9**	18.8	**1.9**	0.5
		178.1	143.1	**104.2**	154.6
Liabilities					
Current liabilities					
Borrowings	16	**(7.8)**	(8.8)	**(6.8)**	(4.9)
Derivative financial liabilities	16	**(2.9)**	(0.4)	**(2.9)**	(0.4)
Trade and other payables	15	**(188.9)**	(153.1)	**(163.1)**	(94.3)
Current income tax liabilities		**(8.7)**	(9.8)	**–**	(3.0)
		(208.3)	(172.1)	**(172.8)**	(102.6)
Net current (liabilities)/assets		**(30.2)**	(29.0)	**(68.6)**	52.0
Total assets less current liabilities		**243.7**	191.7	**215.8**	196.5
Non-current liabilities					
Borrowings	16	**(124.0)**	(88.3)	**(124.0)**	(88.2)
Other payables	15	**(0.5)**	(0.9)	**–**	–
Derivative financial liabilities	16	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Provisions	19	**(5.1)**	(7.0)	**–**	–
Deferred tax liabilities	19	**(5.6)**	(3.2)	**(3.8)**	(2.4)
		(135.3)	(99.5)	**(127.9)**	(90.7)
Net assets		**108.4**	92.2	**87.9**	105.8
Shareholders' equity					
Ordinary shares	20	**15.0**	14.8	**15.0**	14.8
Share premium account	21	**15.1**	12.6	**15.1**	12.6
Investment in own shares	21	**(3.4)**	(3.5)	**–**	–
Retained earnings	21	**60.1**	46.3	**36.2**	56.8
Capital redemption reserve	21	**21.6**	21.6	**21.6**	21.6
Total shareholders' equity		**108.4**	91.8	**87.9**	105.8
Minority interest in equity	22	**–**	0.4	**–**	–
Total equity		**108.4**	92.2	**87.9**	105.8

The accounts were approved by the Board of Directors on 10 March 2008 and signed on its behalf by:
WILLIAM THOMSON, Chairman **PAUL DOLLMAN, Group Finance Director**

GROUP AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 29 DECEMBER 2007 (YEAR ENDED 30 DECEMBER 2006)

	Notes	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Cash flows from operating activities					
Cash generated from operations	23	**48.5**	29.7	**(10.5)**	(14.5)
Interest received		**2.4**	2.1	**0.9**	1.7
Interest paid		**(10.0)**	(5.5)	**(7.3)**	(5.4)
Tax paid		**(2.9)**	(8.5)	**(0.2)**	(3.3)
Net cash from operating activities		**38.0**	17.8	**(17.1)**	(21.5)
Cash flows from investing activities					
Investment in joint ventures and associates		**(13.8)**	–	**–**	–
Loan repaid by joint venture		**0.1**	0.1	**–**	–
Disposal of investments		**0.2**	–	**–**	–
Acquisition of subsidiaries		**(16.8)**	(38.1)	**–**	–
Net cash acquired with subsidiaries	25	**1.9**	1.1	**–**	–
Purchase of property, plant and equipment		**(32.0)**	(25.4)	**(0.2)**	–
Intangible asset additions		**(3.0)**	(0.5)	**–**	–
Acquisition of minority interest		**(0.4)**	–	**–**	–
Proceeds from sale of property, plant and equipment		**0.7**	1.1	**–**	–
Dividends received		**4.0**	4.1	**–**	–
Net cash used in investing activities		**(59.1)**	(57.6)	**(0.2)**	–
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		**2.7**	1.8	**2.7**	1.8
Finance lease additions		**–**	0.1	**–**	–
Repayment of borrowings	24	**–**	(15.3)	**–**	(15.2)
Proceeds from borrowings	24	**40.0**	58.9	**40.0**	58.9
Dividends paid to ordinary shareholders		**(12.8)**	(11.6)	**(12.8)**	(11.6)
Dividends paid to minority interests		**(0.1)**	(0.1)	**–**	–
Amounts provided to subsidiaries		**–**	–	**(9.5)**	(20.2)
Net cash from financing activities		**29.8**	33.8	**20.4**	13.7
Increase/(decrease) in net cash and cash equivalents	24	**8.7**	(6.0)	**3.1**	(7.8)
Effects of exchange rate movements		**(0.2)**	(0.2)	**(0.2)**	(0.2)
Opening net cash and cash equivalents		**12.5**	18.7	**(2.1)**	5.9
Closing net cash and cash equivalents*	24	**21.0**	12.5	**0.8**	(2.1)

*Net cash and cash equivalents include cash at bank and in-hand and bank overdrafts.

NOTES TO THE ACCOUNTS

1. Accounting policies

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been adopted early:

IFRS 7 – 'Financial Instruments: Disclosures' and IAS 1 'Presentation of Financial Statements – Capital Disclosures', both effective for annual periods beginning on or after 1 January 2007. The Group has assessed the impact of IFRS 7 and the amendment to IAS 1, and will apply IFRS 7 and the amendment to IAS 1 for annual periods beginning 30 December 2007. These Standards are for disclosure purposes only and will have no impact on reported results.

IFRS 8 – 'Operating segments' is effective for annual periods beginning on or after 1 January 2009.

IFRIC 10 – 'Interim financial reporting and impairment' prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard will have no impact on reported results.

IFRIC 11, IFRS 2 – 'Group and treasury share transactions' is effective for annual periods beginning on or after 1 March 2007.

IFRIC 14, IAS 19 – 'The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective for annual periods beginning on or after 1 January 2008. This standard will have no impact on reported results.

Amendment to IAS 23 – 'Borrowing costs' is effective for annual periods beginning on or after 1 January 2009. The impact of this amendment will be the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

In accordance with Section 230 of the Companies Act 1985 no income statement is presented for the Company.

Basis of consolidation
The consolidated accounts, which have been prepared under the historical cost convention and in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS, incorporate the accounts of the Company and its subsidiaries, joint ventures and associates from the effective date of acquisition or to the date of deemed disposal.

Joint ventures and associates
A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other venturers under a contractual agreement.

An associate is an undertaking, not being a subsidiary or joint venture, over which the Group has significant influence and can participate in the financial and operating policy decisions of the entity.

The Group's share of the results of joint ventures and associates is included in the Group Income Statement using the equity method of accounting. Investments in joint ventures and associates are carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

Revenue
Distribution – revenue is recognised on the weekly invoiced value of goods sold, excluding value-added tax.

Aviation – cargo revenue is recognised at the point of departure for exports and at the point that the goods are ready for dispatch for imports. Other ramp, passenger and aviation-related services income is recognised in accordance with when the service was performed. Revenue excludes value-added and sales taxes, charges collected on behalf of customers and intercompany transactions.

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

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

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

Pensions

The operating and financing costs of pensions are charged to the income statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of recognised income and expense.

Pension costs are assessed in accordance with the advice of qualified actuaries.

With regard to defined contribution schemes, the income statement charge represents contributions made.

Taxation

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

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

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

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill acquired is recognised as an asset and reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Any impairment is recognised immediately in the income statement.

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

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

Contracts

The fair value attributed to contracts at the point of acquisition is determined by discounting the expected future cash flows to be generated from that asset at the risk-adjusted weighted average cost of capital for the Group. This amount is included in intangible assets as "contracts" and amortised over the estimated useful life on a straight-line basis. Separate values are not attributed to internally-generated customer relationships.

Contract amortisation is business-stream dependent. At Distribution, contracts capitalised are not amortised due to the very long-term nature of the business in the UK. These contracts are, however, tested annually for impairment using similar criteria to the goodwill test. At Aviation, contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition.

1. Accounting policies (continued)

Development costs

Development expenditure incurred on individual projects is carried forward only if all the criteria set out in IAS 38 'Intangible assets' are met. Following the initial recognition of development expenditure, the cost is amortised over the project's estimated useful life, usually three to five years.

Computer software

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

Leases

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

Assets acquired under finance leases are capitalised in the balance sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recorded in the balance sheet as a finance lease obligation. The lease payments are apportioned between finance charges (charged to the income statement) and a reduction of the lease obligations.

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

Cash and cash equivalents

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

Foreign currencies

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

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

Derivative financial instruments and hedging activities

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

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

In all cases, the derivative contracts entered into by the Group have been highly effective during the reporting period and are expected to continue to be highly effective until they expire. As a result, all derivatives have been recorded using hedge accounting, which is explained below.

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

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

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

Any ineffective portion of movements in the fair value of hedging instruments is recognised in the income statement within finance costs.

Critical accounting estimates and judgements
The Group makes estimates and assumptions concerning the future. These estimates will, by definition, seldom equal the related actual results. The Board has considered the critical accounting estimates and assumptions used in the Accounts and concluded the main area of significant risk which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year is in respect of the assumptions used to calculate pension benefits. The assumptions include corporate bond yields, investment return, price and salary inflation and mortality assumptions. Full details of assumptions used to calculate the pension assets and liabilities are found in Note 4.

Exceptional items
Exceptional items are those one-off and/or material items which the Group considers should be highlighted due to their scope and nature.

Dividend distributions
Final ordinary dividends are recognised as liabilities in the Accounts in the period in which the dividends are approved by the Company's shareholders.

Financial risk factors
The Group is exposed to financial risks: liquidity risk, interest rate fluctuations, foreign exchange exposures and credit risk. These are more fully discussed in the Business Review on pages 4 to 19.

2. Segmental analysis

Primary business segments 2007	Distribution £m	Aviation £m	Corporate £m	Group £m
Revenue	1,147.3	393.8	–	**1,541.1**
Operating profit/(loss)	25.2	13.4	(5.4)	**33.2**
Share of post-tax results of joint ventures	0.4	1.2	–	**1.6**
Share of post-tax results of associates	–	1.8	–	**1.8**
Operating profit/(loss) after joint ventures and associates	25.6	16.4	(5.4)	**36.6**
Analysed as:				
Underlying operating profit/(loss) *	23.4	20.6	(3.0)	**41.0**
Net gain on exchange of businesses	2.5	–	–	**2.5**
Dilapidations settlement on onerous lease	–	–	(2.4)	**(2.4)**
Contract amortisation (Note 11)	–	(1.0)	–	**(1.0)**
Goodwill impairment (Note 13)	–	(1.8)	–	**(1.8)**
Share of interest on joint ventures and associates	(0.1)	(0.2)	–	**(0.3)**
Share of tax on joint ventures and associates	(0.2)	(1.2)	–	**(1.4)**
Operating profit/(loss) after joint ventures and associates	25.6	16.4	(5.4)	**36.6**

2006	£m	£m	£m	£m
Revenue	1,132.0	318.4	–	1,450.4
Operating profit/(loss)	28.0	8.9	(2.9)	34.0
Share of post-tax results of joint ventures	–	1.0	–	1.0
Share of post-tax results of associates	–	1.7	–	1.7
Operating profit/(loss) after joint ventures and associates	28.0	11.6	(2.9)	36.7
Analysed as:				
Underlying operating profit/(loss) *	23.7	16.6	(3.4)	36.9
Pension credit	4.0	1.3	0.5	5.8
Gain on exchange of contract rights	2.5	–	–	2.5
Rationalisation and integration costs	(2.2)	(3.1)	–	(5.3)
Contract amortisation (Note 11)	–	(0.4)	–	(0.4)
Goodwill impairment (Note 13)	–	(1.8)	–	(1.8)
Share of tax on joint ventures and associates	–	(1.0)	–	(1.0)
Operating profit/(loss) after joint ventures and associates	28.0	11.6	(2.9)	36.7

*Underlying operating profit/(loss) is defined as operating profit/(loss) excluding intangible amortisation as shown in Note 5(b) and exceptional items but including the pre-tax share of results from joint ventures and associates.

2007	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	164.8	246.4	4.3	**415.5**
Unallocated assets				**36.5**
Total assets				**452.0**
Segment liabilities	(109.9)	(66.3)	(21.3)	**(197.5)**
Unallocated liabilities				**(146.1)**
Total liabilities				**(343.6)**
Segment net assets/(liabilities)	54.9	180.1	(17.0)	**218.0**
Unallocated net liabilities				**(109.6)**
Net assets				**108.4**

2006	£m	£m	£m	£m
Segment assets	148.9	182.6	4.3	335.8
Unallocated assets				28.0
Total assets				363.8
Segment liabilities	(98.3)	(46.9)	(16.3)	(161.5)
Unallocated liabilities				(110.1)
Total liabilities				(271.6)
Segment net assets/(liabilities)	50.6	135.7	(12.0)	174.3
Unallocated net liabilities				(82.1)
Net assets				92.2

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

2007	£m	£m	£m	£m
Capital expenditure	8.6	23.3	0.2	**32.1**
Depreciation	5.5	14.6	0.9	**21.0**
Amortisation of intangible assets	0.5	1.1	–	**1.6**
Goodwill impairment	–	1.8	–	**1.8**
Gain on disposal of property, plant and equipment	–	0.2	–	**0.2**

2006	£m	£m	£m	£m
Capital expenditure	9.2	15.9	–	25.1
Depreciation	5.2	11.7	1.0	17.9
Amortisation of intangible assets	0.5	0.8	–	1.3
Goodwill impairment	–	1.8	–	1.8
Gain on disposal of property, plant and equipment	–	0.2	–	0.2

Secondary geographic segments	Revenue		Capital expenditure		Segment assets	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
United Kingdom	**1,282.4**	1,254.9	**12.8**	14.4	**270.4**	253.2
Continental Europe	**95.4**	80.9	**6.8**	5.6	**45.8**	30.1
Americas	**103.0**	76.5	**6.8**	3.0	**51.4**	27.6
Rest of the World	**60.3**	38.1	**5.7**	2.1	**47.9**	24.9
	1,541.1	1,450.4	**32.1**	25.1	**415.5**	335.8

3. Net operating costs

	2007 £m	2006 £m
Goods for resale and consumables	**1,129.8**	1,086.9
Other operating charges	**67.1**	59.3
Employment costs (Note 4)	**288.4**	251.0
Intangible assets amortisation (Note 11)	**1.6**	1.3
Depreciation (Note 12)	**21.0**	17.9
	1,507.9	1,416.4

	2007 £m	2006 £m
Other operating charges include:		
Operating leases and hire charges – plant and machinery	**10.2**	9.7
Rent of properties	**26.2**	23.9
Gain on disposal of property, plant and equipment	**(0.2)**	(0.2)

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:

	2007 £m	2006 £m
Audit services		
Audit of parent company and consolidated accounts	**0.2**	0.2
Audit of the company's subsidiaries pursuant to legislation	**0.4**	0.4
Non-audit services		
Corporate finance services	**–**	0.2
Other services	**0.2**	0.2

4. Employees

	2007 £m	2006 £m
Wages and salaries	**255.3**	219.6
Share-based payments	**0.4**	0.7
Social security costs	**24.7**	22.1
	280.4	242.4
Pension charge	**8.0**	8.6
	288.4	251.0

The average number of full-time equivalent persons employed during the year was:

	2007 number	2006 number
Distribution	**3,763**	3,573
Aviation	**11,661**	10,374
Corporate	**24**	31
	15,448	13,978

The numbers above include 8,615 full-time equivalent persons employed outside the UK (2006: 7,909).

Pension schemes

With regard to the principal Group–funded defined benefit scheme in the UK (the Menzies Pension Fund), to which the employees contribute, the charge to the income statement 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, which are largely of a defined contribution nature. The income statement charge for defined contribution schemes represents the contributions made.

The pension charge to the income statement is analysed as follows:

	2007 £m	2006 £m
Menzies Pension Fund	**3.6**	4.7
Other schemes	**4.4**	3.9
	8.0	8.6

Financial assumptions

The Actuary undertook a valuation of the Menzies Pension Fund as at 31 December 2007 (2006: 31 December) under IAS 19. In deriving the results the Actuary used the projected unit method and the following financial assumptions:

	2007 %	2006 %
Rate of increase in salaries	**3.90**	3.60
Rate of increase in pensions (prior to 1 April 2006)	**3.55**	3.35
Rate of increase in pensions (after 1 April 2006)	**2.50**	2.50
Price inflation	**3.40**	3.10
Discount rate	**5.90**	5.30

Assumptions regarding future mortality experience are set based on advice from the Actuary in accordance with published statistics and experience in the business.

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

	2007	2006
Male	**18.3**	18.3
Female	**21.1**	21.1

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

	2007	2006
Male	**19.2**	19.2
Female	**22.0**	22.0

4. Employees (continued)

Fair value of assets (and expected return on assets)

	Long-term rate of return %	Value at December 2007 £m	Long-term rate of return %	Value at December 2006 £m
Equities	**7.5**	**165.0**	7.5	147.6
Bonds	**5.2**	**46.0**	5.0	39.9
Property	**6.5**	**38.9**	6.5	44.3
Other	**5.2**	**0.3**	5.0	5.4
Total value of assets		**250.2**		237.2
Defined benefit obligation		**(240.7)**		(231.8)
Recognised in balance sheet		**9.5**		5.4
Related deferred tax liability		**(2.7)**		(1.6)
Net pension assets		**6.8**		3.8

Components of pension expense

Amounts charged to operating profit	2007 £m	2006 £m
Current service cost	**3.6**	4.7
Past service credit (Note 5)	**–**	(5.8)
Total amount charged/(credited) to operating profit	**3.6**	(1.1)

Amounts included in finance costs	£m	£m
Expected return on pension scheme assets	**15.1**	13.4
Interest on pension liabilities	**(11.7)**	(11.0)
Net financial return	**3.4**	2.4
Pension expense/(income)	**0.2**	(3.5)

Amounts recognised in the Statement of Recognised Income and Expense

	£m	£m
(Loss)/gain on assets	**(2.7)**	12.0
Actuarial (loss)/gain on defined benefit obligation	**(0.5)**	11.4
Actuarial (loss)/gain	**(3.2)**	23.4

Change in scheme assets during the year

	£m	£m
Fair value of assets at start of year	**237.2**	208.5
Expected return on assets	**15.1**	13.4
Company contributions	**7.7**	11.1
Employee contributions	**1.6**	1.5
Benefits and expenses paid	**(8.7)**	(9.3)
(Loss)/gain on assets	**(2.7)**	12.0
Fair value of assets at end of year	**250.2**	237.2

The actual return on scheme assets was £12.4m (2006: £25.4m).

Change in defined benefit obligation during the year

	2007 £m	2006 £m
Defined benefit obligation at start of year	**231.8**	241.1
Current service cost	**3.6**	4.7
Past service credit (Note 5)	**–**	(5.8)
Interest cost	**11.7**	11.0
Employee contributions	**1.6**	1.5
Benefits and expenses paid	**(8.5)**	(9.3)
Actuarial loss/(gain) on defined benefit obligation	**0.5**	(11.4)
Defined benefit obligation at end of year	**240.7**	231.8

History of experience gains and losses	% of scheme assets/ obligations	2007 £m	% of scheme assets/ obligations	2006 £m	% of scheme assets/ obligations	2005 £m
(Loss)/gain on scheme assets	**1%**	**(2.7)**	5%	12.0	9.5%	19.8
Actuarial (loss)/gain on defined benefit obligation	**0.2%**	**(0.5)**	5%	11.4	12.2%	(29.4)

5. Underlying performance

	Notes	2007 £m	2006 £m
(a) Exceptional items			
Net gain on exchange of businesses	(i)	**2.5**	–
Dilapidations settlement on onerous lease	(ii)	**(2.4)**	–
Pension credit	(iii)	**–**	5.8
Gain on exchange of contract rights	(iv)	**–**	2.5
Rationalisation and integration costs	(v)	**–**	(5.3)
		0.1	3.0

(i) During the year the Group completed joint venture agreements with Eason & Son Limited combining newspaper and magazine distribution businesses in Northern Ireland and the Republic of Ireland. The fair value of the Group's shareholding in the combined ventures is considered to be £3.1m. As the transferred businesses had no carrying value in the Group's balance sheet there is effectively no cost of disposal to offset against the interests received. As a result, a non-cash gain of £3.1m was created, offset by required transaction costs of £0.6m.

(ii) During the year the Group was served with a schedule of dilapidations in respect of a sublet property, where the remaining lease term was 65 years. As part of the negotiated settlement the Group's remaining obligations under this onerous lease were renounced on 8 January 2008.

(iii) With effect from 1 May 2006, the principal Group–funded defined benefit scheme in the UK changed from a final pensionable salary scheme to an average salary scheme and employee contributions were increased. Benefits accrued to current active members prior to 1 May 2006 are now linked to future price inflation rather than future salary increases. The impact of these changes was a reduction of £5.8m in the present value of the scheme liabilities in respect of past service.

5. Underlying performance (continued)

(iv) During 2006, the Group transferred its 20% shareholding in T Cox & Son (Tonbridge) Limited to another wholesaler in return for an interest in certain magazine distribution contracts in the south-west London area. The fair value of the contractual rights acquired and the shares disposed were considered to be equivalent, and both were estimated at £2.5m. As the shareholding had no carrying value in the Group's balance sheet, there was effectively no cost of disposal to offset against the interests received. As a result, a non-cash gain of £2.5m was created.

(v) Costs of rationalising excess capacity, comprising asset write–downs and staff costs, and integration costs for new businesses.

	Notes	2007 £m	2006 £m
(b) Intangible amortisation			
Goodwill impairment	(i)	**(1.8)**	(1.8)
Contract amortisation	(ii)	**(1.0)**	(0.4)
		(2.8)	(2.2)

(i) As permitted under the transitional requirements of IFRS 1, the acquisition accounting of business combinations completed prior to the transition date has not been restated. As a result, assets which were previously capitalised as goodwill have not been reclassified as other intangible assets. Accordingly, these financial statements include an impairment charge of £1.8m (2006: £1.8m) reflecting the remaining life of the current licence at Menzies Macau Aviation Services Limited.

(ii) This charge relates to contracts capitalised as intangible assets on acquisition of businesses following the adoption of IFRS.

The taxation effect of the exceptional items is a credit of £0.5m (2006: a charge of £1.1m).

6. Directors

A detailed analysis of Directors' remuneration, together with shareholdings and options, is provided on pages 33 to 39.

7. Finance costs

	2007 £m	2006 £m
Finance income:		
Bank deposits	**2.2**	2.2
Expected return on pension scheme assets (Note 4)	**15.1**	13.4
	17.3	15.6
Finance charges:		
Bank loans and overdrafts	**(8.2)**	(5.6)
Preference dividends	**(0.1)**	(0.1)
Interest on pension liabilities (Note 4)	**(11.7)**	(11.0)
Foreign currency loss	**(2.1)**	–
	(22.1)	(16.7)
Net finance costs	**(4.8)**	(1.1)

During the year the Group executed cross-currency basis swaps which reduced its interest cost by £0.6m. The foreign currency loss incurred of £2.1m is exactly matched by tax relief of £2.1m.

8. Taxation

(a) Analysis of charge in year

	2007 £m	2006 £m
Current tax		
UK corporation tax on profits for the year	**0.9**	5.5
Overseas tax	**3.5**	1.5
Adjustments to prior years' liabilities	**(2.0)**	(3.1)
Total current tax	**2.4**	3.9
Deferred tax		
Origination and reversal of temporary differences	**0.2**	0.1
Adjustments to prior years' liabilities	**1.0**	–
	1.2	0.1
Retirement benefit obligations	**2.1**	4.4
Total deferred tax	**3.3**	4.5
Tax on profit on ordinary activities	**5.7**	8.4

(b) Current and deferred tax related to items (credited)/charged directly to equity

	2007 £m	2006 £m
Deferred tax on actuarial (loss)/gain on retirement benefit obligations	**(1.0)**	7.0
Current tax on net exchange adjustments	**(0.7)**	0.4
Tax (credit)/charge reported in equity	**(1.7)**	7.4

(c) Reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate for the years ended 29 December 2007 and 30 December 2006 is as follows:

	2007 £m	2006 £m
Profit before tax	**31.8**	35.6
Profit before tax multiplied by standard rate of corporation tax in the UK (30%)	**9.5**	10.7
Non-deductible expenses	**0.3**	0.9
Depreciation on non-qualifying assets	**0.4**	0.3
Tax-exempt gain on exchange of businesses	**(0.8)**	–
Tax-exempt gain on exchange of contracts	**–**	(0.8)
Unrelieved overseas losses	**1.9**	2.6
Profits covered by losses forward	**(2.2)**	(1.5)
Non-taxable exchange gain	**(1.5)**	–
Higher tax rates on overseas earnings	**0.6**	0.1
Adjustments to prior years' liabilities	**(1.0)**	(3.1)
Deferred tax on undistributed reserves of associate	**(0.2)**	–
Joint venture and associate post-tax result (included in profit before tax) at 30%	**(1.0)**	(0.8)
Reduction in UK tax rate	**(0.3)**	–
At the effective corporation tax rate of 17.9% (2006: 23.6%)	**5.7**	8.4

8. Taxation (continued)

(d) Factors that may affect future tax charges

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

	Losses £m	Expiry
USA	17.5	Carry forward indefinitely
Netherlands	4.3	Not earlier than 1 January 2012
Hong Kong	5.8	Carry forward indefinitely
Republic of Ireland	0.9	Carry forward indefinitely
Germany	20.0	Carry forward indefinitely
Australia	0.9	Carry forward indefinitely

The Group has capital losses in the UK of approximately £21.3m that are available for offset against future taxable gains arising in the UK. No deferred tax asset has been recognised in respect of these losses.

A deferred tax asset of £0.7m has been recognised in relation to losses carried forward by a subsidiary operating in the USA, in circumstances where that subsidiary has incurred losses in the current and preceding years. The deferred tax asset has been recognised on the basis of recent US acquisitions, which have a history of profitability, and future projections.

A deferred tax liability of £0.5m (2006: £0.7m) has been recognised on the unremitted earnings of an associate.

9. Dividends

		2007 £m	2006 £m
Dividends on equity shares:			
Ordinary	– Final paid in respect of 2006, 14.4p per share	**8.7**	–
	– Final paid in respect of 2005, 13.7p per share	**–**	8.0
	– Interim paid in respect of 2007, 7.2p (2006: 6.1p) per share	**4.1**	3.6
		12.8	11.6

Dividends of £0.1m (2006: £0.1m) were waived by employee share trusts (Note 21) during the year.

In addition, the directors are proposing a final dividend in respect of the full year to 29 December 2007 of 18.4p per ordinary share which will absorb an estimated £10.9m of shareholders' funds. Payment will be made on 27 June 2008 to shareholders on the register at close of business on 30 May 2008.

10. Earnings per share

	Basic		Underlying*	
	2007 £m	2006 £m	2007 £m	2006 £m
Operating profit	**33.2**	34.0	**33.2**	34.0
add back: intangible amortisation	**–**	–	**2.8**	2.2
share of tax on joint ventures and associates	**–**	–	**1.4**	1.0
share of interest on joint ventures and associates	**–**	–	**0.3**	–
less: exceptional items	**–**	–	**(0.1)**	(3.0)
Net finance costs	**(4.8)**	(1.1)	**(5.1)**	(1.1)
Share of post–tax results of joint ventures and associates	**3.4**	2.7	**3.4**	2.7
Profit before taxation	**31.8**	35.6	**35.9**	35.8
Taxation	**(5.7)**	(8.4)	**(7.1)**	(9.4)
Tax on exceptional items	**–**	–	**(0.5)**	1.1
Minority interests	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Earnings for the year	**26.0**	27.0	**28.2**	27.3
Basic				
Earnings per ordinary share (pence)	**44.2**	46.4		
Diluted earnings per ordinary share (pence)	**44.0**	46.1		
Underlying*				
Earnings per ordinary share (pence)			**47.9**	46.9
Diluted earnings per ordinary share (pence)			**47.7**	46.6
Number of ordinary shares in issue (millions)				
Weighted average	**58.871**	58.206		
Diluted weighted average	**59.137**	58.544		

The weighted average number of fully paid shares in issue during the year excludes those held by the employee share trusts (Note 21). The diluted weighted average is calculated by adjusting for all outstanding share options which are potentially dilutive, i.e. where the exercise price is less than the average market price of the shares during the year.

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

11. Intangible assets

	Goodwill £m	Contracts £m	Computer Software £m	Total £m
Cost				
At 30 December 2006	37.5	20.1	4.4	62.0
Acquisitions (Note 25)	5.8	8.2	–	14.0
Exchange of businesses (Note 5)	–	3.1	–	3.1
Additions	–	2.6	0.4	3.0
Currency translation	0.8	0.2	–	1.0
At 29 December 2007	44.1	34.2	4.8	83.1
Amortisation				
At 30 December 2006	0.2	0.4	2.4	3.0
Amortisation charge	–	1.0	0.6	1.6
Currency translation	(0.1)	–	–	(0.1)
At 29 December 2007	0.1	1.4	3.0	4.5
Net book value				
At 29 December 2007	**44.0**	**32.8**	**1.8**	**78.6**
At 30 December 2006	37.3	19.7	2.0	59.0

	£m	£m	£m	£m
Cost				
At 31 December 2005	23.6	–	4.2	27.8
Acquisitions	15.5	18.0	–	33.5
Exchange of contract rights (Note 5)	–	2.5	–	2.5
Additions	–	–	0.5	0.5
Disposals	–	–	(0.3)	(0.3)
Currency translation	(1.6)	(0.4)	–	(2.0)
At 30 December 2006	37.5	20.1	4.4	62.0
Amortisation				
At 31 December 2005	0.4	–	1.8	2.2
Amortisation charge	–	0.4	0.9	1.3
Disposals	–	–	(0.3)	(0.3)
Currency translation	(0.2)	–	–	(0.2)
At 30 December 2006	0.2	0.4	2.4	3.0
Net book value				
At 30 December 2006	37.3	19.7	2.0	59.0
At 31 December 2005	23.2	–	2.4	25.6

Impairment test for goodwill and contracts

Goodwill

Goodwill is no longer amortised but is tested annually for impairment. Management assesses the value-in-use of the asset based on forecast pre-tax cash flows from each cash-generating unit over a ten-year period discounted at 8%.

Contracts

Contract amortisation is business-stream dependent. At Distribution, contracts capitalised are not amortised due to the very long-term nature of the business in the UK. These contracts are, however, tested annually for impairment using similar criteria to the goodwill test. At Aviation, contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition.

12. Property, plant and equipment

	Group					Company				
	Freehold property £m	Long leasehold property £m	Short leasehold property £m	Plant and equipment £m	Total £m	Freehold property £m	Long leasehold property £m	Short leasehold property £m	Plant and equipment £m	Total £m
Cost										
At 30 December 2006	42.8	1.5	36.8	141.8	222.9	40.8	0.6	0.3	1.7	43.4
Acquisitions (Note 25)	–	–	0.1	2.7	2.8	–	–	–	–	–
Additions	0.2	0.1	1.0	30.8	32.1	–	–	–	0.2	0.2
Disposals	(0.1)	–	(0.6)	(7.6)	(8.3)	–	–	(0.3)	(0.7)	(1.0)
Currency translation	–	0.1	1.2	3.5	4.8	–	–	–	–	–
At 29 December 2007	42.9	1.7	38.5	171.2	254.3	40.8	0.6	–	1.2	42.6
Depreciation										
At 30 December 2006	6.2	0.2	13.5	69.7	89.6	2.4	0.2	0.3	1.5	4.4
Charge for the year	0.9	0.1	2.0	18.0	21.0	0.9	–	–	0.1	1.0
Disposals	–	–	(0.4)	(4.6)	(5.0)	–	–	(0.3)	(0.7)	(1.0)
Currency translation	–	–	0.3	1.5	1.8	–	–	–	–	–
At 29 December 2007	7.1	0.3	15.4	84.6	107.4	3.3	0.2	–	0.9	4.4
Net book value										
At 29 December 2007	**35.8**	**1.4**	**23.1**	**86.6**	**146.9**	**37.5**	**0.4**	**–**	**0.3**	**38.2**
At 30 December 2006	36.6	1.3	23.3	72.1	133.3	38.4	0.4	–	0.2	39.0
Cost										
At 31 December 2005	39.6	0.7	36.4	124.1	200.8	37.6	0.6	0.3	1.7	40.2
Acquisitions	3.2	0.9	–	3.7	7.8	–	–	–	–	–
Additions	0.3	–	0.5	24.3	25.1	–	–	–	–	–
Transfers/inter-group additions	–	–	(0.1)	0.1	–	3.2	–	–	–	3.2
Disposals	(0.2)	(0.1)	–	(7.5)	(7.8)	–	–	–	–	–
Currency translation	(0.1)	–	–	(2.9)	(3.0)	–	–	–	–	–
At 30 December 2006	42.8	1.5	36.8	141.8	222.9	40.8	0.6	0.3	1.7	43.4
Depreciation										
At 31 December 2005	5.4	0.2	11.6	62.5	79.7	1.5	0.2	0.2	1.5	3.4
Charge for the year	0.8	–	2.0	15.1	17.9	0.9	–	0.1	0.1	1.1
Accelerated write-down	–	–	–	0.2	0.2	–	–	–	–	–
Disposals	–	–	–	(6.9)	(6.9)	–	–	–	(0.1)	(0.1)
Currency translation	–	–	(0.1)	(1.2)	(1.3)	–	–	–	–	–
At 30 December 2006	6.2	0.2	13.5	69.7	89.6	2.4	0.2	0.3	1.5	4.4
Net book value										
At 30 December 2006	36.6	1.3	23.3	72.1	133.3	38.4	0.4	–	0.2	39.0
At 31 December 2005	34.2	0.5	24.8	61.6	121.1	36.1	0.4	0.1	0.2	36.8

13. Investments

	Group						Company
	Shares in joint ventures £m	Loans to joint ventures £m	Shares in associates £m	Loans to associates £m	Other £m	Total £m	Subsidiaries £m
Cost excluding goodwill							
At 30 December 2006	1.0	0.2	6.0	0.1	0.4	7.7	99.8
New investments/transfers	6.4	7.2	2.9	–	0.1	16.6	136.9
Share of profits after tax	1.6	–	3.6	–	–	5.2	–
Dividends received	(0.6)	–	(3.4)	–	–	(4.0)	–
Disposals	–	(0.1)	–	–	(0.2)	(0.3)	–
Currency translation	0.1	–	0.3	–	–	0.4	–
At 29 December 2007	8.5	7.3	9.4	0.1	0.3	25.6	236.7
Goodwill							
At 30 December 2006	–	–	11.2	–	–	11.2	–
Impairment provision	–	–	(1.8)	–	–	(1.8)	–
Currency translation	–	–	(0.2)	–	–	(0.2)	–
At 29 December 2007	–	–	9.2	–	–	9.2	–
At 29 December 2007	**8.5**	**7.3**	**18.6**	**0.1**	**0.3**	**34.8**	**236.7**
At 30 December 2006	1.0	0.2	17.2	0.1	0.4	18.9	99.8

The Group's share of the results, assets and liabilities of joint ventures and associates are:

	Country of Incorporation	% Interest held	Revenue £m	Profit after tax £m	Assets £m	Liabilities £m
Joint ventures						
Talma Menzies SRL	Peru	50	8.3	1.1	2.9	(1.5)
Freshport BV	Netherlands	50	0.6	0.1	0.5	(0.2)
EM News (NI) Ltd	UK	50	40.6	0.4	2.8	(2.3)
Menzies Bobba Ground Handling Services Private Ltd	India	51	–	–	2.5	–
Menzies Aviation Bobba (Bangalore) Private Ltd	India	49	–	–	3.7	–
Hyderabad Menzies Air Cargo Private Ltd	India	49	–	–	0.1	–
Associates						
Menzies Macau Airport Services Ltd	Macau	29	7.3	2.9	4.3	(1.1)
Worldwide Magazine Distribution Ltd	UK	31.67	2.4	–	1.2	(0.4)
Menzies Chengdu Aviation Services Ltd	China	40	2.9	0.4	2.3	(0.4)
Swissport Menzies Handling Ute	Spain	39	12.2	0.3	16.0	(12.5)
			74.3	5.2	36.3	(18.4)

Company

During the year John Menzies plc subscribed a further £58.3m in the share capital of subsidiaries and acquired the share capital of Menzies Services Inc and John Menzies (USA) Inc as part of an internal reorganisation.

14. Trade and other receivables

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Trade receivables	**100.1**	82.8	**–**	–
Other receivables	**17.1**	13.6	**5.2**	4.9
Prepayments	**25.0**	14.4	**0.8**	0.7
Amounts owed by Group companies	**–**	–	**95.7**	147.0
	142.2	110.8	**101.7**	152.6

15. Trade and other payables

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Due within one year				
Trade payables	**115.7**	97.7	**–**	–
Other payables	**66.3**	49.8	**14.1**	10.8
Other taxes and social security costs	**6.9**	5.6	**0.2**	0.2
Amounts owed to Group companies	**–**	–	**148.8**	83.3
	188.9	153.1	**163.1**	94.3
Due after more than one year				
Other payables	**0.5**	0.9	**–**	–

16. Financial instruments

The objectives, policies and strategies pursued by the Group in relation to financial instruments are described within the Business Review on pages 4 to 19.

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Maturity profile				
Borrowings due within one year:				
Bank loans and overdrafts	**7.6**	8.6	**6.8**	4.9
Finance lease creditor	**0.1**	0.1	**–**	–
Unsecured loan stock	**0.1**	0.1	**–**	–
	7.8	8.8	**6.8**	4.9
Net derivative liabilities/(assets)	**2.3**	(1.1)	**2.3**	(1.1)
Total borrowings due within one year	**10.1**	7.7	**9.1**	3.8

16. Financial instruments (continued)

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Borrowings due after one year:				
Loans repayable between one and two years	**52.3**	1.4	**52.3**	1.3
Loans repayable between two and five years	**48.1**	61.2	**48.1**	61.2
Loans repayable after five years	**21.7**	23.8	**21.7**	23.8
Preference shares	**1.4**	1.4	**1.4**	1.4
Finance lease creditor	**0.5**	0.5	**0.5**	0.5
	124.0	88.3	**124.0**	88.2
Net derivative liabilities/(assets)	**0.1**	(0.2)	**0.1**	(0.2)
Total borrowings due after one year	**124.1**	88.1	**124.1**	88.0
Total borrowings	**134.2**	95.8	**133.2**	91.8
Less: Cash at bank and in hand and short-term deposits	**22.9**	18.8	**1.9**	0.5
Net debt	**111.3**	77.0	**131.3**	91.3

Other than trade receivables and payables, there are no financial assets or liabilities excluded from the above analysis.

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

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

Borrowing facilities
At 29 December 2007, the Group had undrawn committed facilities of £29.7m (2006: £42.5m) with the following expiry profile:

	2007 £m	2006 £m
Less than one year	**20.0**	23.8
Between one and two years	**2.2**	18.7
Between two and five years	**7.5**	–
	29.7	42.5

The Group had no undrawn uncommitted facilities (2006: £10m).

Fair values

Set out below is an analysis of the fair and book value of the Group's financial instruments as at 29 December 2007.

	2007 Book value £m	2007 Fair value £m	2006 Book value £m	2006 Fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings	**11.4**	**11.4**	7.7	7.7
Medium-term borrowings	**100.4**	**100.5**	62.6	62.7
Long-term borrowings	**22.4**	**23.0**	25.5	26.0
	134.2	**134.9**	95.8	96.4
Cash and deposits	**22.9**	**22.9**	18.8	18.8

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

Derivative financial instruments

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Assets				
Forward foreign exchange contracts (non-current)	–	0.3	–	0.3
Forward foreign exchange contracts (current)	**0.6**	1.5	**0.6**	1.5
Liabilities				
Forward foreign exchange contracts (current)	**(2.9)**	(0.4)	**(2.9)**	(0.4)
Forward foreign exchange contracts (non-current)	**(0.1)**	(0.1)	**(0.1)**	(0.1)
	(2.4)	1.3	**(2.4)**	1.3

The fair values of the derivative financial instruments were determined by reference to quoted market prices. The derivative financial instruments are classified as current or non-current based on the remaining maturity of the related hedged item.

Forward foreign exchange contracts

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

		Group		Company		Sterling Equivalents	
		2007 million	2006 million	2007 million	2006 million	2007 £m	2006 £m
Euro	EUR	**29.1**	29.6	**29.1**	29.6	**21.5**	19.9
US dollar	USD	**44.4**	47.5	**44.4**	47.5	**22.3**	24.3
Czech crown	CZK	**319.2**	319.2	**319.2**	319.2	**7.8**	7.4
Australian dollar	AUD	**17.1**	8.1	**17.1**	8.1	**7.0**	3.4
New Zealand dollar	NZD	**2.9**	2.9	**2.9**	2.9	**1.0**	1.0
Swedish kroner	SEK	**33.9**	–	**33.9**	–	**2.6**	–
Indian rupee	INR	**412.0**	–	**412.0**	–	**5.1**	–

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

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 receivables and trade payables) at 29 December 2007 is shown below.

Currency	Floating rate financial assets £m	Fixed rate financial assets £m	2007 Total financial assets £m	Floating rate financial assets £m	Fixed rate financial assets £m	2006 Total financial assets £m
Sterling	**6.0**	**–**	**6.0**	6.3	1.2	7.5
Euro	**3.3**	**–**	**3.3**	3.1	–	3.1
US dollar	**4.1**	**–**	**4.1**	4.0	0.2	4.2
Hong Kong dollar	**0.6**	**–**	**0.6**	0.4	–	0.4
Australian dollar	**4.2**	**–**	**4.2**	2.2	–	2.2
New Zealand dollar	**1.0**	**–**	**1.0**	0.6	–	0.6
Norwegian kroner	**1.8**	**–**	**1.8**	–	–	–
Other	**1.9**	**–**	**1.9**	0.8	–	0.8
	22.9	**–**	**22.9**	17.4	1.4	18.8

The floating rate financial assets of £22.9m (2006: £17.4m) are at interest rates linked to Base rates and LIBID. The fixed rate financial assets of £1.4m in 2006 were one-month fixed sterling deposits at rates between 5% and 5.2% and a one-month fixed US dollar deposit at 5.21%.

Currency	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2007 Total financial liabilities £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2006 Total financial liabilities £m
Sterling	**39.4**	**31.9**	**71.3**	27.4	33.1	60.5
Euro	**4.4**	**–**	**4.4**	0.1	–	0.1
US dollar	**18.6**	**35.6**	**54.2**	36.5	–	36.5
Other	**1.9**	**–**	**1.9**	–	–	–
Net derivative liabilities/(assets)	**2.4**	**–**	**2.4**	(1.3)	–	(1.3)
	66.7	**67.5**	**134.2**	62.7	33.1	95.8

Floating rate financial liabilities of £66.7m (2006: £62.7m) comprise bank loans, overdrafts, unsecured loan stock, cross-currency basis swaps and forward contracts. Interest on these liabilities is determined by reference to short-term rates linked to Base rates and LIBOR.

Sterling fixed rate financial liabilities comprise a loan repayable between 2008 and 2020 of £30m (2006: £31.1m) on which interest is at a fixed rate of 6.23% (2006: 6.23%), preference shares of £1.4m (2006: £1.4m) and finance lease creditors of £0.5m (2006: £0.6m). The loan has a weighted average maturity of 7 years (2006: 8 years).

US dollar fixed rate financial liabilities comprise loans of £35.6m (2006: £nil) repayable between 2009 and 2011 at a blended rate of 5.33%.

17. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group				Company	
	Property		Other		Property	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
within one year	**16.6**	21.9	**6.9**	6.3	**0.8**	0.8
within two to five years	**50.5**	68.5	**8.5**	6.5	**2.7**	2.4
after five years	**56.7**	39.3	**0.7**	0.4	**2.0**	1.9
	123.8	129.7	**16.1**	13.2	**5.5**	5.1

18. Capital commitments

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Contracted but not provided – property, plant and equipment	**6.5**	4.9	**–**	–

19. Provisions

	Group		Company	
Deferred tax	2007 £m	2006 £m	2007 £m	2006 £m
Assets				
Accelerated capital allowances and other temporary differences	**4.1**	3.8	**–**	–
	4.1	3.8	**–**	–
Liabilities				
Accelerated capital allowances and other temporary differences	**2.9**	1.6	**1.1**	0.8
Retirement benefit obligations	**2.7**	1.6	**2.7**	1.6
	5.6	3.2	**3.8**	2.4
Net deferred tax liabilities/(assets)	**1.5**	(0.6)	**3.8**	2.4
Movement in year:				
Income Statement – retirement benefit obligations	**2.1**	4.4	**0.7**	4.4
– other	**1.0**	0.1	**0.4**	0.3
Statement of Recognised Income and Expense	**(1.0)**	7.0	**(1.0)**	7.0
Acquired with/transfer to subsidiary	**–**	(0.4)	**1.3**	–
	2.1	11.1	**1.4**	11.7

19. Provisions (continued)

Other – property related	Group 2007 £m	Group 2006 £m
At beginning of year	**7.0**	7.2
Provided during year	**1.5**	3.1
Utilised during year	**(3.4)**	(3.3)
At end of year	**5.1**	7.0

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
There are contingent liabilities, including those in respect of disposed and acquired 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

	2007 £m	2006 £m
Authorised		
73,056,248 ordinary shares of 25p each	**18.3**	18.3
Allotted, called up and fully paid		
Opening – 59,255,537 ordinary shares of 25p each	**14.8**	14.7
Allotted under share option schemes *	**0.2**	0.1
Closing – 59,980,222 ordinary shares of 25p each	**15.0**	14.8

As a result of options being exercised, 724,685 (2006: 547,502) ordinary shares having a nominal value of £0.2m (2006: £0.1m) were issued during the year at a share premium of £2.5m (2006: £1.7m).

* Included in this total are 269,089 (2006: nil) ordinary shares of 25p each allotted to directors under the executive share option scheme and 78 (2006: 606) ordinary shares of 25p each allotted to the directors under the savings-related share option scheme with a total nominal value of £67,292 (2006: £152).

Potential issue of ordinary shares
Certain senior executives hold options to subscribe for shares in the Company under the executive share option scheme approved by the shareholders, details of which are shown below. Options on 468,240 shares were exercised in 2007 and 2,500 options lapsed.

Date of grant	Exercise price (pence)	Exercise period	2007 Number	2006 Number
Feb-97	461	2000-2007	**–**	15,000
Apr-98	492	2001-2008	**12,500**	32,500
Feb-99	348	2002-2009	**5,000**	5,000
Jan-00	391	2003-2010	**5,000**	19,437
Apr-02	331	2005-2012	**–**	32,207
Nov-02	329	2005-2012	**196,048**	205,166
May-03	312	2006-2013	**200,962**	403,915
May-04	418	2007-2014	**101,776**	278,801
			521,286	992,026

Employees, including senior executives, also hold options to subscribe for shares in the Company under the savings-related share option scheme approved by the shareholders, details of which are shown below. Options on 243,565 shares were exercised in 2007 and 190,395 options lapsed.

Year of grant	Exercise price (pence)	Exercise period	2007 Number	2006 Number
2003	286	2006-2007	–	35,210
2004	388	2007-2008	**22,857**	271,566
2005	467	2008-2009	**217,916**	266,992
2006	348	2009-2010	**392,850**	489,275
2007	452	2010-2011	**372,787**	–
			1,006,410	1,063,043

Company Share Option Schemes

The Company operates the following share-based payment arrangements:

(a) Executive Share Option Scheme ("ESOS")

Options under the ESOS may be granted to executive directors and senior employees of the Group on an annual basis and mature only after three years upon which they become exercisable. The exercise period is usually seven years from maturity and special rules apply to employees who leave the employment of the Group due to ill health, retirement or redundancy. Options are granted with a fixed exercise price equal to the market price of shares under option at the date of grant.

Options granted under the ESOS adopted in September 2000, are subject to performance conditions and lapse if these are not achieved. The performance hurdles require that for each annual grant three-year growth targets set by the Board are achieved. Growth is typically measured by growth in underlying earnings per share ("EPS") as compared to RPI plus between 3% and 8% per annum over three years, adjusted to normalise pension and tax charges.

(b) Savings-related Share Option Scheme

The Company operates a savings-related share option scheme which is open to all eligible UK employees. Typically, employees who are eligible to participate include full and part-time employees who work at least 16.5 hours per week, after any probationary period. Annual grants of options are made in October each year and become exercisable after three years. Employees enter into a savings contract with the Yorkshire Building Society, who administer the scheme. The options are granted at a 20% discount of the share price at the date of grant and lapse if not exercised within six months of maturity. Special provisions apply to employees who leave their employment due to ill health, redundancy or retirement.

(c) Performance Share Plan ("PSP")

Under the PSP, the Board can grant executive directors and senior employees of the Group selected by the Remuneration Committee an award of conditional shares. The shares will vest at the end of three years if Total Shareholder Return ("TSR") reaches targets set by the Board. If percentage growth in the Company's TSR for the three financial years is greater than the TSR for the FTSE250 Index by 30% or more, then the percentage of the award vesting is 100%. If the growth is greater than the TSR for the FTSE250 Index but less than 30% greater, then the percentage of the award vesting will be calculated on a straight-line basis. If growth is equal to or less than TSR for the FTSE250 Index, then the percentage of the award vesting is nil. There will be no retesting of performance targets.

Awards may be made by the Board at any time but no award will be made more than ten years after the adoption of the PSP. At the end of each three year performance period, the Remuneration Committee will notify each participant of the extent to which the performance targets have been met and the number of shares that will vest. Shares will be met from existing issued shares held under employee benefit trusts. Participants will also be paid an amount equal to the net dividends on those shares which actually vest which would have been paid during the performance period.

The conditional shares are not transferable and lapse immediately if the participant leaves the employment of the Group, although special rules apply in the case of particular circumstances such as death, ill-health, redundancy or other

20. Share capital (continued)

(c) Performance Share Plan ("PSP") (continued)
circumstances at the discretion of the Remuneration Committee. No participant may be made an award of more than 100,000 shares in any year. Share awards are valued using scenario-modelling.

(d) Long-Term Incentive Scheme ("LTIS")
The terms under which share awards are made under the LTIS to senior employees are the same as for the PSP, other than as follows. The shares will vest at the end of three years if underlying EPS reaches targets set by the Board. If the percentage real EPS growth in the Company's underlying EPS for three financial years is greater than RPI + 8% pa or more, then the percentage of the award vesting is 100%. If the EPS growth is greater than the RPI by between 3% and 8% pa, then the percentage of the award vesting will be calculated on a straight-line basis. If EPS growth is RPI + 3% pa or less, then the percentage of the award vesting is nil. There will be no retesting of performance targets.

(e) Bonus Co-investment Plan ("Plan")
The Plan offers executive directors and other senior executives selected by the Board the opportunity to invest part of their annual cash bonus for a financial year in the Company's shares, entitling them, provided certain performance targets are met, to a grant of additional matching shares in the ratio of up to 2:1. The maximum amount of the annual cash bonus which may be eligible for matching is 50%. The net of tax amount is applied in the purchase of shares.

The first bonus award which qualified for investment in shares under the Plan was the award for the financial year ended December 2004 and the last qualifying bonus award will be for the financial year which commences 10 years after the adoption of the Plan.

Performance targets are based on real growth in earnings measured over three financial years. If the percentage growth in the Company's EPS is RPI + 8% or more, then the number of matching shares that will vest is 2. For EPS growth of between RPI + 3% pa and RPI + 8% pa, the number of matching shares vesting will be calculated on a straight-line basis. No matching shares will vest for EPS percentage growth of RPI + 3% pa or less.

Similar provisions apply in respect of dividends, transferability of rights and leavers.

(f) Shadow Option Scheme
The Company also operated a cash-settled Shadow Option Scheme for certain senior executives up to 31 December 2004. Grants were made on a discretionary basis normally once a year. The Shadow Option price was the market price at the date of grant and the shadow options mature after three years. The period for exercising was restricted to six months after the date of maturity, after which the shadow options lapse. Discretionary provisions were applied to leavers. The final maturity under the scheme happened during 2007 and there are no outstanding awards under the scheme. There will be no further awards under the scheme.

The performance targets applied were also based on three year real earnings growth. The 2004 shadow options were exercisable in 2007 if the percentage EPS growth exceeded RPI + 3%-8% pa, with any gain capped at 300p per shadow option.

(g) Divisional Performance Share Plan ("DPSP")
The DPSP was approved at the Annual General Meeting in May 2007 and was introduced to more closely align Divisional Directors and Senior Employees with the achievement of target divisional financial results ("DFR"). The DFR for Distribution is based on Operating Profits, Cost Savings and income from new Revenue Streams whilst for Aviation it is based on Operating Profits. The maximum award which can be made to an individual is 100,000 shares per year.

Shares will vest at the end of three year financial periods. A nil award will be achieved where the DFR is at or below the Threshold Performance Target and 100% will vest where the DFR is equal to or greater than the Stretch Performance Target, with a result between Threshold and Stretch being made on a straight-line basis.

The first award under the plan was made following its adoption in May 2007 and the plan will run for ten years.

Fair values of share options

Options are valued using the Black-Scholes option-pricing model. No performance conditions are included in the fair value calculations.

The fair value per option granted after November 2002 and the assumptions used in the calculation are as follows:

	Executive Share Option Scheme			Savings-Related Option Scheme			
Grant date	May-04	May-03	Nov-02	Oct-07	Oct-06	Oct-05	Oct-04
Share price at grant date (pence)	418	312	329	547.5	450	555.5	485
Exercise price (pence)	418	312	329	452	348	467	388
Number of employees	2	1	1	697	585	473	53
Shares under option	101,776	200,962	196,048	372,787	392,850	217,916	22,857
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	25.0%	24.5%	25.0%	25.0%	25.0%	25.0%	25.0%
Option life (years)	10	10	10	3.5	3.5	3.5	3.5
Expected life (years)	4	4	4	3.5	3.5	3.5	3.5
Risk-free rate	5.1%	4.1%	4.5%	4.6%	4.5%	4.5%	4.7%
Expected dividends expressed as a dividend yield*	4.0%	4.5%	5.2%	4.0%	3.8%	3.8%	3.9%
Fair value per option (pence)	76	49	50	116	104	132	126
IFRS 2 charge per option**	70	45	50	71	63	81	77

The expected volatility is based on the historical volatility over the last three years. The expected life is the average expected period to vesting. The risk-free rate of return is the zero coupon UK Government bonds of a term consistent with the assumed award life.

* Based on the daily 12-month trailing dividend yield averaged over the 12 months prior to valuation date.

**The difference between the fair value and IFRS 2 charge per option is due to adjustments for forfeiture risk.

	Long-Term Incentive Scheme		Performance Share Plan			Bonus Co-Investment Plan			'DPSP'
Grant date	Mar-06	Apr-05	May-07	Mar-06	Apr 05	Mar-07	Mar-06	Mar-05	May-07
Share price at grant date (pence)	541.5	582	576	530	582	515	530	595	576
Number of employees	19	20	1	4	5	3	3	2	2
Shares awarded	96,334	94,978	35,000	105,000	131,250	15,866	11,753	18,149	70,000
Contractual life (years)	3	3	3	3	3	3	3	3	3
Expected departure*	27%	27%	0%	0%	0%	14%	14%	14%	0%
Expected outcome of meeting performance criteria	52%	52%	41%	41%	41%	52%	52%	52%	41%
Fair value per share (pence)	541.5	582	235	217	237	230	530	595	231
IFRS 2 charge per share award**	205	219	235	217	237	230	237	264	231

* Risk of forfeiture

** Adjusted for forfeiture risk

20. Share capital (continued)

Movement in share options

A reconciliation of conditional share movements of executive share options, savings-related share options and shadow options is shown below:

	Executive Share Option Scheme				Savings-Related Option Scheme			
	2007 Number	Weighted average exercise price (p)	2006 Number	Weighted average exercise price (p)	2007 Number	Weighted average exercise price (p)	2006 Number	Weighted average exercise price (p)
Outstanding at start of year	**992,026**	**356**	1,227,430	369	**1,063,043**	**386**	1,154,443	374
Granted	**–**	**–**	–	–	**377,327**	**452**	495,907	348
Forfeited/Expired	**(2,500)**	**492**	(42,177)	448	**(190,395)**	**381**	(233,032)	399
Exercised	**(468,240)**	**368**	(193,227)	422	**(243,565)**	**380**	(354,275)	286
Outstanding at end of year	**521,286**	**345**	992,026	356	**1,006,410**	**413**	1,063,043	386
Exercisable	**521,286**	**345**	713,225	331	**22,857**	**388**	35,210	286

	Shadow Option Scheme				Performance Share Plan, Long-Term Incentive Scheme and Bonus Co-investment Plan			
	2007 Number	Weighted average exercise price (p)	2006 Number	Weighted average exercise price (p)	2007 Number	Weighted average exercise price (p)	2006 Number	Weighted average exercise price (p)
Outstanding at start of year	**222,600**	**418**	557,600	359	**539,947**	**559**	289,445	584
Granted	**–**	**–**	–	–	**120,866**	**568**	273,357	535
Forfeited	**–**	**–**	(39,797)	358	**(82,483)**	**558**	(22,855)	565
Exercised	**(222,600)**	**418**	(295,203)	315	**–**	**–**	–	–
Outstanding at end of year	**–**	**–**	222,600	418	**578,330**	**561**	539,947	559
Exercisable	**–**	**–**	–	–	**–**	**–**	–	–

Summary information on all outstanding options

	Executive Share Option Scheme		Savings-Related Option Scheme		Shadow Option Scheme		PSP, LTIS and Bonus Co-investment Plan	
	2007	2006	2007	2006	2007	2006	2007	2006
Range of exercise prices (pence)	**312-492**	312-540	**348-467**	286-467	**–**	418	**515-584**	476-595
Weighted average exercise price (pence)	**344**	356	**413**	386	**–**	418	**561**	559
Number of shares	**521,286**	992,026	**1,006,410**	1,063,043	**–**	222,600	**578,330**	539,947
Weighted average remaining life (years)								
– expected	**1.2**	1.2	**2.1**	2.1	**–**	1.2	**2.2**	2.2
– contractual	**4.4**	4.4	**2.1**	2.1	**–**	1.2	**2.2**	2.2

The weighted average share price during the year for executive share options and savings-related options exercised over the year was 368p and 380p respectively (2006: 422p and 286p respectively).

Total IFRS 2 charge for share-based incentive schemes

The total charge for the year relating to employee share-based plans was £0.4m (2006: £0.7m), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £0.3m (2006: £0.5m).

21. Statement of changes in shareholders' equity

	Ordinary shares £m	Share premium account £m	Investment in own shares £m	Retained earnings £m	Capital redemption reserve £m	Total £m
Group						
At 30 December 2006	14.8	12.6	(3.5)	46.3	21.6	91.8
Profit for the year	–	–	–	26.0	–	26.0
Dividends	–	–	–	(12.8)	–	(12.8)
New share capital issued	0.2	2.5	–	–	–	2.7
Movement in own shares	–	–	0.1	–	–	0.1
Share-based payments	–	–	–	0.4	–	0.4
Actuarial loss (net of deferred tax)	–	–	–	(2.2)	–	(2.2)
Exchange adjustments	–	–	–	2.4	–	2.4
At 29 December 2007	**15.0**	**15.1**	**(3.4)**	**60.1**	**21.6**	**108.4**
At 31 December 2005	14.7	10.9	(3.5)	15.5	21.6	59.2
Profit for the year	–	–	–	27.0	–	27.0
Dividends	–	–	–	(11.6)	–	(11.6)
New share capital issued	0.1	1.7	–	–	–	1.8
Share-based payments	–	–	–	0.7	–	0.7
Actuarial gain (net of deferred tax)	–	–	–	16.4	–	16.4
Exchange adjustments	–	–	–	(1.7)	–	(1.7)
At 30 December 2006	14.8	12.6	(3.5)	46.3	21.6	91.8
Company						
At 30 December 2006	14.8	12.6	–	56.8	21.6	105.8
Loss for the year	–	–	–	(5.6)	–	(5.6)
Dividends	–	–	–	(12.8)	–	(12.8)
New share capital issued	0.2	2.5	–	–	–	2.7
Actuarial loss (net of deferred tax)	–	–	–	(2.2)	–	(2.2)
At 29 December 2007	**15.0**	**15.1**	**–**	**36.2**	**21.6**	**87.9**
At 31 December 2005	14.7	10.9	–	20.7	21.6	67.9
Profit for the year	–	–	–	31.1	–	31.1
Dividends	–	–	–	(11.6)	–	(11.6)
New share capital issued	0.1	1.7	–	–	–	1.8
Share-based payments	–	–	–	0.2	–	0.2
Actuarial gain (net of deferred tax)	–	–	–	16.4	–	16.4
At 30 December 2006	14.8	12.6	–	56.8	21.6	105.8

The loss for the year for the Company of £5.6m (2006: profit of £31.1m) is the same under both IFRS and UK GAAP. Other than presentational changes there is no difference in the Company balance sheet.

Investment in own shares

The Company's ordinary shares are held in trust for an employee share scheme. At 29 December 2007 the trusts held 706,149 (2006: 714,082) ordinary 25p shares with a market value of £4,025,049 (2006: £3,615,040).

22. Minority interests

	2007 £m	2006 £m
At beginning of year	**0.4**	0.3
Share of profit after tax	**0.1**	0.2
Dividend	**(0.1)**	(0.1)
Acquired during the year	**(0.4)**	–
At end of year	**–**	0.4

During the year the Group purchased the 26% minority interest in The Big Orange Handling Company Ltd.

23. Cash generated from operations

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Operating profit	**33.2**	34.0	**(5.4)**	(2.9)
Depreciation and accelerated writedown	**21.0**	18.1	**0.9**	1.0
Amortisation of intangible assets	**1.6**	1.3	**–**	–
Share-based payments	**0.4**	0.7	**–**	0.2
Gain on exchange of businesses	**(3.1)**	–	**–**	–
Dilapidations on onerous lease	**2.4**	–	**2.4**	–
Gain on sale of contract rights	**–**	(2.5)	**–**	–
Gain on sale of property, plant and equipment	**(0.2)**	(0.2)	**–**	–
Pension charge	**3.6**	4.7	**0.3**	0.5
Past service pension credit	**–**	(5.8)	**–**	(0.5)
Pension contributions in cash	**(7.7)**	(11.1)	**(7.7)**	(11.1)
Rationalisation and integration costs	**–**	5.3	**–**	–
Cash spend on rationalisation and integration costs	**(1.2)**	(2.5)	**–**	–
(Increase)/decrease in inventories	**(0.4)**	1.0	**–**	–
(Increase)/decrease in trade and other receivables	**(21.0)**	0.4	**(0.6)**	(0.7)
Increase/(decrease) in trade and other payables and provisions	**19.9**	(13.7)	**(0.4)**	(1.0)
	48.5	29.7	**(10.5)**	(14.5)

Cash generated from acquisitions during the year was not material.

24. Analysis of changes in net borrowings

	2006 £m	Cash flows £m	Currency translation £m	2007 £m
Cash at bank and in hand	18.8	4.3	(0.2)	**22.9**
Bank overdrafts	(6.3)	4.4	–	**(1.9)**
Net cash and cash equivalents	12.5	8.7	(0.2)	**21.0**
Bank loans due within one year	(2.3)	(3.2)	(0.2)	**(5.7)**
Loan stock due within one year	(0.1)	–	–	**(0.1)**
Preference shares	(1.4)	–	–	**(1.4)**
Finance leases	(0.6)	–	–	**(0.6)**
Debt due after one year	(86.4)	(36.0)	0.3	**(122.1)**
Net derivative assets/(liabilities)	1.3	(0.8)	(2.9)	**(2.4)**
	(77.0)	(31.3)	(3.0)	**(111.3)**

25. Acquisitions

During the year, the Group acquired 100% of the share capital or trading assets of the following businesses:

Aviation

	Universal Air Cargo Pty Ltd	Northport Norway AS Finnhandling AB	Other	Total
Date of acquisition	23/4/07	5/11/07		
	£m	£m	£m	£m
Purchase consideration:				
Cash paid	3.5	5.8	2.3	11.6
Acquisition costs	0.3	0.2	0.2	0.7
Deferred consideration	0.7	0.6	–	1.3
Total purchase consideration	4.5	6.6	2.5	13.6
Fair value of net assets acquired	0.2	6.6	2.5	9.3
Goodwill	4.3	–	–	4.3

The assets and liabilities arising from the acquisitions are as follows:	£m	£m	£m	£m
Non-current assets:				
Intangible assets (contracts) – fair value	–	4.2	2.2	6.4
Property, plant and equipment	0.3	2.2	0.2	2.7
Current assets	3.1	4.6	0.2	7.9
Current liabilities	(3.1)	(4.4)	(0.1)	(7.6)
Non-current liabilities	(0.1)	–	–	(0.1)
Net assets acquired	0.2	6.6	2.5	9.3

Other acquisitions during the year include Ground Europe Kft, a ground handling business operating at Budapest International Airport.

25. Acquisitions (continued)

Distribution

	Leadenhall News Ltd	Magazine Solutions Ltd	Grays Newsagents (York) Ltd	Total
Date of acquisition	1/05/07	12/06/07	6/08/07	
	£m	£m	£m	£m
Purchase consideration:				
Cash paid	1.2	0.5	1.0	2.7
Acquisition costs	0.1	–	0.1	0.2
Deferred consideration	0.2	0.1	0.4	0.7
Total purchase consideration	1.5	0.6	1.5	3.6
Fair value of net assets acquired	–	0.6	1.5	2.1
Goodwill	1.5	–	–	1.5

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

	£m	£m	£m	£m
Non-current assets:				
Intangible assets (contracts) – fair value	–	0.5	1.3	1.8
Property, plant and equipment	–	–	0.1	0.1
Current assets	0.7	0.6	0.5	1.8
Cash	–	1.1	0.8	1.9
Current liabilities	(0.7)	(1.6)	(1.2)	(3.5)
Net assets acquired	–	0.6	1.5	2.1

The acquired businesses contributed revenues of £22.9m from the date of acquisition. If the businesses had been acquired on 1 January 2007 revenues contributed would have been £45.2m. Due to divisionalisation and reorganisation of the businesses acquired, it has not been possible to meaningfully calculate the profit impact. However, the results from acquisitions were not material.

26. Related party transactions

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

Related party	Group share holding %	Sales to related party £m	Purchases from related party £m	Amounts owed by related party at 29 December 2007 £m
Talma Menzies SRL (Peru)	**50**	0.6	–	–
Freshport BV	**50**	0.3	–	–
Swissport Menzies Handling UTE	**39**	0.7	–	0.7

Certain activities, including treasury, taxation, insurance, pension and legal matters are provided by the parent company to subsidiary companies and are recharged on a cost-plus basis.

The amounts owed to/(due by) the parent Company from dealings with subsidiary companies is disclosed in Notes 14 and 15.

27. Subsidiary companies

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

FIVE YEAR SUMMARY

	IFRS			UK GAAP	
	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Revenue					
Distribution	**1,147.3**	1,132.0	1,093.5	1,086.6	1,033.5
Aviation	**393.8**	318.4	268.6	244.0	226.8
	1,541.1	1,450.4	1,362.1	1,330.6	1,260.3
Operating profit					
Distribution	**23.4**	23.7	30.7	30.5	26.2
Aviation	**20.6**	16.6	13.3	10.3	2.4
	44.0	40.3	44.0	40.8	28.6
Corporate	**(3.0)**	(3.4)	(3.7)	(4.3)	(4.8)
Underlying operating profit	**41.0**	36.9	40.3	36.5	23.8
Exceptional items	**0.1**	3.0	–	7.6	(17.2)
Intangible amortisation	**(2.8)**	(2.2)	(2.1)	(3.6)	(3.6)
Share of interest and tax on joint ventures and associates	**(1.7)**	(1.0)	(0.6)	–	–
Profit before interest	**36.6**	36.7	37.6	40.5	3.0
Net finance costs	**(2.7)**	(1.1)	(0.9)	(2.9)	(3.1)
Foreign currency loss	**(2.1)**	–	–	–	–
Profit/(loss) before taxation	**31.8**	35.6	36.7	37.6	(0.1)
Per ordinary share					
Dividends – payable	**25.6p**	20.5p	19.5p	18.5p	18.1p
Underlying earnings	**47.9p**	46.9p	51.9p	44.0p	24.8p
Basic earnings	**44.2p**	46.4p	48.2p	51.0p	(11.4)p

GENERAL INFORMATION

Internet
The Group operates a website which can be found at **www.johnmenziesplc.com**. This site is regularly updated to provide you with 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.

Share Registrar & Shareholder Enquiries
Any enquiries concerning your shareholding should be directed to the Company's Registrar and clearly state the shareholder's name, address and Shareholder Reference Number (SRN). The contact details are:

- call: 0870 703 6303
- web: www.computershare.com
- email: web.queries@computershare.co.uk
- write: The John Menzies plc Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

The Registrar should be notified in writing promptly of any change in a shareholder's address. Computershare's online Investor Centre also enables you to view your shareholding and update your address and payment instructions online. You can register at www.computershare.com/investor/uk. In order to register you will need your Shareholder Reference Number (SRN), which you can find on your share certificate or tax voucher. If you have an older share certificate issued by Capita IRG, your SRN is the 10 digit investor code.

Share Price
The current share price of John Menzies plc ordinary shares can be seen on the Group's website, www.johnmenziesplc.com.

Low Cost Dealing Service
The Group has arranged a low cost dealing service with Stocktrade for those wishing to buy or sell shares in John Menzies plc.

To use this service either:

- call: 0845 601 0995 and quote ref: LOW C0014
- web: www.stocktradebroking.co.uk
- write: John Menzies plc – Share Dealing Service, Stocktrade, 81 George Street, Edinburgh, EH2 3ES

ShareGift
ShareGift is a share donation scheme which exists to make it easy for you to give shares to charity. They specialise in accepting small holdings of shares, but can also help people with larger gifts of shares to charity. For further details, or should you wish to donate any or all of your John Menzies plc shares to charity using ShareGift, please contact:

- call: 020 7930 3737
- web: sharegift.org
- email: help@sharegift.org.uk
- write: ShareGift, 17 Carlton House Terrace, London, SW1Y 5AH

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. The provisional dates of dividend payments in the year, subject to their approval/ recommendation, are:

Ordinary Shares
Final dividend for 2007 will be paid on 27 June 2008 to shareholders on the register on 30 May 2008.

Interim dividend for 2008 will be paid on 28 November 2008 to shareholders on the register on 31 October 2008.

9% Preference Shares
will be paid on 1 April 2008 and 1 October 2008.

Investor Relations
The Group accounts can be downloaded from our website. For other investor relations enquiries, please contact us at:

- call: 0131 225 8555
- fax: 0131 226 3752
- web: www.johnmenziesplc.com
- email: info@johnmenziesplc.com
- write: John Menzies plc, 108 Princes Street, Edinburgh EH2 3AA

Corporate Calendar:

11 March 2008	Preliminary announcement of Results
1 April 2008	Payment of dividend on 9% Cumulative Preference Shares
9 April 2008	Annual Report and Notice of AGM posted to shareholders
15 May 2008*	Management Statement issued
22 May 2008	Annual General Meeting
30 May 2008	Record date for Final Dividend on Ordinary Shares
27 June 2008	Payment date for Final Dividend on Ordinary shares
29 August 2008*	Announcement of Interim Results
1 October 2008	Payment of dividend on 9% Cumulative Preference Shares
31 October 2008*	Record date for Interim Dividend on Ordinary Shares
11 November 2008*	Management Statement issued
28 November 2008*	Payment date for Interim Dividend on Ordinary Shares

*Provisional date

ANNUAL GENERAL MEETING
EXPLANATORY NOTES TO THE NOTICE OF MEETING

The Notice of Meeting appears on pages 85 to 87. The following information provides additional background information to several of the Resolutions proposed.

Resolutions 3-7 – Re-election of directors

The Board recommends that the following directors, who offer themselves for re-election at this Annual General Meeting, be re-elected:

William Thomson
William was appointed Chairman of the Company in 2002. He has been a non-executive director since 1987, and chairs the Nomination Committee. He is Chairman of E G Thomson (Holdings) Ltd, a shipping and logistics group with interests in Asia, British Assets Trust plc and Fidelity Japanese Values plc. William has extensive leadership skills and experience, and provides highly valued advice and support to the executive management team. Age 67.

Paul Dollman
Paul was appointed Group Finance Director in 2002, and assumed additional responsibility for the corporate head office in 2007. He is also a non-executive director of Scottish Amicable Life Association Society. He qualified as a chartered accountant in 1982 with Price Waterhouse, and his financial career has included being finance director with William Grant & Sons Ltd, Inveresk plc, and Maddox Group plc. Paul sits on both the Menzies Aviation and Menzies Distribution Operating Boards and has successfully guided the financial performance of the Group during a period of sustained growth in Menzies Aviation and change in Menzies Distribution. Age 51.

Dermot Jenkinson
Dermot was appointed to the Board of the Company in 1986 where he held various executive responsibilities before assuming a non-executive role in 1999. He is founder and Chairman of beCogent Ltd, a contact centre and related consultancy business, and is a director of a number of other private companies. Dermot contributes from his breadth of experience gained from his knowledge of the Company and through a wide range of general management roles. Age 53.

Ian Harrison
Ian was appointed a non-executive director of the Company in 1987. He is a director of Record Currency Management, an institutional investment management company specialising in currency management for pension funds worldwide. Ian provides counsel and support to the Board and brings particular skills relating to pension investment and currency management. Age 51.

Iain Robertson
Iain joined the Board as a non-executive director of the Company in 2004 and chairs the Audit Committee. He is a former chief executive of the Royal Bank of Scotland's Corporate Banking and Financial Markets Division. A qualified chartered accountant, Iain previously worked in the civil service, at the Department of Trade and Industry and the Department of Energy before moving to the Scottish Office. He was subsequently appointed director of Locate in Scotland and then chief executive of the Scottish Development Agency. Iain provides valuable financial experience and counsel to the Board. Age 62.

Each of the directors retiring has undergone a formal performance evaluation and the performance of each continues to be effective and to demonstrate commitment to their role including commitment of time for Board and Committee meetings and their other duties.

Resolution 11 – Amendment of the rules of the Company's Savings Related Share Option Scheme

The rules (the "Rules") of the Company's Savings Related Share Option Scheme (the "SAYE Scheme") were put in place on 8 September 1998. In terms of the Rules no further options may be granted after 8 September 2008. Your directors feel that the SAYE Scheme is an important tool in the motivation and retention of staff and because of the advantages it offers to employees, it is proposed that the SAYE Scheme be extended indefinitely. The opportunity has also been taken to amend the Rules in some minor regards to take account of changes in practice and legislation since 1998.

The rules of the SAYE Scheme will be amended to provide that:

1. the definition of "Eligible Employee" be revised, in accordance with the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA"), to include directors who are in employment with the Company for 25 hours or more per week;
2. Rule 6.6.2 will be amended to ensure that it is not discriminatory against pregnant option holders;
3. Rule 12.2 will be amended so that the consent of Her Majesty's Revenue & Customs ("HMRC") to any amendments to the Scheme Rules will only be required when the proposed amendment is to a "key feature" of the Rules; and
4. the SAYE Scheme will not terminate on 8 September 2008 but will continue indefinitely unless and until the directors resolve otherwise.

HMRC have confirmed that the proposed amendments are in a form capable of approval. If the Resolution is passed to approve and adopt the proposed amendments, the formal approval of HMRC, as required under Paragraph 43 of Schedule 3 ITEPA, will take effect from the date on which this Resolution is passed.

Resolution 12 – Amendment to Articles of Association

This Resolution is being proposed in light of new provisions in relation to directors' conflicts of interest which are to be introduced by the Companies Act 2006 (the "2006 Act") with effect from 1 October 2008, or a later date yet to be announced by the Government.

Under the 2006 Act, a director will be required to avoid situations in which he has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with a company's interests. This requirement is considered to be very broad and may, for example, apply if a director becomes a director of another company.

The 2006 Act will, however, permit the directors of a public company to authorise a director's conflict or potential conflict of interest provided that the company's constitution includes provision enabling the directors to give such authorisation. Resolution 12 is therefore being proposed to amend the Company's Articles of Association ("Articles") to include such provision. If the amendment is not made then when the sections of the 2006 Act dealing with conflicts of interest come into force, currently expected to be on 1 October 2008, the Company may be required to seek shareholder approval every time there is a situation where a director has an interest which may conflict with the Company's interests. This is not considered to be practical.

There are safeguards in the 2006 Act which will apply when directors decide whether to authorise a conflict or potential conflict of interest. Firstly, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the decision and, secondly, in taking the decision, the directors will have to act in a way they consider, in good faith, will be most likely to promote the Company's success for the benefit of shareholders as a whole. The directors will also be able to impose limits or conditions when giving authorisation if they think this is appropriate. It is the directors' intention to report annually on the Company's procedures for ensuring that the directors' powers to authorise conflicts are operated effectively.

The directors expect to propose the adoption of a new set of Articles fully updated to reflect the repeal of the Companies Act 1985 and its replacement by the 2006 Act, either at next year's Annual General Meeting or the next following Annual General Meeting, depending on ultimate timing of all sections of the 2006 Act coming into force.

Resolution 13 – Authority to allot shares

Resolution 13 authorises the directors to allot unissued shares in the capital of the Company up to a maximum nominal value of up to £3,215,173 (the unissued ordinary share capital of the Company as at 8 April 2008). This authority will expire on the conclusion of the Annual General Meeting of the Company in 2009, it being the intention to renew it at that and each subsequent Annual General Meeting. Shareholders last granted such general authority to the directors at the Annual General Meeting of the Company in 2003. The directors have no present intention to issue any shares under the authority being sought, but this Resolution will provide the Company with flexibility to issue shares in the future. The Company does not hold any shares in treasury as at 8 April 2008, the latest practicable date prior to issue of the Notice of Annual General Meeting.

Resolution 14 – Authority to disapply pre-emption rights

Under Section 89 of the Companies Act 1985 (as amended) if the directors wish to allot any of the unissued ordinary shares in the Company for cash they must, in the first instance, offer them to existing shareholders in proportion to their shareholding. This Resolution proposes, on the same basis as last year and subject to the passing of Resolution 13, to disapply pre-emption rights of shareholders on the allotment of equity securities for cash up to a limit of 5% of the issued ordinary share capital of the Company as at 8 April 2008, being shares to an aggregate nominal value of £752,444. The authority under this Resolution would expire on the date of the next Annual General Meeting of the Company or on 21 August 2009, whichever is earlier. The directors have no current plans to utilise this authority.

Resolutions 15 and 16 – Authority to buy-back shares

The directors consider that it would be advantageous for the Company to renew the authority, granted at last years Annual General Meeting to purchase its own ordinary and 9% cumulative preference shares in case the opportunity presents itself where such course of action would be in the best interests of shareholders generally. Under the terms of these special resolutions the maximum number of shares to be purchased is 6,019,555 ordinary shares (representing 10% of the issued ordinary share capital as at 8 April 2008) and 1,394,587 9% cumulative preference shares (representing 100% of the issued 9% cumulative preference shares as at 8 April 2008). Resolutions 15 and 16 set out the highest and lowest prices which the Company can pay for these shares. This authority will only be exercised where in the opinion of the Board it is likely to result in an increase in earnings per share and would be in the best interests of shareholders generally. Any shares purchased by the Company under this authority will be cancelled, unless the shares are purchased by the Company to hold as treasury shares. These authorities would expire on the date of the next Annual General Meeting or on 21 August 2009, whichever is earlier. The directors have no present intentions for the Company to purchase its own shares.

Recommendation
The directors consider all these Resolutions to be in the best interests of the Company and its shareholders as a whole, consistent with the directors' duty to act in the way most likely to promote the success of the Company for the benefit of its shareholders as a whole, and unanimously recommend that you vote in favour of them.

Proxy Form
A Form of Proxy, which covers all Resolutions to be proposed at the Annual General Meeting of the Company to be held on 22 May 2008, is provided for use by holders of ordinary shares and should be read in conjunction with the Notice of Annual General Meeting. Completed Forms of Proxy should be returned as soon as possible but in any event no later than 12.15pm on Tuesday 20 May 2008. Completion of a Form of Proxy will not prevent a shareholder from attending and voting at the Annual General Meeting if he/she so wishes.

Appointment of a proxy through CREST
To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours before the time appointed for holding the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35 (5) (a) of the Uncertificated Securities Regulations 2001.

NOTICE OF ANNUAL GENERAL MEETING

This document is important and requires your immediate attention. If you are in any doubt about what action you should take you are recommended to consult your financial adviser. If you have sold or transferred all of your Ordinary Shares in John Menzies plc, you should forward this document, together with accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of John Menzies plc (the "Company") will be held in the Roxburghe Hotel, 38 Charlotte Square, Edinburgh on Thursday 22 May 2008 at 12.15pm (the "Meeting") to transact the following business:

Ordinary Business

To consider and if thought fit pass the following Resolutions which will be proposed as ordinary resolutions:

1. Report and Accounts
To receive the Directors' Report and Accounts for the financial year ended 29 December 2007 and the Report of the Auditors thereon.

2. Dividend
To declare a final dividend on the Company's ordinary shares of 18.4p each for the financial year ended 29 December 2007.

Re-election of Directors

3. To re-elect William Thomson as a director
4. To re-elect Paul Dollman as a director
5. To re-elect Dermot Jenkinson as a director
6. To re-elect Ian Harrison as a director
7. To re-elect Iain Robertson as a director

8. Remuneration Report
To approve the Report on Directors' Remuneration for the financial year ended 29 December 2007.

9. Re-appointment of Auditor
To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company to hold office from the conclusion of the Meeting to the conclusion of the next Meeting at which accounts are laid before the Company.

10. Remuneration of Auditor
To authorise the directors to fix the Auditors' remuneration.

Special Business

11. Amendment to the rules of the Company's Savings Related Share Option Scheme
To consider the following Resolution as an Ordinary Resolution:

That the amendments to the rules of the John Menzies plc Savings Related Share Option Scheme (the "SAYE Scheme") in the form produced in draft to the Meeting and for the purposes of identification initialled by the Chairman of the Meeting (the effects of which are summarised in the Explanatory Notes to this Notice of Annual General Meeting dated 9 April 2008) be approved and adopted with effect from 22 May 2008 and that the amendments to the SAYE Scheme be submitted for the formal approval of Her Majesty's Revenue & Customs under Paragraph 43 Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003.

12. Amendment to Articles of Association

To consider the following Resolution as a Special Resolution:

That the Articles of Association of the Company be amended by inserting the following as a new Article 84 (A):

"84 (A) Subject to the provisions of the Acts and as contemplated by Section 175 of the 2006 Act, the Directors may authorise, in such manner and on such terms and subject to such limits and conditions as they see fit, any matter in which a director has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company. The director concerned shall not vote on (or if he does vote, his vote shall not be counted), or be counted as part of the quorum in relation to, any resolution of the directors concerning any such matter. This Article 84 (A) does not apply to a conflict of interest arising in respect of a transaction or arrangement with the Company. For the purpose of this Article 84 (A), a conflict of interest includes a conflict of interest and duty and a conflict of duties.",

and amending the numbering of the remainder of Article 84 (and any references thereto in the Articles of Association) accordingly.

13. Authority to allot shares

To consider the following Resolution as an Ordinary Resolution:

That the directors be and are hereby generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985, as amended (the "Act") in substitution for all other authorities pursuant to Section 80 of the Act to the extent not utilised at the date this resolution is passed to exercise all powers of the Company to allot relevant securities (as defined in Section 80 (2) of the Act) up to an aggregate nominal amount of £3,215,173, being the unissued ordinary shares to such persons and at such times and on such terms as they think proper. This authority shall expire at the close of the Annual General Meeting of the Company to be held in 2009 and provided that the Company may, prior to such expiry, make any offer, agreement or other arrangement which would or might require relevant securities to be allotted after that date and the directors may allot relevant securities in pursuance of any such offer, agreement or other arrangement as if this authority conferred hereby had not expired.

14. Authority to disapply pre-emption rights

Subject to the passing of Resolution 13, to consider the following Resolution as a Special Resolution:

That the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 (as amended) (the "Act") to exercise all powers of the Company to allot equity securities (within the meaning of Section 94(2) of the Act) wholly for cash pursuant to the authority conferred by Resolution 13 above and/or in respect of an allotment of equity securities by virtue of Section 94(3) of the Act as if Section 89 (i) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment (otherwise than pursuant to sub-paragraph (b) below) of equity securities which are, or are to be, wholly paid up in cash to an aggregate nominal value of £752,444, being equal to approximately 5% of the ordinary shares in issue as at 8 April 2008 and for this purpose an issue of securities convertible into or giving the right to subscribe for ordinary shares shall be deemed to be an allotment of the number of shares which would be required to satisfy the conversion or subscription price provided in the terms and conditions of the issue; and

(b) the allotment of equity securities in connection with a rights issue, open offer or otherwise to holders of ordinary shares, in proportion (as nearly as may be) to their respective holdings of such ordinary shares held by them, subject to the directors having a right to aggregate and sell for the benefit of the Company all fractional entitlements which may arise in apportioning equity securities among the holders of the ordinary shares, and subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to any legal or practical problems under the laws of any territory or the requirements of any regulatory body or other authority in any jurisdiction;

(c) and that the authority hereby conferred shall expire (unless previously revoked, varied or renewed) at the conclusion of the next Annual General Meeting of the Company or on 21 August 2009 whichever is earlier, provided that the Company may before such expiry make an offer or arrangement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power hereby conferred had not expired.

15. Purchase of own Ordinary Shares by Company

To consider the following Resolution as a Special Resolution:

That the Company be and is hereby authorised to make market purchases (within the meaning of Section 163(3) of the Act) of any of its own ordinary shares, provided that:

(a) the authority hereby conferred shall expire (unless previously revoked, varied or renewed) at the conclusion of the next Annual General Meeting of the Company or at the close of business on 21 August 2009, whichever is earlier, except in relation to the purchase of ordinary shares for which a contract was concluded before the authority expired and which might or will be executed wholly or partly after its expiration and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired;

(b) the maximum number of shares hereby authorised to be purchased is 6,019,555, representing 10% of the Company's issued ordinary share capital as at 8 April 2008; and

(c) the maximum price which may be paid for each ordinary share under this authority is an amount equal to 105% of the average of the middle market quotations for such ordinary shares of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase, and the minimum price which may be paid for any such ordinary shares is 25p, in each case exclusive of the expenses of purchase (if any) payable by the Company.

16. Purchase of own Preference Shares by Company

To consider the following Resolution as a Special Resolution:

That the Company be and is hereby authorised to make market purchases (within the meaning of Section 163(3) of the Act) of any of its own 9% cumulative preference shares of £1 each, provided that:

(a) the authority hereby conferred shall expire (unless previously revoked, varied or renewed) at the conclusion of the next Annual General Meeting of the Company or at the close of business on 21 August 2009, whichever is earlier, except in relation to the purchase of 9% cumulative preference shares for which a contract was concluded before the authority expired and which might or will be executed wholly or partly after its expiration and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired;

(b) the maximum number of shares hereby authorised to be purchased is 1,394,587, representing 100% of the Company's issued 9% cumulative preference share capital as at 8 April 2008; and

(c) the maximum price which may be paid for each 9% cumulative preference share under this authority is an amount equal to 110% of the average of the middle market quotations for such 9% cumulative preference shares of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase, and the minimum price which may be paid for any such 9% cumulative preference shares is £1, in each case exclusive of the expenses of purchase (if any) payable by the Company.

By order of the Board
J F A GEDDES
SECRETARY
9 April 2008

Notes

Entitlement to Attend Meeting
Only those shareholders entered on the Company's Register of Members (the "Register") by 12.15pm on Tuesday 20 May 2008 shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares they hold as shown by the Register at that time. Changes to entries on the Register after that time shall be disregarded in determining the rights of any shareholder to attend and vote at the Meeting.

Proxies
A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to exercise all or any of his/her rights to attend, speak and vote on his/her behalf. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A shareholder may not appoint more than one proxy to exercise the rights attached to any one share. A form of proxy is enclosed for holders of ordinary shares which, to be valid, must be completed in accordance with the instructions printed on it and lodged with the registrars of the Company at least 48 hours before the time of the Meeting or any adjournment thereof.

Appointment of a proxy will not prevent a shareholder from attending the Meeting and voting in person should he/she decide to do so. For members of CREST who wish to appoint a proxy through the CREST system, please refer to the instructions on page 84.

Documents
The following documents are available for inspection on any day (except Saturday, Sunday and Bank Holidays) from the date of sending this Notice of AGM up to and including the date of the Meeting during usual business hours at the registered office of the Company and at the offices of Maclay Murray & Spens LLP, One London Wall, London, EC2Y 5AB and will, on the date of the Meeting, be available for inspection at the venue of the Meeting from 12.00pm until the conclusion of the Meeting:
(a) the Memorandum of Association of the Company;
(b) the existing Articles of Association of the Company together with the Articles of Association as proposed to be amended by Resolution 12;
(c) copies of the directors' service contracts with the Company;
(d) the terms of appointment of the non-executive directors of the Company; and
(e) a copy of the current rules of the SAYE scheme together with a copy as proposed to be amended by Resolution 11.

Dividend
The final dividend on the ordinary shares, if approved, will be paid on 27 June 2008 to shareholders whose names appear on the Register at the close of business on 30 May 2008.

PRINCIPAL ADDRESSES AND ADVISERS

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