

John Menzies plc

Annual Report 2009

Including Notice of Annual General Meeting

John Menzies plc is a company with two operating divisions, Menzies Aviation and Menzies Distribution.

Both divisions operate in distinct business to business sectors where success depends on providing a safe, efficient and high-quality service to customers and partners.

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.

www.johnmenziesplc.com

£35.2m

underlying profit before tax

£1,725.7m

revenue

43.8p

underlying earnings per share

Directors' report and business review

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At a glance Aviation



A market leading formula for a great, safe and secure service, makes Menzies Aviation one of the world's largest and most respected independent ground and cargo handlers.

£15.8m

underlying operating profit

£507.2m

revenue

112

locations

27

countries

With 15,000 employees worldwide servicing over 500 airline customers at 112 locations in 27 countries, we handled more than 650,000 flight turns, 71 million passengers and 1.4 million tonnes of cargo in 2009. We aim to provide a great, safe and secure service to all our airline clients and to their passengers.



Passenger

We offer airlines around the world a full range of passenger handling services, including ticketing, providing a full check-in service, baggage services and passenger lounges.



Ramp

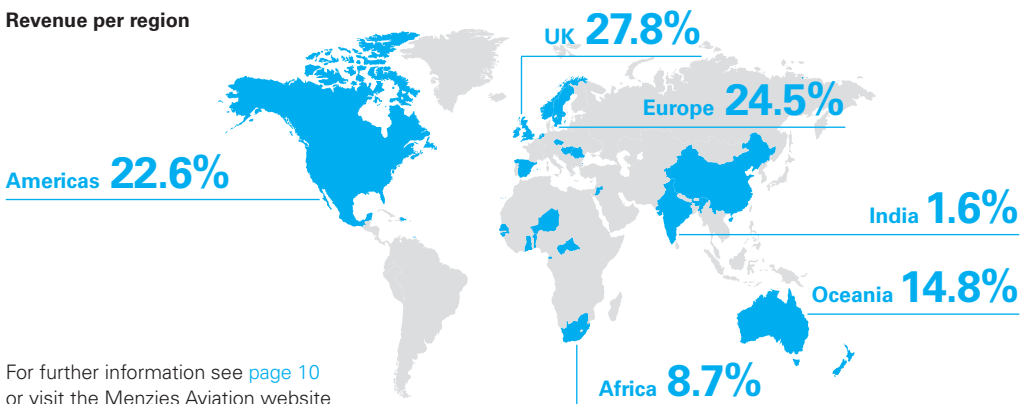
On the ramp our specialist teams can turn a narrow bodied aircraft around in under 30 minutes from when the plane arrives on stand until it is pushed back on its outbound journey. We offer our airline clients a full service, including load control, aircraft towing and pushback, we will empty and load the baggage holds, provide baggage and passenger transfer and other ramp handling services including cabin cleaning, water services and de-icing.



Cargo

Perishable and high-end goods flow daily through our global network of 44 cargo sheds, including major cargo centres in the UK, Netherlands and USA. 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 services and forwarder handling.

Revenue per region



For further information see [page 10](#) or visit the Menzies Aviation website www.menziesaviation.com.

At a glance Distribution



A leading provider of added value distribution and marketing services to the UK's newspaper and magazine supply chain.

£28.6m

underlying operating profit

£1,218.5m

revenue

24

hub branches in UK and Ireland

25,000

retail customers

With 4,000 employees at 24 hub and 19 spoke branches throughout the UK and Ireland, the division is a strongly cash generative business with around 43% of the newspaper and magazine wholesale distribution market in the UK. It has a track record of investment in innovation and customer service delivery.



Newspaper and magazine distribution

We handle 5.5 million newspapers and 2.2 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 25,000 retail customers from the Northern Isles to the Isle of Wight.



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 analysis and returns processing.



Field marketing

We provide long-term and short-notice resources for field marketing and promotional campaigns of any size at local or national levels across the UK and Ireland, such as free newspaper and magazine distribution, compliance auditing, event organising, point-of-sale placement, mystery shopping, market research and face-to-face targeted promotions.

Divisional revenue

UK market share **43%**

Menzies JV **6.3%**

New Preston branch **4.4%**

New Maidstone branch **7.2%**



■ Menzies Distribution
■ Menzies JV
■ Others

For further information see page 14 or visit the Menzies Distribution website www.menziesdistribution.com.

Chairman's statement



The Group has emerged from 2009 in good shape, we have recommenced dividend payments and I believe we are extremely well placed to make further progress during 2010 and increase shareholder value.

William Thomson
Chairman
John Menzies plc

2009 has been a year of great contrast but I am delighted that the Group has come through it in a strong position.

The focus for 2009 was on debt reduction and cost control. I am pleased that Group net debt has reduced by over £50m, demonstrating both the extremely cash generative nature of the Group and that management at both divisions rigorously controlled their cost bases.

Both divisions were cash generative. At Menzies Aviation a less capital intensive business model was introduced, restricting capital expenditure and allowing strong cash generation without overly inhibiting growth. Menzies Distribution has always been a highly cash generative business and again delivered strong free cash flows.

Menzies Aviation turned in a resilient performance in the light of significant market weakness particularly in the cargo handling market and to a lesser extent in the ground handling market. Management's ability to flex the cost base, particularly within the larger ground handling business, helped to mitigate the lost revenue. This combined with new contracts and the annualisation of contracts won in 2008, allowed the division to return profits up 12%, which in a distressed marketplace was a very commendable achievement.

Menzies Distribution had a stellar year. Cost initiatives, driven by management incentive schemes and the full benefit of investment in new technologies, delivered ahead of expectations. In addition, over £180m of new revenues were secured following the latest round of publisher negotiations. These contract gains secure core revenue streams through to 2015 and represent a splendid achievement.

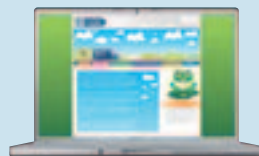
Board

As previously announced, I will retire as Chairman at the AGM in May. I am delighted that Iain Napier has agreed to take over and have no doubt that he has the experience and enthusiasm to drive the Group forward over the forthcoming years.

David Coltman, our Senior Independent Director, has intimated that he will retire from the Board at the AGM in 2011. In preparation for this the Group will seek to recruit a new Non-Executive Director who will hopefully be able to take up post before the end of the year.

Enviromenzies

Menzies Distribution has been running initiatives with environmental benefits for 15 years – but not until 2007 were these independent strands brought into a coherent strategy for our business and the industry. Last year, this strategy found a new expression online in www.enviromenzies.com. The website explores the causes of global warming, how we as a company contribute to it, and how we have and are continuing to respond to it. Our own emissions account for around 34,300 tonnes of CO₂ annually, while the supply chain as a whole accounts for significantly more. It is designed to rally our partners in publishing and retail to join us and if we can encourage our partners to save just 1% of their current carbon emissions, that saving will outstrip the size of our entire footprint.



At the end of July, David McIntosh was appointed to the Board as Managing Director of Menzies Distribution succeeding Ellis Watson who left the Group to take up an appointment with FirstGroup plc. David was previously Commercial and Marketing Director and has worked for the John Menzies Group for 19 years.

Dividend

To reflect the positive progress made during the year and the strong cash flow performance, the Board has decided to make an interim dividend of 8p for the financial year 2009. The payment will be made on 1 April 2010 to all shareholders on the register of members as at 19 March 2010. This dividend is in lieu of a final dividend for 2009.

People

Our businesses rely on delivering a service, and our employees remain our greatest asset. 2009 was difficult and employee numbers were reduced. Despite this challenging backdrop the success achieved during the year owes a great deal to the commitment of all our employees. Their dedication to providing a quality, efficient service to our customers continues, and their efforts are greatly appreciated.

Prospects

The outlook for both our divisions is positive.

2009 was a year that brought about a great deal of change for Menzies Distribution. The division has clear objectives. In 2010 the additional new contracts will be integrated into the business. This enlarged network offers synergy benefits which will be pursued. In addition, new ventures will be developed and further efficiencies, particularly with the implementation of SAP, will be targeted.

At Menzies Aviation, the division will continue to focus on attractive airlines in attractive markets. Management will work to address the structural challenges within the cargo business while pursuing the growth opportunities that exist within the ground handling market. The division was cash generative during the year and with a less cash consumptive growth model it can grow without major capital expenditure being required.

Overall, the Board is confident that both divisions will grow selectively using the cash generated by the businesses whilst continuing to focus on further debt reduction and improving our financial ratios.

The Group has emerged from 2009 in good shape, we have recommenced dividend payments and I believe we are extremely well placed to make further progress during 2010 and increase shareholder value.



William Thomson
Chairman

Revenue and profit analysis

Divisional revenue (£m)

Aviation

2009	507.2
2008	500.9

Distribution

2009	1,218.5
2008	1,166.2

Divisional underlying operating profit (£m)

Aviation

2009	15.8
2008	14.1

Distribution

2009	28.6
2008	23.9

Group strategy

John Menzies plc

The Group strategy is clear. We operate two distinct divisions both focused on being the supplier of choice within their markets. Both aim to do this by offering great customer service at the right price with lean cost while adding value wherever possible.

Menzies Aviation will leverage existing customer relationships to grow selectively. They will continue to focus on attractive airlines in attractive markets creating product, station and regional densities.

In 2010 Menzies Distribution will integrate the new business gained during 2009. They will continue to focus on cost and productivity initiatives whilst exploring growth opportunities that exist with adjacent businesses that can benefit from our unique publisher and retailer relationships.

Our team

The executive team operate in a flat structure that is built upon strong working partnership.



Paul Dollman
Group Finance Director
John Menzies plc



Craig Smyth
Managing Director
Menzies Aviation



David McIntosh
Managing Director
Menzies Distribution

Menzies Aviation



2009 was an unprecedented year in the aviation industry. By maintaining a focus on the three pillars of the Menzies Aviation strategy, we were able to examine and flex the business when needed, whilst maintaining our great, safe and secure product for our clients.

Getting the basics right

We do this by

- Being safe and secure
- Providing a great service
- Working for the right price
- Maintaining a lean cost
- Continually ensuring capital discipline

Building strength

We do this by

- Providing regional density
- Providing station density
- Providing product density

Growing from strength

We do this by

- Working with attractive airlines
- Selectively working in attractive markets

Menzies Distribution



2009 was a very successful year. New contracts were awarded, new branches opened to service these new contracts and further efficiencies delivered. The focus is now on integrating the new business and seeking growth opportunities. To deliver this the division is following a clear strategy based around three pillars.

Execute

We do this by

- Fully integrating new business
- Continuing to deliver cost and productivity benefits
- Developing joint venture in Ireland

Redesign

We do this by

- Developing the business to meet changing business environment
- Increasing customer focus and continuing to improve service
- Implementing SAP throughout the business driving further efficiencies

Grow and Diversify

We do this by

- Delivering new regional distribution contracts
- Expanding marketing services
- Exploring acquisition opportunities

Group performance



Net debt at the year-end was £132.3m which was £50.3m lower than the previous year-end. The key covenant measure, net debt to EBITDA was 2.2 times at the end of 2009 markedly down from its peak of 3.2 times at the end of last year. The Group's interest cover increased from 4.9 times in 2008 to 6.7 times in 2009.

Paul Dollman
Group Finance Director
John Menzies plc

Against a backdrop of material reduction in volumes at both divisions the main focus for the Group in 2009 was cost control and reducing the Group's debt. As a result, the Group reduced net debt by over £50m in the year and generated an increase in underlying operating profits of 18.9%.

Menzies Aviation's revenue increased by 1.3% to £507m, with Menzies Distribution's revenue increasing by 4.5% to £1,219m.

Aviation delivered an underlying operating profit of £15.8m (2008: £14.1m) up 12.1% on last year. The results for the year benefited from contract gains, the annualisation of prior year business development, lower start-up costs, foreign exchange and continued cost control. This all contributed in mitigating the impact of volume shortfalls.

Distribution had an excellent year with operating profits of £28.6m (2008: £23.9m) up 19.7% on last year. Like-for-like gross profit again fell during the year particularly, as expected, in the magazine categories. This was more than offset by a very strong performance on costs which, net of inflation, were reduced by £5.7m. In addition, new revenue streams, other income and a 53rd week of trading also helped to increase operating profits.

Corporate costs were reduced by a further £0.5m compared to last year resulting in an underlying operating profit for the Group of £43.4m, £6.9m of ahead last year, an increase of 18.9%. The Group underlying profit before tax was £35.2m, an increase on 2008 of 14.7%.

Cash flow and investment

Operating cash flow was £57.7m, an increase of £15.2m (c35%) on 2008 reflecting higher operating profits and a positive working capital movement. The focus on debt reduction resulted in capital expenditure of £15.1m, some £25.3m lower than the previous year. The reduction in capital expenditure in Aviation along with excellent working capital control, led to Aviation having a higher cash conversion rate in the year than Distribution. This resulted in a free cash inflow of £26.9m (or 45p per share) in 2009 compared to a free cash outflow of £11.1m in 2008. In addition, £16.5m was raised from the sale and refinancing of assets which, together with a £6.8m translation gain, reduced net debt by £50.3m to £132.3m.

Supplier of choice in the UK

From our launch in 2003, UK & Ireland Ground Handling has gone from strength to strength. We are now proud to hold a prominent position in the UK market. Through strong partnerships with our airline customers, we have been able to grow from one station to ten in seven years. easyJet are our largest customer, and our service delivery to them in the UK has allowed us to grow this relationship further afield, with Menzies Aviation now handling easyJet in 26 stations throughout Europe. In the UK we now operate with a team of 2,400 people and handle 500 flights every day at Heathrow, Gatwick, Manchester, Edinburgh, Glasgow, Belfast, East Midlands, Luton and, opened in 2009, Bristol and Stansted.



Debt and interest

Net debt at the year-end was £132.3m which was £50.3m lower than the previous year-end. The key covenant measure, net debt to EBITDA was 2.2 times at the end of 2009 markedly down from its peak of 3.2 times at the end of last year. The Group's interest cover increased from 4.9 times in 2008 to 6.7 times in 2009.

External interest costs of £6.4m were £1.3m or 16.9% lower than the previous year, reflecting lower interest rates and the lower levels of average net debt. The IAS 19 interest charge of £1.8m is a £4.1m increase on the net credit of £2.3m in the previous year.

Exceptional items

Group profit before tax and basic earnings per share were affected by a net exceptional charge of £6m. The majority of this figure £3.8m related to redundancy costs in the Netherlands as we downsized our ground handling operation. A further £1.0m was provided for the disposal of our joint venture investment in Chengdu expected to complete during 2010.

Pensions

The triennial valuation of the Group's defined benefit pension scheme as at 31 March 2009 is currently being finalised. The IAS 19 deficit has increased from £25.6m in 2008 to £60.8m in 2009 net of deferred tax. The Company has reached agreement with the trustees on the deficit funding which is an additional payment of £6m per annum (£4.3m net of tax). This will increase annually with RPI. We are looking at ways of reducing future volatility in the scheme and in particular, ways to mitigate the future inflation risk.

Dividend

The Board has declared an interim dividend in lieu of a final dividend, of 8p per share. On the basis of a more normal one-third/two-thirds split this would represent an annualised dividend of 12p per share. At this level, the annualised dividend would have been covered more than 3.5 times by both earnings and free cash flow in 2009.

Key Performance Indicators (KPIs)

John Menzies monitors a number of financial and operational KPIs to help achieve key business objectives. The Group's main financial KPIs are highlighted on this page, and operational KPIs for Menzies Aviation and Menzies Distribution are shown on pages 11 and 15 respectively.

Key Performance Indicators

Revenue (£m)

2009	1,725.7
2008	1,667.1
2007	1,541.1
2006	1,450.4
2005	1,362.1

Underlying PBT (£m)

2009	35.2
2008	30.7
2007	38.0
2006	35.8
2005	39.4

Free cashflow (£m)

2009	26.9
2008	(11.1)*
2007	14.9
2006	3.2
2005	23.6

Underlying EPS (pence)

2009	43.8
2008	31.3
2007	47.9
2006	46.9
2005	51.9

Full-year dividend per share (pence)

2009	8.0
2008	7.56
2007	25.6
2006	20.5
2005	19.5

*Restated.



The division contributed to the cash position of the Group with a divisional cash inflow of £33.2m. This was achieved by restricting capital expenditure, continued improvement in working capital management and moving the ground handling business to a less cash consumptive operating leasing model.

Craig Smyth
Managing Director
Menzies Aviation

Revenue and profit analysis

Revenue (£m)

2009	507.2
2008	500.9

Underlying operating profit (£m)

2009	15.8
2008	14.1

Dana Hovorkova, check-in agent
at Prague Airport.

Menzies Aviation

By operating a resilient business model, Menzies Aviation continues to provide a great, safe and secure service, at the right price, to customers across its global network.

Performance

Menzies Aviation produced a resilient performance with underlying operating profit up by 12%. This strong set of results was driven by cost control (including pay freezes and staff reductions), new stations, contract wins and lower start-up costs, but mitigated by the sharp decline in volumes for cargo handling and cargo forwarding.

The split of revenues continued its shift towards the more profitable and flexible ground handling business which now represents 59% of divisional turnover with cargo handling and cargo forwarding representing 26% and 15% respectively.

The division also contributed to the cash position of the Group with a divisional cash inflow of £33.2m. This result was achieved by restricting capital expenditure, continued improvement in working capital management and moving the ground handling business to a less cash consumptive operating leasing model.

During the year, the division was a net winner of 49 contracts. The net contract gains will contribute £1.5m on an annualised basis. A high proportion of the losses were as a result of predatory pricing or route cessation. Just as important as contract gains are contract renewals, and during the year 35% of EBIT was renewed from key airline contracts that included Alaska Airlines, Pacific Blue, Thai, Virgin America and Continental.

In April 2010, a franchise agreement held in Peru comes to an end reducing divisional EBIT by around £1.5m. However, we expect the effect of this will be offset by the annualised effect of contracts gained during 2009.

Cost savings

Divisional management reacted quickly to the underlying market conditions and took rigorous measures to manage the cost base. During the year, underlying headcount was reduced by some 8% as the workforce was flexed to match demand. Where possible, a pay freeze was implemented which helped to restrict labour costs. Indirect costs were minimised, with back office functions further centralised into regional shared service centres, which helped produce an additional benefit of £2m.

Enhanced technology, in particular, a biometric recognition time and attendance system and a new rostering tool were rolled out across the network during the year. These tools brought greater standardisation to working practices and allowed further efficiencies to be driven from the business.

Within ground handling, hours per turn (the key productivity indicator) were reduced by 5.2% and in cargo handling hours per tonne were held in line with the previous year despite the volume shortfalls.



Craig Smyth
Managing Director
Menzies Aviation

Key Performance Indicators

Ground handling – labour hours per turn

2009	32.5
2008	34.3*

Ground handling – on-time performance (%)

2009	98.9
2008	99.5

Cargo handling – tonnes per FTE

2009	525.6
2008	525.6*

Aircraft damage – category A incidents per 1,000 turns

2009	0.07
2008	0.09

*2008 restated.



Operating Board

1 Craig Smyth

Managing Director

2 Paul Dollman

Group Finance Director

3 Graeme Jenkins

EVP Finance

4 Stephen Koller

EVP IT

5 Mervyn Walker

EVP Operations

Cargo handling

The cargo handling business experienced a very difficult year. Absolute tonnes were down 17.8% (lfl 12.4%) as cargo volumes across the world deteriorated. This market weakness led to over capacity, particularly at the world's major airports, which encouraged predatory pricing. As a result of this, contract losses, primarily at London Heathrow, also impacted the business. The division has not participated in predatory pricing as it believes that such actions will lead to a reduction in value that will not be recovered when the market turns.

Cargo handling at major hub airports is structurally challenged. Within the portfolio, loss making operations at four major airports have been identified and are now subject to a fix, close or sell process. Cargo operations at minor airports, whilst still affected by reduced volumes, were profitable as the dynamics of these operations differ with little over capacity and reduced competition.

During the year, management reduced the cost base to meet the falling demand, with five sheds being closed and capacity rationalised where possible. Fourth quarter 2009 volumes did show signs of recovery, albeit against weak comparators.

Cargo forwarding

AMI, the division's freight forwarding business, was impacted by the general malaise in the cargo market. Bookings were down 11.6% coupled with yield pressure which saw the margin decline by 0.9% to 2.2%.

Ground handling

The ground handling business had another good year, with eight new stations opened during the year. Like-for-like turns were down 3.5%, but absolute turns were up 7.6% demonstrating continued contract gain momentum.

During the year, the ground handling business model was further developed. Increasingly the division is utilising a turnkey lease/maintenance solution for its ground handling equipment requirements. Not only does this reduce cash consumption, but also leads to a reduction in total cost of ownership through reduced maintenance costs.

Within the ground handling network the UK business had another strong year, strengthening its relationship with easyJet through the award of contracts at Stansted and Bristol. At London Heathrow, operations at Terminal One prospered, with the award of contracts from Air New Zealand and Swiss. The business now has a significant presence at Terminal One and will look to expand its customer base in the adjacent Terminal Three, where it already has Finnair as its launch customer.

Securing existing contracts in Seattle

2009 by any measure, has been our best year at Seattle Tacoma International Airport since we commenced operations in 2005. Securing existing major contracts is as key as securing new contracts, and earlier this year because of the safe, secure and consistent service we were providing to Alaska Airlines at Seattle, they agreed to extend our contract until December 2012.

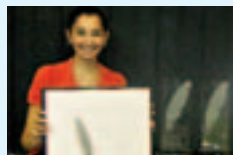
We now handle circa 45,000 turns per annum at Seattle alone for Alaska Airlines, and in October 2009 we reached another milestone. In that month Terry Trainor and his team handled 3,709 turns for Alaska Airlines and recorded only four attributable delays – an amazing on time performance record of 99.9% for the month, and the best result since we commenced operations in 2005.



South Africa awards

Menzies Aviation in South Africa became the proud recipient of three of Airports Company South Africa's prestigious Feather awards in 2009. Our Durban operation won both the Safety Award and the Best Airside Operator Award, while our Port Elizabeth operation won the Best Airside Operator award.

Menzies Aviation operates at eight Airports in South Africa, employing over 1,400 staff. Our operation at Johannesburg OR Tambo International Airport is one of the largest in the Menzies network. Across South Africa we carry out over 48,000 aircraft turnarounds carrying some 7.2 million passengers, we clean 74,000 aircraft and handle over 23,000 tonnes of air cargo each year.



In Continental Europe, operations at Amsterdam were rationalised and a number of unprofitable airline contracts terminated. As a result, some 300 employees left the business. Elsewhere, management are continuing to synergise the prior year acquisitions made in Scandinavia, creating a strong platform for growth. In addition, the regional density created in Spain was expanded with operations commencing at Barcelona. The division now operates nine stations in Spain.

The Americas had an excellent year winning new contracts, extending customer relationships and building a reputation as the quality player in the market. The contract to handle Alaska Airlines at their Seattle Tacoma hub was renewed, along with four other stations. In addition, Virgin America at three stations in the USA and Continental at 22 stations in Mexico were also renewed.

Operations in South Africa had a successful year with new contracts secured and the region receiving a number of airline and airport awards for customer service. In Oceania, the region's largest contract with Pacific Blue to handle their flights at four airports in New Zealand was renewed and a further six new contracts were secured in Australia. Operations at Hyderabad and Bangalore, in India, had a good year and prospects are encouraging.

Strategy

The division has remained true to its strategy and will continue to focus on working with attractive airlines in attractive markets creating product, station and regional densities.

The strong growth seen within the ground handling business will continue as the division pursues a rich pipeline of organic opportunities. This can largely be achieved by using the new business model which allows the business to grow without requiring major capital expenditure.

Within cargo handling, the focus will be on addressing the structural issues that exist at major cargo locations while the cost base is kept as tight as possible until the market recovers.

Key Performance Indicators (KPIs)

Menzies Aviation monitors a number of financial and operational KPIs to help achieve key business objectives. The Group's main financial KPIs are highlighted on page 9 of this Annual Report.

Key statistics

1.4m

tonnes of cargo handled

71m

passengers handled

650,000

aircraft turns

112

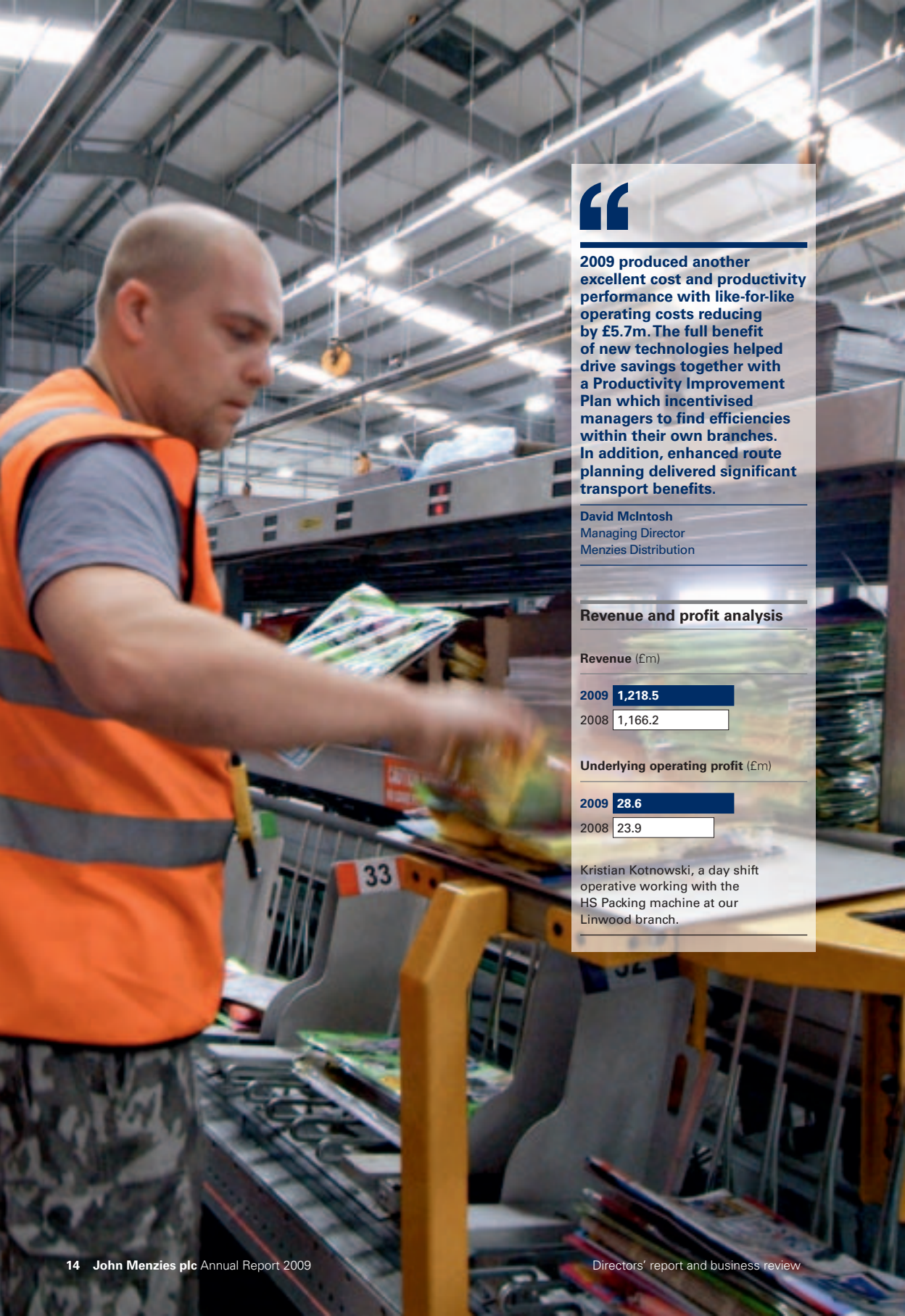
stations worldwide

27

countries operated in

15,000

employees



“

2009 produced another excellent cost and productivity performance with like-for-like operating costs reducing by £5.7m. The full benefit of new technologies helped drive savings together with a Productivity Improvement Plan which incentivised managers to find efficiencies within their own branches. In addition, enhanced route planning delivered significant transport benefits.

David McIntosh
Managing Director
Menzies Distribution

Revenue and profit analysis

Revenue (£m)

2009	1,218.5
2008	1,166.2

Underlying operating profit (£m)

2009	28.6
2008	23.9

Kristian Kotnowski, a day shift operative working with the HS Packing machine at our Linwood branch.

Menzies Distribution

With leading-edge technology and leaner processes Menzies Distribution in 2009 delivered on its strategy: it expanded its geographical footprint; it extended the range and quality of services it offers; and continued to develop new business streams.

Performance

2009 was an excellent year for Menzies Distribution. Underlying operating profits were up 19.7%, largely as a result of excellent cost control, the delivery of productivity initiatives and the effect of a 53rd week of trading. In addition, £180m of new revenues were secured in the latest round of publisher negotiations. The majority of these contracts started, somewhat earlier than expected, during August, following the administration of Dawson News and the remainder will come on stream during 2010. The 2009 full year effect of this new business was neutral as the incremental profit was offset by start-up costs.

These contract gains are an excellent achievement and create a step change for the division and the industry.

Sales

Market conditions during the year remained difficult but sales performed largely as forecast. Like-for-like sales of magazines were 5.5% down. Absolute volumes were up 2.9% reflecting the new contracts which commenced in August.

Newspapers continued their long-term trend with like-for-like sales down 1.6% with only Saturday sales showing any year on year increase. Absolute volumes were up 4.1% again reflecting the new contract gains.

Stickers had a good year outperforming expectations following a number of successful launches. Overall like-for-like sales were up 3.6% despite having no major football tournament during the year.

Marketplace and new business

In August, following the administration of Dawson News, the division, at extremely short notice, took responsibility for a number of contracts that were to migrate over time from Dawson News. This required operating from five Dawson News branches for an initial period. Swift action was required to ensure continuous supply was maintained to all the division's new customers. This was a major operational challenge but one that was met successfully.

During the year, £60m of revenue was gained. This will rise to an annualised total of £180m when all of the contracts migrate. 34% of the new business will be serviced from the existing branch network and the remainder of the business will be serviced by two new hub branches opened in Maidstone and Preston together with two new newspaper packing spokes. These new branches were delivered on time and on budget and are producing the high levels of customer service that is already embedded across the branch network.

As a result of the increased footprint, further rationalisation opportunities exist and will be pursued during 2010.



David McIntosh
Managing Director
Menzies Distribution

Key Performance Indicators

Newspapers delivered on time (%)

2009	97.93
2008	97.71

Magazines delivered on time (%)

2009	98.05
2008	98.64

Newspaper packing accuracy (%)

2009	99.86
2008	99.82

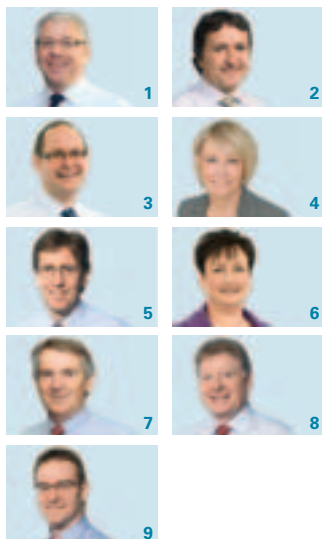
Magazine packing accuracy (%)

2009	99.69
2008	99.57

Newspaper returns processed on time (%)

2009	88.02
2008	92.01

Menzies Distribution



Operating Board

1 David McIntosh
Managing Director

2 Paul Dollman
Group Finance Director

3 David Cooke
Commercial and Marketing Director

4 Jane Dyson
Marketing Services Director

5 George Kirkwood
Finance Director

6 Christina Mellon
HR Director

7 Alex Mitchell
Operations Director

8 David Morton
Strategic Development Director

9 David Spiers
IT Director

The marketplace has now consolidated from three major wholesalers to two. As a result, the division now holds approximately 43% UK market share. In recognition of this the division launched a service pledge to all our customers. The division is committed to being the industry leader in terms of the service that we provide to our publisher and retailer customers. This pledge raises the bar and the division is committed to delivering its pledge each day.

Cost and productivity initiatives

2009 produced another excellent cost and productivity performance with like-for-like operating costs reducing by £5.7m. The full benefit of new technologies helped drive savings together with a Productivity Improvement Plan which incentivised managers to find efficiencies within their own branches. In addition, enhanced route planning delivered significant transport benefits.

The implementation of SAP continues. This major project is not without its challenges but the division remains confident that the project goals will be met. The financial module is operational and the project is now focused on delivering SAP into the branch network during 2010, with full roll out during 2011.

New revenue streams

The division continued to develop new businesses. New revenue streams made an increased contribution to divisional profits, although their growth was impacted by the challenging marketplace.

D-Cipher, the retail media management business, continued to work with its existing customers and delivered returns in line with expectations. Accelerated growth was difficult, largely due to external market conditions and a general reduction in promotional spend. However, the business model remains fit for purpose and growth opportunities exist.

The Network, a field marketing business, was hit by the closure of the London Lite newspaper which it distributed. The distribution contract for the London Evening Standard was secured but revenues from this new contract do not match the London Lite loss. This part of its business has been restructured accordingly and together with its travel and promotional activities will pursue a number of opportunities during 2010.

Jones Yarrell Leadenhall, the corporate news distribution business, performed in line with expectations and successfully integrated specialist London distribution contracts which were secured after Dawson News was placed in administration.

Expanding network

Before the dust had settled on the tendering process, plans were already afoot to accommodate the expansion of our distribution network. When Dawson News went into administration, we occupied five of their former sites in the North-West and the South-East of England, while new sites were swiftly sourced in Preston, Maidstone, Eastbourne and Ashford.

While the task of converting these operations to a Menzies-style operation was sizable, our project teams set up the new businesses in record time – pushing through to ensure that our new customers were benefiting from our advanced technology and working practices and enjoying a Menzies standard of service.



Service Pledge

In the context of a two wholesaler industry, our customer service levels are under more scrutiny than ever. With this in mind, Distribution unveiled its new Service Pledge in October 2009 – laying down a set of self-imposed standards which equal or exceed any other set of standards within the industry. Based around the three core principles of: guaranteed universal service, bettering industry standards, and improving accountability, the Pledge has received a positive response from the industry and the trade press. The real test, however, will be in implementing the Pledge. Distribution aims to not only meet, but to improve upon the commitments made in our Pledge and build even stronger relationships with our customers.



A new business was launched in conjunction with a German partner, Newslog, called Menzies Travel Media to service the needs of travellers for printed media, principally on board aircraft or within airline lounges. This venture is still in its infancy but progress so far has been encouraging.

To drive this business segment forward, a subdivision – Menzies Marketing Services (MMS) – has been created with four businesses now under the MMS banner and the stewardship of one Managing Director. Each of the businesses has a niche and it is believed that they can grow market share and develop into adjacent markets.

Progress continues to be made on gaining more regional press contracts. £8m of new business was gained in 2010 and there remains a substantial amount of business to go after.

The joint venture with Eason and Son Ltd in Ireland had a good year. Operational stability was achieved and Menzies Distribution processes and standards are now becoming embedded into the culture. A number of new contracts have been secured and by delivering high levels of customer service it is hoped that further contracts will be gained.

Office of Fair Trading (OFT)

The OFT announced in September that it was not referring the newspaper and magazine supply chain to the Competition Commission. The division welcomes this decision and looks forward to participating in industry groups to help shape the industry, as all participants look to address the challenges that exist.

Strategy

After a year that has brought a great amount of change, the division has clear objectives. In 2010 the additional new contracts will be integrated into the business. This enlarged network allows further synergy benefits and these will be pursued. New ventures will be developed and further efficiencies will be targeted.

Key Performance Indicators (KPIs)

Menzies Distribution monitors a number of financial and operational KPIs to help achieve key business objectives. The Group's main financial KPIs are highlighted on page 9 of this Annual Report.

Key statistics

2.2m

magazines delivered daily

5.5m

newspapers delivered daily

25,000

retail customers

4,000

employees

24

hubs in the UK and Ireland

19

spokes

43%

UK market share

Principal risks and uncertainties

The management of the business and the execution of strategy are subject to a number of risks, beyond those identified in the Group Financial Review on pages 22 to 26 and Note 16 on page 84.

External risks

Mitigation activities

Business environment

Economic risk

Risk of an adverse change in the business environment for each division or to the overall global recession.



Trend

- We undertake monthly reviews of divisional and Group results versus budget and forecast, and have a structured three year plan in place
- Market trends in key product categories are reviewed monthly at both divisions
- Ensure cost base is fit for purpose

Financing risk

Risk of inadequate financing facilities or inadequately managing FX exposure.



Trend

- The Group maintains a strong relationship with its banks and is confident that it has sufficient debt headroom available to fund the business in the medium term
- Monthly Treasury Review Committee meetings are held which include reviewing hedging policy, supplemented by weekly cash forecasts and daily monitoring of facility headroom
- The Group Board receives a treasury update from the Finance Director at each board meeting and annually reviews treasury policy

Market change risk

Risk for Menzies Distribution associated with changing consumer behaviour and digital media proliferation – accelerating top-line decline.



Trend

- A strategy review exercise which involves a full examination of market conditions and trends is held each year prior to budget setting
- The creation of Menzies Marketing Services aims to develop new revenue streams
- Menzies Distribution focuses on cost and productivity efficiency in its core business and increasing regional newspaper market share

Customer risk

Airline industry change

Risk of losing a customer directly as a result of changes in the airline sector/volume reductions/consolidations etc.



Trend

- Providing consistent, transparent levels of customer services
- Balanced customer portfolio
- Maintain relationships with key accounts
- Flexible business model
- Regular review of costs

Publisher contract renewals

Risk associated with publisher contract renewals including infrastructure set-up and operation.



Trend

- Successful completion of 2009 renewals
- Detailed operational transition planning for establishment of new Distribution sites and new business gains
- Planning and control of HR issues
- Ongoing service level benchmarking

Retail aspirations and consolidation

Risk associated with retail aspirations and increase in retail consolidation.



Trend

- Continue to respond actively to retailer KPIs
- Customer survey has been refreshed and actions progressed
- Continue to improve service levels with retailers, introducing Service Pledge in 2009

Risks are formally reviewed by each Divisional Operating Board on a quarterly basis. A formal Group-wide review of risks is also performed six-monthly by the Group Board and Audit Committee and appropriate processes and controls are put in place to monitor and mitigate these risks.

The key business risks identified by the Group are listed here:

Internal risks

Mitigation activities

People risk

Staff development

Risk of losing key staff as a result of not providing sufficient people development opportunities.



Trend

- The Group believes that retaining and developing staff is better for the business than external recruitment
- Personal Development Programmes and Leadership Development Programmes are in place

Security

Risk that a serious security breach or incident occurs within Menzies Aviation that is directly attributable to the actions of one of our employees or the failure of related processes and/or training.



Trend

- Working in tandem with airport authorities
- Rigorous checking and vetting of all employees
- Central support is provided to all stations to ensure consistency utilising the MORSE Intranet based safety monitoring system, which provides consistent, regular reporting

Health and Safety

Risk of failing to provide staff with appropriate training and working environments and failing to comply with relevant legislation.



Trend

- Our team structure ensures a culture where ownership of safety is the number one value
- The Group Board receives detailed reports from each division at each board meeting. Each division has established and ongoing Health and Safety induction and training programmes and dedicated resources available to them to ensure standards are continually raised
- Regional network of dedicated safety individuals are also in place and the SMART programme ensures adequate training and professional competencies are maintained

Technology risk

System failure

Risk associated with collapse of global IT.



Trend

- All of our data centres have adequate power and facilities. We ensure that our systems remain up to date with appropriate external firewalls where required
- There is also a tested disaster recovery plan and facility in place if required

Board of Directors



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 and Fidelity Japanese Values plc. (Age 69).



David Coltman

Non-Executive Director
Senior Independent Director [Note 3](#)

David was appointed a Non-Executive Director in 2001 and Senior Independent Director in 2006. 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 67).



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 at William Grant & Sons Ltd, and has also held senior financial positions with Inveresk PLC, Maddox Group plc and Clydesdale Retail Group. (Age 53).



Ian Harley

Non-Executive Director
[Note 1](#)

Ian was appointed a Non-Executive Director of the Company in February 2009. He is Chairman of Rentokil Initial Pension Trustee Limited, having previously spent eight years on the Rentokil Initial plc Board, and is Senior Independent Director at Remploy Ltd. Ian was previously Finance Director and Chief Executive Officer of Abbey National plc and spent nine years on their Board. He is a chartered accountant and Fellow and Past President of the Institute of Bankers. (Age 59).



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 53).



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 55).



David McIntosh
Executive Director
Menzies Distribution

David was appointed to the Board in June 2009. He joined Menzies in 1989 becoming Finance Director of Menzies Distribution in 1999. More recently as Commercial and Marketing Director, he was responsible for commercial contractual arrangements, key retail and publisher relationships and business information provision. He is a chartered accountant. (Age 47).



Octavia Morley
Non-Executive Director
[Notes 1, 2](#)

Octavia was appointed a Non-Executive Director in 2006. She is currently Chief Executive of Crew Clothing Ltd and has previously been Chief Executive of Lighterlife Ltd. Before that she was 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 41).



Iain Napier
Non-Executive Director
[Note 1, 2](#)

Iain was appointed Non-Executive Director of the Company in September 2008. He is currently Chairman of Imperial Tobacco Group plc and McBride plc and is a Non-Executive Director of the Molson Coors Brewing Company and William Grant & Sons Ltd. He was previously Group CEO of Taylor Woodrow plc and prior to this CEO of Bass Brewers and Bass International Brewers. Iain is a chartered management accountant. (Age 60).



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 and commercial role as Vice President, Americas and was appointed Managing Director of Menzies Aviation in February 2004. He is a chartered accountant. (Age 42).



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 41).

Notes:

- 1 Member of Audit Committee
- 2 Member of Remuneration Committee
- 3 Member of Nomination Committee

Group financial review

Shareholders' funds

Shareholders' funds decreased by £23m during the year to £39.6m, as follows:

	£m
Shareholders' funds at December 2008	62.6
Profit before tax	22.0
Taxation	(6.7)
Net actuarial loss	(36.1)
Hedge accounting reserve	(0.9)
Currency translation	(1.7)
Share-based payment	0.4
Shareholders' funds at December 2009	39.6

The main impact on shareholders funds was the net actuarial loss resulting from the IAS 19 position at December 2009. This is detailed further under the Pensions section on page 23 and Note 4 on page 71.

Cash flow

The Group generated an operating cash flow of £57.7m in 2009 (2008: £42.5m). Some £21m was invested in the business whilst a number of property disposals and equipment sale and leaseback arrangements generated proceeds of £16.5m. Tax payments accounted for £5.5m. Net debt decreased from £182.6m to £132.3m.

Cash flow	2009		2008	
	£m	£m	£m	£m
Operating profit		24.3		19.4
Share-based payments		0.4		0.4
Depreciation		24.9		23.6
Amortisation of intangibles		4.7		3.0
Net pension movement		(1.4)		(1.3)
Working capital		3.2		(4.0)
Exceptional items		6.0		7.3
Cash spend on exceptional items		(8.1)		(9.3)
Dividends from associates and joint ventures		4.2		3.3
Non-cash items		(0.5)		0.1
Operating cash flow		57.7		42.5
Purchase of property, plant and equipment	(15.1)		(40.4)	
Intangible asset additions	(4.1)		(2.4)	
Sale of property, plant and equipment	1.0		9.1	
Net capital expenditure		(18.2)		(33.7)
Net interest paid		(7.1)		(7.6)
Foreign currency loss		–		(7.7)
Tax paid		(5.5)		(4.6)
Free cash flow		26.9		(11.1)
Equity dividends paid		–		(15.5)
Additional pension payment		(1.5)		–
Acquisitions		(1.6)		(11.8)
Cash raised from asset sales and leasebacks		16.5		–
Other investments		3.2		4.1
Shares		–		0.8
Total movement		43.5		(33.5)
Opening net debt		(182.6)		(111.3)
Currency translation		6.8		(37.8)
Closing net debt		(132.3)		(182.6)

The above cash flow data provides more information than the statutory IFRS cash flow statement on page 62.

The cash spend on exceptional items of £8.1m includes £2m of onerous lease costs which were provided for in earlier years and £6.1m of rationalisation costs, mostly redundancy costs in the Netherlands.

Pensions

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 Company is currently in a consultation period with current active members with a view to capping future accrual at 1% per annum.

	2009	2008
	£m	£m
Income statement		
Current service cost	(1.8)	(2.3)
Past service cost	(0.2)	–
Gains on curtailments and settlements	0.4	–
	(1.6)	(2.3)
Expected return on scheme assets	11.9	15.8
Interest on pension liabilities	(13.7)	(13.5)
Net financial (charge)/return	(1.8)	2.3
Net charge	(3.4)	–
Balance sheet		
Total market value of assets	211.9	182.4
Present value of scheme liabilities	(296.4)	(218.0)
Deficit in scheme	(84.5)	(35.6)
Related deferred tax asset	23.7	10.0
Net pension liabilities	(60.8)	(25.6)

The current service cost for 2009 decreased as a result of an ongoing reduction in the pensionable payroll. The service cost for 2010 is expected to reduce slightly.

During 2009, the Group contributed cash of £4.5m (2008: £3.6m) to the Fund, including an additional pension payment of £1.5m.

The market value of invested assets increased by 16%, primarily as a result of improved equity market performance over the year.

However, the present value of scheme liabilities increased by some £78m over the same period. The main drivers of this liability increase were a reduction in the discount rate on corporate bonds, from 6.4% to 5.7%, combined with an increase in the long-term Bank of England inflation assumption used, from 3.1% to 3.5%. In addition, the mortality assumptions used to calculate the IAS 19 position as at 31 December 2009 have been updated to match those used by the Actuary for the triennial valuation exercise performed as at 31 March 2009.

Following the full actuarial valuation carried out as at 31 March 2009, the Company has agreed with the Trustees of the Fund to contribute an additional annual cash contribution of £6m plus RPI, commencing 1 April 2010.

Non-underlying performance

The results for the year include the following one-off and/or material items, which the Group considers should be highlighted to provide a better understanding of the accounts:

- the Group generated proceeds of £15.9m from a number of property and equipment sale and leaseback arrangements, which resulted in a gain on disposal of £1.2m;
- the Group disposed of the 50% interest in Freshport BV for a consideration of £0.6m resulting in a gain on disposal of £0.2m;
- an impairment charge of £1.0m reduces the carrying value of the Group's 40% interest in Menzies Chengdu Aviation Services Limited, which is held as an available for sale asset, to its estimated recoverable amount;
- £1.7m was provided in respect of future obligations on leasehold properties, which became empty during 2009 and 2008; and
- £4.7m was provided for the costs of rationalising excess capacity comprising asset write-downs and staff redundancy costs in the Aviation business, mainly in respect of the Netherlands.

Group financial review

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.

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.

Further details are disclosed in Note 5 to the accounts.

Interest

The net interest charge is analysed as follows:

	2009 £m	2008 £m
Fixed rate sterling term loan	1.8	1.9
Fixed rate sterling loan	1.0	–
Floating rate sterling loan	1.8	4.0
US dollar loans	0.7	2.3
Preference shares	0.1	0.1
Cash/overdrafts	1.0	(0.6)
Other finance charge/(income)	1.8	(2.3)
Foreign currency loss	–	7.7
Net interest charge	8.2	13.1

The sterling term loan is at a fixed rate of 6.23% and is repayable between 2010 and 2020.

During 2009, the Group hedged the exposure to interest rate rises by entering into £75m of interest rate swap agreements, whereby the Group pays a fixed rate of interest and receives a variable rate of LIBOR+margin on the notional amount. £50m of these interest rate swaps mature in July 2011 with the remaining £25m maturing in June 2012.

Other finance charge/(income) is the net financial charge/(return) from the pension scheme under IAS 19. The amount has become a net cost due to the higher interest cost on the pension liabilities.

During 2008, the Group executed cross-currency basis swaps which reduced its interest costs by £1.0m. The foreign currency loss incurred of £7.7m was exactly matched by tax relief of £7.7m.

Taxation

The tax rate on underlying profits for the year was 26.4% compared with 39.4% in 2008 and is analysed as:

	%
Tax due at UK rate	28.0
Non tax-deductible items	2.4
Unrelieved overseas losses	2.7
Utilisation of tax losses	(2.0)
Adjustment to prior years liabilities	(1.7)
Deferred tax asset on overseas losses	(1.4)
Release of deferred tax liability on undistributed reserves of associate	(1.6)
Underlying tax rate	26.4

Tax paid during the year was £5.5m.

The tax effect of the exceptional items, described in Note 5 to the accounts, is a credit of £0.6m.

The overall effective tax rate has reduced from 112.1% in 2008 to 30.5%. The high 2008 rate resulted from the deferred tax adjustments described in Note 8(c).

Acquisitions and disposals

In January 2009, Menzies Aviation acquired the trade and fixed assets of Kion, a ramp services business based at Mexico City airport, for a consideration of £0.5m, including costs of £0.1m.

During the year, the Group disposed of its 50% interest in the Aviation joint venture in the Netherlands, Freshport BV, for a consideration of £0.6m.

Property, plant and equipment

Purchases of property, plant and equipment totalled:

	Property £m	Plant and equipment £m	Total £m
Distribution	0.8	6.2	7.0
Aviation	1.1	7.0	8.1
	1.9	13.2	15.1

During the year, Distribution invested some £6.2m in new technology.

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

Intangible assets

Expenditure on computer software amounted to £3.8m during 2009, of which some £3m related to SAP.

Capitalised goodwill amounts to £57.7m compared to £62.3m in 2008. This goodwill is no longer amortised but rather is subject to an annual impairment review.

Amortisation periods for contracts are business-stream dependent and vary from zero to 10 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.

Other investments

This includes cash received from loan repayments by joint ventures and the proceeds on disposal of Freshport BV.

Working capital

Working capital movement is analysed as follows:

	2009 £m	2008 £m
Inventories	(2.7)	3.1
Trade and other receivables	(2.2)	(9.3)
Trade and other payables	8.1	2.2
	3.2	(4.0)

The overall movement in working capital is due in the main to the additional business taken on by Menzies Distribution following the latest round of publisher negotiations.

Group financial review

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.

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 Dec 2009	Year end 31 Dec 2009	Average for year to Dec 2008	Year end 31 Dec 2008
US\$	1.562	1.615	1.866	1.438
Euro	1.121	1.126	1.264	1.034

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

Going concern

At 31 December 2009, the Group had committed borrowing facilities of £197m, with an expiry profile of:

£20m	June 2010
£75m	November 2011
£24.8m (US\$40m)	November 2011
£50m	January 2013
£27.2m	March 2020

Under the terms of these facilities, the financial covenants are tested semi-annually. The Group has complied fully with the financial covenant tests.

The Group updates trading forecasts covering a forward 15 month period on a regular basis, which together with the supporting assumptions are reviewed by the Board. The current forecast shows that the Group is able to operate within both its committed banking facilities and related financial covenants during this period and the Directors believe that the assumptions underpinning this forecast are both prudent and reasonable.

The Directors therefore believe, on the basis of current financial projections and facilities available, that the Company and the Group have adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Outlook

Menzies Aviation

At Menzies Aviation, the year has started well. Both cargo and ground handling volumes have seen like-for-like growth in the early weeks of 2010, albeit against weak comparatives in the previous year.

Menzies Distribution

At Menzies Distribution, sales in the year so far are well up on last year as a result of the impact of contract gains. Overall trading in the early weeks of 2010 was broadly in line with last year. The focus for the year remains on cost control, the implementation of the new SAP system and the development of additional revenue streams.

Group

Overall, the Group is planning selectively to grow both divisions using the cash generated by the businesses whilst continuing to focus on debt reduction and further improve our financial ratios. We have recommenced dividend payments which we will look to grow progressively. The Board is looking forward with confidence and expects the Group to make further progress in 2010.

Corporate social responsibility

We believe that our business conduct, policies and guidelines which we have in place concerning ethics, sound business practices and wider governance issues will not only enhance our standing in the community, but also provide a better business for all our stakeholders.

The Company recognises that being a socially responsible company adds to and enhances the Company's overall value, both short and long term. The impact our business activities have on the environment and communities in which we operate are important to us, and to our stakeholders. We therefore have systems in place to identify, analyse and manage key risks arising from our operations, and develop better business methods. The policies and guidelines we have in place set standards concerning ethics, sound business practices and wider governance issues.

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 promote a positive representation of the Group to stakeholders. The Group has adopted and disseminated appropriate policies and procedures, including clear guidelines on matters such as competition law, bribery and whistle-blowing, and the Board has tasked each Divisional Managing Director to be responsible for the implementation of all of these policies in their divisions.

John Menzies plc is included in the FTSE4Good index for socially responsible investment. We chose to participate in this index because the index measures the performance of companies that meet globally recognised responsibility standards.

Developing business pillars – becoming 'SMART'

Both Menzies Aviation and Menzies Distribution have developed new CSR models as an integral part of their business development strategies. These are designed to standardise and improve business practices throughout their division.

Menzies Aviation have begun introducing SMART (Standard Menzies Audit & Reporting Tool), initially to the ground handling operations. SMART has been designed to concisely and clearly provide the minimum standard expected in a Menzies operation. Compliance

against these standards will be monitored through self-certification, as well as independent audit. It covers subjects including Safety, Security and Quality, Corporate Governance, Human Resource, Operational Training, Planning and Procedures and Finance.

Menzies Distribution's three business development pillars are focused on the delivery of the strategy outlined on page 7. Corporate Social Responsibility has been identified as crucial to the achievement of this strategy and processes are being developed to ensure the business remains fit for purpose as it increases efficiency in its existing businesses, and develops new revenue streams.

Both divisions new CSR strategies are gradually being implemented, with initial phases introduced in 2009, and the roll-out continuing in 2010.

Board responsibility and management framework

It is important that both of our divisions maintain an open and productive dialogue with all of our employees, customers, suppliers and other stakeholders, and the Board has tasked each Divisional Managing Director with ensuring that these occur. The two Divisional Managing Directors are therefore responsible for CSR within their divisions. This responsibility also specifically includes Health and Safety and Employee welfare. Significant CSR issues arising in or affecting any of our businesses are raised and discussed at each Group Board meeting. The Group Board and the Divisional Operating Boards have systems in place, including access to adequate information, to identify and assess CSR risks, and to ensure that these risks, and exposure to them, are managed appropriately.

Each Divisional Managing Director is also responsible for ensuring that high levels of health and safety are upheld throughout the supply chain; conduct their operations on a lawful, sound and ethical basis; and minimise potential reputational and operational risk to the Group.

Corporate social responsibility

A description of the Company's internal control system for management, particularly of financial risks, is in the Corporate Governance statement on pages 37 to 45. An analysis of the key business risks facing the Group appears in the Business Review on page 18.

1. HEALTH AND SAFETY

Good health and safety practices are integral both to employee welfare and to the success of the Group. Each Divisional Managing Director is responsible to the Board for health and safety in their division. We continually review 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 with any delay increasing costs and causing disruption for ourselves and our customers.

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, communication and consultation with employees.

MENZIES AVIATION

During 2009, Menzies Aviation continued to build on the positive results it had achieved during 2008. The structure of Health, Safety and Security management within aviation has evolved to match the operational business needs and further strengthen the focus on establishing operational standards and policies. This is being achieved through the development of the SMART programme that has been designed to provide a framework of minimum standards that all business operations must strive to achieve.

The monthly Incident Review Board (IRB) chaired by the Divisional Managing Director has further matured and continues to bring a strong senior management focus on incident investigation and the development of preventative measures. Communicating the 'safety & security' message has continued with regular publication of safety alerts, posters/stickers, operational audits and employee participation through local safety committees as well as a monthly safety performance newsletter.

Health and Safety is a central component of the SMART standards tool. The MORSE incident/accident reporting tool has further matured and the enhanced version was successfully implemented and is now providing a significantly higher standard of reporting, qualitatively and quantitatively, shifting the emphasis to prevention rather than cure. Furthermore, additional enhancements have been made to allow for the reporting of security breaches, environmental incidents and mandatory operating reports, including new causal codes that enable us to identify root cause and performance data more accurately in comparison to previous years.

Menzies Aviation continues to take a proactive position with representation on industry groups such as the International Air Transport Association (IATA), Airside Safety Group. Representation at these groups continues to underpin a strong message to the industry and regulators that Menzies Aviation is proactive in their commitment to safety. IATA has developed a standard Industry Ground Safety Audit Programme (ISAGO) that will standardise the audit process for ground service providers. Menzies Aviation has been actively engaged in the consultative development of this programme and formation of the audit standards, which will provide an internationally recognised industry benchmark.

Menzies Operating Responsibly Safely and Effectively (MORSE)

Menzies Aviation's safety management programme is called MORSE. The MORSE safety management system and network safety team provide a dedicated resource within each region to support the field organisation and ensure we maintain a strong safety compliance focus. SMART is an integral part of the safety management system and the network team work together to set policy, agree standard operational procedures and communicate regular safety awareness information to the field organisation. The priority continues to be standardising safety and other business critical processes.

MORSE incorporates an intranet-based network reporting and investigation system for the recording of all incidents, including near misses, to UK standards and is continually updated and refreshed to promote its safety and security awareness message.

A new safety and security business plan tool was introduced in Menzies Aviation in 2009 that now forms part of the annual budget planning process. This initiative requires each business unit to consider what specific and measurable preventative actions or measures they will take during the following year to reduce safety and security incidents. These individual safety and security plans were approved by regional management and will be reviewed by the Incident Review Board on a quarterly basis and during audits and form a key part of the strategy and work programme within each region during 2010.

MENZIES DISTRIBUTION

During 2009, Operating Board responsibility for Health and Safety was assumed by the Menzies Distribution Director of Human Resources. The department has also appointed an additional member of staff to ensure greater visibility and presence at a branch level, and to provide a much more proactive stance. In 2009, the division instigated a substance misuse policy, and training sessions were held for all staff.

MORSE and the safety strategy

The most common injuries in this business are those sustained from manual handling, slips and trips, and moving objects. Best practice is shared between the divisions, and Menzies Distribution uses a variation of Menzies Aviation's MORSE programme. The division has just completed its first three year safety strategy, designed to encompass all staff in the division. The strategy was aimed at targeting Health and Safety training at all levels within the organisation, specific to the tasks and responsibilities held by the individual:

- Directors' responsibility and duty training: this was designed and undertaken by an external facilitator to update and inform all Distribution Directors of their health and safety responsibilities. It is intended that Directors appointed in 2009 will undergo this training early in 2010;
- Competence and Senior Management: training to IOSH qualification level in risk management;
- Supervisors Stepping Up programme: 135 staff members have now completed this four day training programme; and
- Introduction of Electronic Reporting Tool: a new tool is currently being selected to complement the existing MORSE programme.

This approach has proved successful and will be extended over the next three years.

The division continued to evolve its vehicle movement practices, separating workplace vehicle movements from people movements. Our route-map practices were previously highly commended by the Freight Transport Association and the Health & Safety Executive (HSE) and remain a case study on the HSE website, highlighting Menzies Distribution's safe systems of work as the blueprint for good working practices.

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.

Integration of new business

For our customers it was business as usual as their supplier changed to Menzies Distribution, but the instant addition of two new hub sites and 180 new staff following the new business gain from Dawson News presented a challenging opportunity for the Distribution Health and Safety team. Health and Safety were integral to plans for our new sites. Each new site required immediate risk assessments which were undertaken as soon as our staff gained access to the new premises. Initial alterations for safety were instigated to ensure our high standards were maintained.

As well as ensuring the premises were as safe as we could make them, it was important that all new staff received appropriate training. A road-show and induction classes were set up for all staff moving to Menzies and mop-up programmes were arranged for those who missed the initial sessions.

Once initial operations had commenced the Menzies team then instigated its normal health and safety strategy, with managers put onto risk management and risk assessment courses, supervisors receiving an accelerated 'Stepping up' module on health and safety, and manual handling training given to shop-floor staff. With the new premises now operating the 'Menzies Way' they, along with our existing premises, will continue to keep health and safety central in all activities.

Corporate social responsibility

2. INJURY AND INCIDENT REPORTING

Whilst both divisions utilise key performance measures to monitor trends and to improve our performance in this area, they operate in very different sectors, and so statistics for each division are analysed individually.

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 standard 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 near misses.

Menzies Aviation – UK figures

	UK injuries reportable under RIDDOR	Equivalent rate per 100 FTE employees
2009	61	1.7
2008	79	2.1
2007	52	1.5
2006	29	1.2

Menzies Aviation – Worldwide figures

	Worldwide Category A equivalent		Aircraft damage per 1,000 turns	
	Number	Per 100 FTE employees	Menzies Aviation	IAHA published benchmark
2009	107	0.33	0.07	0.11
2008	100	0.24	0.09	0.15
2007	107	0.34	0.10	0.17
2006	76	0.27	0.10	0.16

Of the 107 incidents, 50 involved aircraft damage and 57 involved personal injury.

Menzies Distribution

	UK injuries reportable under RIDDOR	Equivalent rate per 100 FTE employees
2009	40	0.10
2008	51	0.12
2007	42	1.16
2006	62	1.62

3. EMPLOYEES

Diversity

The Group recognises the value in a diverse employment base. The principles are recognised through published employment policies which are designed to attract, retain and motivate quality staff. Full consideration is given to age discrimination laws and the employment of disabled people 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.

Attracting the right people

Both of our divisions recognise that the recruitment process is only the first stage in our relationship with our employees, and selecting the right people is essential in delivering an efficient, cost-effective product to our customers. Both divisions believe in approaching as wide a population as possible in their recruitment efforts, and so in 2009 utilised a variety of recruitment methods. Applications are considered purely on merit, and psychometric assessments are also used in Menzies Aviation to assist in selection for management roles.

In 2010, both divisions intend to develop further their recruitment processes to maximise the use of web-based applications, with Menzies Aviation introducing a tailored graded recruitment internet landing site.

Investors in people

Menzies Distribution has set a target of achieving Investor in People (IIP) recognition, and an active dialogue commenced with IIP in 2009. The division will continue to work towards IIP recognition in 2010.

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

We provide a variety of reward and pension arrangements as part of our employee retention and incentivisation programme. 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. Over 850 UK employees took up their invitation and subscribed to the 2009 sharesave scheme in which almost 500,000 shares are now held under option.

For staff in the UK, the Group offers many benefits, such as a childcare scheme which 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.

Developing and training our employees

Training is an integral part of our offering to employees – not only for health, safety and security purposes, but also in developing talent within the business.

All employees, in both Menzies Aviation and Menzies Distribution receive an induction programme particular to the work they will be undertaking. Health, safety and security training continues for everyone throughout the employees time in the Company, supplemented by management and leadership courses where an employee is promoted. As part of its international standardisation under the SMART programme, Menzies Aviation has been developing 74 standard training modules to be available to employees. These modules will meet ISAGO standards, and a worldwide roll-out on an airport by airport basis will commence with Ramp operatives in the spring of 2010.

All Directors and managers, from the Executive Directors downwards, undergo a formal annual review where feedback is given on the previous year's performance and goals for the upcoming year are agreed. Individual Personal Development Plans are established, and leadership talent reviews are held to identify those suitable for potential promotion. Other staff also receive continual feedback from their branch or local managers.

Leadership development initiatives remain important in Menzies Aviation and 2009 saw the continuation of the 'Leading from the Front' programme, which provides supervisory level employees with basic leadership skills. The programme is delivered locally helping to ensure

local buy-in to the 'Menzies Way' principles. All new employees are given induction training designed to ensure that they can fulfil their tasks safely and securely.

Menzies Distribution completed the second year of its 'Stepping Up' four day leadership course for supervisors and a total of over 135 employees have now participated. This course will continue in 2010 with an estimated further 60 supervisors attending. It is supplemented by 'Release the Potential' aimed at first level managers, helping employees understand themselves better and improve the way they relate to other people with the intention of improving business performance. NVQ training has continued to be provided in our branches to staff and Tachograph training sessions have been held in co-operation with the Freight Transport Association, sharing best practice.

All of the Group's commercial vehicle drivers are given driver training. 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

Menzies Distribution and Menzies Aviation management meet regularly with employee representatives, and seek to maintain an open and constructive dialogue. These discussions range from national agreements to issues at local sites.

During 2009, both divisions operated comprehensive internal communication programmes designed to ensure that all employees throughout the Group are kept informed about the direction and performance of their own division and of the rest of the Group.

Menzies Aviation continued with its regular email bulletins of contract award information, divisional information and corporate results updates. These are issued frequently and are disseminated to all staff through regular crew room briefings at each airport. Crew room briefings are also designed to provide an informal environment where two way communication can occur, and employees are encouraged to raise issues, concerns or questions in these sessions.

Corporate social responsibility

Menzies Distribution continued publication of its successful staff magazine 'News and Views', issued quarterly to all staff, and a tri-annual publication 'Critical Business Briefing', for senior staff designed to capture and discuss significant changes and developments within the business. In an effort to improve working relations between the various arms of our operation, and in turn our service to customers, Menzies Distribution conducted a business-wide survey to assess the experiences of employees who deal with Branch and Head Office departments.

Recognising human rights

All our employees are important to us and the Group operates policies designed to ensure that the highest standards are maintained. Menzies Aviation operates in an international environment and its Human Resources policies include sections specifically designed to maintain Group-wide standards. These are integral to the SMART programme. International airports are unique operating environments, and demand the highest international standards in employment practice, both for the safety and security of all our customers and for the benefit of our business.

Whistleblowing, anti-corruption and bribery

The Group is committed to transparent and honest business, and recognises that robust policies and procedures are necessary to minimise risk to the business. As well as making its whistle-blowing policy available on its website, in the UK staff noticeboards contain details of the division's whistle-blowing policy. Staff can report any issues locally or via an independent third party. Menzies Aviation has similar policies in place for its operations in the rest of the world. All reports are taken seriously and will be treated fairly and justly by John Menzies plc, and all reasonable steps will be taken to ensure that no person who raises a genuine concern will be at risk of suffering any form of retaliation as a result.

As well as working within the Group's Corporate Governance manual, Menzies Aviation has also made a divisionally focused version available on its intranet, containing details of the Ethics and Gifts & Hospitality policies. 'Do's and Don'ts' cards are available to all managers on the division's intranet detailing what they should or should not do in regard to anti-competitive practices.

4. ENVIRONMENT

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.

Environmental policy

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 the responsibility of, and 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.

Within Menzies Aviation, as part of the SMART programme, operational management 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. As well as preventing risk, the Group is committed to reducing its carbon footprint and impact on the environments in which it operates.

Carbon Trust Standard

The Group is proud that at the start of 2009, Menzies Distribution achieved the Carbon Trust Standard for the energy efficiency work that has been undertaken in

the division. The Carbon Trust Standard is awarded to organisations that measure, manage and reduce their carbon footprint. It shows which businesses and organisations are taking real action on climate change and reducing carbon emissions and the award recognises Menzies Distribution's efforts to date and its commitment to further reductions. Carbon footprint reduction continues across the Group, providing efficiencies and reducing costs to the business and both divisions remain committed to minimising the impact they have on the environment.

Energy consumption

At Menzies Distribution, energy consumption during the year amounted to 28m kWh, a decrease of 10% on 2008. Since October 2007 all its mainland UK electricity has been procured from fully 'green' renewable resources. The division has a target of reducing electricity consumption by over 12% from its 2008 figures by the end of 2011, and seeks to maintain its accreditation to Carbon Trust Standard.

Menzies Aviation operates largely in shared environments such as airport terminals, and their direct billed energy is significantly lower than that of Menzies Distribution. However, they work closely with airport authorities in minimising their energy consumption, and actively promote efficiencies within their own premises.

In 2010, the Group will continue monitoring its energy consumption levels in the UK as part of its requirements under the Carbon Reduction Commitment. Water consumption across the business is low. Both divisions again have a policy in place to minimise usage and the impact of our business operations to the local environments.

Menzies Distribution five year strategy

2009 was the first year of Menzies Distribution's five year conservation strategy, aimed at implementing its Energy and Water policy. The strategy is divided into three parallel streams:

- Monitoring and targeting;
- Good housekeeping – encompassing staff awareness, staff training, motivation and publicity; and
- Technical improvements – investing to improve efficiency and reduce emissions.

Each stream has its own internal objectives and methods, and is being implemented by a combination of external facilitators and experts, and Menzies in-house facilities and logistics teams and site managers.

5. CARBON REDUCTION

During 2007, Menzies Distribution worked with a team from Heriot-Watt University and their academic partners in the government-funded 'green logistics' project 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 supports the strong link between operational effectiveness and environmental impact. Menzies Distribution has responded to the report on two fronts – leading within the business and leading within the industry.

Menzies Distribution carbon footprint

	CO ₂ tonnes
2009	34,300
2008	37,500
2007	39,000

Leading within the business

Significant steps have been taken to reduce carbon emissions within day-to-day practice. In warehouses and offices, this has meant a campaign to discourage unnecessary use of lighting, and collaboration with energy wholesalers to acquire green electricity contracts.

On delivery routes, Menzies Distribution has continued to increase fuel efficiency, thoroughly reviewing and revising run networks with the OPTRACK system and introducing educational programmes for drivers to encourage better practice.

The division has also continued to investigate and implement transport and fuel alternatives including the electric Modec vehicle which now services the London area, and the introduction of a number of 'Eco-Start' sprinter vans.

Leading within the industry

Menzies Distribution has sought ways to encourage greener practice at its partners and associates. The division's carbon footprint amounts to around 34,300 tonnes; however, the newspaper and magazine supply chain as a whole accounts for significantly more. Lobbying others within the industry is therefore one of the most important steps the division can take to reduce carbon emissions overall. Menzies Distribution's newly launched website, www.enviromenzies.com is the platform from which the division aims to lead this campaign.

Corporate social responsibility

Menzies Aviation

Menzies Aviation provides a people-based service to its airline customers and is a lower emitter of carbon than Menzies Distribution. Menzies Aviation tends to operate in shared environments such as airport terminals where we work together with the airport authorities to minimise carbon emissions at each site. Efficiency is key in all aspects of our operations, including at our own warehouses, where energy inefficiency is a cost to the business. A significant proportion of our airside ground servicing equipment fleet is electric, and our lease arrangements ensure frequent servicing and replacement, maximising efficiency. In addition, landside road vehicles are regularly serviced and trucks are all Euro IV standard, to maximise fuel efficiency per mile, and numbers of miles travelled are kept as low as possible.

6. WASTE AND EMISSIONS

Menzies Distribution

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 22 hub branches in the UK. Under our contracts with newspaper and magazine publishers, we are responsible for the collection of unsold copies from retail outlets. 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.

Year	Volume of waste uplifted (tonnes)	Percentage recycled	Unsold newsprint recycled (tonnes)	Unsold magazines processed for recycling (tonnes)
2009	4,440	29.0%	103,500	56,360
2008	5,317	16.7%	110,000	60,494
2007	5,747	13.3%	110,000	62,444
2006	5,458	11.2%	104,400	60,079

For magazines, unsold copy from all of our branches is fed primarily into UPM Kymmene's Shotton Paper Mill for conversion into future newsprint. All unsold magazine products which are not required for resale are consigned for paper recycling. The division also handles other unsold products such as collectible part-works and sticker collections. These are sent back to publishers for subsequent re-use. 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.

Menzies Aviation

Menzies Aviation are committed to reducing unnecessary consumption of resources and recycling packaging such as polythene, rope and pallets where possible. Its total use of packaging materials through its AMI and cargo businesses in the UK amounted to 708 tonnes (2008: 705 tonnes). Where the division offers an aircraft cleaning service, any waste we remove from an aircraft is, wherever possible, processed via airport waste recycling systems.

7. FLEET AND FUEL

Menzies Distribution

The distribution fleet ranges from light commercial vehicles with a Gross Vehicle Weight of 2.0-tonnes, up to 26-tonne articulated commercial vehicles. Our fleet comprises diesel-only vehicles on a leased basis. Lease terms typically run for between three and five years, ensuring a modern and efficient fleet. All new additions to our fleet since January 2007 run on Euro IV engines. In addition to lifecycle costing, future fleet structure will reflect relative emissions efficiency, with a commitment to reduction.

Mileage and related fuel cost is a significant overhead in our Distribution business and a nationwide route schedule review was undertaken during 2009. We also have ongoing activity to address delivery route scheduling and driver training.

Menzies Distribution	2009 new business	2009 existing business	2008	2007
Fleet				
Own	54	433	432	454
Contractors	142	1,060	1,211	1,173
Mileage				
Own (miles)	0.4 million	13.1 million	13.8 million	13.6 million
Contractors (miles)	1.1 million	24.8 million	29.0 million	28.9 million
Fuel consumption				
Own (litres)	0.1 million	3.0 million	3.0 million	3.0 million
Contractors (litres)	0.2 million	5.4 million	5.5 million	5.4 million

MODEC electric truck trials

A MODEC electric vehicle continues to operate in central London as part of our assessment of more eco-friendly vehicles. This was the second electric vehicle to be used in our London operations. Menzies Distribution remains committed to supporting low carbon operations and will continue to explore further electric vehicles in 2010.

The vehicle supplies up to 20 retailers on any given day and as a result two traditional vehicles were removed from the fleet. Third-party contractors carry out two-thirds of our delivery mileage and 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.

Menzies Aviation

The division operates various vehicles in connection with its activities. Typically, these are on or off airport activities and include bussing, trucking (cargo between airports) and air freight couriering by AMI. Total fleet size is small in comparison to Menzies Distribution, and covered approximately 4.5 million miles in 2009 (2008: 5.5 million miles).

The on-airport activities involve use of specialist Ground Support Equipment (GSE) for both our ground and cargo handling businesses. Other than some passenger steps and baggage or cargo carts which need to be towed, all GSE can be driven and run on either diesel, electricity or LPG. Other equipment including hydraulic loaders, aircraft push back tugs, conveyor belt loaders, and some diesel tow tractors that pull passenger steps and carts are, wherever possible, fitted with the latest low emission standard engines for the particular equipment type. GSE is not designed to travel long distances so the mileage is low.

The division also operates a small fleet of single-deck passenger buses that transport airport workers daily to and from car parks in and around Heathrow Airport in London and a UK trucking operation which transports cargo between airports, mainly in the UK and Ireland. The vehicle fleet undergoes a six-weekly maintenance check to ensure optimum engine efficiency. The division also has trucking operations in the USA, South Africa and Sweden, most of which are provided through subcontractors.

8. SUPPLY CHAIN

Our relationship with our customers and suppliers is important to us – without them, we would simply not exist. Both our businesses rely on long-term working relationships as one of the core pillars of their business strategy – for Menzies Distribution this can be a lifelong arrangement with a newsagent, and for Menzies Aviation agreements covering many years at many airports.

Airports and airlines operate on an international platform and expect all their suppliers to operate to acceptable standards worldwide. Menzies Aviation shares this commitment to high standards and works with its airline and airport partners to ensure that we all maintain and deliver commitments to high standards throughout the supply chain, at all our locations worldwide.

Corporate social responsibility

Menzies Distribution customer survey

At the end of each year Menzies Distribution commissions an independent customer survey, covering all aspects of its relationship with its retail customers. Improvements to our customer contact centres are just one of the outcomes to previous years surveys. These are now providing a better level of service than previously provided at a branch level. The overall score for 2009 has just been published and is 5.87. Our survey scores in this area are traditionally between 5 and 6.

Menzies Distribution customer survey

Year	Score
2009	5.87
2008	5.79
2007	5.09

Menzies Distribution Service Pledge

Another key area which Menzies Distribution had undertaken to improve further was its relationship with its customers, and in 2009 it published 'Our Service Pledge'. The booklet, circulated to all its customers, laid out in plain language the minimum levels of performance that they can expect from the division, building on three key principles – guaranteed universal service; better than industry standard; and a complaints resolution process. Initial feedback is that the Service Pledge has been well received within the industry.

Menzies Aviation relationship building

Menzies Aviation has at the core of its strategy the establishment of long-term agreements with attractive airlines in attractive markets. Working closely with our airline and airport customers and our ground equipment suppliers provides long-term, reliable partnerships. Menzies Aviation also has frequent audits of its services, processes, procedures and policies at its airports by its airline customers to ensure that their high standards are maintained.

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 are 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 37.9 days (2008: 37.4 days) of purchases from suppliers.

Political donations

It is the Company's policy not to make political donations and no political donations were made during the year (2008: £nil).

9. INVESTMENT IN COMMUNITIES

National Library of Scotland

In memory of John M. Menzies, our former Life President and a past Trustee of the National Library of Scotland, the Board made a donation of £50,000 to the National Library of Scotland 2009 fundraising. The Library, Scotland's largest reference library, contains a world-class collection and is one of the major research libraries in Europe. Its collection ranges from rare historical documents to online journals and specialises in Scotland's knowledge, history and culture. The donation went towards the redevelopment of the reception and public areas, improving visitor access to the Library, and providing a fitting tribute to John M. Menzies.

The Charities Fund

In light of the financial position of the Group and the external economic environment the Group made no charitable donations during the year. However, to reflect the improved trading position a budget of £50,000 has been set for 2010.

The John M. Menzies Community Fund

Donations requests received from employees are supported through the John M. Menzies Community Fund. The Group employs more than 19,000 people in 27 countries all around the world, many of whom participate in various forms of charitable, voluntary and other community-related work. We are supportive of these initiatives, and encourage and support these through the work of our Community Investment team. The John M. Menzies Community Fund 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 2009, some 24 applications were supported by this Fund to a total of £6,925.

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 the Combined Code of Corporate Governance 2008 (the Code), other than the provisions concerning committee independence explained below.

The Board Composition

The Board currently consists of 10 Directors, seven of whom are Non-Executive (including the Chairman) and three Executive. The role of the Chairman is distinct from other positions, is clearly defined and is Non-Executive.

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 under the Articles one-third of the Directors are required to retire from office at every Annual General Meeting (AGM) and offer themselves for re-election.

Appointments and retirements

Ian Harley was appointed as an independent Non-Executive Director in February 2009 and Iain Robertson retired following the AGM in May 2009. In July 2009, David McIntosh was appointed as an Executive Director and Managing Director of Menzies Distribution, replacing Ellis Watson who resigned from the Board to take up another appointment.

William Thomson, Chairman of the Company, will retire from the Board following the AGM in May 2010, and will be replaced as Chairman by Iain Napier. The Board will then have nine Directors including three independent Non-Executive Directors, which is in excess of the minimum recommended by Corporate Governance guidelines for a company of our size, and ensures that the Board is well balanced and able to meet the challenges and opportunities that face the business.

Having been appointed since the last AGM and in accordance with the Company's Articles of Association, David McIntosh will stand for election at the Company's AGM in May 2010. The Company's Articles require that a third of the Directors, or a number nearest to a third, must retire by rotation. The Combined Code also requires Non-executive Directors serving for more than nine years to offer themselves up for annual re-election. The Directors who therefore retire and, being eligible,

offer themselves for re-election at the AGM are Dermot Jenkinson, Ian Harrison, David Coltman and Craig Smyth.

Dermot Jenkinson contributes from his breadth of knowledge gained both from his experiences in the Company and through a wide range of executive management roles, whilst Ian Harrison provides counsel and support to the Board and brings particular skills relating to pension investment and currency management. The latter two Directors also represent the interests of the Menzies family, who collectively are our major shareholder.

David Coltman has substantial industry knowledge and expertise in the Aviation Sector, whilst Craig Smyth has successfully managed Menzies Aviation through a period of unprecedented turmoil in the aviation sector, and has positioned the business well to benefit from an upturn in that sector. David McIntosh, standing for election at the AGM, has significant industrial knowledge and expertise within the newspaper and magazine distribution sector, having joined Menzies in 1989, working as both Finance Director and Commercial & Marketing Director before assuming the position of Managing Director at Menzies Distribution.

All Directors standing for re-election have undergone a formal performance evaluation and the performance of each continues to be effective and demonstrates commitment to their role, including commitment of time for Board and Committee meetings in addition to their other duties. The Board recommends to shareholders the re-election of Dermot Jenkinson, Ian Harrison, David Coltman and Craig Smyth, and the election of David McIntosh.

Independence

Currently, three of the Non-Executive Directors, Iain Napier, Ian Harley and Octavia Morley, are independent under the terms of the Code, where the number required for smaller companies is two.

David Coltman joined the Board in 2001 and has been Senior Independent Director since May 2006. To provide continuity and stability to the Board over the period where Iain Napier assumes Chairmanship, the Board has agreed that David Coltman should continue to serve as a Director and Senior Independent Director for one further year. David has indicated, and the Board have accepted, that he will then step down from the Board at the AGM in 2011. The Board believes that he will continue to demonstrate independent thought and opinion through this period and provide a valuable counsel to both the Chairman and the other Directors.

Corporate governance statement

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.

Succession planning and Board recruitment

The Board is aware that it is essential to have a suitable succession plan in place for when any members of the Board either move on or retire, and therefore formally reviews succession plans each year. With regard to the replacement of any Executive Directors, the Board has tasked the Nomination Committee with reviewing potential internal candidates and nominating suitable external candidates as and when such a position arises. Alongside this, each of the Divisional Operating Boards have a responsibility to ensure that talented individuals within the business are nurtured and given every opportunity to develop their skills, such that they might become suitable candidates to join the Board. It was through this process that David McIntosh was identified and proposed as the Managing Director for Menzies Distribution following the resignation of Ellis Watson.

For the Chairman, the Nomination Committee has responsibility for ensuring that there is a suitable candidate on the Board for a smooth transition of Chairmanship when required. The Committee will also engage external recruitment agencies in finding suitable candidates for either executive or non-executive positions where required and any candidate will be expected to meet with each member of the executive team and the Nomination Committee prior to any offer being made. This process was followed to identify Iain Napier as a suitable candidate to replace William Thomson. During 2010, the Board will follow this procedure to identify a replacement Non-Executive Director for David Coltman.

Board and Committee meetings and attendance in 2009:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Meetings	9	3	5	2
W Thomson	9	–	–	2
P Dollman	9	–	–	–
C Smyth	9	–	–	–
D McIntosh*	4	–	–	–
E Watson*	5	–	–	–
D Coltman	9	–	2	2
D Jenkinson	9	–	5	2
I Harrison	9	3	–	–
O Morley	9	3	5	–
I Napier	9	3	4	–
I Harley*	8	3	–	–
I Robertson*	3	1	–	–

*Appointments and retireals:

Iain Harley was appointed on 2 February 2009.

Iain Robertson resigned on 10 May 2009.

Ellis Watson resigned on 24 July 2009.

David McIntosh was appointed on 24 July 2009.

A description of the Board's Committees is provided below, along with the Chairman and membership of each Committee. The Board met nine times in 2009 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. The Board 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. Directors are also encouraged to visit both divisional operations 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. The Board's policy is to conduct rigorous performance evaluations internally on an annual basis, using external consultants to refresh the process every three to five years. An independent external consultant was used in 2008 to undertake a rigorous process of performance evaluation of the Board and its members and therefore in 2009 an internal process was undertaken to evaluate the contribution of each member of the Board and its Committees and the performance of the Board and its Committees overall.

A questionnaire was circulated to all Directors covering all aspects of the Board's performance, with the results being amalgamated and circulated by the Chairman. The Chairman then undertook an informal discussion with each member of the Board, reviewing performance and addressing any concerns they had relating to their performance, the Board's performance and the composition of the Board and its Committees. The results of the evaluation were reported to the Board in December 2009 and actions have been taken to implement the findings.

In addition to this review, the Non-Executive Directors held one meeting last year without the Chairman being present, during which his performance was reviewed. They also held two meetings with the Chairman present at which the performance of the Executive Directors was discussed.

The evaluation produced areas for consideration and changes were implemented as appropriate. Overall, the evaluation process in 2009 confirmed that the Board and its principal Committees had functioned efficiently during the year and that all the Directors continue to contribute effectively and with proper commitment to their roles, including time commitments.

Conflict of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('Situational Conflicts'). The Board has a formal system in place for Directors to declare Situational Conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted Directors are required to act in the way they consider would be most likely to promote the success of the Company, and they may impose limits or conditions when giving authorisation or subsequently if they think this is appropriate. The Board believes that the systems it has in place for reporting and considering Situational Conflicts continue to operate effectively.

Directors' indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors. No indemnity is provided for the Company's auditors.

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 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 AGM 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 with shareholders at any time.

Board Committees

The Board has established Committees with defined terms of reference and it is the Board's policy that all Non-executive Directors should contribute to the membership of its Committees. The Nomination, Remuneration and Audit Committees each consist of at least three Non-Executive Directors. The Chairmen of the Audit and Remuneration Committees are chosen from Directors who are independent under the terms of the Code. 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.

Following the announcement of the retirement of William Thomson as Chairman at the AGM in May 2010, the membership of each Committee has been reviewed and proposed amendments to the composition of each Committee are noted below.

Corporate governance statement

Nomination Committee

Composition:

Name	Title	Attendance
W Thomson	Chairman	2/2
D Jenkinson	Member	2/2
D Coltman	Member	2/2

Proposed changes following 2010 AGM:

William Thomson will retire and be replaced by Iain Napier as Chairman of the Committee.

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 2009, the Committee reviewed the structure, balance and composition of the Board and its Committees. The Committees have been refreshed and the Nomination Committee proposed to the Board the appointment of David McIntosh as Managing Director, Menzies Distribution and the appointment of Iain Napier as Chairman of the Board. It has also concluded that in the light of David Coltman retiring in May 2011 a new Independent Non-Executive Director should be appointed to the Board during 2010, and has begun a process to identify a suitable candidate.

Remuneration Committee

Composition:

Name	Title	Attendance
I Napier*	Chairman	4/5
O Morley	Member	5/5
D Jenkinson	Member	5/5
D Coltman*	Chairman	2/2

*Changes during year:

David Coltman retired by rotation from the Committee in May 2009.

Iain Napier was appointed Chairman of the Committee in May 2009.

Proposed changes following 2010 AGM:

On his election as Chairman of the Board at the AGM in May 2010 Iain Napier will stand down as Chairman of the Remuneration Committee but will remain a member. He will be replaced as Chairman by Octavia Morley. Ian Harley will be appointed as a member of the Committee.

The Report on Directors' Remuneration on pages 46 to 55 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	Title	Attendance
I Harley*	Chairman	3/3
I Harrison	Member	3/3
O Morley	Member	3/3
I Napier	Member	3/3
I Robertson*	Chairman	1/1

*Changes during year:

Iain Robertson retired from the Committee and Board in May 2009.

Ian Harley was appointed in February 2009 and became Chairman of the Committee in May 2009.

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 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:

- 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 register;
- reviewing the Group's policies and practices concerning business conduct, ethics and integrity and whistle-blowing; 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 three times in 2009 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 recommended (prior to the Board) the draft annual report (including the statements on internal control and the work of the Committee) and associated preliminary and interim

results announcements made by the Company. This aspect of its work focused on key accounting policies and estimates and judgments, 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 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 be outsourced 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 the Group's key business risks. The Committee reviewed and put out to tender the provision of services of the external auditor, and recommended the appointment of Ernst & Young LLP to the Board. It also 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 have historically consisted 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 also 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 Operating Boards have responsibility for the efficient running of their division and the implementation of the divisional strategy as 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 a minimum of 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 12 and the Menzies Distribution Operating Board is shown on page 16.

Directors and their interests

Directors' interests in the ordinary shares of the Company were as follows:

Name		31 Dec 2009	31 Dec 2008 (or date of appointment)
W Thomson	Beneficial	14,000	14,000
P Dollman	Beneficial	75,000	60,642
D McIntosh (appointed 24/7/09)	Beneficial	11,108	4,728
C Smyth	Beneficial	54,810	54,810
D Jenkinson	Beneficial	2,098,360	2,098,360
	Non-beneficial	3,570,360	3,570,360
	See note	1,257,445	1,257,445
I Harrison	Beneficial	2,362,320	2,434,320
	Non-beneficial	415,000	415,000
	See note	1,257,445	1,257,445
D Coltman	Beneficial	35,000	35,000
I Harley (appointed 2/2/09)	Beneficial	2,000	–
O Morley	Beneficial	–	–
I Napier	Beneficial	5,000	5,000

Note:

These holdings are joint beneficial interests.

Corporate governance statement

In addition to the above holdings, William Thomson and Ian Harley, 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 1,020,387 shares.

Following the year end and prior to the commencement of the close period, Ian Harley purchased an additional 2,000 shares. There have been no subsequent changes to these interests as at 8 March 2010.

Substantial shareholdings

In addition to the Directors' interests, the Company has been notified of the following interests of 3% or more in its issued ordinary share capital as at 8 March 2010.

Name	Number of ordinary shares	% ordinary share capital
D C Thomson	5,190,000	8.62
Mr D Ramsay	2,589,878	4.30
Mrs P Menzies	2,529,650	4.20
Legal & General		
Investment Management	2,455,413	4.08
Mrs S Speke	2,454,920	4.08
Mrs K Slater	2,396,552	3.98
Aberdeen Asset Management	1,826,000	3.03

Annual General Meeting

Paper copies of the Notice of Meeting and explanations of the business to be transacted at the AGM which will be held on 21 May 2010 at the Roxburghe Hotel, Edinburgh, have been circulated to shareholders who requested a paper copy. Notification of the availability of the Notice of Meeting on the Company's website has been circulated to all other shareholders. The Notice can be viewed on the Company's website, www.johnmenziesplc.com.

Dividends

The Directors have declared the payment of an interim dividend in lieu of a final dividend of 8p per ordinary share, payable on 1 April 2010 to shareholders on the share register as at the close of business on 19 March 2010. The shares will be quoted as ex-dividend on 17 March 2010.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the remuneration report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under Company law the Directors must not approve the financial statements unless they are satisfied that they

give a true and fair view of the state of affairs of the Company. Under the law, the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the website (www.johnmenziesplc.com). Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors confirms that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group as a whole; and
- the Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to and appointment of auditors

During the year, the Directors reviewed the services provided to the Company to ensure that a first class service is received at a cost that is acceptable to the Company. As part of this review, in July the Board resolved to replace PricewaterhouseCoopers LLP with Ernst & Young LLP as the Company's 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 appoint Ernst & Young LLP as auditors to the Company and to authorise the Board to agree their remuneration will be proposed at the AGM.

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.

Internal control

In accordance with the revised Turnbull Guidance, the Directors are responsible for the Group's system of internal control, which covers financial, operational and compliance controls together with risk management. The system has been in place throughout 2009 and up until the date of this report, except that it did not apply to the Group's material joint ventures.

The use of our standard accounting manual by finance teams throughout the Group ensures that transactions and balances are recognised and measured in accordance with prescribed accounting policies and that information is appropriately reviewed and reconciled as part of the reporting process. The use of a standard reporting pack by all entities in the Group ensures that information is gathered and presented in a consistent way that facilitates the production of the consolidated financial statements.

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 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 division has its own Operating 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 risks), are reviewed by the Board as well as at Operating Board level on an ongoing basis, with a formal six-monthly 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 business risks are shown on pages 18 and 19, and stakeholder risks in particular are detailed in the Corporate Social Responsibility report on pages 27 to 36.

Corporate governance statement

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. Both divisions have implemented new financial management and reporting systems, Menzies Aviation having selected Oracle Hyperion and Menzies Distribution SAP Financials. These packages are allowing for far greater, quicker and more accurate analysis of the financial information within the Company.

Investment appraisal

There are clearly defined investment guidelines for capital expenditure. All such expenditure is subject to formal authorisation procedures. An Investment Review Committee meets as required to review investment applications, with major proposals being considered by the Board. Post-investment appraisals are also regularly conducted for all material capital projects.

Shareholder information

The following disclosures are designed to meet the disclosure requirements under Section 992 of the Companies Act 2006 (2006 Act) and the Company's existing Articles. The Company will propose by Special Resolution that new Articles be adopted at the AGM being held on 21 May 2010 that will bring the existing Articles and provisions thereof in line with the 2006 Act.

Share capital and structure

The Company has two classes of shares: ordinary shares and 9% cumulative preference shares. The Company has an authorised share capital of £20,000,000 comprising 1,735,938 9% cumulative preference shares of £1 each and 73,056,248 ordinary shares of 25p each as at this date. As at 31 December 2009 the Company had 60,213,227 ordinary shares and 1,735,938 9% cumulative preference shares in issue, representing 60,213,227 in total voting rights. No share in the capital of the Company may be allotted at a discount nor shall they be allotted except as paid up both in regard to nominal amount and premium to the minimum extent permitted by the 2006 Act.

Transfer of shares

There is no restriction on the transfer of shares in the Company, other than as contained in the Company's Articles. The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a share (other than fully paid shares) to a person of whom they shall not approve provided that this does not prevent dealings in the shares from taking place on an open and proper basis. The Board may also decline to register any transfer of shares on which the Company has a lien and no share shall be transferred to any person under the age of 18 or to a person who is insolvent or of unsound mind.

Voting rights

Deadlines for exercising voting rights and appointing a proxy or proxies to vote on resolutions to be passed at the AGM on 21 May 2010 are specified in the Notice of AGM. Every ordinary shareholder present in person at a general meeting of the Company shall on a show of hands have one vote and, on a poll, every shareholder present in person at a general meeting or by Proxy, shall have one vote for every share of which they are the holder, and if the holders of the preference shares have the right to vote on any resolution, one vote for every preference share of which he is the holder.

The holders of the preference shares shall have no right as such to receive notice of or attend or vote at any general meeting of the Company unless either (i) at the date of the notice convening the meeting the dividend payable on such shares or a part thereof is six months or more in arrears; or (ii) the business of the meeting includes the consideration of a resolution for reducing the capital of or winding up the company or for altering the objects of the Company as stated in its Articles or for the sale of the undertaking of the Company or any substantial part thereof or any resolution altering or abrogating any of the special rights or privileges attached to the preference shares. In which circumstances the holders of the preference shares shall have the right to vote on any such resolution.

There are no limitations on the voting rights of shareholders of a given percentage or number of votes. The Company is not aware of any arrangement by which with the Company's co-operation, financial rights carried by shares are held by a person other than the holder of such ordinary shares and 9% cumulative preference shares. The Company is not aware of any agreement between holders of securities which may result in restrictions on the transfer of securities or on voting rights.

Allotment and issue of shares

The Directors are, by shareholder resolutions passed at the AGM of the Company on 21 May 2009, generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities up to a maximum nominal amount of £3,212,076. The Directors are also generally empowered to allot equity securities within the meaning of the Act of the Company for cash on a non-pre-emptive basis. This power is limited to: (a) any allotment where equity securities have been offered to holders of equity securities in proportion (as nearly as may be) to their then holdings of such securities; and (b) any other allotment of equity securities up to an aggregate nominal value of £752,599. Such authorities and powers expire at the Company's AGM being held on 21 May 2010, unless previously revoked, varied or renewed.

It is proposed that these authorities and powers be renewed by shareholder resolution at the Company's forthcoming AGM pursuant to and within the meaning of the 2006 Act, but without prejudice to the exercise of any such authority prior to the date of the resolution.

Purchase of own shares

The Company is, by shareholder resolution passed at the AGM of the Company on 21 May 2009, authorised to purchase up to 6,020,794 of its own ordinary shares at a maximum price 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 for the five business days immediately prior to the date of purchase, and the minimum price that may be paid is 25p per share. The Company is also, by shareholder resolution passed at the AGM of the Company on 21 May 2009, authorised to purchase up to 1,394,587 9% cumulative preference shares at a maximum price equal to 110% of the average of the middle market quotations for such ordinary shares of the Company as derived from the London Stock Exchange for the five business days immediately prior to the date of purchase, and the minimum price that may be paid is £1 per share.

These authorities expire at the AGM on 21 May 2010 and it is proposed that this authority and power be renewed by shareholder resolutions at the Company's forthcoming AGM pursuant to and within the meaning of the 2006 Act, but without prejudice to the exercise of any such authority prior to the date of the resolution.

Appointment of Directors

Directors may be appointed by the Company by an Ordinary Resolution of shareholders. The Board may appoint a Director either to fill a vacancy or as an additional Director and in either case whether or not for a fixed term. Any Director so appointed will hold office only until the next following general meeting and will not be taken into account in determining the Directors who are to retire by rotation at such meeting and shall then be eligible for reappointment. If not reappointed at such meeting, such a Director will vacate office at its conclusion. If any such person is not appointed at such meeting, s/he shall retain office until the meeting appoints someone in his or her place or, if s/he does not do so, until the end of the meeting. A Director is not required to hold shares in the capital of the Company. Directors are provided with documentation on the Company and its activities. An appropriate induction is provided for new Directors and ongoing training is provided as and when it may be required.

Retirement by rotation

At the first general meeting after the date of adoption of the Articles and at each subsequent AGM of the Company as near as possible to one-third of the Directors must retire from office by rotation.

Directors' powers

The business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business or not. The Company's Articles detail the specific authorities of the Directors. Copies of the Articles may be obtained from the Company Secretary.

Report on Directors' remuneration

Committee membership

I Napier (Chairman)

D Jenkinson

O Morley

J Geddes (Secretary to the Committee)

In accordance with the Company's policy of refreshing Committee membership David Coltman stood down as Chairman of the Remuneration Committee at the Annual General Meeting (AGM) in May and was replaced by Iain Napier. The Company Secretary is the secretary of the Committee. Iain Napier will become Chairman of the Board following the AGM in 2010 and he will be replaced as Chairman of the Committee by Octavia Morley.

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.

Responsibilities of the Committee

The Committee determines the remuneration of the Chairman and the Executive Directors (Tier 1) and the next level of senior executives (Tier 2) 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.

Advisers to the Remuneration Committee

Advice sought from Kepler Associates was used by the Committee during the year. In addition, legal advice from Maclay Murray & Spens LLP was sought by the Committee where appropriate.

Paul Dollman, Group Finance Director, and John Geddes, Group Company Secretary, also provide internal support and guidance to the Committee where appropriate. They are, however, specifically excluded from any matters concerning the details of their own remuneration.

Committee evaluation

The Board extended its review of its own performance to the performance of the Committee. The results from the evaluation were circulated to the Board as a whole in December 2009 and suitable actions have been taken to address the issues raised. None of the issues raised were deemed material and their implementation will increase the flow of information to the Committee and provide for greater consistency in establishing executive remuneration.

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, practice and principles

The Board recognises that its continuing success depends on the quality and motivation of its employees. The Group aims to ensure that its remuneration packages are competitive, thereby enabling it to attract, retain and motivate Executives who have the experience, skills and talents to operate and develop each business to its maximum potential. This total reward position is analysed by looking across each of the different elements of remuneration, including salary, pension, bonus, and long-term incentives, to provide a total remuneration offering rather than just the competitiveness of the individual elements.

Pay, rates of salary increases and employment conditions within the Group are taken into account by the Committee in determining the remuneration packages for Executive Directors, along with current external market conditions and package competitiveness.

Directors' salaries are maintained at competitive levels for comparable positions 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 Executive Directors the profitability of the Group and the value generated for shareholders.

In considering and determining suitable remuneration packages for the Executive Directors the Committee gives 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.

Salary spread/package mix

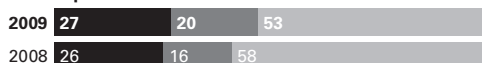
The total remuneration package is designed to include performance and non-performance-related elements. Non-performance elements include salary, taxable benefits and pension entitlements. In addition, Executive Directors are entitled to participate in the Company's share matching schemes and savings-related share option scheme. All other parts of the package are performance related and combine a mixture of cash and share-based incentives, described in detail below.

Distribution of remuneration (% of total)

Threshold performance



Stretch performance



■ Salary ■ Bonus ■ Long-Term Incentive Plans

Basis for calculations

Cash-based awards are calculated on the real cash value when the award is made.

Share-based awards are calculated on the actual share price on the date that the award is made, not an anticipated value on vesting date.

Alignment of remuneration to objectives

The performance-based plans adopt a variety of performance criteria rather than using one criterion over all the plans. This is to align Directors' rewards with a broadly-based growth and development plan for the business. The Long-Term Incentive Plans are designed to reward improvements within divisions as well as the performance of the Group against external factors. The Committee believes that by using a combination of internal and external targets it can better align Directors' interests with the interests of shareholders.

It is intended that on-target performance payouts should be made where the Company achieves its objectives for the period, which will be a combination of financial performance of the Group and the divisions, cost savings, business development and other divisional objectives. Stretch performance will be paid where the objectives set have been exceeded, as well as Executive Directors' individual targets as set by the Board.

New remuneration package from 2010

The Committee held a review of the executive remuneration package during the year. It was resolved that a new package be set out which would reflect current best practice.

The appropriate rules for each plan will therefore be amended to reflect a maximum award based on a proportion of base salary rather than number of shares and, where necessary, resolutions will be put to the AGM in 2010.

The revised package which is applicable from 1 January 2010 is as follows:

Annual bonus

The maximum annual bonus will be set at 75% of base salary. The award will be split on the following basis:

	Cash element	Shares element
15% – Key Result Area (KRA)	40% cash payment	20% ordinary shares

The share element is subject to a three year retention period. If an executive is dismissed or gives notice of resignation during the three year period the shares are forfeited.

10% of salary will be paid on achieving the threshold level rising to 60% of salary for attaining stretch, with results between threshold and stretch awarding on a straight-line basis.

The Key Result Area (KRA) element will only be payable should 95% of the threshold target be met.

Long Term Incentive Plans (2005 Performance Share Plan and 2007 Divisional Performance Share Plan)

An annual award of up to one times salary can be made in ordinary shares. Attached to the award will be a three year performance period with appropriate targets attached.

Targets will be based on Group performance, with Divisional Managing Directors having 25% of their award set on their own division's performance.

25% of the award will be paid on achieving the threshold level, 100% on attaining stretch, with results between threshold and stretch awarding on a straight-line basis. Performance conditions will be reviewed for each cycle of the plan.

Bonus Co-Investment Plan

Executives will be invited to invest up to 40% of any cash bonus into the Bonus Co-Investment Plan. Matching shares are issued on a 1:1 basis with gross invested bonus, and will be released on the attainment of performance conditions following a three year performance period. 25% of the matching shares are paid on achieving threshold level, rising on a straight-line basis to 100% paid at or above stretch targets.

Shareholding

The Remuneration Committee has asked each Executive Director to build up a shareholding valued at 150% of their base salary within five years.

Report on Directors' remuneration

Executive Directors' remuneration package – 2009

Component	Level of award	Performance target	Performance period
Base salary	n/a	n/a	n/a
Annual bonus	Maximum of £200,000	Combination of Individual, Group and Divisional targets	One year
Bonus Co-Investment Plan (BCIP)	Up to 50% of cash bonus can be invested Matching shares ratio 2:1	Matching shares are released where growth in EPS exceeds growth in the RPI by at least 3% 25% is awarded at growth of 3% rising in a straight-line basis to 100% of the matching shares on growth in excess of 8%	Three years
2009 Performance Share Plan	One-off award of up to 450,000 shares valued at £582,750 at time of award	Rate of Return On Capital Employed (ROCE) Threshold performance: 25% award for ROCE 10% for 2011 Stretch performance: 100% award for ROCE 12.5% or greater for 2011. Vesting between threshold and stretch awarded on a straight-line basis	Three years

Basic salary and benefits

Salaries are reviewed annually, on appointment, or on change in position or responsibility. From 2010, base salaries will form the basis for all additional performance and non-performance related incentive awards and therefore in conducting annual reviews of the Executive Directors' salaries, the Committee considers the pay awards and employment conditions across the Group, the Executive Directors' individual performance and experience, as well as the external competitive levels for comparable positions.

In addition to salary, the Executive Directors may receive additional benefits covering car allowance, private medical insurance and life cover. Craig Smyth, David McIntosh and Ellis Watson (prior to leaving the Group) 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. David McIntosh also receives a mortgage subsidy payment shown on the remuneration table on page 54.

The basic salaries for the Executive Directors for the year are disclosed in the Directors' remuneration table on page 54. Annual salary reviews take place in March each year, with any increase implemented from 1 May. No salary increases were awarded in 2009.

Annual bonus scheme

The Executive Directors participate in a discretionary bonus scheme which is subject to the achievement of challenging Group, divisional and personal targets designed to encourage excellent performance. Bonus payments are non-pensionable.

The 2009 bonus scheme contained performance targets that 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. Bonuses at the higher end of the range are payable only for demonstrably superior Group and individual performance and the stretch level represents upper quartile performance.

In 2009, Executive Directors were entitled to receive a bonus payment of £nil at or below threshold performance, increasing on a straight-line basis to a maximum payment of £200,000 for stretch performance. Up to 20% of any entitlement is dependent on the extent to which identified personal Key Result Areas (KRAs) are achieved.

For the year 2009, bonuses were calculated as follows and are payable on 24 March 2010:

Name	Measure	Threshold target	Stretch target	Achieved	Bonus paid
P Dollman ¹	Group PBT	£30.8m	£31.8m	£35.2m	£176,720
	Distribution EBIT	£24.3m	£25.3m	£28.6m	
	New revenue	£2.5m	£2.7m	£1.4m	
	Cost reduction	£3.0m	£4.8m	£8.6m	
	Aviation EBIT	£14.8m	£15.8m	£15.8m	
	Key Result Areas (KRAs)	–	–	75%	
D McIntosh ²	Divisional EBIT	£24.3m	£25.3m	£28.6m	£102,124
	New revenue	£2.5m	£2.7m	£1.4m	
	Cost reduction	£3.0m	£4.8m	£8.6m	
	Key Result Areas (KRAs)	–	–	72%	
C Smyth	Divisional EBIT	£14.8m	£15.8m	£15.8m	£193,200
	Key Result Areas (KRAs)	–	–	83%	

1. The targets relating to P Dollman's bonus are split one-third Group performance, one-third Menzies Aviation and one-third Menzies Distribution.

2. D McIntosh was appointed an Executive Director in July 2009, and his figures reflect his bonus both pre- and post-appointment.

Bonus Co-Investment Plan

In 2009, Executive Directors declined a bonus in respect of the financial year 2008, and therefore were unable to participate in the Bonus Co-Investment Plan ('BCIP') award. Under the BCIP, Executive Directors could be invited to invest up to 50% of their annual bonus in shares of the Company (net of tax) which qualify for an award of up to 2:1 matching shares (based on the gross invested amount) dependent on achieving a defined performance target. In 2010, the BCIP will be amended to reduce the matching shares from 2:1 to 1:1.

The performance target for awards made is for real per annum Earnings Per Share (EPS) growth above the Retail Price Index growth over a three year period, with the number of shares vesting being calculated on a straight-line basis from a 25% award at 3% to a full award at 8% or above. Any dividends accrued on shares which vest are paid in cash on vesting.

For Executive Directors, the maximum number of matching shares possible is shown in table 1 on page 53. The total plan summary is included in Note 20, on page 92. An award made in 2006 had a performance period ended December 2008. The real per annum growth in EPS for the Company over the performance period of the award did not meet threshold levels, and therefore the award lapsed.

Long Term Incentive Plans

2005 Performance Share Plan

Executive Directors may be awarded a number of conditional shares annually under the 2005 Performance Share Plan ('2005 PSP') as determined by the Committee. The maximum number of conditional shares which may currently be awarded to any individual under the rules of the 2005 PSP in any year is 100,000. During the year, the Committee following external advice and a market review, resolved that, in keeping with best practice, the value of any future awards under the 2005 PSP should be based on a percentage of salary up to a maximum of 100%. A resolution will therefore be put before the AGM in May 2010 to amend the scheme limit from 100,000 shares to a one times salary limit.

Shares awarded vest after three years if the Company's Total Shareholder Return (TSR) is equal to or outperforms the FTSE250 Index (the Index) TSR for the three year performance period. 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 plan rules allow the Remuneration Committee to select and amend appropriate performance criteria for future awards.

Report on Directors' remuneration

In 2009, no awards were made to Executive Directors under the 2005 PSP. The maximum number of shares which could vest under the 2005 PSP to Executive Directors is shown in table 2 on page 53. The award of conditional shares made in 2006 which had a performance period from January 2006 to December 2008 lapsed during the period with the performance criteria not being met.

2007 Divisional Performance Share Plan

The 2007 Divisional Performance Share Plan ('2007 DPSP') is the same in practically all respects as the 2005 PSP, except that the performance conditions are based on the achievement of Divisional Financial Results (DFR). The 2005 PSP therefore aligns each divisional Director to the performance of the Group while the performance criteria for the 2007 DPSP is set against future divisional profitability and is appropriate given the structure of the Group to incentivise each Divisional Managing Director.

In 2009, no awards were made to Executive Directors under the 2007 DPSP. The maximum number of conditional shares which may currently be awarded to any individual under the rules of the 2007 DPSP in any year is 100,000. As previously stated, the Committee, following external advice and a market review, has resolved that in keeping with best practice, the value of any future awards under the 2007 DPSP should be based on a percentage of salary up to a maximum of 100%. A resolution will therefore be put before the AGM in May 2010 to amend the scheme limit from 100,000 shares to a one times salary limit.

The DFR are set at threshold and stretch level. At threshold, 25% of the award will be paid to an individual, increasing on a straight-line basis to 100% for stretch or greater achievement. As the disclosure of the DFR targets could be considered a profits forecast and is viewed by the Committee to be both price and commercially sensitive, the Committee has decided that it will retrospectively disclose the threshold and stretch targets for an award in its report following the end of the performance period. The award made in 2007 had a performance period ended December 2009, and the performance targets are disclosed below.

DFR measure	Threshold target	Stretch target	2009 result
Aviation			
Aviation operating profit	£31.0m	£36.0m	£15.8m
Distribution			
Distribution operating profit	£22m	£26m	£28.6m
Distribution reduction in operating costs	£3.0m	£4.8m	£8.6m
Distribution income from new revenue streams	£3.0m	£6.7m	£3.2m

The maximum number of shares which could vest under the 2007 DPSP to Executive Directors are shown in table 3 on page 53.

It remains the intention of the Committee that awards in any year under the 2005 PSP and the 2007 DPSP when combined do not exceed the limit for either scheme individually.

2009 Performance Share Plan

At the Annual General Meeting in 2009, the Company adopted a 2009 Performance Share Plan ('2009 PSP'). This one-off plan offered Executive Directors the opportunity to benefit from the potential success of the Company over a three year performance period ending December 2011, as measured by an increase in the Return On Capital Employed (ROCE). It provided for a conditional award to be made of up to 450,000 ordinary shares with a value at award date of £582,750 to be made to Executive Directors.

Threshold vesting is based on attainment of a ROCE rate of 10% for the year ended 31 December 2011, with a stretch level for ROCE of 12.5% or more. Where ROCE is less than the threshold level at the end of the performance period, no award will be made to participants. Achievement of the threshold level will result in 25% of the maximum award vesting, with results equal to or greater than the stretch level achieving 100% of the maximum award. Results greater than the threshold but less than the stretch level will be calculated on a straight-line basis.

Dividends are accrued over the performance period. At the end of the performance period, any dividends accrued on shares which vest will be paid in cash.

An award was made following the adoption of the 2009 PSP to the Executive Directors. The number of shares over which they have an interest in the Plan is shown in table 4 on page 53.

Share options

Executive Share Option Scheme

Prior to the introduction of the above share and incentive 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. The number of shares held in the scheme are shown in table 5 on page 53, and the cost to the Company is shown in Note 20 to the accounts.

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 H.M. Revenue & Customs approved Savings Related Share Option Scheme (the SAYE Scheme) available to all UK-based employees in the Group, including Executive Directors. The Company believes that the SAYE Scheme is an important tool in the motivation and retention of staff. Further details of the SAYE Scheme and 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 in table 6 on page 54.

Service contracts

The Executive Directors have service contracts with the Company, the dates of which are listed in the Directors' emoluments table on page 54. The Group's practice on notice periods is that they should be for a period of 12 months notice. It is the Company's policy that any termination payment be mitigated and restricted to the actual loss incurred by the Director. All Executive Directors who served during the year have service contracts on this basis. The Committee considers that the notice periods 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.

Salary

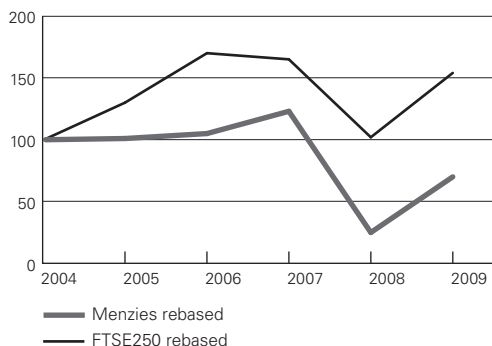
The salary mix for Non-Executive Directors comprises a basic payment, and additional payments for being Chairman of a Committee or a Committee member, or the Senior Independent Director. It is intended to be a competitive mix broadly in line with comparable companies. It remained unchanged during 2009.

Basic payment	£32,229
Committee Chairmanship	£6,000
Committee membership	£2,500
SID fee	£14,061

Report on Directors' remuneration

Performance graph

The following graph compares the Company's total shareholder return for the five years to December 2009 with the equivalent performance of the FTSE250 Index. The Directors consider that, given the scale and global spread of the Group's activities, the most appropriate comparison is with this index.



Payments to outgoing Directors

Ellis Watson resigned as an Executive Director during the year. He did not receive any payments for loss of office. It is the Company's policy that any termination payments that are made to a Director are mitigated wherever possible and will not exceed their entitlement based on their service contract.

Share price

The market price for shares in John Menzies plc ranged from 43.5p to 360.25p during the year and was 297.75p at 31 December 2009.

External appointments

The Board recognises the benefits to the individual and to the Company of involvement by Executive Directors as Non-Executive Directors on the boards of other companies. Prior to accepting an invitation to become a Non-Executive Director of another company, an Executive Director must receive approval from the Group Chairman. This approval will not be denied where the Chairman is confident that the appointment will not interfere with the Director's ability to perform his duties for the Company nor provide a conflict of interest. Executive Directors are entitled to retain any fees received under these appointments. During the year, Paul Dollman continued an external non-executive appointment with Scottish Amicable Life Association Society. Details of fees received are as follows:

Paul Dollman £31,800 (2008: 25,986) (Scottish Amicable Life Association Society)

Table 1 – 2005 Bonus Co-Investment Plan

	31 Dec 2008	Granted during year	Market price of award	Lapsed during year	31 Dec 2009
P Dollman	37,540	–	–	8,162	29,378
D McIntosh	4,634	8,698	133	–	13,332
C Smyth	48,432	–	–	8,420	40,012
E Watson	14,658	–	–	14,658	–

Table 2 – 2005 Performance Share Plan

	31 Dec 2008	Granted during year	Market price of award	Lapsed during year	31 Dec 2009
P Dollman	135,000	–	–	30,000	105,000
D McIntosh	–	–	–	–	–
C Smyth	65,000	–	–	30,000	35,000
E Watson	65,000	–	–	65,000	–

Table 3 – 2007 Divisional Performance Share Plan

	31 Dec 2008	Granted during year	Market price of award	Lapsed during year	31 Dec 2009
P Dollman	–	–	–	–	–
D McIntosh	–	–	–	–	–
C Smyth	70,000	–	–	–	70,000
E Watson	70,000	–	–	70,000	–

Table 4 – 2009 Performance Share Plan

	31 Dec 2008	Granted during year	Market price of award	Lapsed during year	31 Dec 2009
P Dollman	–	450,000	129.5	–	450,000
D McIntosh	–	337,500	129.5	–	337,500
C Smyth	–	450,000	129.5	–	450,000

Table 5 – Executive Share Option Scheme

	31 Dec 2008	Granted during year	Exercised during year	Market price at date of exercise	Lapsed during year	Gain	31 Dec 2009	Exercise price	Exercisable from	Exercisable to
P Dollman	196,048	–	–	–	–	–	196,048	329	08/11/2005	07/11/2012
	58,714	–	–	–	–	–	58,714	418	07/05/2007	06/05/2014
C Smyth	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

Report on Directors' remuneration

Table 6 – Savings Related Share Option Scheme

	31 Dec 2008	Granted during year	Exercised during year	Market price at date of exercise	Lapsed during year	Gain/ (loss)	31 Dec 2009	Exercise price	Exercisable from	Exercisable to
P Dollman	510	–	–	–	–	–	510	348	01/12/2009	01/06/2010
	67	–	–	–	–	–	67	452	01/12/2010	01/06/2011
	1,684	–	–	–	–	–	1,684	285	01/12/2011	01/06/2012
	–	910	–	–	–	–	910	279	01/12/2012	01/06/2013
C Smyth	2,123	–	–	–	–	–	2,123	452	01/12/2010	01/06/2011
D McIntosh	510	–	510	325	–	£(117)	–	348	01/12/2009	01/06/2010
	67	–	–	–	–	–	67	452	01/12/2010	01/06/2011
	1,684	–	–	–	–	–	1,684	285	01/12/2011	01/06/2012
	–	910	–	–	–	–	910	279	01/12/2012	01/06/2013

Table 7 – Directors' emoluments

Date of appointment (resignation)	Salary/fees		Benefits		Bonus		Incentive plans		Total		
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	
Chairman											
W Thomson	21/05/2009	164	162	–	–	–	–	–	–	164	162
Executive Directors											
P Dollman	08/08/2002	313	311	14	14	177	–	–	–	504	325
C Smyth	20/03/2007	300	290	49	51	193	–	–	–	542	341
E Watson	(24/07/2009)	181	308	29	51	–	96	–	171	210	626
D McIntosh	24/07/2009	188	–	22	–	102	–	68	–	380	–
Non-Executive Directors											
D Jenkinson	21/05/2009	35	34	–	–	–	–	–	–	35	34
I Harrison	21/05/2009	35	34	–	–	–	–	–	–	35	34
D Coltman	21/05/2009	51	52	–	–	–	–	–	–	51	52
O Morley	21/05/2009	35	34	–	–	–	–	–	–	35	34
I Napier	21/05/2009	37	10	–	–	–	–	–	–	37	10
I Harley	21/05/2009	34	–	–	–	–	–	–	–	34	–
I Robertson	(21/05/2009)	15	38	–	–	–	–	–	–	15	38
		1,388	1,273	114	116	472	96	68	171	2,042	1,656

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).

Pensions

Scheme benefits

Paul Dollman, David McIntosh and Craig Smyth are members of the Menzies Pension Fund, a 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. Ellis Watson was a member of the defined contribution pension scheme.

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. Craig Smyth, David McIntosh and Ellis Watson (prior to his resignation) received 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:

Name	Age	Total accrued pensions at start of the period £'000	Transfer value of total accrued pension at start of the period £'000	Increase in accrued pension during year (net of inflation) £'000	Including statutory revaluation £'000	Total accrued pension at 31 Dec 2009 £'000	Transfer value of increases at 31 Dec 2009 (net of inflation and Director's contributions) £'000	Transfer value of total accrued pension at 31 Dec 2009 £'000	Directors contributions during the period £'000	Increase in value of pension during the period (net of Director's contributions) £'000
P Dollman ¹	53	25.6	390.0	4.5	0.1	30.2	56.7	531.5	22.8	118.7
P Dollman ²	53	35.5	540.5	6.0	0.1	41.6	105.6	732.1	–	191.7
C Smyth	42	35.6	357.2	3.5	0.1	39.2	34.9	504.9	10.3	137.4
D McIntosh ³	46	45.4	543.9	3.9	0.1	49.4	47.9	738.0	10.3	183.8
E Watson ⁴	42	n/a	71.5	n/a	n/a	n/a	39.7 ⁵	114.0	2.6	39.9

Notes:

- The funded portion of P Dollman's benefits.
 - The unfunded portion of P Dollman's benefits.
 - D McIntosh became a Director on 24 July 2009. The numbers are presented as though he was a director at the start and end of the year.
 - E Watson left the Company on 24 July 2009. The numbers presented are as though he was a Director at the start and end of the year.
 - This is an increase in fund value. E Watson was a member of the Defined Contribution Fund. Employer contributions paid on his behalf for 31 December 2008 to 24 July 2009 were c£10,300.
- (a) Accrued pension entitlements are the amounts which would be paid at normal retirement date if the Director left service as at 31 December 2009, 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 total of the transfer values for unfunded pension entitlements as above, held on the Company's balance sheet at 31 December 2009 for current and former Directors, calculated on an IAS 19 basis, totalled £1,139,012 (2008: £817,645), from which annual pensions of £18,527 (2008: £17,645 p.a.) were paid to former Directors.

By order of the Board

J FA Geddes

Company Secretary

8 March 2010

Independent auditors' report to the members of John Menzies plc

We have audited the financial statements of John Menzies plc for the year ended 31 December 2009 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related Notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 42, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APBs) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on page 43 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 26, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Hywel Ball (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Edinburgh
8 March 2010

Group income statement

for the year ended 31 December 2009 (year ended 31 December 2008)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2009 Total £m	Before exceptional and other items £m	Exceptional and other items £m	2008 Total £m
Revenue	2	1,725.7	–	1,725.7	1,667.1	–	1,667.1
Net operating costs	3	(1,692.1)	(9.3)	(1,701.4)	(1,636.1)	(11.6)	(1,647.7)
Operating profit	2	33.6	(9.3)	24.3	31.0	(11.6)	19.4
Share of post-tax results of joint ventures and associates		9.8	(3.9)	5.9	5.1	(1.5)	3.6
Operating profit after joint ventures and associates	2	43.4	(13.2)	30.2	36.1	(13.1)	23.0
<i>Analysed as:</i>							
Underlying operating profit*		43.4	–	43.4	36.5	–	36.5
Non-recurring items	5(a)	–	(6.0)	(6.0)	–	(7.3)	(7.3)
Intangible amortisation	5(b)	–	(5.1)	(5.1)	–	(4.3)	(4.3)
Share of interest and tax on joint ventures and associates		–	(2.1)	(2.1)	(0.4)	(1.5)	(1.9)
Operating profit after joint ventures and associates		43.4	(13.2)	30.2	36.1	(13.1)	23.0
Finance income	7	0.6	–	0.6	2.3	–	2.3
Finance charges	7	(7.0)	–	(7.0)	(10.0)	(7.7)	(17.7)
Other finance (charges)/income – pensions	4	(1.8)	–	(1.8)	2.3	–	2.3
Profit before taxation		35.2	(13.2)	22.0	30.7	(20.8)	9.9
Taxation	8	(9.3)	2.6	(6.7)	(12.1)	1.0	(11.1)
Profit/(loss) for the year		25.9	(10.6)	15.3	18.6	(19.8)	(1.2)
Attributable to equity shareholders		25.9	(10.6)	15.3	18.6	(19.8)	(1.2)
Earnings per ordinary share	10						
Basic		43.8p	(17.9)p	25.8p	31.3p	(33.3)p	(2.0)p
Diluted		43.8p	(17.9)p	25.8p	31.3p	(33.3)p	(2.0)p

*Underlying operating profit is consistently presented adjusting for non-recurring exceptional items, intangible amortisation associated with goodwill impairment on associate assets and contract amortisation, and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.

Group statement of comprehensive income

for the year ended 31 December 2009 (year ended 31 December 2008)

	Notes	2009 £m	2008 £m
Profit/(loss) for the year		15.3	(1.2)
Actuarial loss on defined benefit pensions	4	(50.0)	(48.7)
Actuarial loss on unfunded pension arrangements		(0.2)	–
Deferred tax associated with defined benefit pensions		14.1	13.6
Losses on cash flow hedges		(1.2)	–
Income tax effect		0.3	–
Net exchange adjustments		(1.7)	4.7
Net losses recognised directly in equity		(38.7)	(30.4)
Total recognised loss for the year		(23.4)	(31.6)
Attributable to equity shareholders		(23.4)	(31.6)

The Parent Company Statement of Comprehensive Income includes a profit for the year of £63.4m (2008: £18.5m) and a net actuarial loss on defined benefit pensions of £36.1m (2008: £35.1m).

Group and Company balance sheets

as at 31 December 2009 (31 December 2008)

	Notes	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
ASSETS					
Non-current assets					
Intangible assets	11	100.5	102.1	–	–
Property, plant and equipment	12	140.8	169.4	31.6	36.8
Investments	13	41.8	47.1	292.5	293.4
Derivative financial assets	16	0.1	–	0.1	–
Deferred tax assets	19	19.9	15.0	19.0	10.0
		303.1	333.6	343.2	340.2
Current assets					
Inventories		12.0	9.3	–	–
Trade and other receivables	14	158.9	157.4	224.7	169.6
Available for sale investment	13	1.4	2.7	–	–
Derivative financial assets	16	2.5	0.4	2.5	0.4
Cash and cash equivalents		31.5	19.6	10.5	2.6
		206.3	189.4	237.7	172.6
LIABILITIES					
Current liabilities					
Borrowings	16	(12.8)	(58.6)	(12.2)	(57.7)
Derivative financial liabilities	16	(2.2)	(17.1)	(2.2)	(17.1)
Trade and other payables	15	(200.0)	(195.8)	(247.5)	(213.8)
Current income tax liabilities		(9.7)	(9.9)	–	–
Provisions	19	(2.6)	(2.0)	–	–
		(227.3)	(283.4)	(261.9)	(288.6)
Net current liabilities		(21.0)	(94.0)	(24.2)	(116.0)
Total assets less current liabilities		282.1	239.6	319.0	224.2
Non-current liabilities					
Borrowings	16	(150.1)	(126.0)	(150.1)	(125.8)
Other payables	15	(1.3)	(0.2)	–	–
Derivative financial liabilities	16	(1.3)	(0.9)	(1.3)	(0.9)
Provisions	19	(5.3)	(6.6)	–	–
Deferred tax liabilities	19	–	(7.7)	–	(5.2)
Retirement benefit obligations	4	(84.5)	(35.6)	(84.5)	(35.6)
		(242.5)	(177.0)	(235.9)	(167.5)
Net assets		39.6	62.6	83.1	56.7
Shareholders' equity					
Ordinary shares	20	15.1	15.1	15.1	15.1
Share premium account		15.8	15.8	15.8	15.8
Investment in own shares	9	(3.3)	(3.3)	–	–
Hedge accounting reserve	24	(0.9)	–	(0.9)	–
Retained earnings		(8.7)	13.4	31.5	4.2
Capital redemption reserve		21.6	21.6	21.6	21.6
Total equity		39.6	62.6	83.1	56.7

The accounts were approved by the Board of Directors on 8 March 2010 and signed on its behalf by:

William Thomson
Chairman

Paul Dollman
Group Finance Director

Group and Company statement of changes in equity

as at 31 December 2009 (31 December 2008)

	Ordinary shares £m	Share premium account £m	Investment in own shares £m	Hedge accounting reserve £m	Retained earnings £m	Capital redemption reserve £m	Total £m
Group							
At 31 December 2008	15.1	15.8	(3.3)	–	13.4	21.6	62.6
Profit for the year	–	–	–	–	15.3	–	15.3
Share-based payments	–	–	–	–	0.4	–	0.4
Movement in the year	–	–	–	(0.9)	–	–	(0.9)
Actuarial loss (net of deferred tax)	–	–	–	–	(36.1)	–	(36.1)
Exchange adjustments	–	–	–	–	(1.7)	–	(1.7)
At 31 December 2009	15.1	15.8	(3.3)	(0.9)	(8.7)	21.6	39.6
At 29 December 2007	15.0	15.1	(3.4)	–	60.1	21.6	108.4
Loss for the year	–	–	–	–	(1.2)	–	(1.2)
Dividends	–	–	–	–	(15.5)	–	(15.5)
New share capital issued	0.1	0.7	–	–	–	–	0.8
Movement in own shares	–	–	0.1	–	–	–	0.1
Share-based payments	–	–	–	–	0.4	–	0.4
Actuarial loss (net of deferred tax)	–	–	–	–	(35.1)	–	(35.1)
Exchange adjustments	–	–	–	–	4.7	–	4.7
At 31 December 2008	15.1	15.8	(3.3)	–	13.4	21.6	62.6
Company							
At 31 December 2008	15.1	15.8	–	–	4.2	21.6	56.7
Profit for the year	–	–	–	–	63.4	–	63.4
Movement in the year	–	–	–	(0.9)	–	–	(0.9)
Actuarial loss (net of deferred tax)	–	–	–	–	(36.1)	–	(36.1)
At 31 December 2009	15.1	15.8	–	(0.9)	31.5	21.6	83.1
At 29 December 2007	15.0	15.1	–	–	36.2	21.6	87.9
Profit for the year	–	–	–	–	18.5	–	18.5
Dividends	–	–	–	–	(15.5)	–	(15.5)
New share capital issued	0.1	0.7	–	–	–	–	0.8
Share-based payments	–	–	–	–	0.1	–	0.1
Actuarial loss (net of deferred tax)	–	–	–	–	(35.1)	–	(35.1)
At 31 December 2008	15.1	15.8	–	–	4.2	21.6	56.7

The profit for the year for the Company of £63.4m (2008: £18.5m) is the same under both IFRS and UK GAAP.

Group and Company statement of cash flows

for the year ended 31 December 2009 (year ended 31 December 2008)

	Notes	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
Cash flows from operating activities					
Cash generated from operations	21	52.0	39.2	(7.7)	(9.9)
Interest received		0.8	2.2	–	0.1
Interest paid		(7.9)	(17.5)	(7.2)	(9.6)
Tax (paid)/recovered		(5.5)	(4.6)	(1.3)	0.7
Net cash from operating activities		39.4	19.3	(16.2)	(18.7)
Cash flows from investing activities					
Investment in joint ventures and associates		0.9	(8.7)	–	–
Loan repaid by joint venture		2.3	0.5	–	–
Loan repaid by associate		–	0.1	–	–
Proceeds from disposal of investments		0.6	12.2	–	–
Acquisition of subsidiaries		(1.6)	(13.0)	–	–
Net cash acquired with subsidiaries		–	1.2	–	–
Purchase of property, plant and equipment		(15.1)	(40.4)	–	–
Intangible asset additions		(4.1)	(2.4)	–	–
Proceeds from sale of property, plant and equipment		16.9	9.1	6.0	–
Dividends received		4.2	3.3	–	–
Net cash used in investing activities		4.1	(38.1)	6.0	–
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		–	0.8	–	0.8
Repayment of borrowings	23	(54.3)	(16.5)	(54.3)	(16.7)
Proceeds from borrowings	23	14.3	45.9	14.3	45.9
Dividends paid to ordinary shareholders		–	(15.5)	–	(15.5)
Amounts repaid by/(provided to) subsidiaries		–	–	49.4	3.9
Net cash from financing activities		(40.0)	14.7	9.4	18.4
Increase/(decrease) in net cash and cash equivalents	23	3.5	(4.1)	(0.8)	(0.3)
Effects of exchange rate movements		(0.2)	0.3	(0.2)	0.3
Opening net cash and cash equivalents		17.2	21.0	0.8	0.8
Closing net cash and cash equivalents*	23	20.5	17.2	(0.2)	0.8

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

Notes to the accounts

The consolidated accounts of the Group for the year ended 31 December 2009 were approved and authorised for issue in accordance with a resolution of the Directors on 8 March 2010. John Menzies plc is a limited company incorporated in Scotland and is listed on the London Stock Exchange.

1. Accounting policies

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2009 and have not been adopted early:

IFRS 1 'Amendment' Limited Exemption from Comparative IFRS 7 Disclosures' is effective for periods on or after 1 July 2010.

IFRS 2 'Amendment' Group Cash-settled Share-based Payment Transactions' is effective for periods on or after 1 January 2010.

IFRS 3 'Business Combinations (Revised)' is effective for annual periods on or after 1 July 2009.

IFRS 9 'Financial Instruments: Classification & Measurement' is effective for periods on or after 1 January 2013.

IAS 24 '(Revised) Related Party Disclosures' is effective for periods on or after 1 January 2011.

IAS 27 'Consolidated and Separate Financial Statements (Revised)' is effective for annual periods on or after 1 July 2009.

IAS 32 '(Amendment) Classification of Right Issues' is effective for annual periods on or after 1 February 2010.

IAS 39 '(Amendment) Eligible Hedged Items' is effective for annual periods on or after 1 July 2009.

IFRIC 14 '(Amendment) Prepayments of a Minimum Funding Requirement' is effective for periods on or after 1 January 2011.

IFRIC 17 'Distribution of Non-cash Assets to Owners' is effective for annual periods on or after 1 July 2009.

IFRIC 18 'Transfers of Assets from Customers' is effective for annual periods on or after 1 July 2009.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' is effective for periods on or after 1 July 2010.

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

The adoption of IAS 1 (revised) has required the reconciliation of movements in equity, previously disclosed in Note 21 in the accounts for the year ended 31 December 2008, to be presented as a primary statement entitled 'Statement of Changes in Equity'. In addition, the Statement of Recognised Income and Expense has been replaced with the Statement of Comprehensive Income.

IFRS 7 'Financial Instruments: Disclosures' required additional disclosures as shown in Note 16.

IFRS 8 'Operating Segments'. In adopting IFRS 8 the Group has concluded that the operating segments were the same as the business segments determined under IAS 14 'Segmental Reporting'. Details of these operating segments are disclosed in Note 2.

IAS 23 'Borrowing Costs'. In adopting IAS 23 (revised) the Group has amended its accounting policy and, from 1 January 2009, now capitalises borrowing costs on qualifying assets. The implementation of this policy has had no material impact on the Group's accounts.

As permitted by Section 408 of the Companies Act 2006 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 2006 applicable to companies reporting under IFRS, incorporate the accounts of the Company and its subsidiaries, joint ventures and associates from the effective date of acquisition or to the date of deemed disposal.

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

Notes to the accounts

1. Accounting policies continued

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 dispatched 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 at the time the service is provided in accordance with the terms of the contract. 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
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 Comprehensive Income.

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

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

Pension financing costs are now shown separately in the income statement.

Taxation

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

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

Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the

reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

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 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 10 years as this period is the minimum time-frame management considers when assessing businesses for acquisition.

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, usually three to five years.

Leases

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

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

Notes to the accounts

1. Accounting policies continued

Available for sale investments

Investments are classified as available for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Available for sale investments are stated at the lower of carrying value and fair value less costs to sell.

Trade receivables

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

Cash and cash equivalents

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

Foreign currencies

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

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

Derivative financial instruments and hedging activities

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

The Group has derivatives 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.

Provisions

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

Share capital

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

Share-based payments

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

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 particularly so given the prevailing difficult economic conditions and the level of uncertainty regarding their duration and severity.

The Board has considered the critical accounting estimates and assumptions used in the accounts and concluded that the main areas 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 carrying value of intangible assets and the assumptions used to calculate pension benefits.

Impairment of long-lived assets

The Group periodically evaluates the net realisable value of long-lived assets, including goodwill, other intangible assets and tangible fixed assets, having regard to a number of factors, including business plans, projected results and discounted future cash flows.

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is, in most cases, based on the discounted present value of the future cash flows expected to arise from the cash-generating unit to which the goodwill relates, or from the individual asset or asset group.

Estimates are used in deriving these cash flows and the discount rate. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the intangible and tangible fixed asset accounting policies affect the amounts reported in the financial statements.

In particular, if different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset and, as a consequence, materially different amounts would be reported in the financial statements. These estimates are interlinked and specific to the circumstances of each asset, so that it is not appropriate to indicate how reported amounts might change if different estimates were made.

Pensions

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 material items which, by virtue of their size or incidence, are presented separately in the income statement to enable a full understanding of the Group's financial performance. These exclude certain elements of intangible asset impairment and amortisation, which are also presented separately in the income statement.

Transactions which may give rise to exceptional items include restructurings of business activities (in terms of rationalisation costs and onerous lease provisions) and gains or losses on the disposal of businesses.

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 page 18 and in Note 16.

Notes to the accounts

2. Segment information

For management purposes the Group is organised into two operating divisions: Distribution and Aviation. These two divisions are organised and managed separately based upon their key markets and each is treated as an operating segment and reportable segment in accordance with IFRS 8.

The operating and reportable segments were determined based on the reports reviewed by the Board which are used to make decisions about the allocation of resources between the two divisions.

The Distribution segment provides newspaper and magazine distribution services across the UK along with marketing services. The Aviation segment provides cargo and passenger ground handling services across the world.

The Board assesses the performance of the operating segments based on a measure of adjusted segment result before exceptional items and intangibles amortisation. Net finance income and expenditure are not allocated to segments as this type of activity is driven by the central treasury function.

The amounts provided to the Board with respect to total assets and total liabilities are measured in a manner consistent with that of the accounts. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

The Group's interest bearing liabilities are not considered to be segment liabilities but rather are managed by the central treasury function.

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

Segment results

	Distribution £m	Aviation £m	Corporate £m	Group £m
2009				
Revenue	1,218.5	507.2	–	1,725.7
Operating profit/(loss)	26.7	(1.4)	(1.0)	24.3
Share of post-tax results of joint ventures	1.3	2.9	–	4.2
Share of post-tax results of associates	–	1.7	–	1.7
Operating profit/(loss) after joint ventures and associates	28.0	3.2	(1.0)	30.2
Net finance expense				(8.2)
Profit before tax				22.0

<i>Analysed as:</i>				
Pre-exceptional operating profit/(loss)*	28.6	15.8	(1.0)	43.4
(Loss)/gain on disposal of property, plant and equipment	–	(0.5)	1.7	1.2
Gain on disposal of interest in joint venture (Note 5)	–	0.2	–	0.2
Impairment provisions (Note 5)	–	(2.8)	–	(2.8)
Onerous lease provision (Note 5)	–	–	(1.7)	(1.7)
Rationalisation costs (Note 5)	–	(4.7)	–	(4.7)
Contract amortisation (Note 11)	–	(3.3)	–	(3.3)
Share of tax on joint ventures and associates	(0.6)	(1.5)	–	(2.1)
Operating profit/(loss) after joint ventures and associates	28.0	3.2	(1.0)	30.2

2008	Distribution £m	Aviation £m	Corporate £m	Group £m
Revenue	1,166.2	500.9	–	1,667.1
Operating profit/(loss)	22.7	(0.6)	(2.7)	19.4
Share of post-tax results of joint ventures	0.1	2.5	–	2.6
Share of post-tax results of associates	–	1.0	–	1.0
Operating profit/(loss) after joint ventures and associates	22.8	2.9	(2.7)	23.0
Net finance expense				(13.1)
Profit before tax				9.9

<i>Analysed as:</i>				
Pre-exceptional operating profit/(loss)*	23.9	14.1	(1.5)	36.5
Gain on disposal of interest in joint venture	–	8.2	–	8.2
Impairment provisions (Notes 11 and 13)	(0.8)	(4.8)	–	(5.6)
Onerous lease provision (Note 5)	–	(3.8)	(1.2)	(5.0)
Rationalisation costs (Note 5)	–	(6.7)	–	(6.7)
Contract amortisation (Note 11)	–	(2.5)	–	(2.5)
Share of interest on joint ventures and associates	(0.1)	(0.3)	–	(0.4)
Share of tax on joint ventures and associates	(0.2)	(1.3)	–	(1.5)
Operating profit/(loss) after joint ventures and associates	22.8	2.9	(2.7)	23.0

*Pre-exceptional 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.

2009	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	184.2	267.9	5.9	458.0
Unallocated assets				51.4
Total assets				509.4
Segment liabilities	(124.0)	(70.2)	(18.5)	(212.7)
Unallocated liabilities				(257.1)
Total liabilities				(469.8)
Segment net assets/(liabilities)	60.3	196.4	(11.3)	245.3
Unallocated net liabilities				(205.7)
Net assets				39.6
2008	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	167.6	317.5	3.3	488.4
Unallocated assets				34.6
Total assets				523.0
Segment liabilities	(108.3)	(80.7)	(33.6)	(222.6)
Unallocated liabilities				(237.8)
Total liabilities				(460.4)
Segment net assets/(liabilities)	59.3	236.8	(30.3)	265.8
Unallocated net liabilities				(203.2)
Net assets				62.6

Unallocated assets comprise deferred tax assets, cash and cash equivalents.

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

Notes to the accounts

2. Segment information continued

	Distribution £m	Aviation £m	Corporate £m	Group £m
2009				
Capital expenditure	7.0	8.1	–	15.1
Depreciation	5.8	18.2	0.9	24.9
Amortisation of intangible assets	1.2	3.5	–	4.7
Goodwill impairment (Note 13)	–	1.8	–	1.8
Gain on disposal of property, plant and equipment	–	–	(1.7)	(1.7)
	Distribution £m	Aviation £m	Corporate £m	Group £m
2008				
Capital expenditure	8.7	31.6	–	40.3
Depreciation	5.6	17.1	0.9	23.6
Amortisation of intangible assets	0.5	2.5	–	3.0
Goodwill impairment (Notes 11 & 13)	–	4.8	–	4.8
(Gain)/loss on disposal of property, plant and equipment	–	(0.3)	0.4	0.1

Geographic information

	Revenue		Segment non-current assets	
	2009 £m	2008 £m	2009 £m	2008 £m
United Kingdom	1,369.0	1,316.2	182.9	181.4
Continental Europe	112.5	128.2	35.3	46.4
Americas	126.6	116.9	25.8	32.0
Rest of the World	117.6	105.8	60.3	61.4
	1,725.7	1,667.1	304.3	321.2

3. Net operating costs

	2009 £m	2008 £m
Goods for resale and other operating charges	1,302.4	1,269.1
Employment costs (Note 4)	363.4	344.7
Intangible assets amortisation (Note 11)	4.7	3.0
Depreciation (Note 12)	24.9	23.6
Exceptional items (Note 5)	6.0	7.3
	1,701.4	1,647.7

Other operating charges include:

Operating leases and hire charges – plant and machinery	17.2	13.5
Rent of properties	26.8	31.4
(Gain)/loss on disposal of property, plant and equipment	(1.7)	0.1

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

Audit services (2009: Ernst & Young LLP, 2008: PricewaterhouseCoopers LLP)

Audit of Parent Company and consolidated accounts	0.2	0.2
Audit of the Company's subsidiaries pursuant to legislation	0.3	0.6

Non-audit services

UK taxation	0.3	–
Overseas taxation	0.3	–
Due diligence	–	0.1

4. Employees

	2009 £m	2008 £m
Wages and salaries	325.2	306.0
Share-based payments	0.4	0.4
Social security costs	28.8	28.9
	354.4	335.3
Pension charge	9.0	9.4
	363.4	344.7

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

	2009 number	2008 number
Distribution	3,873	3,814
Aviation	13,706	13,676
Corporate	20	21
	17,599	17,511

The numbers above include 9,913 full-time equivalent persons employed outside the UK (2008: 10,140).

The 2008 employee numbers have been restated to include part-time employees under contract with The Network (Field Marketing & Promotions) Company Limited.

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 Hymans Robertson LLP (the Actuary), using the projected unit method. Certain Group subsidiaries operate overseas and participate in a number of pension schemes, which are of a defined contribution nature. The income statement charge for defined contribution schemes represents the contributions payable.

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

	2009 £m	2008 £m
Menzies Pension Fund	1.6	2.3
Other schemes	7.4	7.1
	9.0	9.4

Financial assumptions

The Actuary undertook a valuation of the Menzies Pension Fund as at 31 December 2009 (2008: 31 December) under IAS 19.

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

	2009 %	2008 %
Rate of increase in salaries	3.50	3.60
Rate of increase in pensions (prior to 1 April 2006)	3.60	3.35
Rate of increase in pensions (after 1 April 2006)	2.50	2.50
Price inflation	3.50	3.10
Discount rate	5.70	6.40

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

Notes to the accounts

4. Employees continued

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

	2009	2008
Male	20.5	18.4
Female	22.3	21.2

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

	2009	2008
Male	21.8	19.2
Female	24.3	22.0

Fair value of assets (and expected return on assets)

	2009		2008	
	Long-term rate of return %	Value at Dec £m	Long-term rate of return %	Value at Dec £m
Equities	7.9	141.1	7.3	110.5
Bonds	5.7	46.2	6.1	44.3
Property	6.9	23.9	6.3	26.8
Other	0.5	0.7	2.0	0.8
Total value of assets		211.9		182.4
Defined benefit obligation		(296.4)		(218.0)
Recognised in balance sheet		(84.5)		(35.6)
Related deferred tax asset (Note 19)		23.7		10.0
Net pension liabilities		(60.8)		(25.6)

Sensitivity analysis

A reduction in the discount rate will increase the assessed value of the defined benefit obligation and a rise in the discount rate will decrease the assessed value of the defined benefit obligation. The overall effect of a change in the discount rate for the Fund of 0.1% would be an increase/decrease to the defined benefit obligation of around 1.8%/£5.3m.

The effect of changing the assumption regarding life expectancy by one year longer than the disclosed table would be to increase the assessed value of the defined benefit obligation by around 3% to £305m.

	2009 £m	2008 £m
Components of pension expense		
Amounts charged to operating profit		
Current service cost	1.8	2.3
Past service cost	0.2	–
Gains on curtailments and settlements	(0.4)	–
Total amount charged to the income statement	1.6	2.3
Amounts included in finance costs		
Expected return on pension scheme assets	11.9	15.8
Interest on pension liabilities	(13.7)	(13.5)
Net financial (charge)/return	(1.8)	2.3
Pension expense	3.4	–

Amounts recognised in the Statement of Comprehensive Income	2009	2008
	£m	£m
Gain/(loss) on assets	26.4	(78.1)
(Loss)/gain on defined benefit obligation	(76.4)	29.4
Actuarial loss	(50.0)	(48.7)

Change in scheme assets during the year	£m	£m
Fair value of assets at start of year	182.4	250.2
Expected return on assets	11.9	15.8
Company contributions	4.5	3.6
Employee contributions	1.3	1.4
Assets distributed on settlements	(1.5)	–
Benefits and expenses paid	(13.1)	(10.5)
Gain/(loss) on assets	26.4	(78.1)
Fair value of assets at end of year	211.9	182.4

The actual return on scheme assets was a gain of £38.3m (2008: a loss of £62.3m).

Change in defined benefit obligation during the year	2009	2008
	£m	£m
Defined benefit obligation at start of year	218.0	240.7
Current service cost	1.8	2.3
Past service cost	0.2	–
Interest cost	13.7	13.5
Liabilities extinguished on settlements	(1.9)	–
Employee contributions	1.3	1.4
Benefits and expenses paid	(13.1)	(10.5)
Loss/(gain) on defined benefit obligation	76.4	(29.4)
Defined benefit obligation at end of year	296.4	218.0

Expected employer contributions for 2010 are estimated to be £6m.

History of experience gains and losses

	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Gain/(loss) on scheme assets	26.4	(78.1)	(2.7)	12.0	19.8
Percentage of scheme assets	12.5%	42.8%	1.0%	5.0%	9.5%
Actuarial (loss)/gain on defined benefit obligation	(76.4)	29.4	(0.5)	11.4	(29.4)
Percentage of scheme liabilities	25.8%	13.5%	0.2%	5.0%	12.2%
Total value of assets	211.9	182.4	250.2	237.2	208.5
Defined benefit obligation	(296.4)	(218.0)	(240.7)	(231.8)	(241.1)
Recognised in balance sheet	(84.5)	(35.6)	9.5	5.4	(32.6)

Notes to the accounts

5(a). Exceptional items

	Notes	2009 £m	2008 £m
Gain on disposal of property, plant and equipment	(i)	1.2	–
Gain on disposal of interest in joint venture	(iii)	0.2	8.2
Impairment provisions	(iii)	(1.0)	(3.8)
Onerous lease provision	(iv)	(1.7)	(5.0)
Rationalisation costs	(v)	(4.7)	(6.7)
		(6.0)	(7.3)

- (i) The Group completed a number of property and equipment sale and leaseback arrangements, which resulted in a gain on disposal of £1.2m.
- (ii) During 2009, the Group disposed of the 50% interest in Freshport BV for a consideration of £0.6m and in 2008 disposed of the 50% interest in Talma Menzies SRL for a consideration of £10.3m.
- (iii) The 2009 impairment provision reduces the carrying value of the Group's 40% interest in Menzies Chengdu Aviation Services Limited, which is held as an available for sale asset, to its estimated recoverable amount.
- During 2008, following a deterioration in the North American cargo handling market, the acquired goodwill in respect of Aeroground Inc was tested for impairment in accordance with IAS 36 and a goodwill charge of £3.0m (approximately one-third of the original amount capitalised) was recognised. This goodwill impairment resulted from poor post-acquisition performance exacerbated by global market conditions. The recoverable amount of the cash-generating unit was measured based on a value in use calculation and a pre-tax discount rate of 11.1%. The Group's investment in associate company Worldwide Magazine Distribution Ltd was also reviewed for impairment in accordance with IAS 36 and restated to reflect current trading performance. As a result, an impairment charge of £0.8m was recognised.
- (iv) This provision is in respect of future obligations on leasehold properties, which became empty during 2009 and 2008.
- (v) Costs of rationalising excess capacity comprising asset write-downs and staff redundancy costs in the Aviation business during 2009 and 2008.

5(b). Intangible amortisation

	Notes	2009 £m	2008 £m
Goodwill impairment	(i)	(1.8)	(1.8)
Contract amortisation	(ii)	(3.3)	(2.5)
		(5.1)	(4.3)

- (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 (2008: £1.8m) reflecting the remaining life of the current licence at Menzies Macau Aviation Services Ltd.
- (ii) This charge relates to contracts capitalised as intangible assets on the acquisition of businesses.

The taxation effect of the exceptional items is a net credit of £0.6m (2008: £1.1m).

6. Directors

A detailed analysis of Directors' remuneration, together with shareholdings and options, is provided on pages 46 to 55.

7. Finance costs

	2009 £m	2008 £m
Finance income		
Bank deposits	0.6	2.3
	0.6	2.3
Finance charges		
Bank loans and overdrafts	(6.9)	(9.9)
Preference dividends	(0.1)	(0.1)
Foreign currency loss	–	(7.7)
	(7.0)	(17.7)
Net finance costs	(6.4)	(15.4)

During 2008, the Group executed cross-currency basis swaps which reduced its interest cost by £1.0m. The foreign currency loss incurred of £7.7m was exactly matched by tax relief of £7.7m. The tax relief comprised £2.2m at the standard rate of corporation tax in the UK of 28% and a non-taxable exchange gain of £5.5m.

8. Taxation

(a) Analysis of charge in year

	2009 £m	2008 £m
Current tax		
UK corporation tax on profits for the year	–	0.8
Overseas tax	3.2	4.8
Adjustments to prior years' liabilities	(0.5)	–
Total current tax	2.7	5.6
Deferred tax		
Origination and reversal of temporary differences	3.8	4.5
Adjustments to prior years' liabilities	(0.1)	–
	3.7	4.5
Retirement benefit obligations	0.3	1.0
Total deferred tax	4.0	5.5
Tax on profit on ordinary activities	6.7	11.1

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

	2009 £m	2008 £m
Deferred tax on actuarial loss on retirement benefit obligations	(14.1)	(13.6)
Deferred tax on fair value movement on interest rate hedges	(0.3)	–
Current tax on net exchange adjustments	0.2	(0.7)
Tax credit reported in equity	(14.2)	(14.3)

Notes to the accounts

8. Taxation continued

(c) Reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate for the years ended 31 December 2009 and 31 December 2008 is as follows:

	Notes	2009 £m	2008 £m
Profit before tax		22.0	9.9
Profit before tax multiplied by standard rate of corporation tax in the UK 28% (2008: 28.5%)		6.2	2.8
Non-deductible expenses (principally goodwill impairment and intangible amortisation)		2.2	2.8
Depreciation on non-qualifying assets		0.1	0.4
Unrelieved overseas losses		2.1	3.8
Profits covered by losses forward		(0.7)	(0.6)
Higher tax rates on overseas earnings		0.2	0.8
Deferred tax on undistributed reserves of associate		(0.6)	0.1
Joint venture and associate post-tax result (included in profit before tax)		(1.7)	(1.0)
Adjustments to prior years' liabilities		(0.6)	–
Overseas deferred tax assets (recognised)/written-off	(i)	(0.5)	3.9
Increase in deferred tax liability due to the abolition of industrial buildings allowances	(iii)	–	5.4
Non-taxable exchange gain		–	(5.5)
Tax-exempt gain on disposal of interest in joint venture		–	(1.8)
At the effective corporation tax rate of 30.5% (2008: 112.1%)		6.7	11.1

- (i) In 2009 the Group recognised deferred tax assets in relation to losses carried forward by a subsidiary operating in South Africa. In prior years the Group recognised deferred tax assets in relation to losses carried forward by, and other temporary differences available to, subsidiaries operating mainly in the Netherlands and the USA. Trading conditions in these territories were such that it was no longer possible to say with a degree of certainty that, in the short term, future taxable profits would be available against which the carry forward tax losses, and other temporary differences, could be utilised. As a consequence, the Group wrote-off £3.9m of deferred tax assets in 2008.
- (ii) The phased abolition of industrial buildings allowances by the end of March 2011 was enacted in the Finance Act 2008. As a consequence, there was a one-off increase in the Group's deferred tax liability of £5.4m in 2008.

(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	31.4	Carry forward indefinitely
Netherlands	24.0	Not earlier than 1 January 2012
Germany	26.1	Carry forward indefinitely
Hungary	1.3	Carry forward indefinitely
Norway	2.4	Carry forward indefinitely
Sweden	1.4	Carry forward indefinitely

The Group has capital losses in the UK of approximately £12.8m 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.

9. Dividends

	2009 £m	2008 £m
Dividends on equity shares:		
Ordinary – Final paid in respect of 2008, nil (2007: 18.4p) per share	–	11.0
– Interim paid in respect of 2009, nil (2008: 7.56p) per share	–	4.5
	–	15.5

Dividends of £0.1m were waived by employee share trusts during 2008.

Investment in own shares

The Company's ordinary shares are held in trust for an employee share scheme. At 31 December 2009 the trusts held 1,020,387 (2008: 1,031,387) ordinary 25p shares with a market value of £3,038,202 (2008: £1,101,006).

10. Earnings per share

	Basic		Underlying*	
	2009 £m	2008 £m	2009 £m	2008 £m
Operating profit	24.3	19.4	24.3	19.4
Share of post-tax results of joint ventures and associates	5.9	3.6	5.9	3.6
add back: exceptional items (Note 5(a))	–	–	6.0	7.3
intangible amortisation (Note 5(b))	–	–	5.1	4.3
share of tax on joint ventures and associates	–	–	2.1	1.5
Net finance costs	(8.2)	(13.1)	(8.2)	(5.4)
Profit before taxation	22.0	9.9	35.2	30.7
Taxation	(6.7)	(11.1)	(6.7)	(11.1)
Exceptional tax	–	–	(2.6)	(1.0)
Earnings for the year	15.3	(1.2)	25.9	18.6
Basic				
Earnings per ordinary share (pence)	25.8	(2.0)		
Diluted earnings per ordinary share (pence)	25.8	(2.0)		
Underlying*				
Earnings per ordinary share (pence)			43.8	31.3
Diluted earnings per ordinary share (pence)			43.8	31.3
Number of ordinary shares in issue (millions)				
Weighted average	59.188	59.445		
Diluted weighted average	59.188	59.499		

The weighted average number of fully paid shares in issue during the year excludes those held by the employee share trusts. The diluted weighted average is calculated by adjusting for all outstanding share options 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 exceptional items, intangible amortisation and share of tax on joint ventures and associates.

Notes to the accounts

11. Intangible assets

	Goodwill £m	Contracts £m	Computer software £m	Total £m
Cost				
At 31 December 2008	60.0	51.9	6.2	118.1
Additions	0.1	0.2	3.8	4.1
Transfer from fixed assets	–	–	2.6	2.6
Currency translation	(1.8)	(2.1)	–	(3.9)
At 31 December 2009	58.3	50.0	12.6	120.9
Amortisation and impairment				
At 31 December 2008	8.1	4.4	3.5	16.0
Amortisation charge	–	3.3	1.4	4.7
Currency translation	–	(0.3)	–	(0.3)
At 31 December 2009	8.1	7.4	4.9	20.4
Net book value				
At 31 December 2009	50.2	42.6	7.7	100.5
At 31 December 2008	51.9	47.5	2.7	102.1
Cost				
At 29 December 2007	44.1	34.2	4.8	83.1
Acquisitions	2.3	9.6	–	11.9
Additions	–	1.0	1.4	2.4
Currency translation	13.6	7.1	–	20.7
At 31 December 2008	60.0	51.9	6.2	118.1
Amortisation and impairment				
At 29 December 2007	0.1	1.4	3.0	4.5
Amortisation charge	–	2.5	0.5	3.0
Impairment provision (Note 5(a))	3.0	–	–	3.0
Currency translation	5.0	0.5	–	5.5
At 31 December 2008	8.1	4.4	3.5	16.0
Net book value				
At 31 December 2008	51.9	47.5	2.7	102.1
At 29 December 2007	44.0	32.8	1.8	78.6

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated at acquisition to cash-generating units (CGUs) that are expected to benefit from the business combination. The carrying amount of the goodwill and intangible assets with indefinite lives have been allocated to the operating units as per the table below.

	2009		2008	
	Goodwill £m	Contracts £m	Goodwill £m	Contracts £m
Aviation				
Netherlands Cargo	8.3	–	9.0	–
North American Cargo	7.8	–	8.7	–
Australia Cargo	6.0	–	5.3	–
UK Cargo	2.6	–	2.6	–
South Africa	2.9	–	2.5	–
Scandinavia	2.9	–	2.9	–
Ogden worldwide	9.2	–	10.3	–
Other	4.3	–	4.3	–
	44.0	–	45.6	–
Distribution				
Turners News	4.8	–	4.8	–
EM News Distribution (NI) Ltd	–	3.1	–	3.1
Chester Independent Wholesale News Ltd	–	7.1	–	7.1
North West Wholesale News Ltd	–	2.7	–	2.7
The Network – field marketing	–	1.4	–	1.4
Other	1.4	4.2	1.5	4.3
	6.2	18.5	6.3	18.6
Total	50.2	18.5	51.9	18.6

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

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

The discount rate assumptions use an estimate of the Group's weighted average post-tax cost of capital calculated at 5.3% plus an adjustment for the uncertainty risk attributable to individual CGUs. The pre-tax discount rate used is 11.1% (2008: 11.1%).

Aviation

Value in use calculations are based on Board approved plans for 2010 and 2011 extrapolated to a 10-year period as this timeframe is more representative of the industry's normal investment period. Short-term revenue growth rates over the period to 2014 range from -8.9% to +10% and reflect management's specific location expectations and the expected recovery in cargo volumes over the period that are now being reported by IATA. Thereafter, revenue growth rates range from 0.5% to 3.5% and are derived using the best available market information (such as Boeing's 2009 Aviation Industry Review) adjusted for the specific risks and challenges relating to Menzies Aviation. Net margin assumptions are based on historic experience.

Base case forecasts show significant headroom above carrying value for each CGU with the exception of the UK and North American cargo operations. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions. With the exception of the UK and North American cargo operations there is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

Notes to the accounts

11. Intangible assets continued

In respect of the UK and North American cargo operations, management has concluded that a reasonably possible change in a key assumption could cause the carrying values to exceed recoverable amounts. Under the current assumptions, the recoverable amount exceeds carrying amount by £0.1m for UK cargo and £0.6m for North American cargo. Any decrease in the expected growth rate for UK cargo (4% average over the period to 2014, thereafter 3%) and a decrease of 0.1% for North American cargo (3.6% average over the period to 2014, thereafter 1.2%) will result in the respective carrying values being equal to recoverable amounts.

Distribution

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.

Value in use calculations are based on Board approved plans for 2010 extrapolated to a 10-year period using a long-term growth rate of 0%. Net margin assumptions are based on historic experience.

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

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	Plant and equipment £m	Total £m
Cost								
At 31 December 2008	43.1	1.1	42.8	197.1	284.1	40.8	1.2	42.0
Acquisitions (Note 22)	–	–	–	0.4	0.4	–	–	–
Additions	–	–	1.9	13.2	15.1	–	–	–
Transfers	–	0.1	(0.4)	(2.3)	(2.6)	–	–	–
Disposals	(4.9)	–	(6.7)	(20.2)	(31.8)	(4.8)	(0.5)	(5.3)
Currency translation	(0.1)	0.2	(0.4)	(1.5)	(1.8)	–	–	–
At 31 December 2009	38.1	1.4	37.2	186.7	263.4	36.0	0.7	36.7
Depreciation								
At 31 December 2008	8.0	–	17.6	89.1	114.7	4.2	1.0	5.2
Transfers	–	0.2	–	(0.2)	–	–	–	–
Charge for the year	0.8	0.1	2.5	21.5	24.9	0.8	0.1	0.9
Disposals	(0.5)	–	(3.2)	(12.9)	(16.6)	(0.5)	(0.5)	(1.0)
Currency translation	–	(0.1)	0.2	(0.5)	(0.4)	–	–	–
At 31 December 2009	8.3	0.2	17.1	97.0	122.6	4.5	0.6	5.1
Net book value								
At 31 December 2009	29.8	1.2	20.1	89.7	140.8	31.5	0.1	31.6
At 31 December 2008	35.1	1.1	25.2	108.0	169.4	36.6	0.2	36.8

	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	Plant and equipment £m	Total £m
Cost									
At 29 December 2007	42.9	1.7	38.5	171.2	254.3	40.8	0.6	1.2	42.6
Acquisitions	–	–	–	0.6	0.6	–	–	–	–
Additions	0.3	0.3	1.0	38.7	40.3	–	–	–	–
Transfers	–	–	0.7	(0.7)	–	–	–	–	–
Disposals	(0.2)	(1.0)	(0.3)	(32.4)	(33.9)	–	(0.6)	–	(0.6)
Currency translation	0.1	0.1	2.9	19.7	22.8	–	–	–	–
At 31 December 2008	43.1	1.1	42.8	197.1	284.1	40.8	–	1.2	42.0
Depreciation									
At 29 December 2007	7.1	0.3	15.4	84.6	107.4	3.3	0.2	0.9	4.4
Charge for the year	0.9	0.2	1.9	20.6	23.6	0.9	–	–	0.9
Disposals	–	(0.5)	(0.3)	(23.9)	(24.7)	–	(0.2)	0.1	(0.1)
Currency translation	–	–	0.6	7.8	8.4	–	–	–	–
At 31 December 2008	8.0	–	17.6	89.1	114.7	4.2	–	1.0	5.2
Net book value									
At 31 December 2008	35.1	1.1	25.2	108.0	169.4	36.6	–	0.2	36.8
At 29 December 2007	35.8	1.4	23.1	86.6	146.9	37.5	0.4	0.3	38.2

13. Investments

	Group				Company	
	Shares in joint ventures £m	Loans to joint ventures £m	Shares in associates £m	Other £m	Total £m	Subsidiaries £m
Net book value excluding goodwill						
At 31 December 2008	24.8	2.4	9.2	0.3	36.7	293.4
Share of profits after tax	4.2	–	3.5	–	7.7	–
Dividends received	(2.6)	–	(1.6)	–	(4.2)	–
Disposals	(0.8)	(2.3)	(0.5)	–	(3.6)	–
Currency translation	(1.6)	–	(0.7)	–	(2.3)	(0.9)
At 31 December 2009	24.0	0.1	9.9	0.3	34.3	292.5
Goodwill						
At 31 December 2008	–	–	10.4	–	10.4	–
Impairment provision (Note 5(b))	–	–	(1.8)	–	(1.8)	–
Currency translation	–	–	(1.1)	–	(1.1)	–
At 31 December 2009	–	–	7.5	–	7.5	–
At 31 December 2009	24.0	0.1	17.4	0.3	41.8	292.5
At 31 December 2008	24.8	2.4	19.6	0.3	47.1	293.4

Notes to the accounts

13. Investments continued

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		Liabilities		Total £m
					<1 year £m	>1 year £m	<1 year £m	>1 year £m	
Joint ventures									
Freshport BV	Netherlands	–	0.5	0.1	–	–	–	–	–
EM News (NI) Ltd	UK	50	55.6	1.3	8.1	1.7	(7.1)	–	2.7
EM News (Ireland) Limited	Ireland	50	27.1	–	1.2	0.5	(1.9)	(0.3)	(0.5)
Menzies Bobba Ground Handling Services Private Ltd	India	51	1.3	0.1	4.5	2.9	(1.0)	–	6.4
Menzies Aviation Bobba (Bangalore) Private Ltd	India	49	3.1	1.8	8.5	4.9	(1.3)	–	12.1
Hyderabad Menzies Air Cargo Private Ltd	India	49	2.6	0.9	2.8	1.0	(0.4)	–	3.4
Associates									
Menzies Macau Airport Services Ltd	Macau	29	6.4	1.8	2.1	2.3	(0.8)	–	3.6
Worldwide Magazine Distribution Ltd	UK	31.67	1.6	–	–	–	–	–	–
Swissport Menzies Handling Ute	Spain	39	21.3	1.7	7.1	7.2	(6.0)	(2.0)	6.3
			119.5	7.7	34.3	20.5	(18.5)	(2.3)	34.0

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

EM News (Ireland) Limited has a statutory year end of 31 January. The Indian joint ventures have a statutory year end of 31 March.

Available for sale investment

The Group's 40% interest in Menzies Chengdu Aviation Services Limited, a company incorporated in China, was reclassified as an available for sale asset during 2008. The investment is now valued at its estimated recoverable amount of £1.4m (2008: cost of £2.7m).

14. Trade and other receivables

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Trade receivables	121.2	111.7	–	–
Less: provision for doubtful debts	(3.4)	(1.8)	–	–
Trade receivables – net	117.8	109.9	–	–
Other receivables	23.6	21.7	4.3	4.2
Prepayments	17.5	25.8	1.5	1.3
Amounts owed by Group companies	–	–	218.9	164.1
	158.9	157.4	224.7	169.6

The average credit period on sale of goods is 24.9 days. No interest is charged on any receivables balance.

Ageing of trade receivables

	Total £m	Neither due nor impaired £m	Past due not impaired		
			30 – 60 days £m	60 – 90 days £m	over 90 days £m
2009	117.8	102.3	10.9	2.6	2.0
2008	109.9	86.8	19.3	2.5	1.3

Movement in the provision for doubtful debts

	Group	
	2009 £m	2008 £m
Balance at the beginning of the year	1.8	1.0
Amounts provided during the year	2.8	1.6
Amounts released during the year	(0.3)	–
Amounts utilised during the year	(0.9)	(0.8)
Balance at the end of the year	3.4	1.8

Ageing of past due and impaired receivables

	Group	
	2009 £m	2008 £m
30 – 60 days	0.2	0.1
60 – 90 days	0.4	0.1
over 90 days	2.8	1.6
	3.4	1.8

The other classes within trade and other receivables do not include impaired assets.

The Directors consider that the carrying value of trade and other receivables approximates to their fair value.

15. Trade and other payables

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Due within one year				
Trade payables	116.6	119.7	–	–
Other payables	78.9	66.2	9.5	11.1
Other taxes and social security costs	4.5	9.9	–	–
Amounts owed to Group companies	–	–	238.0	202.7
	200.0	195.8	247.5	213.8
Due after more than one year				
Other payables	1.3	0.2	–	–

The Directors consider that the carrying value of trade and other payables approximates to their fair value.

Notes to the accounts

16. Financial instruments

The objectives, policies and strategies pursued by the Group in relation to financial instruments are described within the Business Review on page 18.

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Derivative financial instruments				
Cash Flow Hedges				
Foreign exchange forward contracts	–	(2.2)	–	(2.2)
Interest rate swaps	(1.2)	–	(1.2)	–
Foreign Currency Net Investment Hedge				
Foreign exchange forward contracts	0.3	(15.4)	0.3	(15.4)
Total derivative financial instruments	(0.9)	(17.6)	(0.9)	(17.6)
Current	0.3	(16.7)	0.3	(16.7)
Non-current	(1.2)	(0.9)	(1.2)	(0.9)
	(0.9)	(17.6)	(0.9)	(17.6)

The Group only enters into derivative financial instruments that are designated as hedging instruments.

The fair values of the derivative financial instruments are calculated by reference to current market rates. The fair value of interest rate swaps are calculated by reference to current market rates taking into account future cash flows.

Fair value hierarchy

As at 31 December 2009, the Group held the following financial instruments measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Assets measured at fair value			
	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at fair value through the income statement				
Foreign exchange contracts – hedged	2.6	–	2.6	–
Liabilities measured at fair value				
Financial liabilities at fair value through the income statement				
Foreign exchange contracts – hedged	2.3	–	2.3	–
Interest rate swaps	1.2	–	1.2	–

During the year ended 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

		Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
Interest-bearing loans and borrowings	Maturity				
Obligations under finance leases	January 2011 – July 2013	0.3	0.3	–	–
Bank overdrafts	n/a	11.0	2.4	10.8	1.7
Non-amortising bank loans	June 2010 – January 2013	122.8	151.7	122.8	151.7
Amortising term loan	March 2020	27.2	28.7	27.2	28.7
Preference shares	Non-redeemable	1.4	1.4	1.4	1.4
Unsecured loan stock	On demand (by July 2012)	0.1	0.1	–	–
Total interest-bearing loans and borrowings		162.9	184.6	162.3	183.5
Current		12.8	58.6	12.2	57.7
Non-current		150.1	126.0	150.1	125.8
		162.9	184.6	162.3	183.5

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

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

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

The amortising term loan is repayable between 2010 and 2020 with interest payable at a fixed rate of 6.23%.

The loan has a weighted average maturity of five years (2008: six years).

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between June 2010 and January 2013.

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Net debt				
Derivative financial instruments	0.9	17.6	0.9	17.6
Interest-bearing loans and borrowings	162.9	184.7	162.3	183.5
Total borrowings	163.8	202.2	163.2	201.1
Less: cash at bank, cash in hand and short-term deposits	31.5	19.6	10.5	2.6
	132.3	182.6	152.7	198.5
	2009		2008	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets and financial liabilities				
Short-term borrowings	1.8	1.9	56.1	56.3
Medium-term borrowings	131.5	132.4	104.9	105.9
Long-term borrowings	18.4	20.2	20.8	23.4
Derivative financial instruments	0.9	0.9	17.6	17.6
Finance leases	0.2	0.2	0.3	0.3
Bank overdrafts	11.0	11.0	2.4	2.4
Total financial assets and financial liabilities	163.8	166.7	202.2	206.0
Less: cash at bank, cash in hand and short-term deposits	31.5	31.5	19.6	19.6
Net debt	132.3	135.2	182.6	186.4

Notes to the accounts

16. Financial instruments continued

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

Trade and other receivables and trade and other payables carrying values are assumed to approximate their fair values due to their short-term nature.

A separate table has not been prepared analysing the Company's book values and fair values. The £0.6m difference in book values relates to interest-bearing loans and borrowings and is deemed to be short-term in nature.

	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2009 Total financial liabilities £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2008 Total financial liabilities £m
Currency						
Sterling	59.2	103.7	162.9	131.4	30.2	161.6
Euro	-	-	-	4.4	-	4.4
US dollar	-	-	-	18.6	-	18.6
Net derivative liabilities	0.9	-	0.9	17.6	-	17.6
	60.1	103.7	163.8	172.0	30.2	202.2

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m

At 31 December 2009, the expiry profile of undrawn committed facilities was as follows:

Less than one year	20.0	19.8	20.0	19.8
Between one and two years	33.9	-	33.9	-
Between two and five years	-	2.8	-	2.8
	53.9	22.6	53.9	22.6

Cash flow hedges

Foreign exchange forward contracts

At 31 December 2009, the Group held foreign currency forward contracts designed as hedges of transaction exposures arising from non-local currency revenue. These contracts were in line with the Group's policy to hedge significant forecast transaction exposures for a maximum 18 months forward.

The cash flow hedges of non-local revenue were assessed to be highly effective.

Interest rate swaps

The Group's policy is to minimise exposures to interest rate risk by ensuring an appropriate balance of long-term and short-term floating rates.

During 2009, the Group hedged the exposure to interest rate rises by entering into £75m of interest rate swap agreements, whereby the Group pays a fixed rate of interest and receives a variable rate of LIBOR+margin on the notional amount.

£50m of these interest rate swaps mature in July 2011 with the remaining £25m maturing in June 2012.

At 31 December 2009, 68.1% (2008: 22.0%) of the Group's borrowings were fixed.

	2009		2008	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of cash flow hedges – currency forward contracts	0.4	(0.4)	–	(2.3)
– interest rate swaps	–	(1.2)	–	–
	0.4	(1.6)	–	(2.3)
Current	0.4	(0.4)	–	(1.9)
Non-current	–	(1.2)	–	(0.4)
	0.4	(1.6)	–	(2.3)

For 2009, if interest rates on UK pound-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.3m (2008: £0.6m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency net investment hedges

The Group's treasury policy is to hedge the exposure of currency denominated assets to foreign exchange risk. This is primarily achieved using forward contracts denominated in the relevant foreign currencies.

Gains or losses on the retranslation of these hedges are transferred to reserves to offset any gains or losses on translation of the net investments in the subsidiary undertakings.

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

		Group		Company		Sterling equivalent	
		2009 million	2008 million	2009 million	2008 million	2009 £m	2008 £m
Euro	EUR	19.4	24.5	19.4	24.5	17.2	23.7
US dollar	USD	34.0	56.0	34.0	56.0	21.1	38.9
Czech koruna	CZK	99.0	319.2	99.0	319.2	3.3	11.5
Australian dollar	AUD	11.9	24.5	11.9	24.5	6.6	11.9
New Zealand dollar	NZD	5.3	8.1	5.3	8.1	2.4	3.3
Swedish krona	SEK	12.0	49.1	12.0	49.1	1.0	4.3
Norwegian krone	NOK	5.0	17.5	5.0	17.5	0.5	1.7
Hungarian forint	HUF	–	325.0	–	325.0	–	1.2
Indian rupee	INR	668.6	1,289.7	668.6	1,289.7	8.9	18.4

	2009		2008	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	2.2	(1.9)	0.4	(15.8)
Current	2.1	(1.8)	0.4	(15.3)
Non-current	0.1	(0.1)	–	(0.5)

Foreign currency sensitivity

For 2009, if the UK pound had weakened/strengthened by 10% against the US dollar or the Euro, with all other variables held constant the effect would have been:

	Change in GBP/USD rate	Change in GBP/EUR rate	2009		2008	
			Effect on profit before tax £m	Effect on equity £m	Effect on profit before tax £m	Effect on equity £m
	+10%		0.5	0.7	0.2	5.1
	–10%		(0.5)	(0.6)	(0.2)	(4.2)
		+10%	0.5	(1.7)	0.5	2.6
		–10%	(0.5)	1.4	(0.5)	(2.1)

The Group's exposure to foreign currency changes for all other currencies is not material.

Notes to the accounts

16. Financial instruments continued

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Credit risk

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

	2009 £m	2008 £m
Bank deposits	31.5	19.6
Trade receivables	117.8	109.9
	149.3	129.5

For banks and financial institutions, the Group's policy is to transact with independently rated parties with a minimum rating of 'A'. If there is no independent rating, the Group assesses the credit quality of the counterparty taking into account its financial position, past experience and other factors.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

The following is an analysis of the Group's financial liabilities and derivative financial liabilities into relevant maturity based on the remaining period at the balance sheet to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

Net values of transaction hedging are disclosed in accordance with the contractual terms of these derivative instruments.

	2009			
	Due within 1 year £m	Due between 1-2 years £m	Due between 2-4 £m	Due over 5 years £m
Interest-bearing loans and borrowings	(15.6)	(77.7)	(58.2)	(18.0)
Preference shares	(0.1)	(0.1)	(0.1)	(1.5)
Other liabilities	(0.1)	(0.1)	–	–
Trade and other payables	(201.1)	(1.3)	–	–
Financial derivatives	(48.7)	(14.9)	(0.3)	–
Total	(265.6)	(94.2)	(58.6)	(19.5)
	2008			
	Due within 1 year £m	Due between 1-2 years £m	Due between 2-4 £m	Due over 5 years £m
Interest-bearing loans and borrowings	(63.4)	(5.3)	(106.9)	(20.7)
Preference shares	(0.1)	(0.1)	(0.1)	(1.5)
Other liabilities	(0.1)	–	–	(0.2)
Trade and other payables	(195.8)	(0.2)	–	–
Financial derivatives	(89.0)	(14.2)	–	–
Total	(348.4)	(19.8)	(107.0)	(22.4)

17. Operating lease commitments

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

	Group				Company	
	Property		Other		Property	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Within one year	28.6	21.4	17.4	9.4	0.7	0.8
Within two to five years	63.6	51.0	31.3	18.7	2.5	2.5
After five years	55.7	31.0	2.8	–	0.8	1.4
	147.9	103.4	51.5	28.1	4.0	4.7

18. Capital commitments

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Contracted but not provided – property, plant and equipment	2.9	4.7	–	–

19. Provisions

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Deferred tax				
Assets				
Accelerated capital allowances and other temporary differences	(3.8)	5.0	(4.7)	–
Retirement benefit obligations	23.7	10.0	23.7	10.0
	19.9	15.0	19.0	10.0
Liabilities				
Accelerated capital allowances and other temporary differences	–	7.7	–	5.2
	–	7.7	–	5.2
Net deferred tax assets	(19.9)	(7.3)	(19.0)	(4.8)
Movement in year:				
Income statement – retirement benefit obligations	0.3	1.0	0.3	1.0
– other	3.7	4.5	(0.4)	4.0
– fair value movement on interest rate hedges	(0.3)	–	–	–
– exchange adjustments	(0.1)	(0.7)	–	–
Statement of Comprehensive Income	(14.1)	(13.6)	(14.1)	(13.6)
Transfer to current income tax liabilities	(2.1)	–	–	–
	(12.6)	(8.8)	(14.2)	(8.6)
Other – property and restructuring related	2009 £m	2008 £m		
At beginning of year	8.6	5.1		
Provided during year	1.9	5.4		
Utilised during year	(2.0)	(1.9)		
Released in the year	(0.6)	–		
At end of year	7.9	8.6		
Current	2.6	2.0		
Non-current	5.3	6.6		

Notes to the accounts

19. Provisions continued

The 2008 comparatives have been amended to disclose amounts due within the short-term in line with current year disclosure.

The property and restructuring related provision is in respect of obligations for vacated leasehold properties where applicable sublet income may be insufficient to meet obligations under head leases. The provision for property costs unwinds over the period between 2010 and 2034.

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

	2009 £m	2008 £m
Authorised		
73,056,248 ordinary shares of 25p each	18.3	18.3
Allotted, called up and fully paid		
Opening – 60,207,940 ordinary shares of 25p each	15.1	15.0
Allotted under share option schemes*	–	0.1
Closing – 60,213,226 ordinary shares of 25p each	15.1	15.1

As a result of options being exercised, 5,286 (2008: 227,718) ordinary shares having a nominal value of £1,322 (2008: £0.1m) were issued during the year at a share premium of £14,345 (2008: £0.7m).

*Included in this total are nil (2008: 7,500) ordinary shares of 25p each allotted to Directors under the Executive Share Option Scheme and 510 (2008: nil) ordinary shares of 25p each allotted to the Directors under the Savings-Related Share Option Scheme with a total nominal value of £127 (2008: £1,875).

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. No options on shares were exercised in 2009 (2008: 213,462) and 5,000 options lapsed.

Date of grant	Exercise price (pence)	Exercise period	2009 Number	2008 Number
February 1999	348	2002-2009	–	5,000
January 2000	391	2003-2010	5,000	5,000
November 2002	329	2005-2012	196,048	196,048
May 2004	418	2007-2014	101,776	101,776
			302,824	307,824

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 4,017 shares were exercised in 2009 and 304,119 options lapsed.

Year of grant	Exercise price (pence)	Exercise period	2009 Number	2008 Number
2005	467	2008-2009	–	56,805
2006	348	2009-2010	236,228	293,073
2007	452	2010-2011	179,406	248,141
2008	285	2011-2012	367,982	487,454
2009	279	2012-2013	492,609	–
			1,276,225	1,085,473

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) 2008 Savings-Related Share Option Scheme (SAYE)

The Company operates a Savings-Related Share Option Scheme which is open to all eligible UK employees. Typically, all employees are eligible to participate including full and part-time employees. Annual grants of options are made in September or 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) 2005 Performance Share Plan (2005 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 10 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 transferrable 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 circumstances at the discretion of the Remuneration Committee. No participant may be made an award of more than 100,000 shares in any year between both the PSP and the DPSP schemes. Share awards are valued using scenario-modelling.

20. Share capital continued

(d) 2005 Bonus Co-investment Plan (BCIP)

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 of the gross deferred bonus. 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 two. 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.

(e) 2007 Divisional Performance Share Plan (2007 DPSP)

The DPSP 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. Actual performance targets will be disclosed in the Directors' Remuneration Report in the year following the expiry of the performance period.

(f) 2009 Performance Share Plan (2009 PSP)

The 2009 Performance Share Plan is designed to improve the link between reward, performance and the creation of value for shareholders by measuring the increase in Return on Capital Employed (ROCE) over a three year performance period. The scheme is a one-off award and awards were only made to Executive Directors.

Shares will vest at the end of a financial period ending December 2011. Achievement below the threshold level (ROCE 10%) will result in no award being made. Achievement of the threshold level will result in 25% of the maximum award (ROCE 12.5%) vesting, with results equal to or greater than the stretch level achieving 100% of the maximum. Results between Threshold and Stretch will be calculated on a straight-line basis.

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:

Grant date	Executive Share Option Scheme			Savings-Related Option Scheme			
	May 2004	Nov 2002	Jan 2000	Oct 2009	Sep 2008	Oct 2007	Oct 2006
Share price at grant date (pence)	418	329	391	346	361.75	547.5	450
Exercise price (pence)	418	329	391	279	285	452	348
Number of employees	2	1	1	841	589	391	361
Shares under option	101,776	196,048	5,000	492,609	367,982	179,406	236,228
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	25.0%	25.0%	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%	4.5%	4.5%	4.6%	4.6%	4.6%	4.5%
Expected dividends expressed as a dividend yield*	4.0%	5.2%	5.2%	4.0%	4.0%	4.0%	3.8%
Fair value per option (pence)	76	50	50	77	77	116	104
IFRS 2 charge per option**	70	50	50	47	47	71	63

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.

Grant date	2005 Performance Share Plan (2005 Plan)		2005 Bonus Co-Investment Plan (BCIP)			2007 Divisional Performance Share Plan (2007 DPSP)			2009 Performance Share Plan (2009 Plan)
	May 2008	May 2007	Jun 2009	Mar 2008	Mar 2007	Jun 2009	May 2008	May 2007	Jun 2009
Share price at grant date (pence)	487	576	133	534	515	130	487	576	130
Number of employees	3	1	3	15	3	21	2	2	3
Shares awarded	14,000	35,000	16,216	101,384	26,890	905,500	70,000	70,000	1,237,500
Contractual life (years)	3	3	3	3	3	3	3	3	3
Expected departure*	0%	0%	0%	14%	14%	0%	0%	0%	0%
Expected outcome of meeting performance criteria	41%	41%	41%	52%	52%	41%	41%	41%	41%
Fair value per share (pence)	199	235	113	194	230	113	199	231	113
IFRS 2 charge per share award**	199	235	113	194	230	113	199	231	113

*Risk of forfeiture.

**Adjusted for forfeiture risk.

Notes to the accounts

20. Share capital continued

Movement in share options

A reconciliation of conditional share movements of executive share options, savings-related share options and all other share-based schemes is shown below:

	Executive Share Option Scheme				Savings-Related Option Scheme			
	2009		2008		2009		2008	
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)
Outstanding at start of year	307,824	360	521,286	345	1,085,473	350	1,006,410	413
Granted	–	–	–	–	498,888	279	503,211	284
Forfeited/expired	(5,000)	348	–	–	(304,119)	367	(409,891)	425
Exercised	–	–	(213,462)	339	(4,017)	348	(14,257)	389
Outstanding at end of year	302,824	360	307,824	360	1,276,225	318	1,085,473	350
Exercisable	302,824	360	307,824	360	236,228	348	56,805	467
Range of exercise prices	329-418		329-418		279-452		285-467	
Weighted average remaining life (years)								
– expected	0		0.2		2.1		2.1	
– contractual	2.4		3.4		2.1		2.1	

	2005 PSP, 2007 DPSP & 2009 PSP				2005 BCIP and 2005 LTIP			
	2009		2008		2009		2008	
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)
Outstanding at start of year	420,000	520	341,250	564	239,524	534	255,847	557
Granted	2,093,000	130	210,000	487	16,216	133	101,384	534
Forfeited	(260,000)	448	(131,250)	582	(126,872)	538	(117,707)	582
Exercised	–	–	–	–	–	–	–	–
Outstanding at end of year	2,253,000	166	420,000	520	128,868	480	239,524	534
Exercisable	–	–	–	–	–	–	–	–
Range of exercise prices	329-418		329-418		279-452		285-467	
Weighted average remaining life (years)								
– expected	2.2		2.2		2.2		2.2	
– contractual	2.2		2.2		2.2		2.2	

Total IFRS 2 charge for share-based incentive schemes

The total charge for the year relating to employee share-based plans was £0.4m (2008: £0.4m), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £0.3m (2008: £0.3m).

21. Cash generated from operations

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Operating profit/(loss)	24.3	19.4	–	(5.4)
Depreciation	24.9	23.6	0.9	1.0
Amortisation of intangible assets	4.7	3.0	–	–
Impairment provisions (Note 5(a))	1.0	3.8	–	–
Share-based payments	0.4	0.4	–	0.1
Cash spend on dilapidations on onerous lease	–	(3.0)	–	(3.0)
Onerous lease provisions	1.7	5.0	1.7	1.2
Cash spend on onerous leases	(2.0)	(1.0)	(0.6)	–
(Gain)/loss on sale of property, plant and equipment	(1.7)	0.1	(1.7)	–
Gain on disposal of investment in joint venture	(0.2)	(8.2)	–	–
Pension charge	1.6	2.3	0.2	0.2
Pension contributions in cash	(4.5)	(3.6)	(4.5)	(3.6)
Rationalisation costs	4.7	6.7	–	0.8
Cash spend on rationalisation costs	(6.1)	(5.3)	(0.3)	–
(Increase)/decrease in inventories	(2.7)	3.1	–	–
(Increase)/decrease in trade and other receivables	(2.2)	(9.3)	(0.6)	0.2
Increase/(decrease) in trade and other payables and provisions	8.1	2.2	(2.8)	(1.4)
	52.0	39.2	(7.7)	(9.9)

22. Acquisitions

On 7 January 2009, Menzies Aviation acquired the trade and fixed assets of Kion, a ramp services business based at Mexico City airport, for a consideration of £0.5m, including costs of £0.1m.

A performance-related payment of up to £1.6m may become payable in respect of The Network (Field Marketing & Promotions) Company Limited, acquired in 2008, up to May 2011.

23. Analysis of changes in net borrowings

	2008 £m	Cash flows £m	Currency translation £m	2009 £m
Cash at bank and in hand	19.6	12.1	(0.2)	31.5
Bank overdrafts	(2.4)	(8.6)	–	(11.0)
Net cash and cash equivalents	17.2	3.5	(0.2)	20.5
Bank loans due within one year	(56.0)	54.3	0.1	(1.6)
Loan stock due within one year	(0.1)	–	–	(0.1)
Preference shares	(1.4)	–	–	(1.4)
Finance leases	(0.3)	–	–	(0.3)
Debt due after one year	(124.4)	(26.5)	2.4	(148.5)
Net derivative liabilities	(17.6)	12.2	4.5	(0.9)
	(182.6)	43.5	6.8	(132.3)

The currency translation movement results from the Group's policy of hedging its overseas net assets, which are denominated mainly in US\$ and Euro. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange loss of £1.7m (2008: gain of £4.7m). This net loss/gain is recognised directly in equity.

Notes to the accounts

24. Hedge accounting reserve

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

25. 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 to related party at 31 Dec 2009 £m	Amounts owed by related party at 31 Dec 2009 £m
Freshport BV	–	0.3	–	–	–
Swissport Menzies Handling Ute	39	0.9	–	–	0.3
Menzies Bobba Ground Handling Services Private Ltd	51	0.5	–	–	–
Hyderabad Menzies Air Cargo Private Ltd	49	0.3	–	–	–
EM News (NI) Ltd	50	0.5	–	6.1	–
EM News (Ireland) Ltd	50	0.8	–	–	0.6

Key management personnel include individuals that are not Executive Directors of the Group but do have authority and responsibility for planning, directing and controlling activities of the key operating divisions as disclosed in the segmental analysis. Remuneration of key management personnel, excluding Executive Directors, is as follows:

	2009 £m	2008 £m
Short-term employee benefits	3.6	3.8
Termination benefits	0.2	0.3
Share-based payments	0.1	0.1
	3.9	4.2

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 amount recharged and settled in respect of 2009 was £0.5m (2008: £0.5m).

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

26. Subsidiary companies

The principal subsidiaries, Menzies Distribution Limited, Menzies Group Holdings Limited, Princes Street (Jersey) Limited, John Menzies Finance 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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Revenue					
Distribution	1,218.5	1,166.2	1,147.3	1,132.0	1,093.5
Aviation	507.2	500.9	393.8	318.4	268.6
	1,725.7	1,667.1	1,541.1	1,450.4	1,362.1
Operating profit					
Distribution	28.6	23.9	23.4	23.7	30.7
Aviation	15.8	14.1	20.6	16.6	13.3
	44.4	38.0	44.0	40.3	44.0
Corporate	(1.0)	(1.5)	(3.0)	(3.4)	(3.7)
Underlying operating profit	43.4	36.5	41.0	36.9	40.3
Exceptional items	(6.0)	(7.3)	0.1	3.0	–
Intangible amortisation	(5.1)	(4.3)	(2.8)	(2.2)	(2.1)
Share of interest and tax on joint ventures and associates	(2.1)	(1.9)	(1.7)	(1.0)	(0.6)
Profit before interest	30.2	23.0	36.6	36.7	37.6
Net finance costs	(8.2)	(5.4)	(2.7)	(1.1)	(0.9)
Foreign currency loss	–	(7.7)	(2.1)	–	–
Profit before taxation	22.0	9.9	31.8	35.6	36.7
Per ordinary share					
Dividends	0.0p	7.56p	25.6p	20.5p	19.5p
Underlying earnings	43.8p	31.3p	47.9p	46.9p	51.9p
Basic earnings	25.8p	(2.0)p	44.2p	46.4p	48.2p

Notice of 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 Friday, 21 May 2010 at 12.15pm (the 'Meeting') to transact the following business:

ORDINARY BUSINESS

To consider and, if thought fit, pass Resolutions 1-9, each of which will be proposed as an ordinary resolution:

1. Report and Accounts

To receive the Directors' Report and Annual Accounts of the Company for the financial year ended 31 December 2009 and the Report of the Auditors thereon.

2. Remuneration Report

To approve the Report on Directors' Remuneration for the financial year ended 31 December 2009.

3-7. Election and re-election of Directors

3. To elect David McIntosh as a Director
4. To re-elect Dermot Jenkinson as a Director
5. To re-elect Ian Harrison as a Director
6. To re-elect David Coltman as a Director
7. To re-elect Craig Smyth as a Director

8. Appointment of auditor

To appoint Ernst & Young LLP as auditors of the Company to hold office from the conclusion of the Annual General Meeting to the conclusion of the next general meeting at which Annual Accounts are laid before the Company.

9. Remuneration of auditor

To authorise the Directors to fix the auditors' remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass Resolutions 10-17. Resolution 10 will be proposed as an ordinary resolution and each of Resolutions 11-17 will be proposed as a special resolution:

Ordinary resolution:

10. Authority to allot shares

That the Directors be and are hereby generally and unconditionally authorised, pursuant to Section 551 of the Companies Act 2006 (the '2006 Act') to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, such rights and shares together being 'relevant securities':

- (a) otherwise than pursuant to paragraph (b) below, up to an aggregate nominal amount of £5,017,825 (such amount to be reduced by the aggregate nominal amount of any equity securities allotted under paragraph (b) below in excess of £5,017,825; and
- (b) comprising equity securities (as defined by Section 560 of the 2006 Act) up to an aggregate nominal amount of £10,035,650 (such amount to be reduced by the nominal amount of any relevant securities allotted under paragraph (a) above) in connection with an offer by way of a rights issue to: (i) holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) holders of equity securities in the capital of the Company as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter,

and provided that (unless previously renewed, varied or revoked) these authorities shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 30 June 2011 save that the Company shall be entitled to make offers or agreements before the expiry of such authorities which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if the authorities conferred by this resolution had not expired. These authorities are in substitution for and to the exclusion of all unexercised existing authorities previously granted to the Directors under Section 80 of the Companies Act 1985 but without prejudice to any allotment of shares or grants of rights already made, offered or agreed to be made pursuant to such authorities.

Special resolutions:

11. Authority to disapply pre-emption rights

That the Directors be and are hereby empowered pursuant to Section 570 and Section 573 of the Companies Act 2006 (the '2006 Act') to exercise all powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act) wholly for cash pursuant to the authorities conferred by Resolution 10 above and/or by way of a sale of treasury shares as if Section 561(1) of that 2006 Act did not apply to any such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an offer or issue of equity securities (but, in the case of an allotment pursuant to the authority granted under paragraph (b) of Resolution 10 above, such power shall be limited to the allotment of equity securities in connection with a rights issue only) to: (i) the holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) the holders of equity securities in the capital of the Company as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter; and
- (b) the allotment pursuant to the authority granted by paragraph (a) of Resolution 10 above (otherwise than pursuant to paragraph (a) of this resolution) to any person or persons of equity securities up to an aggregate nominal amount of £752,673, representing approximately 5% of the issued ordinary share capital of the Company as at 26 March 2010,

and (unless previously renewed, varied or revoked) this power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 30 June 2011 save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired. This power is in substitution for and to the exclusion of all unexercised existing powers previously granted to the Directors under Section 89(1) of the Companies Act 1985 but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such powers.

12. Purchase of own ordinary shares by Company

That the Company be and is hereby authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006 (the '2006 Act') of its own ordinary shares of 25p each, on such terms and in such manner as the Directors may from time to time determine, provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 6,021,390, representing approximately 10% of the Company's issued ordinary share capital as at 26 March 2010;
- (b) the maximum price which may be paid for each such ordinary share under this authority shall be the higher of: (i) an amount equal to 105% of the average of the middle market quotations for any such ordinary share 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 (ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution will be carried out), 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; and
- (c) 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 30 June 2011, 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.

13. Purchase of own preference shares by Company

That the Company be and is hereby authorised to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of any of its own 9% cumulative preference shares of £1 each, on such terms and in such manner as the Directors may from time to time determine, provided that:

- (a) the maximum number of 9% cumulative preference shares hereby authorised to be purchased is 1,394,587, representing 100% of the Company's issued 9% cumulative preference share capital as at 26 March 2010;

Notice of meeting

- (b) the maximum price which may be paid for each such 9% cumulative preference share under this authority shall be the higher of (i) an amount equal to 110% of the average of the middle market quotations for any such 9% cumulative preference share 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 (ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution will be carried out), 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; and
- (c) 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 30 June 2011, 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.

14. Length of Notice of Meeting

That a general meeting of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

15. Adoption of Articles of Association

That:

- (a) the Articles of Association of the Company be amended by deleting all the provisions formerly in the Company's Memorandum of Association with the exception of Clause 4 thereof (which Clause is restated as Article 3 in the new Articles of Association of the Company proposed to be adopted pursuant to sub-paragraph (b) of this resolution) which, by virtue of Section 28 of the Companies Act 2006, are treated as provisions of the Company's Articles of Association; and
- (b) the Articles of Association produced to the annual general meeting (the 'Meeting') and initialled by the Chairman of the Meeting for the purpose of identification be adopted as the new Articles of Association of the Company from the conclusion

of the Meeting in substitution for, and to the exclusion of, the existing Articles of Association.

16. Amendment to 2005 Performance Share Plan

That the Rules of the John Menzies plc 2005 Performance Share Plan be amended by deleting Clause 4 and replacing it with:

"The maximum number of Shares which may be the subject of an Award to a Participant in each year of the Plan shall be the number of Shares which could be purchased with an amount not exceeding one times the Participants basic salary on the Award Date using the middle market closing price of the Company's Shares from the Dealing Day immediately prior to the Award Date on the London Stock Exchange."

17. Amendment to 2007 Divisional Performance Share Plan

That the Rules of the John Menzies plc 2007 Divisional Performance Share Plan be amended by deleting Clause 4 and replacing it with:

"The maximum number of Shares which may be the subject of an Award to a Participant in each year of the Plan shall be the number of Shares which could be purchased with an amount not exceeding one times the Participants basic salary on the Award Date using the middle market closing price of the Company's Shares from the Dealing Day immediately prior to the Award Date on the London Stock Exchange."

By order of the Board

J F A Geddes

Company Secretary

9 April 2010

EXPLANATORY NOTES

The following information provides additional background information to several of the Resolutions proposed:

Resolutions 3-7 – Election of Directors

Biographical details of the Directors to be elected and re-elected can be found on pages 20 and 21 of the Annual Report and Accounts for financial year 2009.

In accordance with the Articles of Association and the Combined Code on Corporate Governance Dermot Jenkinson, Ian Harrison and David Coltman (who have served longer than nine years) will retire at the Meeting and seek re-election. Craig Smyth retires by rotation in accordance with the Articles of Association and David McIntosh, having been appointed since the last AGM and being eligible, both offer themselves for re-election.

In proposing the re-election of the Non-Executive Directors, the Chairman has confirmed that, following formal performance evaluation (described on page 38

of the Annual Report and Accounts for the financial year ended 31 December 2009), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to the role.

Resolutions 10 and 11 – Authority to allot shares and disapply pre-emption rights

At the Annual General Meeting of the Company held on 21 May 2009, the Directors were given authority to allot relevant securities up to an aggregate nominal amount of £3,212,076, representing the unissued share capital of the Company as at 8 April 2009. This authority is due to expire at the end of this years AGM.

In December 2008, the Association of British Insurers (ABI) revised its guidelines on Directors' authority to allot shares (in line with the recommendations of the report issued in November 2008 by the Rights Issue Review Group). The guidelines now state that ABI members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to two-thirds of the Company's issued share capital. The guidelines provide that the extra routine authority (that is the authority to allot shares representing the additional one-third of the Company's issued share capital) can only be used to allot shares pursuant to a fully pre-emptive rights issue.

In light of these guidelines, the Board considers it appropriate that Directors be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £10,035,650 representing the guideline limit of approximately two-thirds of the Company's issued ordinary share capital as at 26 March 2010. Of this amount, 20,071,302 shares, (representing one-third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue. The power will last until the conclusion of the next Annual General Meeting of the Company, or if earlier 30 June 2011. The Directors have no present intention of exercising this authority.

As at 26 March 2010, the Company holds no ordinary shares in the capital of the Company as treasury shares.

Resolution 11 will, if passed, give the Directors power, pursuant to the authority to allot granted under Resolution 10, to allot equity securities (as defined in Section 560 of the 2006 Act) or sell treasury shares for cash on a non-pre-emptive basis without first offering them to existing shareholders in proportion to their existing shareholdings in limited circumstances. In light of the ABI guidelines described in relation to Resolution 10 above, this authority will permit the Directors to allot equity securities:

(a) in relation to a pre-emptive rights issue only, up to a maximum nominal amount of £10,035,650

(representing approximately two-thirds of the Company's issued ordinary share capital excluding treasury shares) as at 26 March 2010; and
(b) in any other case up to a maximum nominal value of £752,673, representing approximately 5% of the issued share capital of the Company as at 26 March 2010 (the latest practicable date prior to publication of this Notice) otherwise than in connection with an offer to existing shareholders.

The Directors have no present intention of exercising this authority and the authority, if granted, will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier on 30 June 2011.

Resolutions 12 and 13 – Authority to buy back shares

These special resolutions give the Company authority to make market purchases of its own ordinary and 9% cumulative preference shares in the market as permitted by the 2006 Act. The authorities set the minimum and maximum prices and limit the number of shares that could be purchased to 6,021,390 ordinary shares (representing approximately 10% of the issued ordinary share capital as at 26 March 2010) and 1,394,587 9% cumulative preference shares (representing 100% of the issued 9% cumulative preference shares as at 26 March 2010). The authorities, if granted, will expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, 30 June 2011.

The Directors have no present intention of exercising the authority to purchase the Company's 9% cumulative preference shares, but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority will only be exercised if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally.

As at 26 March 2010, the Company holds no ordinary shares in the capital of the Company as treasury shares. It may make purchases of its own ordinary shares, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority will only be exercised if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. Listed companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares.

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Resolution 14 – Length of Notice of Meeting

Before the introduction of the Companies (Shareholders' Rights) Regulations 2009 on 3 August 2009, the minimum notice period permitted by the 2006 Act for general meetings (other than annual general meetings) was 14 days. One of the amendments made to the 2006 Act by the Regulations was to increase the minimum notice period for general meetings of listed companies to 21 days, but with the ability for companies to reduce this period back to 14 days (other than for annual general meetings) provided that two conditions are met. The first condition is that the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days. The Board is therefore proposing Resolution 14 as a special resolution, and for it to be effective until the Company's next Annual General Meeting, when it is intended to propose that the approval be renewed.

Resolution 15 – Adoption of new Articles of Association

Since the Company's existing articles of association were adopted (the 'Existing Articles'), there have been a number of changes to the law in relation to companies as a result of: (i) amendments to the Companies Act 2006 (the '2006 Act') through the enactment of The Companies (Shareholders' Rights) Regulations 2009 (the 'Regulations'); and (ii) the remaining provisions of the 2006 Act coming into force in October 2009. Some of these changes will apply automatically to the Company whilst others will require the Company to take specific steps to take advantage of, or exclude, as the case may be, the effect of the changes. In order to accommodate all the proposed changes to the Existing Articles it is proposed that new articles of association (the 'New Articles') be adopted at the Meeting. Accordingly, Resolution 15 is a special resolution relating to the proposed adoption of New Articles which, in addition to reflecting the provisions of the 2006 Act, also contain a number of changes that generally update the Existing Articles bringing the provisions into line with current market practice.

The principal changes proposed to be made to the Existing Articles are detailed below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills (BIS), have not been noted.

1. The Company's Memorandum

The provisions regulating the operations of the Company were previously set out in the Company's Memorandum of Association (the 'Memorandum') and in the Existing Articles. The Memorandum contained, amongst other things, the objects clause which set out the scope of the activities the Company is authorised to undertake. The 2006 Act significantly reduces the constitutional significance of a Company's Memorandum and provides that a Memorandum will only record the names of the subscribers and the number of shares each subscriber has agreed to take in a company. Under the 2006 Act the objects clause and all other provisions which are contained in a company's Memorandum, for existing companies at 1 October 2009, are deemed to be contained in a company's articles of association, although a company can remove these provisions by special resolution. The Company is proposing to remove all such provisions of its Memorandum with the exception of the objects clause which will be contained in the New Articles. Resolution 15(a) confirms the removal of these provisions for the Company with the exception of the objects clause. As the effect of this resolution will be to remove the statement currently in the Memorandum regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders of the Company.

2. Authorised Share Capital and Unissued Shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can allot at any time because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

3. Redeemable Shares

Under the Companies Act 1985 (the '1985 Act'), if a company wished to issue redeemable shares it had to include in its articles the terms and manner of redemption. The 2006 Act enables Directors to determine such matters instead provided they are so authorised by the articles of a company. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors of the Company would need shareholders' authority to issue new shares in the usual way.

4. Authority to Purchase Own Shares, Consolidate and Sub-Divide Shares, and Reduce Share Capital

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake

the relevant action. The Existing Articles include these enabling provisions. Under the 2006 Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for a company's articles to contain enabling provisions. The relevant enabling provisions have been carried over into the New Articles only in respect of consolidation and sub-division in order to set out provisions relating to fractional entitlements which are not otherwise provided for under the 2006 Act.

5. Transfers of Shares

5.1 The 2006 Act provides that if the directors of a company refuse to register a transfer of shares then, in addition to sending the purported transferee notice of refusal, the directors must also give reasons for the refusal and any further information about such reasons that the purported transferee may reasonably request. The New Articles have therefore been amended in this regard.

5.2 The Existing Articles permit the directors of the Company to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the Existing Articles to suspend the registration of transfers is inconsistent with this requirement and this power has accordingly been removed in the New Articles.

6. Variation of class rights and redeemable preference shares

The Existing Articles contain provisions regarding the proceedings and specific quorum requirements for a meeting convened to vary class rights. These provisions have been carried over into the New Articles but have been updated to the extent necessary to reflect the provisions of the 2006 Act.

All references to redeemable preference shares of the Company, currently contained in the Existing Articles in respect of, *inter alia*, variation of class rights, have been deleted in the New Articles as the Company no longer has such shares in issue.

7. Shareholder Meetings

7.1 The New Articles reflect the fact that the 2006 Act does not contain any references to extraordinary general meetings of shareholders. Under the 2006 Act, any meeting other than an annual general meeting is simply classified as a 'general meeting'.

7.2 The provisions in the Existing Articles dealing with the convening of general meetings and length of notice required to convene general meetings are amended in the New Articles to conform to new provisions in the 2006 Act. In particular, a general meeting (other than an annual general meeting)

convened to consider a special resolution may be convened on 14 days' notice whereas previously 21 days' notice was required. As detailed on page 102 of this document, under 'Resolution 14', a further resolution is required to enable the Company to take advantage of this shorter notice period.

7.3 The New Articles clarify, as do the Existing Articles, that at least two people must be present before business can be transacted at a general meeting. It is not possible for one person who is a shareholder in his own right and has also been appointed a proxy or corporate representative for another shareholder to constitute a quorum.

7.4 In addition, the ability of shareholders to consent to short notice of a general meeting (but not a class meeting) has been removed as this is no longer permitted by the 2006 Act.

7.5 An enabling provision has been included in the New Articles so that arrangements may be made for shareholders to participate in general meetings electronically and the provisions in the New Articles in respect of the holding and conducting of electronic meetings reflect more closely the relevant provisions in the 2006 Act, as amended by the Regulations.

7.6 The casting vote of the Chairman of a general meeting in the event of an equality of votes has been removed in the New Articles as this is no longer permitted by the 2006 Act.

8. Form of Resolution

References in the Existing Articles to 'extraordinary resolutions' have either been deleted or replaced by references to 'special resolutions' in the New Articles. The distinction between special and extraordinary resolutions under the old law, that 21 days' notice was required for a special resolution and only 14 days' notice for an extraordinary resolution, has been removed. The concept of extraordinary resolutions has not been retained under the 2006 Act.

9. Proxies and Corporate Representatives

9.1 The 2006 Act now provides that shareholders can appoint multiple proxies provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder. Proxies can also speak at general meetings. In addition, the 2006 Act provides that proxies have the right to vote on a show of hands whereas under the Existing Articles proxies were only entitled to vote on a poll. The New Articles therefore contain amendments to reflect these provisions. Each proxy present will have one vote on a show of hands, unless he has been appointed

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by more than one shareholder and has received instructions to vote both in favour of and against the same resolution. In this case he will have one vote for the resolution and one vote against. If a proxy has been given a discretion as to how to vote, he is treated for this purpose as if he had been instructed to vote in the way in which he decides to exercise his discretion.

9.2 Further, the Regulations have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate shareholder to vote in different ways on a show of hands and on a poll. The New Articles contain provisions which reflect these amendments.

9.3 The New Articles reinforce the legal position that a company has no obligation to check that proxies and corporate representatives have voted in accordance with shareholder instructions and that the validity of a resolution will not be affected if there is any failure to do so.

10. Change of Name

Under the 1985 Act a company could only change its name by special resolution. Under the 2006 Act a company can change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Company to change its name by ordinary resolution.

11. Use of Seals

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by any person authorised by the Directors of the Company for that purpose whereas previously the requirement was for signature by either a Director and the Company Secretary or two Directors.

12. Notice of Board Meetings

The Existing Articles provide that it is not necessary to give notice of a Board meeting to a Director of the Company if he is absent from the United Kingdom. This provision has been removed as modern communications mean that there may be no particular obstacle to giving notice to a Director who is abroad.

13. Voting Record Date

Under the 2006 Act, as amended by the Regulations, the Company must determine the right of shareholders to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The New Articles have been drafted to reflect this requirement.

14. Adjournment for Lack of Quorum

Under the 2006 Act, as amended by the Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles have been drafted to reflect this requirement.

15. Provision for Employees on Cessation of Business

The 2006 Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the Company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary, may only be exercised by the Directors if they are so authorised by the Company's Articles or by the Company in general meeting. The New Articles therefore provide that the Directors may exercise this power should it do so at any time in the future.

16. Director's Indemnities

Under the Existing Articles the Directors of the Company are indemnified to the fullest extent permissible under the 2006 Act. Whilst the wording of the indemnity provisions has been simplified in the New Articles to avoid any further amendments being required in the near future the Company continues to indemnify the Directors to the extent permitted by the 2006 Act. Further, the indemnity provisions in the Existing Articles extend to "every director or other officer of the Company". It is now recommended best practice (as articulated by, for example, NAPF) for listed companies to exclude auditors from the indemnity provisions in their articles. Accordingly, the New Articles clarify that it is only Directors, alternate Directors or the Company Secretary (or former director or secretary) who fall within the scope of the indemnity provisions.

17. Winding-up

The Existing Articles contain provisions dealing with winding-up. These provisions have been removed in the New Articles on the grounds that these matters are adequately covered by insolvency law.

18. Articles which Duplicate Statutory Provisions

Provisions in the Existing Articles which replicate provisions contained in the 2006 Act are, in the main, removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

19. General

Generally the opportunity has been taken to bring clearer language into the New Articles and therefore non-material changes and stylistic amendments have also been made to the Existing Articles.

Resolutions 16 and 17

As explained in the Report of Directors' Remuneration on pages 46 to 55 of the Annual Report and Accounts for the financial year to 31 December 2009 and in line with best practice, the Board believes that the value of share plan awards should be set as a proportion of a Participant's salary rather than a maximum number of shares. Therefore, these amendments propose changing the Rules of the John Menzies plc 2005 Performance Share Plan and the Rules of the John Menzies plc 2007 Divisional Performance Share Plan so that the current limit of 100,000 shares in each plan, with the number of shares which could be purchased with an amount up to one times the Participant's salary on the date of the award.

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.

NOTES TO THE NOTICE OF AGM

1. Information about this annual general meeting (the 'Meeting') is available from the Company's website: www.johnmenziesplc.com.
2. As a member, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
3. A form of proxy is enclosed. To be valid, your proxy form and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to Computershare Investor Services at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ so as to arrive no later than 48 hours before the commencement of the Meeting.
4. If you appoint a proxy, this will not prevent you attending the Meeting and voting in person if you wish to do so.
5. The right to vote at the Meeting is determined by reference to the Company's register of members as at the close of business on Wednesday 19 May 2010 or, if the Meeting is adjourned, at 5pm on the day two days prior to the adjourned meeting.

Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.

6. As a member, you have the right to put questions at the Meeting relating to the business being dealt with at the Meeting.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in Notes 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. As at 26 March 2010, the Company's issued share capital comprised 60,213,907 ordinary shares of 25p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 26 March 2010 is 60,213,907.
10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID 3RA50) so as to arrive no later than 48 hours before the commencement of the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the

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message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. Copies of Directors' service contracts and letters of appointment will be available for inspection for at least 15 minutes prior to the Meeting and during the Meeting.
15. Under Section 338 of the Companies Act 2006, members may require the Company to give, to members of the Company entitled to receive this Notice of Meeting, notice of a resolution which may properly be moved and is intended to be moved at the Meeting. Under Section 338A of that Act, members may request the Company to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business.
16. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The

Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

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 Annual General Meeting 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. On the date of the Meeting, they will be available for inspection at the venue of the Meeting from 12.00pm until the conclusion of the Meeting:

- (a) the existing Articles of Association together with the proposed new Articles of Association;
- (b) copies of the Directors' service contracts with the Company;
- (c) the terms of appointment of the Non-Executive Directors of the Company;
- (d) the Rules of the 2005 Performance Share Plan together with a copy showing the proposed amendment; and
- (e) the Rules of the 2007 Performance Share Plan together with a copy showing the proposed amendment.

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 and 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.investorcentre.co.uk

Email: www.investorcentre.co.uk/contactus

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.investorcentre.co.uk. In order to register, you will need your Shareholder Reference Number (SRN), which you can find on your share certificate or tax voucher.

Share price

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

Telephone share dealing service

A share dealing service has been arranged with Stocktrade which provides a simple way of buying or selling John Menzies shares.

Call: 0845 601 0995 (non-UK +44 131 240 0414), quote reference LOW C0014

Charges

Commission will be 0.5%, subject to a minimum of £15. Please note that UK share purchases will be subject to 0.5% stamp duty. There will also be a PTM (panel for takeovers and mergers) levy of £1 for single trades in excess of £10,000.

Settlement

When buying shares you will be required to pay for your transaction at the time of the deal by debit card and you should ensure that you have sufficient cleared funds available in your debit card account to pay for the shares in full.

ShareGift

If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief.

Call: 020 7930 3737

Web: www.sharegift.org

Analysis of shareholding

at 31 December 2009

Shareholding	Number of holders	% of holders	Number of shares	% of shares
1 – 1000	3,465	82.34	784,652	1.30
1001 – 5000	503	11.95	1,054,946	1.75
5001 – 10000	56	1.33	413,066	0.69
10,001 – 100,000	107	2.54	3,711,042	6.16
Over 100,000	77	1.83	54,249,521	90.10
Total	4,208	100.00	60,213,227	100.00

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.

9% Preference Shares

Dividends will be paid on 1 April 2010 and 1 October 2010.

Ordinary Dividends

An interim Dividend of 8p per share was proposed by the directors on 8 March 2010, and will be paid on 1 April 2010 to shareholders on the Register as at the close of business on 19 March 2010. No other dividends have been proposed for 2009.

General information

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

Principal advisers

Auditors

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Corporate Financial Advisers and Joint Brokers

Numis Securities Ltd
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Joint Brokers

Brewin Dolphin
48 St Vincent Street
Glasgow G2 5TS

Principal business addresses

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Menzies Distribution

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Edinburgh EH12 9DJ
Tel: +44 (0) 131 467 8070
Fax: +44 (0) 131 469 4797

Menzies Aviation

Aviation House
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London Heathrow Airport
Hounslow
Middlesex TW6 3AE
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Fax: +44 (0) 20 8750 6001

Corporate calendar

(Provisional dates)

9 March 2010

Preliminary announcement of Results

1 April 2010

Payment of dividend on 9% Cumulative Preference Shares

1 April 2010

Payment of dividend on Ordinary Shares

9 April 2010

Annual Report and Notice of AGM released

18 May 2010

Management Statement issued

21 May 2010

Annual General Meeting

19 August 2010

Announcement of Interim Results

1 October 2010

Payment of dividend on 9% Cumulative Preference Shares

16 November 2010

Management Statement issued



Mixed Sources
Product Group from well-managed
forests and other controlled sources
Cert no. SA-COC-001654AK
www.fsc.org
© 1996 Forest Stewardship Council

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Registered in Scotland with company number SC34970

Registered office address as above