John Menzies plc

Annual Report 2010

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

£45.0m

+28%

underlying profit before tax

£1,964.2m

+6%

turnover

£43.8m

+63%

free cash flow

57.9p

+32%

underlying earnings per share

Notes

Underlying profit before taxation is defined as profit before taxation, intangible amortisation and exceptional items.

Turnover includes revenue from subsidiaries, joint ventures and associates

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

Underlying earnings per share is profit after taxation and minority interest, but before intangible amortisation and exceptional items, divided by the weighted average number of ordinary shares in issue.

Underlying operating profit includes each division's share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.

Directors' report and business review

Overview

Operating review

Governance

Financial statements

Shareholder information

At a glance Aviation

Menzies Aviation is the world's leading independent provider of aviation support services, with a focus on service excellence, 24 hours a day, 365 days a year.

£24.6m

underlying operating profit

£626.0m

turnover

116

locations

27

countries

We deliver a great, safe and secure service to our airline customers and their passengers. We have 16,000 employees worldwide servicing over 500 airline customers at 116 locations in 27 countries, we handled more than 700,000 flight turns, 71 million passengers and 1.7 million tonnes of cargo in 2010.

Ground Handling

We offer airlines around the world a complete range of passenger handling services, including ticketing, a full check-in service, baggage services and passenger lounges. 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 ramp 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 world-wide cargo sheds. Our service provision includes ramp transfer, load management, import and export handling, warehousing, trucking and other track and trace services.

Cargo Forwarding

We work exclusively with freight forwarders and courier companies, offering highly competitive air freight rates and transport services around the world. Our product range covers export, import and cross-trade, based on cargo, express and time definite international road freight.

RSMS

Ground handling information can be reported on global, regional or right down to individual flight level.

RSMS is a comprehensive, global system which encompasses all ground handling activities, from schedules, real time flight data, messaging and statistics to commercial contracts, invoicing and e-billing. This means that users are able to view or analyse ground handling activities as they happen, in real time. RSMS's integrated messaging captures flight information automatically, reducing errors and all the information is picked up by an automated billing engine and invoiced to the customer, making our revenue and invoicing more accurate.

Station management have access to real time flight information and revenue analysis which allows greater control and management of the day to day business as well as short and long term planning across the business.

At a glance Distribution

£28.8m
underlying operating profit

£1,338.2m
turnover

19
hub branches

25,000
retail customers

Menzies Distribution is a leading force in meeting the needs of the UK news and magazine market. It is committed to process improvement, with a goal to deliver the best possible service for our customers.

With over 4,000 employees at 19 hub and 23 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

Every night during the nightly miracle we receive around 5.2 million newspapers. These are added to 2.6 million magazines and sorted into deliveries to be made in the early hours of the morning to more than 25,000 retail customers throughout the British Isles. Our fleet travels over 45 million miles each year. As well as delivering the news we also collect the retailers' unsold copy, process these back and arrange recycling.

Marketing services

Menzies Marketing Services is a group of companies bringing together experts in field marketing, category management, travel, news and digital distribution, to close the gap between businesses and their consumers, mixing services to help bring product to the consumer. Our portfolio of services ranges from face to face marketing on city streets to maximising category sales in the country's leading retailers. We can get content onto consumers' hand-held devices or distribute products in city streets and to major stakeholders.

Menzies Marketing Services

2 strategic acquisitions

Over the last 12 months our Marketing business has continued to grow in size and scope. From the continuing success of magazine gift subscriptions over the festive period, to the acquisition of 2 new businesses, Menzies Marketing Services' progress in every direction is putting it on track to be a major bottom-line contributor to the division.

Through the year, Menzies Marketing Services acquired Trinity Field Marketing – which lengthened the reach of our existing Field Marketers, and Reed Aviation, a press export business which has strong synergies with our own Menzies Travel Media company.

Chairman's statement

Overall we have developed a highly cash generative business, positioning the Group well to deliver sustainable shareholder value.

Iain Napier
Chairman
John Menzies plc

2010 was a highly successful year for the Group, in which we achieved significant profit growth and delivered on our strategy. The Group is highly cash generative and, for the second year running, our Aviation division delivered greater net cash flow than our Distribution division.

The growth drivers for the Aviation division are strong, particularly in the ground handling business, where there is a large and available market. Whilst market conditions for the Distribution division are challenging, the division is an excellent cash generator and holds a strong market position.

Overall, at the Group level 2011 has started positively with trading ahead of last year. With a reduced interest charge, resulting from lower overall debt levels and the positive start to the year at Menzies Aviation, we believe the Group is well placed to deliver further earnings growth and shareholder value.

Results overview

Underlying operating profit at Group level was up 28% to £45m, net debt is below £100m and all banking lines have been secured through to 2013 and beyond.

Despite the adverse effect of the volcanic activity during April, underlying operating profits at Menzies Aviation were up 56% on the previous year, following a sharp recovery in cargo volumes together with continued organic growth momentum within the Ground Handling business. Menzies Distribution encountered difficult markets and the severe weather conditions in the year but still produced a robust performance with profits improving by 3.2% as we continued to reshape the business.

The Group is performing well and the future is positive. It is our stated strategy to grow dividends progressively and accordingly I am pleased to announce that the Final Dividend has been increased by 6p to 14p.

Board

On behalf of the Board, I would like to express our gratitude to William Thomson who retired from the Board in May last year for his contribution to the Group over his 22 years' service, including eight as Chairman. His insight, skills and personality added a strong dynamic to the Board and he will be missed.

Standing down at this year's AGM will be David Coltman. David, who is also our Senior Independent Director, indicated his intention to retire last year after 10 years' service. His understanding of the Aviation industry has proved invaluable to the Group as we have grown our Aviation business. I would like to thank David for his contribution over the last 10 years.

Ian Harley has agreed to become our Senior Independent Director from the conclusion of the 2011 AGM. Ian comes from a financial background, and has now been on the Board for two years. In that time he has become the Chair of our Audit Committee and is well respected both inside the company and externally. Ian is well placed to perform the functions of the Senior Independent Director.

Last year we indicated that we intended to recruit a new Non-Executive before the end of the year, and in September 2010, Eric Born was recruited. Eric has worked in both Aviation support services and in the Distribution sector, and with that brings a strong understanding of the markets in which we operate.

As a result we will have a Board comprising nine members, with three Executive Directors and six Non-Executives, four of whom are independent. This provides us a strong and healthy mix for a company of our size.

The 2010 UK Corporate Governance Code looks to Chairmen to comment on the Leadership, Effectiveness and Accountability of the Board. It is my role to lead Board discussions and to ensure that long-term risk and strategy are debated and managed in such a way as to ensure shareholder value is maintained and enhanced. The role of the executive team is to implement the strategy in the way agreed by the Board.

The size and structure of the Board and its committees are reviewed annually and we currently have a good balance, with an appropriate mixture of skills and experiences.

People

Our employees are our greatest resource. During 2010 we faced unprecedented challenges in both of our operating divisions with volcanic ash across Northern Europe and severe weather conditions in the UK.

At Menzies Distribution in the face of these extreme weather conditions our employees demonstrated true dedication and willingness to go the extra mile to ensure newspapers and magazines reached our retail customers.

At Menzies Aviation our employees also battled the severe weather conditions and showed their flexibility during the volcanic ash disruption with many taking holidays or banking hours when airports were closed.

Without this dedication and willingness to deliver outstanding service to our customers the Group would not be in the position it is today.

Prospects

The Group has a clear strategy. We operate two distinct cash generative divisions.

Menzies Aviation is a global business with strong and deliverable growth prospects. The division has built a reputation for service excellence and will continue to target attractive airlines in attractive markets. The global aviation marketplace has very attractive growth characteristics and I believe Menzies Aviation is very well placed to take advantage of these.

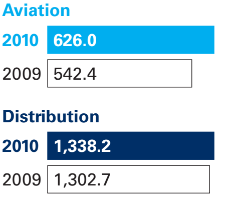
Menzies Distribution is a strong business that operates within a two-player market with core revenues locked in until 2014. The division has a proven track record in reducing costs and increasing productivity. In the short to medium term the division will focus on reshaping the business to meet its changing marketplace and expanding into new adjacent revenue streams.

Overall we have developed a highly cash-generative business, positioning the Group well to deliver sustainable shareholder value.

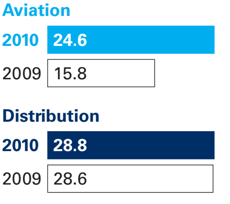
Iain Napier
Chairman

Revenue and profit analysis

Divisional turnover (£m)



Divisional underlying operating profit (£m)



Our Group strategy is clear

We are committed to delivering sustainable earnings growth while progressively growing dividends. This will be achieved by focusing on our two highly cash-generative divisions.

Group strategy

John Menzies plc has a clear strategy. We are committed to delivering sustainable earnings growth while progressively growing dividends. We will achieve this by focusing on our two highly cash-generative operating divisions. We will maintain our strong position within the UK News and Magazine distribution market and continue our successful expansion into the large and attractive Aviation services market.

Our Management Team

We operate a flat executive management structure with three executive Directors, building a strong partnership approach.

1 Paul Dollman Group Finance Director
2 Craig Smyth Managing Director, Menzies Aviation
3 David McIntosh Managing Director, Menzies Distribution


1


2


3

Menzies Aviation

Menzies Aviation is the world's leading independent aviation services business. With a focus on service excellence we aim to be the handler of choice at every airport where we operate.

The aviation services market has strong and deliverable growth dynamics and we will continue to expand our business by:

→ Expanding existing customer relationships
→ Expanding in existing attractive markets
→ Entering new attractive markets

Menzies Distribution

Menzies Distribution is a very strong business that operates within a two-player market. Core revenues are contracted through until 2014.

We aim to maintain our position and build into new adjacent businesses. To do this we will follow a three-step strategy:

→ Execute
Deliver rationalisation opportunities that have arisen from new business wins

→ Redesign
Evolve our operating model to meet the changing marketplace

→ Diversify
Expand adjacent revenue opportunities through Menzies Marketing Services

Group strategy

“

The ground handling business will continue to grow, predominantly organically, in what is a very large available market.

Craig Smyth
Managing Director
Menzies Aviation

Delivering our Goals – Menzies Aviation
2010 was a year of recovery for the aviation industry. By staying true to our strategy, and adopting a non-cash consumptive model for our ground handling business, Menzies Aviation was able to operate efficiently, demonstrating its flexible business model when needed, whilst maintaining its focus on service excellence.

For 2011 Menzies Aviation will continue on its steady growth path. It will also focus on expanding customer relationships to grow in existing and new markets.

Menzies Aviation

2010 Divisional Goals

Menzies Aviation was focused on leveraging existing customer relationships to grow selectively. The division continued to focus on attractive airlines in attractive markets creating product, station and regional densities.

Achievement against objectives

- In 2010 Lufthansa and bmi selected Menzies Aviation to provide full ramp handling services for their operations at London Heathrow Airport. The division now provides support for Lufthansa and bmi at 18 airports worldwide in six countries. Out of the approximately 200 daily flights handled at London Heathrow, 37 are for Lufthansa and 59 are for bmi.
- Emirates opened a new daily connection between Prague and Dubai in July 2010, with Menzies Aviation providing ground handling services to the airline. Menzies Aviation work with Emirates in seven airports worldwide, in six different countries. At Prague the division provides ground handling services for over 20 airlines, manages over 230 flights every week, and over 34,000 tonnes of cargo annually.
- In the Oceanic region, new contracts were signed with Malaysia at Auckland for ground and cargo handling after recent wins at Melbourne and Perth. Across the region Menzies Aviation operate at nine airports, providing services for over 30 different airlines.
- During 2010 the division developed further its relationship with Virgin America, and now supports them at six locations across North America, managing over 30,000 turnarounds per annum.

13,000

Over 13,000 employees now ‘clock-in’ using our sophisticated biometric Time and Attendance system.

Over 13,000 employees now ‘clock-in’ using our sophisticated biometric Time and Attendance system, which ensures accurate and fair timekeeping, reduces payroll and overtime problems and in the event of an emergency, provides real-time on premises reporting for the safety and security of our staff. Analysis of the data allows trends or problems in attendance to be quickly identified and managed.

Delivering our Goals – Menzies Distribution

Within Menzies Distribution, the focus was on the integration of new territories gained in 2009, whilst developing and refining its new revenue streams into Menzies Marketing Services.

In 2011, Menzies Distribution will consolidate its position as the leading provider within the Newspaper and Magazine distribution market. The business will continue to focus on operational efficiency and this will be aided by the roll out of SAP to the branch network. In addition, the development of new service offerings such as Menzies Marketing Services will continue as the division secures new, adjacent, revenue streams.

A three pillar strategy (Execute, Redesign, Diversify) was implemented during 2009. Real progress has been made on all three fronts.

David McIntosh
Managing Director
Menzies Distribution

Menzies Distribution

2010 Divisional Goals

Menzies Distribution was focused on integrating the new business gained during 2009. They aimed to continue to focus on cost and productivity initiatives, and exploring growth opportunities that exist with adjacent businesses and which can benefit from our unique publisher and retailer relationships.

Achievement against objectives

- Launch of Menzies Marketing Services, bringing together four existing businesses under a single banner. This move is designed to bring greater management control and strategic vision to the ventures and also to identify synergies between the businesses. Developments during the year included:
  - Acquisition of Reed Aviation
  - Acquisition of Trinity Field Marketing.
- Further regional press contract gains with an additional £28m of new revenue secured during the year.
- The new major hub branches at Preston and Maidstone, opened in late 2009, are fully integrated and have allowed further rationalisation of the branch network. Stage one of this process is complete and delivered cost benefits during the year. Stage two will take place during 2011.
- Successful installation of SAP at two branches with the full branch roll out commencing in March 2011 with the cost benefits being delivered in 2012.

aspire
MENZIES HIGH POTENTIAL
MANAGEMENT DEVELOPMENT
PROGRAMME

aspire

Recognising and developing our staff potential

'aspire' is a cutting edge bespoke programme targeted at developing future talent which is specific to business challenges and competencies. The programme is made up of 8 workshops and 15 potential future 'stars' within Menzies Distribution are participating. Both the content and the method of delivery have been delivered in a creative, challenging and relevant way to the participants.

Group performance

> **Higher profits in the period helped free cash flow to £43.8m or 74.5p per share, an increase of £16.9m on the previous year. Menzies Aviation was again the largest contributor of cash, producing a free cash flow of £34.3m compared to £21.4m at Menzies Distribution.**

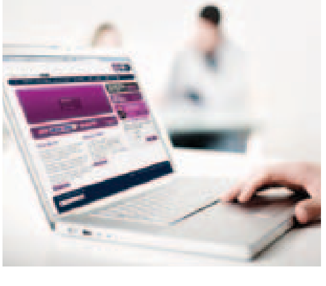
Paul Dollman
Group Finance Director
John Menzies plc

The Group produced an excellent result in 2010 with underlying profit before taxation up 28% to £45.0m.

The highly cash-generative nature of the Group was clearly demonstrated. Net debt has reduced to below £100m largely as a result of the strong cash performance of both divisions. Higher profits in the period helped free cash flow to £43.8m or 74.5p per share, an increase of £16.9m on the previous year. Menzies Aviation was again the largest contributor of cash producing a free cash flow of £34.3m compared to £21.4m at Menzies Distribution.

At Menzies Aviation, turnover increased to £626.0m (£542.4m: 2009) with underlying operating profit up 56% to £24.6m. This excellent result was driven by a sharp increase in overseas cargo volumes and continued organic expansion within the ground handling business. This performance compares favourably after allowing for some £2.2m of lost profits during the volcanic activity in April, although this was partly offset by very strong de-icing revenues in January and December.

Menzies Distribution delivered operating profits of £28.8m up 3.2% (on a consistent 52-week basis) with turnover of £1,338.2m up 4% on the same basis. The marketplace remained difficult with volume declines in the key product categories but the division again produced a robust cost performance which helps to mitigate the drop in gross profit.



Click to ship

AMI is the world's largest trade-only airfreight wholesaler, providing great value for money.

AMI is the world's largest trade-only airfreight wholesaler providing great value for money air freight and express services to the world's freight forwarders and international express companies.

Click to ship is an innovative web-based service aggregation site which talks directly to all trade aggregators. It allows users to compare quotes from carriers and book through-services with different carriers and keep track of orders. Currently available to UK express customers, a next generation version will begin rolling out worldwide during 2011 providing the worlds leading freight forwarding booking site.

Debt and interest

Net debt at the year end was £99.0m which was £33.3m lower than last year. The key covenant ratio of Total debt/EBITDA is now below 1.5 times which triggers a reduction in interest costs on Group borrowings. Some £75m of banking facilities were renegotiated ahead of time resulting in the Group now having secured the required facilities through to 2013 and beyond. The Group's interest cover increased from 6.7 times to 9.0 times at the year end.

Exceptional items

There was an exceptional credit of £4.6m in the year resulting from some members of the main UK pension scheme exchanging future non-statutory increases in pension for a higher fixed pension. Offsetting most of this were exceptional costs of £2.3m in Distribution associated with reorganisation costs following the contract wins and a write-down of £2.2m in Aviation being the majority of the goodwill associated with UK Cargo.

Pensions

The actuarial deficit within the pension fund (net of deferred tax) reduced from £60.8m to £34.9m during the year. This is a combination of an increase in asset values during the year and an overall reduction in liabilities mainly due to actions taken during the year to cap future benefits for active members and the impact of the move to CPI on deferred members. The reduced deficit will result in a lower reported interest cost going forward.

Earnings per share

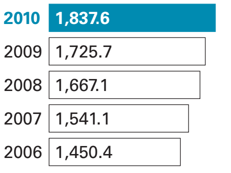
The effective tax rate on underlying profit for the year was 24.2% compared to 26.4% last year. The lower tax rate and reduced number of shares in issue together with higher profits contributed to an increase of 32% in our underlying earnings per share from 43.8p in 2009 to 57.9p in 2010.

Dividend

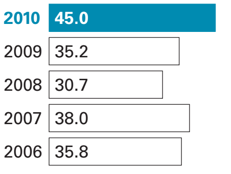
The Board has declared a final dividend of 14p giving a full year dividend payment of 19p. At this new level dividend cover is 3.0 times. The dividend will be paid on 24 June 2011 to shareholders on the Register of Members at the close of business on 27 May 2011.

Key Performance Indicators

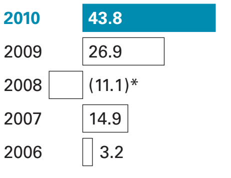
Revenue (£m)



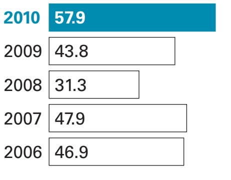
Underlying PBT (£m)



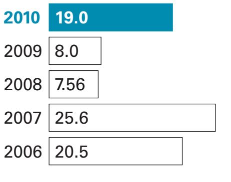
Free cash flow (£m)



Underlying EPS (pence)



Full-year dividend per share (pence)



*Restated

Increasing operational efficiency

Our focus is to work with attractive airlines in attractive markets creating product, station and regional density. The division is clearly demonstrating its ability to deliver against this strategy.

Menzies Aviation

The aviation services sector has strong and deliverable growth prospects. Growth will primarily come from winning more customers at existing airports and with existing customers at new airports, but the division will also evaluate entry into new markets during the next 24 months.

Performance
Menzies Aviation had a very good year with profits up 56% to £24.6m.

Operating profits were boosted by a sharp return in overseas cargo volumes across the network and the continued excellent performance within the ground handling business. This result was achieved despite the disruption caused in April following the volcanic activity across Northern Europe which cost £2.2m, although this was partly mitigated by increased de-icing revenues in January and December.

The ground handling business is the major contributor in both revenue and profit terms and this trend is expected to increase as the division expands.

The division was highly cash generative producing a free cash flow of £34.3m which demonstrates its ability to self finance its future growth.

Operational efficiency remains at the heart of the business. Significant investment was made in systems with the continuing roll out of the biometric recognition Time and Attendance system and other core systems that allows the division to operate in the same way at all airports regardless of location. This investment in systems together with investment in training and safety initiatives led to Menzies Aviation being the first global aviation services business to achieve the IATA ISAGO accreditation. This industry standard is important and reinforces the commitment to service excellence.

The flexibility of the ground handling business model together with the commitment and willingness of our staff was demonstrated during the year when flights were cancelled during the six days of volcanic activity that closed airports across Northern Europe. Costs were kept to a minimum as shift patterns were altered and staff took holidays or banked hours which helped mitigate losses.

During the year the business of Transilvania Handling Services, a Romanian ground handling company, was acquired for £1.3m, including £0.3m of deferred consideration. This acquisition allowed the business to expand into four new airports in Romania and is a good example of expanding regional density with the new operations being controlled from the existing operation in Bucharest.

"Operational efficiency remains at the heart of the business. Significant investment was made in systems with the continuing roll out of the biometric recognition Time and Attendance system and other core systems that allows the division to operate in the same way at all airports regardless of location.

Craig Smyth
Managing Director
Menzies Aviation

Key Performance Indicators

Ground Handling – labour hours per turn

2010	**30.2**
2009	32.5

Ground Handling – on-time performance (%)

2010	**98.2**
2009	98.9

Cargo Handling – tonnes per FTE

2010	**620.5**
2009	525.6

Aircraft damage – category A incidents per 1,000 turns

2010	**0.06**
2009	0.07

Menzies Aviation




Operating Board

1 Craig Smyth Managing Director
2 Paul Dollman Group Finance Director
3 Stephen Koller EVP IT
4 Mervyn Walker EVP Operations

Cargo handling

The division enjoyed a significant profit improvement within the cargo handling business following a sharp increase in volume across the network. Despite a disappointing performance in the UK, where absolute volumes were only up 6.2%, absolute volumes as a whole were up 23% (lfl up 20%) which helped this product category overall return to profitability.

Despite the volume recovery, structural challenges continue at some major airports where over capacity exists leading to depressed yields and predatory pricing. As a result, the division has some loss making operations in the USA and UK, although they are cash positive due to historical capital investments. Improvement plans are in place and positive progress is being made.

In contrast the operations where capacity does not significantly exceed demand, in countries such as India and Australia, had an excellent year and were profitable. In India, tonnes were up significantly on the previous year. At Hyderabad a dedicated perishable centre for pharmaceutical products was opened which allows the fast track of products through the cargo centre. Where the market dynamics are attractive, cargo handling remains a good business and typically is linked to existing ground handling businesses, which allows a one stop shop offering to airlines.

The division was a net winner of 12 contracts during the year, but the loss of a major contract with Cathay Pacific in Chicago, USA, resulted in the overall annualised earnings position being negative.

Cargo forwarding

The cargo forwarding business had a good year benefiting from the increase in cargo volume, with operating profit up 31%. Air Menzies International is our cargo forwarding business, which essentially brokers the belly space of passenger airlines, working exclusively with freight forwarders and courier companies, offering highly competitive air freight rates and transport services around the world.

The business has aggressive expansion plans. It has a global presence with key hub operations in Australia, South Africa, UK and the USA. During the year investment in management expertise and new IT systems was made that will help give the business a competitive advantage in what is an attractive and growing marketplace.

Setting standards

70 standardised training modules

Since gaining ISAGO accreditation the Menzies Aviation intranet site has undergone a radical redesign, now boasting a fully structured, accessible and auditable documentation system, hosting all documentation used worldwide in the ISAGO standards structured training and development programme.

This system is used to support all parts of the Ground Handling Operations, and 2011 will see yet further advancements in the roll-out of our SMART programme which will have an iPhone App enabling supervisory and safety management to perform audits on the go, reducing administrative burden and simplifying the audit process, allowing any trends to be analysed in real time.

Ground handling

The ground handling business continued on its strong growth path. Absolute volumes were up 9% (lfl up 3.3%). The division were net winners of 52 contracts that will contribute more than £25m additional revenue.

The divisional strategy of growing organically by leveraging existing customer relationships resulted in a major contract award from Lufthansa and bmi at London Heathrow. In addition to this, new contracts were awarded by key customers including Emirates, Alaska Airlines and South African Airways.

In the UK the ground handling business performed very well, benefiting from the annualised effect of major contract gains made during 2009 and a number of new contracts. The commencement of the contract to handle some 100 flights per day for Lufthansa and bmi at London Heathrow's Terminal One, which involved the TUPE transfer of 400 staff, was a success with immediate benefits delivered to the customer. The team now handles over 200 flights per day out of Terminal One and is the largest independent handler at London Heathrow.

Continental Europe, and in particular Spain, made an increased contribution with turns up strongly on the previous year.

In India, the division's first contract with an indigenous low cost airline, Kingfisher Airways, commenced in Hyderabad with some 168 flights per week. This is an exciting entry into a very large potential market and it is hoped that this relationship can be enhanced.

Operations in South Africa had a good year, benefiting from increased activity around the World Cup. The division's reputation for first-class customer service was recognised by a number of awards, most notably from airport operators in South Africa, following the World Cup. Service excellence is a key pillar in the divisional strategy and is a significant lever in winning new business.

Australia and New Zealand continued to perform well with aircraft turns in Australia benefiting from the strong local economy.

In the Americas, the USA proved to be a slightly more difficult market with expansion harder to obtain. The USA remains a very large attractive market but at the same time is quite mature. The division is building its reputation in the area and it is well placed to expand its business in the coming years. Mexico and the Caribbean performed well although a number of Mexican and some USA locations were affected by the bankruptcy of Mexicana Airlines.

Strategy

The divisional strategy is unchanged. The focus remains to work with attractive airlines in attractive markets creating product, station and regional density. The division is clearly demonstrating its ability to deliver against this strategy.

The ground handling business will continue to grow, predominantly organically, in what is a very large available market. The results illustrate that this can be done without the division being cash consumptive.

Cargo handling remains an attractive product category where good returns can be made but it is essential that our ethos of attractive customers in attractive markets is followed. Some major airports, particularly in the UK and USA, have over capacity and, as a result, returns are poor. Therefore, our focus will be on markets that are not over supplied and where returns are sustainable.

The aviation services sector has strong and deliverable growth prospects. Growth will primarily come from winning more customers at existing airports and with existing customers at new airports, but the division will also evaluate entry into new markets during the next 24 months.

Implementing operational change

2010 has been a year of operational change. The new major hub branches at Preston and Maidstone opened in late 2009 are fully integrated and have allowed further rationalisation of the branch network.

Menzies Distribution

During the year major operational projects were undertaken to absorb the new business won from Dawsons News and Smiths News. Further operational efficiency was achieved by the rationalisation of the branch network which involved the creation of two new major hub branches and the merger or closure of some smaller branches.

Performance
Menzies Distribution produced a solid performance in a difficult marketplace. Underlying operating profits were up 3.2% on a consistent 52-week basis. The full year result was adversely impacted late in the year by the severe weather conditions encountered across the UK, and particularly Scotland. This impacted sales across all categories and is estimated to have cost the division £0.5m.

As well as producing a robust profit performance, the division also delivered £21.4m of free cash flow which continues to underpin the overall cash-generative nature of the Group.

During the year major operational projects were undertaken to absorb the new business won from Dawsons News and Smiths News. Further operational efficiency was achieved by the rationalisation of the branch network which involved the creation of two new major hub branches and the merger or closure of some smaller branches.

Menzies Distribution – core business
Overall, volumes within the core product categories were largely in line with expectations. The rate of decline in newspaper sales stabilised during the year with like-for-like sales down 3.5%. Monthly magazine sales were slightly ahead of expectations with like-for-like sales down 3.3%. Weekly magazine sales however, were slightly behind expectations and finished the year down 6.5% on the previous year. There was little launch activity to stimulate the market during the year with publishers reluctant to invest at a time of consumer uncertainty.

Absolute volume of both newspapers and magazines were up, reflecting the new business won during the year.

The sales of stickers, despite the World Cup, were disappointing after a large amount of returns in Q3. In addition, sales of traditional football-related collections over Christmas have been below expectation.

During the year a further £23.1m of new revenue, gained from Smiths News at the time of the publisher negotiations in 2009, was transferred and has been successfully integrated.

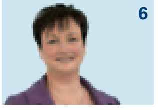
“

Overall the division produced another excellent cost performance producing cost savings of £3.5m, again outstripping inflation. The division has a proven track record in reducing costs and increasing efficiency in the face of declining volume.

David McIntosh
Managing Director
Menzies Distribution

Operating review

Menzies Distribution



Operating Board

1 David McIntosh Managing Director
2 Paul Dollman Group Finance Director
3 Catherine Bland Finance Director
4 David Cooke Commercial and Marketing Director
5 Jane Dyson Marketing Services Director
6 Christina Mellon HR Director
7 Alex Mitchell Operations Director
8 David Morton Strategic Development Director
9 David Speirs IT Director

2010 has been a year of operational change. The new major hub branches at Preston and Maidstone, opened in late 2009, are fully integrated and have allowed further rationalisation of the branch network. Stage one of this process is complete and delivered cost benefits during the year. Stage two will take place during 2011.

Overall the division produced another excellent cost performance producing cost savings of £3.5m, again outstripping inflation. The division has a proven track record in reducing costs and increasing efficiency in the face of declining volume.

The roll out of SAP commenced. The first branch to go live was in Norwich. This was successfully completed in September and was followed by the first major hub branch, Newbridge, which went live in November. So far the implementation has gone well. After a pause over the festive period, the full branch roll out will commence in March 2011 with the cost benefits being delivered in 2012.

Further progress has been made in securing regional press contracts with an additional £28m of new revenue secured during the year. In the last 18 months the division has secured £36m of new revenue from the regional press market.

Menzies Marketing Services – new revenue ventures

During the year the four existing businesses were brought under the banner of Menzies Marketing Services (MMS) with a single Managing Director. This move is designed to bring greater management control and strategic vision to the ventures and also to identify synergies between the businesses.

Over the last 12 months, MMS continued to grow in size and scope. Growth has, however, been slower than planned due to the wider economic outlook but the restructuring that has taken place leaves these businesses well placed to expand. It is hoped that over the next three years MMS can become a significant contributor to profit.

Throughout the year, two businesses were acquired. Trinity Field Marketing was merged with The Network which lengthened the reach of our existing Field Marketing offering. Also Reed Aviation, a press export business which has strong synergies to the existing Menzies Travel Media company, was acquired.

Project Trilogy

Five depots consolidated

After successfully securing new distribution territories, which came on stream during 2009 and 2010, 2010 saw the largest ever restructure of our distribution network. In the north-west and south-east of England a total of five depots were consolidated into larger hubs. By the end of the year, around 20% of our magazine business was being packed in a different location than before.

Customer engagement

2,500 customers surveyed

Year on year, we continue to increase our focus on the customer. In addition to focus groups held at various locations throughout the country, in 2010 we spoke directly to 2,500 customers about their service experiences – and used their answers to benchmark our performance.

Strategy

A three-pillar strategy (Execute, Redesign, Diversify) was implemented during 2009. Real progress has been made on all three fronts.

Within the **EXECUTE** phase, new regional press business has been delivered, all major distribution contracts have been renegotiated giving security of tenure through to 2014 and operationally the integration of the new business secured from Dawson News and Smiths News has been seamlessly integrated. Following the integration of the new business, branch rationalisation opportunities have been identified. Stage one of these has been delivered and 2011 will see stage two completed.

The **REDESIGN** phase has now started. The major project to implement SAP, which will provide a step change in the running of the business, has progressed with two branches now live and a roll out programme for the rest of the network in place.

Finally, the **DIVERSIFY** phase has seen significant progress with the launch of Menzies Marketing Services, two small acquisitions and the re-entry into the digital marketplace. In addition, in Ireland new contracts have been won in the Irish Republic which strengthens the business and allows it to pursue other opportunities that exist.

Key Performance Indicators

Newspapers delivered on time (%)

2010	**97.15**
2009	97.93

Magazines delivered on time (%)

2010	**97.45**
2009	98.05

Newspaper packing accuracy (%)

2010	**99.87**
2009	99.86

Magazine packing accuracy (%)

2010	**99.65**
2009	99.69

Newspaper returns processed on time (%)

2010	**88.68**
2009	88.02

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 24 to 28 and Note 16 on page 85.

Risk	Trend	Mitigation activities
Business environment risk		
Economic, environment risk Risk of an adverse change in the business environment for each division or to the overall global recession.	↔	→ 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 → Maintain capital expenditure controls → Continually review main elements of cash flow and maintain tight credit control including formal review of credit limits, exposures and payment terms → Ensure cost base is fit for purpose
Financing risk Risk of inadequate financing facilities or inadequately managing FX exposure.	↔	→ 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.	↔	→ A strategy review exercise which involves a full examination of market conditions and trends is held each year prior to budget setting and forms an integral part of the three-year plan → The development 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.	↔	→ Providing consistent, transparent levels of customer services → Balanced customer portfolio → Maintaining relationships with key accounts → Flexible business model → Regular review of costs
Publisher contract renewals Risk associated with publisher contract renewals.	↓	→ Strategic analysis of options for next contract renewal → Ongoing service level benchmarking → Major contracts secured to 2014 → Branch rationalisation plan successfully implemented

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.

Risk	Trend	Mitigation activities
Customer risk continued		
Retail aspirations and consolidation Risk associated with retail aspirations and increase in retail consolidation.	↔	→ Continue to respond actively to retailer KPIs → Customer survey has been refreshed and actions progressed → Continue to improve service levels with retail. An updated Service Pledge will be launched in 2011
People risk		
Staff development Risk of losing key staff as a result of not providing sufficient people development opportunities.	↔	→ 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 → 2010 Board level review of all key management completed
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.	↔	→ 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.	↔	→ Our team structure ensures a culture where ownership of safety is 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 maintained
Technology risk		
System failure Risk associated with collapse of global IT.	↔	→ All of our data centres have adequate power and facilities for data centres. 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

Iain Napier
Non-Executive Chairman Notes 1, 2, 3

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.

Eric Born
Non-Executive Director Note 1

Eric was appointed a Non-Executive Director in September 2010. He became Chief Executive at Wincanton plc in December 2010, having previously been Chief Operating Officer. Prior to this he was Group Senior Vice President & President West/South Europe at GateGroup, the global provider of onboard services and products to the passenger airline industry, and has also held senior roles in the retail industry.

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 a director of Eredene Capital plc having been Chairman until January 2011 and is a director of Edinburgh Worldwide Investment Trust plc. He has held various senior positions with airlines in the UK including British Caledonian and with United Airlines in Chicago.

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 of William Grant & Sons Ltd, and has also held senior financial positions with Inveresk PLC, Maddox Group plc and Clydesdale Retail Group.

Ian Harley
Non-Executive Director Notes 1, 2

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.

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.

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 founded beCogent Ltd in 1999, a contact centre and related consultancy business and was Chairman until January 2011. He is a Director of a number of other private companies.

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.

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.

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 18 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.

John Geddes
Group 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.

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

Group financial review

The Group generated an operating cash flow of £69.1m in 2010 (2009: £57.7m). Some £17m was invested in the business and £7.7m was paid as dividends.

Paul Dollman
Group Finance Director
John Menzies plc

Shareholders' funds

Shareholders' funds increased by £46.1m during the year to £85.7m, as follows:

	£m
Shareholders' funds at December 2009	**39.6**
Profit before tax	37.5
Taxation	(9.3)
Net actuarial gain	20.7
Currency translation	6.2
New shares issued	0.5
Own shares purchased	(2.6)
Dividends paid	(7.7)
Share-based payments	0.8
Shareholders' funds at December 2010	**85.7**

Cash flow

The Group generated an operating cash flow of £69.1m in 2010 (2009: £57.7m). Some £17m was invested in the business and £7.7m was paid as dividends. An additional pension payment of £3m was made. Tax and interest payments accounted for £10.5m. Net debt decreased by £33.3m from £132.3m to £99m.

	2010		2009	
Cash flow	**£m**	**£m**	£m	£m
Operating profit		**37.7**		24.3
Share-based payments		**0.8**		0.4
Depreciation		**24.0**		24.9
Amortisation of intangibles		**5.3**		4.7
Net pension movement		**(1.0)**		(1.4)
Working capital		**(2.9)**		3.2
Exceptional items		**(0.1)**		6.0
Cash spend on exceptional items		**(2.9)**		(8.1)
Dividends from associates and joint ventures		**7.9**		4.2
Non-cash items		**0.3**		(0.5)
Operating cash flow		**69.1**		57.7
Purchase of property, plant and equipment	**(11.6)**		(15.1)	
Intangible asset additions	**(3.9)**		(4.1)	
Sale of property, plant and equipment	**0.7**		1.0	
Net capital expenditure		**(14.8)**		**(18.2)**
Net interest paid		**(5.4)**		(7.1)
Tax paid		**(5.1)**		(5.5)
Free cash flow		**43.8**		26.9

Cash flow continued	2010 £m	2010 £m	2009 £m	2009 £m
Equity dividends paid		**(7.7)**		–
Additional pension payment		**(3.0)**		(1.5)
Acquisitions		**(1.7)**		(1.6)
Cash raised from asset sales and leasebacks		**5.0**		16.5
Other investments		**1.1**		3.2
Net spend on shares		**(2.1)**		–
Total movement		**35.4**		43.5
Opening net debt		**(132.3)**		(182.6)
Currency translation		**(2.1)**		6.8
Closing net debt		**(99.0)**		(132.3)

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 £2.9m included £1.5m of redundancy costs in the UK Distribution business and £1.4m of onerous lease payments provided in prior years.

Pensions

In 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. Following a consultation period with current active members in early 2010 future accrual is now capped at 1% per annum.

Income statement	2010 £m	2010 £m	2009 £m	2009 £m
Current service cost		**(1.7)**		(1.8)
Past service cost		**–**		(0.2)
Gains on curtailments and settlements		**4.6**		0.4
		2.9		(1.6)
Expected return on scheme assets	**15.2**		11.9	
Interest on pension liabilities	**(16.6)**		(13.7)	
Net financial charge		**(1.4)**		(1.8)
Net income/(charge)		**1.5**		(3.4)
Balance sheet				
Total market value of assets		**241.8**		211.9
Present value of scheme liabilities		**(289.6)**		(296.4)
Deficit in scheme		**(47.8)**		(84.5)
Related deferred tax asset		**12.9**		23.7
Net pension liabilities		**(34.9)**		(60.8)

The current service cost for 2010 decreased as a result of an ongoing reduction in the pensionable payroll. The service cost for 2011 is expected to reduce further.

During 2010 the Group contributed cash of £5.7m (2009: £4.5m) to the Fund.

The market value of invested assets increased by 14%, primarily as a result of improved equity market performance over the year.

In addition, the present value of scheme liabilities decreased by some £7m over the same period due to the pension increase exchange exercise, reduced level of long-term RPI, the impact on the Fund of the Government's change to statutory increases in deferment to be linked to CPI rather than RPI and a change in longevity assumptions which have collectively more than offset the lower level of long-dated AA corporate bond yields.

Group financial review

Pensions continued
Following the full actuarial valuation carried out as at 31 March 2009, the Company agreed with the Trustees of the Fund to contribute an additional annual cash contribution of £6m plus RPI, which commenced on 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 completed a pension increase exchange exercise whereby pensioners in the Menzies Pension Fund were offered an increased pension in exchange for foregoing future non-statutory annual increases, resulting in a pension credit of £4.6m;
- as a result of a decline in volumes and revenues in the UK cargo handling business during the year, and an excess supply capacity in the market, the acquired goodwill in respect of Menzies World Cargo was tested for impairment in accordance with IAS 36 and a goodwill charge of £2.2m was recognised; and
- in the Distribution business £2.3m was provided for the costs of rationalising excess capacity, comprising asset write-downs and staff redundancy costs.

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 underlying interest charge is analysed as follows:

	2010 £m	2009 £m
Fixed rate sterling term loan	**1.7**	1.8
Fixed rate sterling loan	**2.1**	1.0
Floating rate sterling loan	**0.9**	1.8
US dollar loans	**–**	0.7
Preference shares	**0.1**	0.1
Cash/overdrafts	**1.0**	1.0
Other finance charge	**1.4**	1.8
Net underlying interest charge	**7.2**	8.2

The sterling term loan is at a fixed rate of 6.23% and is repayable between 2011 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 is the net financial charge from the pension scheme under IAS 19.

Taxation
The tax rate on underlying profits for the year was 24.2% compared with 26.4% in 2009 and is analysed as:

	%
Tax due at UK rate	28.0
Non tax-deductible items	1.6
Unrelieved overseas losses	2.2
Utilisation of tax losses	(1.8)
Adjustment to prior years' liabilities	(5.8)
Underlying tax rate	24.2

Taxation continued
Tax paid during the year was £5.1m.

The tax effect of the exceptional items, described in Note 5 to the accounts, is a net charge of £0.9m.

The overall effective tax rate has reduced from 30.5% in 2009 to 24.8%.

In June 2010 the UK Government announced its intention to reduce the main rate of corporation tax from 28% to 24%. The fall will be phased in over a period of four years with a 1% reduction in the main corporation tax rate for each year starting on 1 April 2011. The Finance (No. 2) Act 2010, enacted on 27 July 2010, included legislation on the initial phase to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. The deferred tax asset at 31 December 2010 has been calculated at 27%. The estimated effect of the proposed reductions in rate by 2014 would be to decrease the net deferred tax asset by £0.8m. Most of the UK deferred tax asset relates to the UK pension deficit and it is expected that the majority of the reduction will be debited to other comprehensive income and will not have a material effect on the effective tax rate or on profit.

Acquisitions and disposals
During the year, the Group completed a number of small acquisitions in Romania and the UK, details of which are shown in Note 25.

The Group also disposed of its 40% interest in the Aviation associate in China, Menzies Chengdu Aviation Services Ltd, for a consideration of £1.6m.

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

	Property £m	Plant and equipment £m	Total £m
Distribution	0.2	3.2	3.4
Aviation	0.2	8.0	8.2
	0.4	11.2	11.6

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

Intangible assets
Expenditure on computer software amounted to £3.9m during 2010, of which some £2.4m related to SAP.

Capitalised goodwill amounts to £56.1m compared to £57.7m in 2009. 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 associates.

Working capital
Working capital movement is analysed as follows:

	2010 £m	2009 £m
Inventories	**(1.6)**	(2.7)
Trade and other receivables	**(3.9)**	(2.2)
Trade and other payables	**2.6**	8.1
	(2.9)	3.2

Operating review

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 2010	**Year end 31 Dec 2010**	Average for year to Dec 2009	Year end 31 Dec 2009
US$	**1.546**	**1.566**	1.562	1.615
Euro	**1.167**	**1.167**	1.121	1.126

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

Going concern
At 31 December 2010 the Group had committed borrowing facilities of £176.1m, with an expiry profile of:

£75m	November 2011
£25.5m (US$40m)	November 2011
£50m	January 2013
£25.6m	March 2020

Since the year end, facilities in the amount of £50m and US$40m have been put in place maturing in 2014. £25m and US$40m are replacing existing facilities maturing in November 2011.

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

At Menzies Aviation the year has started well with the division trading ahead of last year. Contract win momentum has continued. Notable contracts have been gained in both cargo and ground handling since the year end, including a contract with Jetstar, the Australian low cost airline, to handle 70 flights per week at their hub in Darwin and a cargo handling contract with Asiana at London Heathrow.

At Menzies Distribution, trading is broadly in line with last year. The full roll out of SAP will continue, with the next branch going live in March, and this together with further branch rationalisation opportunities will help drive efficiencies from the business.

Overall, at the Group level the year has started positively with trading ahead of last year. With a reduced interest charge, resulting from lower overall debt levels and the positive start to the year at Menzies Aviation, we believe the Group is well placed to deliver further earnings growth and shareholder value.

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.

The Group also publishes on its website an Annual Corporate Social Responsibility Report which details the practices, strategies and policies being implemented across the divisions. A copy of the Report for 2010 can be accessed at www.johnmenziesplc.com.

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 exposure to these risks is managed appropriately.

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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.

snow!

2010 – the worst winter weather since 1963

Unprecedented weather saw much of the UK grind to a halt in late 2010. However, even during the worst of the conditions in Scotland's Central Belt, Menzies Distribution managed to make more than 95% of its delivery drops on time – a testament to the resilience of our distribution teams.

Corporate social responsibility

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.

A description of the Company's internal control system for management, particularly of financial risks, is in the Corporate Governance statement on pages 36 to 46. An analysis of the key business risks facing the Group appears in the Business Review on pages 20 and 21.

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.

MORSE is a key tool in our health and safety strategy and is utilised in various forms across the Group. Details of the health and safety programmes in each division can be found in the Group's Annual Corporate Social Responsibility Report on the Group's website, www.johnmenziesplc.com.

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 Distribution		**Menzies Aviation – UK figures**		**Menzies Aviation – Worldwide figures**		
					Worldwide Category 'A' equivalent		
	UK injuries reportable under RIDDOR	Equivalent rate per 100 FTE employees	UK injuries reportable under RIDDOR	Equivalent rate per 100 FTE employees	Number	Equivalent rate per 100 FTE employees	Aircraft damage per 1,000 turns
2010	**41**	**0.09**	**67**	**1.9**	**112**	**0.33**	**0.06**
2009	40	0.10	61	1.7	107	0.33	0.07
2008	51	0.12	79	2.1	100	0.24	0.09
2007	42	1.16	52	1.5	107	0.34	0.10
2006	62	1.62	29	1.2	76	0.27	0.10

3. Employees

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.

Policies are also in place to cover the following key areas:

- attracting the right people;
- reward and incentives;
- training and development;
- communication and consultation;
- recognising human rights; and
- whistleblowing, anti-corruption and bribery.

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.

Corporate social responsibility

Carbon Trust Standard
The Group is proud that Menzies Distribution achieved the Carbon Trust Standard in 2009 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.

5. Carbon reduction

Energy consumption
Since October 2007 all Menzies Distribution 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. Energy consumption at Menzies Distribution during the year amounted to 32 million kWh, an increase of 15% on 2009, primarily due to an increase in gas usage during severe winter conditions both at the beginning and end of the year.

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 2011, 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.

Menzies Distribution has been committed to addressing environmental issues for the past 10 years. During this time the division has focused specifically on carbon emissions, as these equate directly to operational costs for a distribution business. This has had a significant, positive impact on our business with a reduction in our CO_2 emissions of approximately 30% over this period. We remain committed to action, to supporting others and learning from others.

Menzies Distribution are stakeholders within the Logistics Carbon Reduction Scheme (LCRS), a Freight Transport Association group created to lead the Logistics industry and supply chain towards a more sustainable future. The gathering of information from companies involved with the LCRS, on how they have tackled CO_2 reduction will be included in a newly created 'Knowledge Hub'. The division is also involved in a trial with Tesco along with a number of their other supplying partners to create information for a 'Carbon Knowledge Hub'. This Hub has been created by Tesco, the Sustainable Consumption Institute at Manchester University and 2 Degrees, to provide a central point of information where case studies and other information on carbon reduction can be viewed.

6. Waste and emissions

At Menzies Distribution, packaging waste, namely cardboard and polythene, and office paper are byproducts of our activities. We have waste compactors installed at our 19 hub branches in the UK which we now use for all Dry Mixed Recyclable materials rather than sending these to landfill sites, Menzies Distribution is working closely with their preferred waste service provider to achieve 90% recycling of general waste material across the Division.

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. For magazines, unsold copy from all of our branches is fed for conversion into future newsprint. 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 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 757 tonnes (2009: 708 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

Mileage and related fuel cost is a significant overhead for both our divisions and a nationwide route schedule review was undertaken by Menzies Distribution during 2009. The Menzies Distribution fleet has increased slightly from 487 in 2009 to 497 in 2010. The fleet covers cars right through to 44 tonne articulated commercial vehicles. The 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.

Menzies Aviation operates a small fleet in comparison to Menzies Distribution. Typically, these are mainly off airport activities and include busing, trucking (cargo between airports) and air freight couriering by AMI. The division 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. The division also has trucking operations in the USA, South Africa and Sweden, most of which are provided through subcontractors. The vehicle fleet undergoes a six-weekly maintenance check to ensure optimum engine efficiency.

Corporate social responsibility

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.

Menzies Distribution
A key area which Menzies Distribution had undertaken to improve further was its relationship with its customers, and 2010 saw the division continue the operation of its 'Service Pledge'. This 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 standards; and a complaints resolution process. Not content to rest on their laurels, the division began a full review at the end of the year which will culminate in the release of a new and improved 'Service Pledge' in 2011.

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.

Menzies Aviation
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 33.8 days (2009: 37.9 days) of purchases from suppliers.

9. Investment in communities

John Menzies plc is aware that it has community obligations, particularly within the countries and localities, where it does business. We have a positive duty to improve the wellbeing of individuals and to use our best endeavours to enhance community life. A positive approach to our community relations is in the best long-term interests of our Company and of those who work within it. Each year the Group Board sets a budget for its charitable activities and a Charities Committee allocates the expenditure.

The Committee will consider nominations for any charitable organisation suggested by the divisions, although generally will not make contributions to certain causes or activities including political parties, books, research papers or articles in professional journals, religious organisations or anything that conflicts with our Ethics Policy.

In 2010, over £50,000 was donated by the Company. Funding is provided via two main routes – The Charities Fund and the John M. Menzies Community Fund.

The Charities Fund seeks to provide significant levels of support to a small number of charities nominated by each operating division each year, based on the following selection criteria:

- Efficiency: be involved with charities that are small enough for our donation to make an impact, and not be absorbed in administrative costs.
- Integrity: make donations on a 'needs-based' approach rather than 'taste-based' approach.
- Effectiveness: charities to have specific aims and to be able to demonstrate how our contribution will benefit their cause.

In 2010 over £42,000 was donated via the Charities Fund to a small number of selected organisations which the Committee felt matched the investment criteria. These organisations included the Newstraid Benevolent Fund which works for individuals in need in the retailing and distribution section of the newspaper and magazine publishing industry throughout the UK; Parikrma Humanity Foundation, a non-profit organisation that is transforming education for underserved children in urban India; Support in Mind Scotland, which works to improve the wellbeing and quality of life of people affected by serious mental illness; and the Make A Wish Foundation in the USA, which grants a wish every 40 minutes to children with life-threatening conditions.

In addition to the main Charities Fund, employees are actively encouraged to support chosen charities through the Community Fund, attendance at events and the 'Payroll Giving Scheme' which allows for tax-efficient donations to be made to charities. 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 2010, some 30 applications were supported by this Fund to a total of £8,150.

Political donations

It is the Company's policy not to make political donations and no political donations were made during the year (2009: £nil).

Corporate governance statement

The Board is committed to maintaining high standards of corporate governance. In June 2010 the Financial Reporting Council issued the UK Corporate Governance Code (the 2010 Code), which is the product of an extensive review of the Combined Code on Corporate Governance (the 2008 Code). As the 2010 code applies to accounting periods beginning on or after 29 June 2010, the 2008 Code remains applicable for this report. Under consideration, however, other than the provisions concerning committee independence explained below, the Board believes the Company is compliant with the principles of both the 2008 Code and the 2010 Code.

1. The Board

1.1 Structure and Leadership

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 which have been agreed by the Board. Non-Executive Directors are required to constructively challenge and contribute to the strategic development of the Company, and are appointed for an initial term of three years. Under the Articles, any Director who was not appointed or reappointed at one of the two preceding AGMs is required to retire from office and offer themselves for re-election.

The role of the Chairman has also been agreed by the Board and is to lead the Board, lead strategic discussions between the Board, ensuring accurate, clear and timely information is available to all Directors, and to be available to the Executive Directors to discuss any concerns or issues that they may have. He ensures that sufficient time is made available for discussion of items at Board meetings, and develops an atmosphere which encourages active participation by the Board. The Chairman ensures that risk and long-term shareholder value remain a key focus for the executive team. The role of the executive team is to implement on a day-to-day basis the strategy for their division that has been agreed by the Board. They are also expected to report regularly to the Board the issues that are happening within their business, and their proposed resolutions when problems occur.

On his appointment as Chairman in May 2010, Iain Napier had been a Non-Executive Director of the business for 20 months and was considered independent. There are three other independent Non-Executive Directors (Eric Born, Ian Harley and Octavia Morley), 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.

1.2 Accountability

The Board met nine times in 2010 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, and the Divisional Operating Boards. 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.

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 Remuneration and Audit Committees both have four members, three of whom are independent Non-Executive Directors, and the Nomination Committee has three members, two of whom are independent Non-Executive Directors. The Chairmen of the Audit and Remuneration Committees are chosen from Directors who are independent under the terms of the 2008 Code, whilst the Chairman of the Nomination Committee is also Chairman of the Board.

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.

1.3 Appointments and retrials

William Thomson retired from the Board following the AGM held in May 2010 and was replaced as Chairman by Iain Napier. David Coltman has confirmed to the Board that he will retire as a Director following the AGM in May 2011.

Eric Born was appointed as a Non-Executive Director on 22 September 2010. Having been appointed since the last AGM, and in accordance with the Company's Articles of Association (the 'Articles'), Eric will stand for appointment at the Company's AGM in May 2011.

The 2008 Code requires that for companies of our size, Non-Executive Directors serving for more than nine years offer themselves up for annual re-election. The Company's Articles also require that Directors must retire by rotation where they have not been appointed or reappointed at one of the two preceding AGMs. The Directors who therefore retire and, being eligible, offer themselves for reappointment at the AGM are Paul Dollman, Dermot Jenkinson and Ian Harrison.

Paul Dollman was appointed Group Finance Director in 2002 and assumed additional responsibility for the corporate head office in 2007. He is a Non-Executive Director of Scottish Amicable Life Association Society. He qualified as a chartered accountant in 1982 with Price Waterhouse and his financial career has included being Finance Director with William Grant & Sons Ltd, Inveresk plc and Maddox Group plc. He also sits on both the Operating Boards for Menzies Aviation and Menzies Distribution.

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. These two Directors also represent the interests of the Menzies family, who collectively are our major shareholder.

Eric Born was appointed a Non-Executive Director in September 2010 and is a member of the Audit Committee. He became Chief Executive at Wincanton plc in December 2010, having previously been Chief Operating Officer. Prior to this he was Group Senior Vice President & President West/South Europe at GateGroup, the global provider of onboard services and products to the passenger airline industry, and has also held senior roles in the retail industry. Fluent in English, German and French, he holds an MBA from Simon Graduate School of Business and a BBA from the University of Applied Science in Zurich.

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 reappointment of Paul Dollman, Dermot Jenkinson and Ian Harrison and the appointment of Eric Born.

1.4 Independence

On his appointment as Chairman in May 2010, Iain Napier had been a Non-Executive Director of the business for 20 months and was considered independent.

There are three other independent Non-Executive Directors, (Eric Born, Ian Harley and Octavia Morley) which is in excess of the minimum number of two recommended by Corporate Governance guidelines for a company of our size.

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.

Three of the four members on each of the Audit and Remuneration Committees are independent, including the Chairmen of these Committees. The Nomination Committee only had one independent member during the period and in this respect is not fully compliant with the 2008 Code. Following the

AGM in May 2011, David Coltman will retire from the Board and will be replaced by Ian Harley on the Nomination Committee.

1.5 Senior Independent Director

David Coltman has been Senior Independent Director since May 2006. He will retire from the Board following the Annual General Meeting in May 2011, and will be replaced as Senior Independent Director by Ian Harley, who has been on the Board since February 2009. Ian has indicated that he has sufficient time available to meet with shareholders and other stakeholders where required, and will be available where discussions with either the Chairman or the Executive Directors are not appropriate. He is Chairman of various organisations including the Rentokil Initial Pension Trustees Ltd, the Court of Governors of the Whitgift Foundation and is a Director of South London Church Fund and Southwark Diocesan Board of Finance. Ian has significant financial and boardroom experience, and previously held a variety of posts in the Finance, Retail Banking and Wholesale Banking Divisions of Abbey National, spending nine years on their Board as Finance Director and Chief Executive Officer. He is a Fellow of the Institute of Chartered Accountants, and a Fellow and Past President of the Institute of Bankers, and the Board believes he possesses the necessary skills to be Senior Independent Director.

1.6 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.

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 as Chairman and, during 2010, the Board followed this procedure to identify Eric Born as a new Non-Executive Director.

1.7 Board performance evaluation

The Board is supportive of the principles and provisions of the 2008 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 last used in 2008 to undertake a rigorous process of performance evaluation of the Board and its members. Therefore, in 2010 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 2010 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 a meeting 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 2010 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. It also identified some small areas of improvement in the Board's strategic analysis.

1.8 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.

1.9 Directors' indemnity

Under the Articles, the Directors are indemnified to the fullest extent permissible under the Companies Act 2006. The indemnity provisions in respect of Directors' indemnification were in force throughout the last financial year and remain 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.

1.10 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 each financial 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 will also be available to answer questions from any shareholder at the Meeting. Full details of proxy votes cast on each resolution will be 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.

2. Board Committees

Board and Committee meetings and attendance in 2010:

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

*Appointments and retirals:
W Thomson retired on 21 May 2010.
E Born was appointed on 22 September 2010.

2.1 Nomination Committee
Composition:

Name	Title	Attendance
I Napier	Chairman	1/1
D Jenkinson	Member	2/2
D Coltman	Member	1/2
W Thomson	–	1/1

Changes during year:
William Thomson retired on 21 May 2010 and was replaced on the Committee by Iain Napier.

The Nomination Committee has terms of reference modelled closely on those set out in the 2008 Code and its responsibilities include recommending new Board appointments and succession planning. A copy of its 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 2010, the Nomination 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 Eric Born as a Non-Executive Director.

2.2 Remuneration Committee
Composition:

Name	Title	Attendance
O Morley	Chairman	4/4
I Harley	Member	2/2
D Jenkinson	Member	3/4
I Napier	Member	4/4

Changes during year:
I Harley was appointed a member on 21 May 2010.

The Report on Directors' Remuneration on pages 47 to 55 details the role of the Remuneration Committee and how the principles of the 2008 Code relating to Directors' remuneration have been applied.

2.3 Audit Committee
Composition:

Name	Title	Attendance
I Harley	Chairman	3/3
I Harrison	Member	3/3
O Morley	Member	3/3
I Napier	Member	1/3

Eric Born became a member of the Audit Committee in January 2011.

The Audit Committee (the '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 2008 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. It is a requirement that at least one Committee member has suitable financial experience and Ian Harley, who is a qualified accountant, has been identified as meeting this requirement. A copy of the Committee's terms of reference is available on the Company's website. The Committee has delegated authority from the Board for ensuring adherence to the 2008 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 whistleblowing; and
- overseeing all aspects of the relationship with the external auditors, including their appointment, the audit process, the supply of non-audit services and monitoring their effectiveness and independence.

The Committee met three times in 2010 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 the draft annual report (including the statements on internal control and the work of the Committee) and associated business review, and interim results announcements made by the Company. This aspect of its work focused on key accounting policies and estimates and judgements, including significant or unusual transactions or changes to these. In doing so the Committee reviewed the reports of management and the controls assurance (internal audit) provider and took into account the views of the external auditors.

The Committee also reviewed the Group's internal control structure, approved the scope of work 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, 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. It also reviewed and approved the audit plan, as well as the findings of the external auditors from 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.

During 2010, audit fees amounted to approximately £0.5m, whilst non-audit fees to Ernst & Young amounted to approximately £0.5m. All non-audit work is put out to tender, and non-audit fees paid to Ernst & Young are reported regularly to the Group Finance Director, who reports any significant payments or awards of work to the Committee. The Committee believes that the level and scope of these non-audit services does not impair the objectivity of the Company's auditors.

In 2009 the Group changed auditors from PricewaterhouseCoopers to Ernst & Young. At that time, Ernst & Young were providing non-audit services to the Group, such as due diligence and the Group's tax affairs. The Group made its decision to move to Ernst & Young following a tendering exercise, and the contract was awarded to Ernst & Young on the basis of cost, expertise and ability to audit the Group's worldwide activities. The Committee was satisfied that, in accepting the position of Statutory Auditor, Ernst & Young would be able to remain independent and objective. The work undertaken for the Group by the audit team is handled by a different partner from the tax and other non-audit services, and is managed out of a separate office.

As part of its review of the effectiveness of the external auditors, the Committee keeps under review their objectivity and independence, 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.

Corporate governance statement

To ensure compliance the Audit Committee reviewed the remuneration received by the Company's auditors for audit services, audit-related services and non-audit work. These reviews ensure a balance of objectivity, value for money and compliance with their duties. The outcome of these reviews was that performance of the relevant non-audit work by our Auditors was the most cost-effective way of conducting our business and that no conflicts of interest existed between such audit and non-audit work. These reviews enabled the Audit Committee to confirm that we continue to receive an efficient, effective and independent audit service.

2.4 Divisional Operating Boards

The Operating Boards of both Menzies Aviation and Menzies Distribution consist of senior executives from within each division, together with the Division's 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 along with the Chairman and Company Secretary. The meetings provide a forum for evaluating Group monthly performance as well as an opportunity 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 14 and the Menzies Distribution Operating Board is shown on page 18.

3. 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 Polices, 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.

3.1 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.

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

A resolution to reappoint Ernst & Young as auditors to the Company and to authorise the Board to agree their remuneration will be proposed at the AGM.

4. 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 2010 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:

4.1 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. Each Operating Board has also adopted a Corporate Governance Manual detailing its controls in implementing these Policies and Procedures. Certain activities, including treasury, taxation, insurance, pension and legal matters are controlled centrally with reports reviewed by the Board as appropriate.

4.2 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.

Corporate governance statement

Further details on how the Board manages business risks are shown on pages 20 and 21, and stakeholder risks in particular are summarised in the Corporate Social Responsibility report on pages 30 to 35.

5. Shareholder information

5.1 Directors share interests

Directors interests in the Ordinary Shares of the Company were as follows:

		31 Dec 2010	31 Dec 2009 (or date of appointment)
I Napier	Beneficial	**5,000**	5,000
E Born*		**–**	–
D Coltman	Beneficial	**35,000**	35,000
P Dollman	Beneficial	**88,077**	75,000
I Harley	Beneficial	**4,000**	2,000
I Harrison	Beneficial	**2,122,832**	2,362,320
	Non-beneficial	**402,500**	415,000
	See-note#	**–**	1,257,445
D Jenkinson	Beneficial	**2,098,360**	2,098,360
	Non-beneficial	**3,570,360**	3,570,360
	See-note#	**–**	1,257,445
D McIntosh	Beneficial	**17,524**	11,108
O Morley		**–**	–
C Smyth	Beneficial	**31,352**	54,810
W Thomson*	Beneficial	**n/a**	14,000

#Note: These holdings were joint potential beneficial interests.
*W Thomson retired on 21 May 2010.
*E Born was appointed on 22 September 2010.

In addition to the above holdings, Iain Napier 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. There have been no subsequent changes to these interests as at 7 March 2011.

5.2 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 7 March 2011.

	Number of Ordinary Shares	% Ordinary Share Capital
D C Thomson	5,190,000	8.71
Mr D Ramsay	2,589,878	4.34
Mrs P Menzies	2,529,650	4.24
Mrs K Slater	2,396,552	4.02
Mrs S Speke	2,254,920	3.78

5.3 Share capital and structure

The Company has two classes of shares: Ordinary Shares and 9% Cumulative Preference Shares.
As at 31 December 2010 the Company had an issued share capital of £16,821,131 comprising 1,735,938 9% cumulative preference shares of £1 each and 60,340,773 Ordinary Shares of 25p each. Of these 60,340,773 Ordinary Shares, 707,406 were held as Treasury Shares, leaving 59,633,367 Ordinary Shares counted for total voting rights purposes.

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.

5.4 Transfer of shares

There is no restriction on the transfer of shares in the Company, other than as contained in the Company's Articles. Subject to the Articles and the Market Rules and the requirements of the UK Listing Authority, the Directors may refuse to register a transfer of a certificated share which is not fully paid provided that this power will not be exercised so as to disturb the market in the shares.

5.5 Voting rights

Deadlines for exercising voting rights and appointing a proxy or proxies to vote on resolutions to be passed at the AGM on 20 May 2011 are specified in the Notice of AGM. Every ordinary shareholder present in person or by proxy at a general meeting of the Company shall on a show of hands have one vote unless in the case of the latter he has been appointed by more than one shareholder and has received instructions to vote both in favour of and against the same resolution in which case he will have one vote against that resolution and one vote for. 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, each holder shall have 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 persons other than the holders of its ordinary shares or 9% cumulative preference shares. The Company is not aware of any agreement between holders of its securities which may result in restrictions on the transfer of its securities or on voting rights.

5.6 Allotment and issue of shares

The Directors are, by shareholder resolutions passed at the AGM of the Company on 21 May 2010, generally and unconditionally authorised to exercise all the 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, up to an aggregate nominal amount of £5,017,825. The Directors are also empowered to allot equity securities (within the meaning of Section 560 of the 2006 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 £10,035,650. Such authority and power expire at the Company's AGM being held on 20 May 2011, unless previously revoked, varied or renewed.

It is proposed that such authority and powers be renewed by shareholder resolutions at the Company's forthcoming AGM, but without prejudice to the exercise of any such authority prior to the date of such resolutions.

5.7 Purchase of own shares

The Company is, by shareholder resolution passed at the AGM of the Company on 21 May 2010, authorised to purchase up to 6,021,390 of its own ordinary shares at a maximum price the higher of (i) 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 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 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 will be carried out, and that 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 2010, authorised to purchase up to 1,394,587 9% cumulative preference shares at a maximum price the higher of (i) 110% of the average of the middle market quotations for such 9% cumulative preference shares of the Company as derived from the London Stock Exchange 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 a 9% cumulative preference share in the Company on the trading venues where the market purchases by the Company will be carried out, and that the minimum price that may be paid is £1 per share.

These authorities expire at the AGM on 20 May 2011 and it is proposed that these authorities and powers be renewed by shareholder resolution at the Company's forthcoming AGM, but without prejudice to the exercise of any such authorities prior to the date of such resolutions.

5.8 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 any Director so appointed will hold office only until the next following AGM and shall then be eligible for reappointment. If not reappointed at such meeting, such a Director will vacate office at its conclusion, except where a resolution is passed to appoint someone in his or her place (other than with effect from a time later than the conclusion of the meeting) or a resolution for his or her reappointment is put to the meeting and lost (in either which case the retirement takes effect from the passing of the relevant resolution). 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.

5.9 Retirement by rotation

At each AGM of the Company the following Directors shall retire and be eligible for reappointment (i) as detailed above, any Director appointed since the last AGM as an additional Director or to fill a vacancy; (ii) any Director who was not appointed or reappointed at one of the preceding two AGMs.

5.10 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, or the Company's website, www.johnmenziesplc.com.

5.11 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.

Report on Directors' remuneration

Remuneration Committee membership
O Morley (Chairman)
I Harley
D Jenkinson
I Napier
J Geddes (Secretary to the Committee)

Following the Annual General Meeting in May 2010 and in accordance with best practice, Iain Napier stood down as Chairman of the Remuneration Committee (the Committee) when he became Chairman of the Board and was replaced by Octavia Morley. Ian Harley was also appointed as a Member of the Committee and the Company Secretary is the secretary of the Committee.

Members of the Committee have no personal financial interest (other than as shareholders) in the matters to be decided by the Committee 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 2008 Code, which are displayed on the Company's website.

Advisers to the Remuneration Committee
Advice sought from PricewaterhouseCoopers LLP 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 annual 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 2010 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 2011 AGM. The Chairman of the Committee will be available to answer questions from shareholders on this 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 looking at 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. These salaries are used as the basis for determining the quantum of awards under all the other plans offered. 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.

Report on Directors' remuneration

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 2008 Code. The Committee also determines the extent to which all performance targets are met.

Alignment of remuneration to objectives

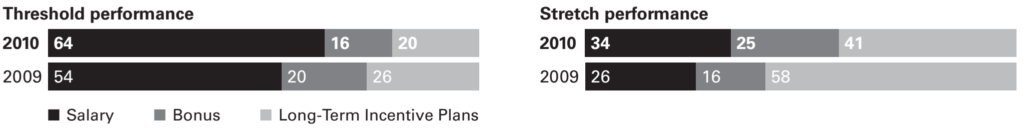
The performance-based plans adopt a variety of performance criteria rather than using one criterion over all the plans. This is to align Directors' rewards with a broadly-based growth and development plan for the business. The Long-Term Incentive Plans are designed to reward improvements within divisions 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 rewarded where the objectives set have been exceeded, as well as Executive Directors' individual targets as set by the Board.

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 incentive plans 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)



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.

Remuneration package

In 2009 the Committee reviewed the executive remuneration package offered and for 2010 onwards updated the package to reflect current best practice. The new package covers five key areas and uses the individuals' basic salary as the basis for any awards under any of the other plans.

1. Shareholding

The Remuneration Committee has asked each Executive Director to build up a shareholding valued at 150% of their base salary within five years. This target is reviewed annually by the Committee, and the current shareholding for Executive Directors is shown on page 44.

2. Basic salary and benefits

Salaries are reviewed annually, on appointment, or on change in position or responsibility. Base salaries form the basis for all additional performance and non-performance related incentive awards. Therefore in conducting annual reviews of the Executive Directors' salaries, the Committee considers internal and external factors, including 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 and David McIntosh 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 small mortgage subsidy payment.

The basic salaries for the Executive Directors for the year are disclosed in the Directors' remuneration table on page 53. Annual salary reviews take place in March each year, with any increase implemented from 1 May.

3. 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 maximum annual bonus is 75% of base salary, split on the following basis:

Cash element		Share 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.

The Key Result Area (KRA) element will only be payable should 95% of the threshold target be met. 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 2010 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.

For the year 2010, bonuses were calculated as follows and are payable on 24 March 2011:

Name	Measure	Threshold target	Stretch target	Achieved	Cash element	Shares element
P Dollman[(1)]	Group PBT	£38.0m	£41.8m	£45.0m	£134,178	£43,014
	Aviation EBIT	£16.5m	£19.0m	£24.6m		
	Distribution EBIT	£30.6m	£33.0m	£28.8m		
	Key Result Areas (KRAs)			100%		
D McIntosh	Distribution EBIT	£30.6m	£33.0m	£28.8m	Nil	Nil
	Key Result Areas (KRAs)			n/a		
C Smyth	Aviation EBIT	£16.5m	£19.0m	£24.6m	£150,150	£60,000
	Key Result Areas (KRAs)			67%		

(1) The targets relating to P Dollman's bonus are split equally between Group performance, Menzies Aviation EBIT and Menzies Distribution EBIT.

4. Bonus Co-Investment Plan

Under the Bonus Co-Investment Plan ('BCIP') Executive Directors are invited to invest up to 40% of any cash bonus (net of tax) into the BCIP. From 2010 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. In previous years, awards had been made on a 2:1 basis. 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.

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 for 2010 at 6% or above. In previous years, the stretch level had been set 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 below. The total plan summary is included in Note 20, on page 95.

An award made in 2007 had a performance period ended December 2009. 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 during 2010. The award made in 2008 had a performance period ended December 2010. The real per annum growth in EPS for that period was above the threshold levels and therefore the award will vest in March 2011.

	31 Dec 2009	Granted during year	Market price of award (p)	Lapsed during year	**31 Dec 2010**
P Dollman	29,378	20,448	342.5	5,586	**44,240**
D McIntosh	13,332	10,847	342.5	–	**24,179**
C Smyth	40,012	11,177	342.5	19,366	**31,823**

5. Long-Term Incentive Plans

2007 Divisional Performance Share Plan (the "2007 Plan")

In 2009, following external advice and a market review, the Committee, resolved that, in keeping with best practice, the value of any awards under the 2007 Plan from 2010 onwards should be limited to one times the individual's salary in Ordinary Shares.

Executive Directors may be awarded a number of conditional shares under the 2007 Plan as determined by the Committee. Attached to any award is a three-year performance period with appropriate targets. From 2010, targets will for Divisional Managing Directors will be based 75% on the Group performance, and 25% of their award set on their own division's performance measured using Divisional Financial Results (DFR). The 2007 Plan therefore aligns each divisional Director to the performance of both the Group and future divisional profitability and is appropriate given the structure of the Group to incentivise each Divisional Managing Director. Performance conditions are reviewed for each cycle of the plan.

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 2008 had a performance period ended December 2010, and the performance targets are disclosed below. Craig Smyth was the only Executive Director to participate in this award, and his DFR was based on Menzies Aviation Operating Profit. As the DFR for this award has not been achieved this award will lapse during 2011.

2008 Award – DFR Measure	Threshold target	Stretch target	2010 Result
Aviation			
Operating profit	£30.0m	£35.0m	£24.6m
Distribution			
Operating profit	£23.0m	£27.0m	£28.8m
Reduction in operating costs	£3.0m	£5.0m	£4.5m
Income from new revenue streams	£4.0m	£7.5m	£5.6m

Awards made to Executive Directors under the 2007 Plan in 2010 are shown below:

	31 Dec 2009	Granted during year	Market Price of award (p)	Lapsed during year	**31 Dec 2010**
P Dollman	–	91,662	342	–	**91,662**
D McIntosh	–	65,789	342	–	**65,789**
C Smyth	70,000	87,719	342	35,000	**122,719**

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.

	31 Dec 2009	Granted during year	Exercised during year	Market price at date of exercise	Lapsed during year	Gain/ (loss)	31 Dec 2010	Exercise Price	Exercisable from	Exercisable to
P Dollman	510	–	510	395	–	£240	–	348	01/12/2009	01/06/2010
	67	–	67	461.5	–	£6	–	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
		415	–	–	–	–	415	355	01/12/2013	01/06/2014
D McIntosh	67	–	67	461.5	–	£6	–	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
		415	–	–	–	–	415	355	01/12/2013	01/06/2014
C Smyth	2,123	–	–	–	–	–	2,123	452	01/12/2010	01/06/2011

Previous Incentive Plans

2005 Performance Share Plan (the "2005 PSP")

Under the 2005 PSP 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 2005 PSP rules allow the Remuneration Committee to select and amend appropriate performance criteria for future awards.

In 2010, 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 below. The award of conditional shares made in 2007 which had a performance period from January 2007 to December 2009 lapsed during the period with the performance criteria not being met. The only other award was made in 2008 with a performance period ending December 2010. The performance criteria for this award has not been achieved, and this award will also lapse during 2011.

It is not the intention of the Committee to issue any further awards under this plan.

	31 Dec 2009	Granted during year	Lapsed during year	**31 Dec 2010**
P Dollman	105,000	–	35,000	**70,000**
D McIntosh	–	–	–	**–**
C Smyth	35,000	–	–	**35,000**

Governance

2009 Performance Share Plan (the "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 2009 PSP are shown below:

	31 Dec 2009	Granted during year	Lapsed during year	**31 Dec 2010**
P Dollman	450,000	–	–	**450,000**
D McIntosh	337,500	–	–	**337,500**
C Smyth	450,000	–	–	**450,000**

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 below, 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.

	31 Dec 2009	Lapsed during year	**31 Dec 2010**	Exercise price (p)	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	28/01/2003	27/01/2010
	43,062	–	**43,062**	418	07/05/2007	06/05/2014

Directors' emoluments

	Date of appointment (resignation)	Salary/fees 2010 £'000	Salary/fees 2009 £'000	Benefits 2010 £'000	Benefits 2009 £'000	Bonus 2010 £'000	Bonus 2009 £'000	Incentive Plans 2010 £'000	Incentive Plans 2009 £'000	Total 2010 £'000	Total 2009 £'000
Chairman											
I Napier[1]	21/05/2009	**118**	37	**–**	–	**–**	–	**–**	–	**118**	37
Executive Directors											
P Dollman	08/08/2002	**318**	313	**14**	14	**177**	177	**–**	–	**509**	504
D McIntosh	24/07/2009	**238**	188	**39**	22	**–**	102	**69**	68	**346**	380
C Smyth	20/03/2007	**300**	300	**50**	49	**210**	193	**–**	–	**560**	542
Non-Executive Directors											
E Born	22/09/2010	**10**	–	**–**	–	**–**	–	**–**	–	**10**	–
D Coltman	21/05/2010	**51**	51	**–**	–	**–**	–	**–**	–	**51**	51
I Harley	21/05/2009	**41**	34	**–**	–	**–**	–	**–**	–	**41**	34
I Harrison	21/05/2010	**37**	35	**–**	–	**–**	–	**–**	–	**37**	35
D Jenkinson	21/05/2010	**37**	35	**–**	–	**–**	–	**–**	–	**37**	35
O Morley	21/05/2009	**39**	35	**–**	–	**–**	–	**–**	–	**39**	35
Former Directors											
W Thomson	(21/05/2010)	**64**	164	**–**	–	**–**	–	**–**	–	**64**	164
E Watson	(24/07/2009)	**–**	181	**–**	29	**–**	–	**–**	–	**–**	210
I Robertson	(21/05/2009)	**–**	15	**–**	–	**–**	–	**–**	–	**–**	15
		1,253	1,388	**103**	114	**387**	472	**69**	68	**1,812**	2,042

[1] I Napier became chairman on 21 May 2010.

Service contracts

The Executive Directors have service contracts with the Company, the dates of which are listed above. 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.

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 (2009: £31,800) (Scottish Amicable Life Association Society)

Payments to outgoing Directors

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.

Non-Executive Directors

Appointment & Service Contracts

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. 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.

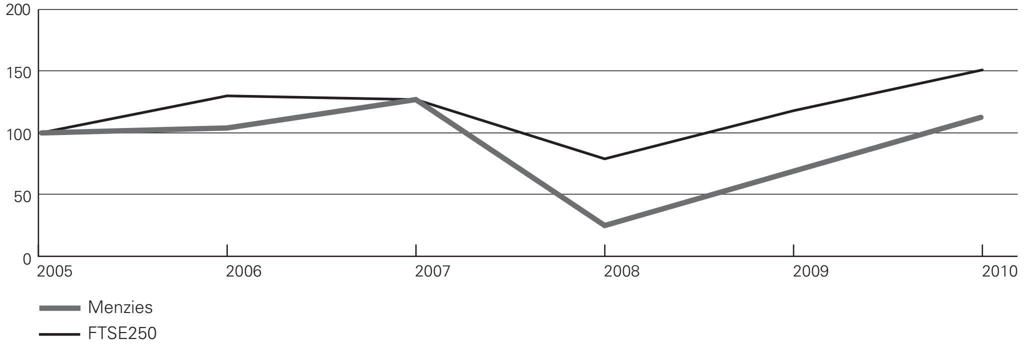
Salary

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. From May 2010, the fees paid were:

Basic payment	£36,000
Committee Chairmanship	£6,000
Committee membership	£2,500
SID fee	£14,061

Performance graph

The following graph compares the Company's total shareholder return for the five years to December 2010 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.



Share price

The market price for shares in John Menzies plc ranged from 296.5p to 510p during the year and was 472.5p at 31 December 2010.

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 'scheme earnings cap' if lower, together with additional benefits as detailed below. Pensionable earnings are based on salary excluding bonuses.

Unfunded arrangement

The pensionable salary of Paul Dollman is restricted as a consequence of the 'scheme earnings cap'. He has an unfunded pension undertaking from the Company to provide in total the same level of pension as if the 'scheme earnings cap' did not apply. This entitlement is effective from his date of appointment as a Director.

Craig Smyth, and David McIntosh 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	Statutory revaluation £'000	Total accrued pension at 31 Dec 2010 £'000	Transfer value of increases at 31 Dec 2010 (net of inflation and Director's contributions) £'000	Transfer value of total accrued pension at 31 Dec 2010 £'000	Director's contributions during the period £'000	Increases in value of pension during the period (net of Director's contributions) £'000
P Dollman[1]	54	30.2	531.5	4.7	1.4	36.4	59.7	654.5	24.9	98.1
P Dollman[2]	54	41.6	732.1	5.2	2.0	48.8	94.1	879.1	–	147.0
C Smyth	43	39.2	504.9	2.9	1.8	43.9	27.1	575.1	10.7	59.5
D McIntosh	47	49.4	738.0	2.5	2.3	54.3	28.0	827.8	10.7	79.1

Notes:

[1] The funded portion of P Dollman's benefits.

[2] The unfunded portion of P Dollman's benefits.

(a) Accrued pension entitlements are the amounts which would be paid at normal retirement date if the Director left service as at 31 December 2010, 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) The transfer values have been calculated in accordance with the Trustee's agreed method for cash equivalent transfer values. The 'transfer value of increase' figure is influenced by a number of factors, including the level of contributions paid, the age of the Director and the benefit structure and, as such, can differ substantially given similar increases in accrued pension.

(d) The total of the transfer values for unfunded pension entitlements as above, held on the Company's balance sheet at 31 December 2010 for current and former Directors, calculated on an IAS 19 basis, totalled £1,277,861 (2009: £1,139,012), from which annual pensions of £19,083 (2009: £18,527) were paid to former Directors.

By order of the Board
J F A Geddes
Group Company Secretary
7 March 2011

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 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Company Statement of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 27. 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 auditor

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 and express an opinion on 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 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 2010 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 28, in relation to going concern;
- 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; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Hywel Ball (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
Edinburgh
7 March 2011

Notes:

1. The maintenance and integrity of the John Menzies plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group income statement

for the year ended 31 December 2010 (year ended 31 December 2009)

	Notes	**Before exceptional and other items £m**	**Exceptional and other items £m**	**2010 Total £m**	Before exceptional and other items £m	Exceptional and other items £m	2009 Total £m
Revenue	2	**1,837.6**	**–**	**1,837.6**	1,725.7	–	1,725.7
Net operating costs	3	**(1,796.7)**	**(3.2)**	**(1,799.9)**	(1,692.1)	(9.3)	(1,701.4)
Operating profit	2	**40.9**	**(3.2)**	**37.7**	33.6	(9.3)	24.3
Share of post-tax results of joint ventures and associates		**11.3**	**(4.1)**	**7.2**	9.8	(3.9)	5.9
Operating profit after joint ventures and associates	2	**52.2**	**(7.3)**	**44.9**	43.4	(13.2)	30.2
Analysed as:							
Underlying operating profit*		**52.2**	**–**	**52.2**	43.4	–	43.4
Non-recurring items	5(a)	**–**	**0.1**	**0.1**	–	(6.0)	(6.0)
Associate goodwill impairment	5(b)	**–**	**(1.8)**	**(1.8)**	–	(1.8)	(1.8)
Contract amortisation	5(b)	**–**	**(3.3)**	**(3.3)**	–	(3.3)	(3.3)
Share of interest on joint ventures and associates		**–**	**0.2**	**0.2**	–	–	–
Share of tax on joint ventures and associates		**–**	**(2.5)**	**(2.5)**	–	(2.1)	(2.1)
Operating profit after joint ventures and associates		**52.2**	**(7.3)**	**44.9**	43.4	(13.2)	30.2
Finance income	7	**1.1**	**–**	**1.1**	0.6	–	0.6
Finance charges	7	**(6.9)**	**(0.2)**	**(7.1)**	(7.0)	–	(7.0)
Other finance charges – pensions	4	**(1.4)**	**–**	**(1.4)**	(1.8)	–	(1.8)
Profit before taxation		**45.0**	**(7.5)**	**37.5**	35.2	(13.2)	22.0
Taxation	8	**(10.9)**	**1.6**	**(9.3)**	(9.3)	2.6	(6.7)
Profit for the year		**34.1**	**(5.9)**	**28.2**	25.9	(10.6)	15.3
Attributable to equity shareholders		**34.0**	**(5.9)**	**28.1**	25.9	(10.6)	15.3
Attributable to non-controlling interests		**0.1**	**–**	**0.1**	–	–	–
		34.1	**(5.9)**	**28.2**	25.9	(10.6)	15.3
Earnings per ordinary share	10						
Basic		**57.9p**	**(10.0)p**	**47.8p**	43.8p	(17.9)p	25.8p
Diluted		**57.7p**	**(10.0)p**	**47.7p**	43.8p	(17.9)p	25.8p

*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 2010 (year ended 31 December 2009)

	Notes	**2010 £m**	2009 £m
Profit for the year		**28.2**	15.3
Actuarial gain/(loss) on defined benefit pensions	4	**29.5**	(50.0)
Actuarial loss on unfunded pension arrangements		**–**	(0.2)
Deferred tax associated with defined benefit pensions		**(8.8)**	14.1
Losses on cash flow hedges		**–**	(1.2)
Income tax effect		**–**	0.3
Net exchange adjustments		**6.2**	(1.7)
Other comprehensive income for the year, net of tax		**26.9**	(38.7)
Total comprehensive income for the year		**55.1**	(23.4)
Attributable to equity shareholders		**55.0**	(23.4)
Attributable to non-controlling interests		**0.1**	–
		55.1	(23.4)

Group and Company balance sheets

as at 31 December 2010 (31 December 2009)

Company Name: John Menzies plc
Company Number: SC34970

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
ASSETS					
Non-current assets					
Intangible assets	11	**100.5**	100.5	**–**	–
Property, plant and equipment	12	**128.2**	140.8	**30.7**	31.6
Investments accounted using the equity method	13	**41.7**	41.8	**292.7**	292.5
Derivative financial assets	16	**–**	0.1	**–**	0.1
Deferred tax assets	19	**11.0**	19.9	**8.6**	19.0
		281.4	303.1	**332.0**	343.2
Current assets					
Inventories		**13.6**	12.0	**–**	–
Trade and other receivables	14	**165.9**	158.9	**205.6**	224.7
Available for sale investment	13	**–**	1.4	**–**	–
Derivative financial assets	16	**1.3**	2.5	**1.3**	2.5
Cash and cash equivalents		**26.6**	31.5	**8.4**	10.5
		207.4	206.3	**215.3**	237.7
LIABILITIES					
Current liabilities					
Borrowings	16	**(60.5)**	(12.8)	**(60.2)**	(12.2)
Derivative financial liabilities	16	**(2.5)**	(2.2)	**(2.5)**	(2.2)
Trade and other payables	15	**(205.9)**	(200.0)	**(273.7)**	(247.5)
Current income tax liabilities		**(13.4)**	(9.7)	**–**	–
Provisions	19	**(3.3)**	(2.6)	**–**	–
		(285.6)	(227.3)	**(336.4)**	(261.9)
Net current liabilities		**(78.2)**	(21.0)	**(121.1)**	(24.2)
Total assets less current liabilities		**203.2**	282.1	**210.9**	319.0
Non-current liabilities					
Borrowings	16	**(63.2)**	(150.1)	**(63.1)**	(150.1)
Other payables	15	**(1.9)**	(1.3)	**(5.1)**	–
Derivative financial liabilities	16	**(0.7)**	(1.3)	**(0.7)**	(1.3)
Provisions	19	**(3.8)**	(5.3)	**–**	–
Retirement benefit obligations	4	**(47.8)**	(84.5)	**(47.8)**	(84.5)
		(117.4)	(242.5)	**(116.7)**	(235.9)
Net assets		**85.8**	39.6	**94.2**	83.1
Shareholders' equity					
Ordinary shares	20	**15.1**	15.1	**15.1**	15.1
Share premium account		**16.3**	15.8	**16.3**	15.8
Investment in own shares	9	**(5.9)**	(3.3)	**–**	–
Hedge accounting reserve	24	**(0.9)**	(0.9)	**(0.9)**	(0.9)
Retained earnings		**39.5**	(8.7)	**42.1**	31.5
Capital redemption reserve		**21.6**	21.6	**21.6**	21.6
Total shareholders' equity		**85.7**	39.6	**94.2**	83.1
Non-controlling interest in equity		**0.1**	–	**–**	–
Total equity		**85.8**	39.6	**94.2**	83.1

The accounts were approved by the Board of Directors on 7 March 2011 and signed on its behalf by:

Iain Napier
Chairman

Paul Dollman
Group Finance Director

Group and Company statement of changes in equity

as at 31 December 2010 (31 December 2009)

	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 2009	15.1	15.8	(3.3)	(0.9)	(8.7)	21.6	39.6
Profit for the year	–	–	–	–	28.2	–	28.2
Other comprehensive income	–	–	–	–	26.9	–	26.9
Total comprehensive income	–	–	–	–	55.1	–	55.1
New share capital issued	–	0.5	–	–	–	–	0.5
Share-based payments	–	–	–	–	0.8	–	0.8
Dividends paid	–	–	–	–	(7.7)	–	(7.7)
Repurchase of own shares	–	–	(2.6)	–	–	–	(2.6)
At 31 December 2010	**15.1**	**16.3**	**(5.9)**	**(0.9)**	**39.5**	**21.6**	**85.7**
At 31 December 2008	15.1	15.8	(3.3)	–	13.4	21.6	62.6
Profit for the year	–	–	–	–	15.3	–	15.3
Other comprehensive income	–	–	–	(0.9)	(37.8)	–	(38.7)
Total comprehensive income	–	–	–	(0.9)	(22.5)	–	(23.4)
Share-based payments	–	–	–	–	0.4	–	0.4
At 31 December 2009	15.1	15.8	(3.3)	(0.9)	(8.7)	21.6	39.6
Company							
At 31 December 2009	15.1	15.8	–	(0.9)	31.5	21.6	83.1
Loss for the year	–	–	–	–	(2.6)	–	(2.6)
Other comprehensive income	–	–	–	–	20.7	–	20.7
Total comprehensive income	–	–	–	–	18.1	–	18.1
New share capital issued	–	0.5	–	–	–	–	0.5
Share-based payments	–	–	–	–	0.2	–	0.2
Dividends paid	–	–	–	–	(7.7)	–	(7.7)
At 31 December 2010	**15.1**	**16.3**	**–**	**(0.9)**	**42.1**	**21.6**	**94.2**
At 31 December 2008	15.1	15.8	–	–	4.2	21.6	56.7
Profit for the year	–	–	–	–	63.4	–	63.4
Other comprehensive income	–	–	–	(0.9)	(36.1)	–	(37.0)
Total comprehensive income	–	–	–	(0.9)	27.3	–	26.4
At 31 December 2009	15.1	15.8	–	(0.9)	31.5	21.6	83.1

Group and Company statement of cash flows

for the year ended 31 December 2010 (year ended 31 December 2009)

		Group		Company	
	Notes	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Cash flows from operating activities					
Cash generated from operations	21	**58.2**	52.0	**(10.4)**	(7.7)
Interest received		**1.0**	0.8	**–**	–
Interest paid		**(6.4)**	(7.9)	**(5.5)**	(7.2)
Tax paid		**(5.1)**	(5.5)	**(0.3)**	(1.3)
Net cash from operating activities		**47.7**	39.4	**(16.2)**	(16.2)
Cash flows from investing activities					
Investment in joint ventures and associates		**1.0**	0.9	**–**	–
Loan repaid by joint venture		**0.1**	2.3	**–**	–
Proceeds from disposal of investments		**1.6**	0.6	**–**	–
Acquisitions	25	**(1.7)**	(1.6)	**–**	–
Purchase of property, plant and equipment		**(11.6)**	(15.1)	**–**	–
Intangible asset additions		**(3.9)**	(4.1)	**–**	–
Proceeds from sale of property, plant and equipment		**4.1**	16.9	**–**	6.0
Dividends received		**7.9**	4.2	**–**	–
Net cash used in investing activities		**(2.5)**	4.1	**–**	6.0
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**0.5**	–	**0.5**	–
Purchase of own shares		**(2.6)**	–	**(2.6)**	–
Repayment of borrowings	23	**(88.7)**	(54.3)	**(88.7)**	(54.3)
Proceeds from borrowings	23	**50.2**	14.3	**50.2**	14.3
Dividends paid to ordinary shareholders		**(7.7)**	–	**(7.7)**	–
Amounts repaid by subsidiaries		**–**	–	**64.8**	49.4
Net cash from financing activities		**(48.3)**	(40.0)	**16.5**	9.4
(Decrease)/increase in net cash and cash equivalents	23	**(3.1)**	3.5	**0.3**	(0.8)
Effects of exchange rate movements		**0.8**	(0.2)	**–**	(0.2)
Opening net cash and cash equivalents		**20.5**	17.2	**(0.2)**	0.8
Closing net cash and cash equivalents*	23	**18.2**	20.5	**0.1**	(0.2)

*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 2010 were approved and authorised for issue in accordance with a resolution of the Directors on 7 March 2011. 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 2010 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 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 32 '(Amendment) Classification of Rights Issues' is effective for annual periods on or after 1 February 2010.

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

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 IFRS's as of 1 January 2010:
IFRS 2 '(Amendment) Group Cash-settled Share-based Payment Transactions'.

IFRS 3 'Business Combinations (Revised)'.

IAS 27 'Consolidated and Separate financial statements (Revised)'.

IAS 39 '(Amendment) Eligible Hedged items'.

IFRIC 12 'Service Concession Agreements'.

IFRIC 15 'Agreements for the Construction of Real Estate'.

IFRIC 17 'Distribution of non-cash Assets to owners'.

IFRIC 18 'Transfers of assets from customers'.

As permitted by Section 408 of the Companies Act 2006 no income statement is presented by 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-coterminus 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.

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.

1. Accounting policies continued

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 inter-company 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 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.

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
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 assumptions used to calculate pension benefits.

The assumptions include corporate bond yields, investment return, price and salary inflation and mortality assumptions. Full details of assumptions used to calculate the pension assets and liabilities are found in Note 4.

Exceptional items
Exceptional items are those 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 pages 24 to 28.

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. 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.

Following a review of internal reporting, the information presented to the Board for the purpose of resource allocation and assessment of segment performance is focused on the performance of each division as a whole but also contains performance information on a number of operating segments within the Aviation division. The Board assesses the performance of the operating segments based on a measure of adjusted segment result before exceptional items 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 Board does not monitor assets and liabilities on a divisional basis.

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

Comparatives have been adjusted to reflect the new reporting format.

Business segment information

	Revenue		Pre-exceptional operating profit/(loss)*	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Distribution	**1,338.2**	1,302.7	**28.8**	28.6
Aviation				
– ground handling	**369.8**	324.4	**21.8**	20.1
– cargo handling	**156.7**	132.7	**5.0**	(4.3)
– cargo forwarding	**98.7**	78.2	**2.3**	1.5
– discontinued	**0.8**	7.1	**(1.2)**	1.5
– unallocated costs	**–**	–	**(3.3)**	(3.0)
	626.0	542.4	**24.6**	15.8
Corporate	**–**	–	**(1.2)**	(1.0)
	1,964.2	1,845.1	**52.2**	43.4
Joint ventures and associates	**(126.6)**	(119.4)	**–**	–
	1,837.6	1,725.7	**52.2**	43.4

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

2010	**Distribution £m**	**Aviation £m**	**Corporate £m**	**Group £m**
Operating profit	**24.8**	**9.5**	**3.4**	**37.7**
Share of post-tax results of joint ventures	**1.2**	**4.2**	**–**	**5.4**
Share of post-tax results of associates	**–**	**1.8**	**–**	**1.8**
Operating profit after joint ventures and associates	**26.0**	**15.5**	**3.4**	**44.9**
Net finance expense				**(7.4)**
Profit before tax				**37.5**
Analysed as:				
Pre-exceptional operating profit/(loss)*	**28.8**	**24.6**	**(1.2)**	**52.2**
Pension credit (Note 5)	**–**	**–**	**4.6**	**4.6**
Impairment provisions (Notes 5(a) and 5(b))	**–**	**(4.0)**	**–**	**(4.0)**
Rationalisation costs (Note 5)	**(2.3)**	**–**	**–**	**(2.3)**
Contract amortisation (Note 11)	**–**	**(3.3)**	**–**	**(3.3)**
Share of interest on joint ventures and associates	**–**	**0.2**	**–**	**0.2**
Share of tax on joint ventures and associates	**(0.5)**	**(2.0)**	**–**	**(2.5)**
Operating profit after joint ventures and associates	**26.0**	**15.5**	**3.4**	**44.9**

2009	Distribution £m	Aviation £m	Corporate £m	Group £m
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
Analysed as:				
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

*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.

2. Segment information continued

2010	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	**176.7**	**270.0**	**4.1**	**450.8**
Unallocated assets				**38.0**
Total assets				**488.8**
Segment liabilities	**(113.7)**	**(86.9)**	**(17.6)**	**(218.2)**
Unallocated liabilities				**(184.8)**
Total liabilities				**(403.0)**
Segment net assets/(liabilities)	**63.0**	**183.1**	**(13.5)**	**232.6**
Unallocated net liabilities				**(146.8)**
Net assets				**85.8**

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)	60.2	197.7	(12.6)	245.3
Unallocated net liabilities				(205.7)
Net assets				39.6

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.

2010	Distribution £m	Aviation £m	Corporate £m	Group £m
Capital expenditure	**3.4**	**9.3**	**–**	**12.7**
Depreciation	**5.9**	**17.2**	**0.9**	**24.0**
Amortisation of intangible assets	**1.7**	**3.6**	**–**	**5.3**
Goodwill impairment (Note 13)	**–**	**1.8**	**–**	**1.8**
(Gain)/loss on disposal of property, plant and equipment	**(0.4)**	**0.7**	**–**	**0.3**

2009	Distribution £m	Aviation £m	Corporate £m	Group £m
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)

Geographic information

	Revenue 2010 £m	Revenue 2009 £m	Segment non-current assets 2010 £m	Segment non-current assets 2009 £m
United Kingdom	**1,412.9**	1,369.0	**153.5**	163.4
Continental Europe	**128.0**	112.5	**32.2**	35.3
Americas	**140.9**	126.6	**24.3**	25.8
Rest of the World	**155.8**	117.6	**60.4**	58.6
	1,837.6	1,725.7	**270.4**	283.1

3. Net operating costs

	2010 £m	2009 £m
Goods for resale and other operating charges	**1,380.9**	1,302.4
Employment costs (Note 4)	**389.8**	363.4
Intangible assets amortisation (Note 11)	**5.3**	4.7
Depreciation (Note 12)	**24.0**	24.9
Exceptional items (Note 5)	**(0.1)**	6.0
	1,799.9	1,701.4

	2010 £m	2009 £m
Other operating charges include:		
Operating leases and hire charges – plant and machinery	**19.8**	17.2
Rent of properties	**29.6**	26.8
Loss/(gain) on disposal of property, plant and equipment	**0.3**	(1.7)

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

	2010 £m	2009 £m
Audit services		
Audit of Parent Company and consolidated accounts	**0.2**	0.2
Audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
Non-audit services		
UK taxation	**0.2**	0.3
Overseas taxation	**0.2**	0.3
Due diligence	**0.1**	–

4. Employees

	2010 £m	2009 £m
Wages and salaries	**348.8**	325.2
Share-based payments	**0.8**	0.4
Social security costs	**31.2**	28.8
	380.8	354.4
Pension charge	**9.0**	9.0
	389.8	363.4

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4. Employees continued

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

	2010 number	2009 number
Distribution	**3,899**	3,873
Aviation	**14,989**	13,706
Corporate	**18**	20
	18,906	17,599

The numbers above include 10,930 full-time equivalent persons employed outside the UK (2009: 9,913).

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:

	2010 £m	2009 £m
Menzies Pension Fund	**1.7**	1.6
Other schemes	**7.3**	7.4
	9.0	9.0

Financial assumptions
The Actuary undertook a valuation of the Menzies Pension Fund as at 31 December 2010 (2009: 31 December) under IAS 19.

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

	2010 %	2009 %
Rate of increase in salaries	**3.30**	3.50
Rate of increase in pensions (prior to 1 May 2006)	**3.40**	3.60
Rate of increase in pensions (from 1 May 2006 to 1 June 2010)	**2.50**	2.50
Rate of increase in pensions (after 1 June 2010)	**1.00**	–
Price inflation	**3.30**	3.50
Discount rate	**5.40**	5.70

Assumptions regarding future mortality experience are set based on advice from the Actuary in accordance with published statistics and experience in the business. As a result of the March 2009 triennial valuation, the scheme memberships were analysed into further categories and scheme mortality by category was adjusted in light of better information to take account of experience.

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

	2010	2009
Male	**20.0**	20.5
Female	**21.7**	22.3

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

	2010	2009
Male	**20.6**	21.8
Female	**22.8**	24.3

Fair value of assets (and expected return on assets)

	2010		2009	
	Long-term rate of return %	**Value at December £m**	Long-term rate of return %	Value at December £m
Equities	**7.7**	**158.4**	7.9	141.1
Bonds	**5.4**	**57.1**	5.7	46.2
Property	**6.7**	**26.1**	6.9	23.9
Other	**0.5**	**0.2**	0.5	0.7
Total value of assets		**241.8**		211.9
Defined benefit obligation		**(289.6)**		(296.4)
Recognised in balance sheet		**(47.8)**		(84.5)
Related deferred tax asset (Note 19)		**12.9**		23.7
Net pension liabilities		**(34.9)**		(60.8)

Sensitivity analysis

A reduction in the net 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 net discount rate for the Fund of 0.1% would be an increase/decrease to the defined benefit obligation of around 1.8%/£5.2m.

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 £298m.

Components of pension expense	2010 £m	2009 £m
Amounts (credited)/charged to operating profit		
Current service cost	**1.7**	1.8
Past service cost	**–**	0.2
Gains on curtailments and settlements	**(4.6)**	(0.4)
	(2.9)	1.6
Amounts included in finance costs		
Expected return on pension scheme assets	**15.2**	11.9
Interest on pension liabilities	**(16.6)**	(13.7)
Net financial charge	**(1.4)**	(1.8)
Pension (income)/expense	**(1.5)**	3.4

Amounts recognised in the Statement of comprehensive income	£m	£m
Gain on assets	**18.2**	26.4
Gain/(loss) on defined benefit obligation	**11.3**	(76.4)
Actuarial gain/(loss)	**29.5**	(50.0)

Change in scheme assets during the year	£m	£m
Fair value of assets at start of year	**211.9**	182.4
Expected return on assets	**15.2**	11.9
Company contributions	**5.7**	4.5
Employee contributions	**1.2**	1.3
Assets distributed on settlements	**–**	(1.5)
Benefits and expenses paid	**(10.4)**	(13.1)
Gain on assets	**18.2**	26.4
Fair value of assets at end of year	**241.8**	211.9

The actual return on scheme assets was a gain of £33.4m (2009: a gain of £38.3m).

4. Employees continued

Change in defined benefit obligation during the year	2010 £m	2009 £m
Defined benefit obligation at start of year	**296.4**	218.0
Current service cost	**1.7**	1.8
Past service cost	**–**	0.2
Interest cost	**16.6**	13.7
Gains on curtailments and settlements	**(4.6)**	(1.9)
Employee contributions	**1.2**	1.3
Benefits and expenses paid	**(10.4)**	(13.1)
(Gain)/loss on defined benefit obligation	**(11.3)**	76.4
Defined benefit obligation at end of year	**289.6**	296.4

The net impact on the scheme liability of changing the inflation measure from RPI to CPI is a £7m reduction in the liability.

Expected employer contributions for 2011 are estimated to be £9m.

History of experience gains and losses	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Gain/(loss) on scheme assets	**18.2**	26.4	(78.1)	(2.7)	12.0
Percentage of scheme assets	**7.5%**	12.5%	42.8%	1.0%	5.0%
Actuarial gain/(loss) on defined benefit obligation	**11.3**	(76.4)	29.4	(0.5)	11.4
Percentage of scheme liabilities	**3.9%**	25.8%	13.5%	0.2%	5.0%
Total value of assets	**241.8**	211.9	182.4	250.2	237.2
Defined benefit obligation	**(289.6)**	(296.4)	(218.0)	(240.7)	(231.8)
Recognised in balance sheet	**(47.8)**	(84.5)	(35.6)	9.5	5.4

5(a). Exceptional items

	Notes	2010 £m	2009 £m
Pension credit	(i)	**4.6**	–
Rationalisation costs	(ii)	**(2.3)**	(4.7)
Impairment provisions	(iii)	**(2.2)**	(1.0)
Onerous lease provision	(iv)	**–**	(1.7)
Gain on disposal of property, plant and equipment	(v)	**–**	1.2
Gain on disposal of interest in joint venture	(vi)	**–**	0.2
		0.1	(6.0)

(i) During the year the Group completed a pension increase exchange exercise whereby pensioners in the Menzies Pension Fund were offered an increased pension in exchange for foregoing future non-statutory annual increases.

(ii) Costs of rationalising excess capacity comprising asset write-downs and staff redundancy costs in the Distribution business during 2010 and in the Aviation business during 2009.

(iii) As a result of a decline in 2010 volumes and revenues in the UK cargo handling business and an excess supply capacity in the market the acquired goodwill in respect of Menzies World Cargo was tested for impairment in accordance with IAS 36 and a goodwill charge of £2.2m was recognised, leaving a residual balance of £0.3m. 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%.

The 2009 impairment provision reduced the carrying value of the Group's 40% interest in Menzies Chengdu Aviation Services Ltd, which was held as an available for sale asset, to its estimated recoverable amount.

(iv) This provision was in respect of future obligations on leasehold properties, which became empty during 2009.

(v) During 2009 the Group completed a number of property and equipment sale and leaseback arrangements, which resulted in a gain on disposal of £1.2m.

(vi) During 2009 the Group disposed of the 50% interest in Freshport BV for a consideration of £0.6m.

5(b). Intangible amortisation

	Notes	2010 £m	2009 £m
Goodwill impairment	(i)	**(1.8)**	(1.8)
Contract amortisation	(ii)	**(3.3)**	(3.3)
		(5.1)	(5.1)

(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 (2009: £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 charge of £0.9m (2009: net credit of £0.6m).

6. Directors

A detailed analysis of Directors' remuneration, together with shareholdings and options, is provided on pages 44 to 55.

7. Finance costs

	2010 £m	2009 £m
Finance income:		
Bank deposits	**1.1**	0.6
	1.1	0.6
Finance charges:		
Bank loans and overdrafts	**(6.8)**	(6.9)
Preference dividends	**(0.1)**	(0.1)
	(6.9)	(7.0)
Net finance costs	**(5.8)**	(6.4)

Financial statements

8. Taxation

(a) Analysis of charge in year

	2010 £m	2009 £m
Current tax		
UK corporation tax on profits for the year	**4.8**	–
Overseas tax	**4.8**	3.2
Adjustments to prior years' liabilities	**(1.4)**	(0.5)
Total current tax	**8.2**	2.7
Deferred tax		
Origination and reversal of temporary differences	**0.3**	3.8
Impact of UK rate change	**(0.1)**	–
Adjustments to prior years' liabilities	**(1.1)**	(0.1)
	(0.9)	3.7
Retirement benefit obligations	**2.0**	0.3
Total deferred tax	**1.1**	4.0
Tax on profit on ordinary activities	**9.3**	6.7

(b) Current and deferred tax related to items charged/(credited) outside profit or loss

	2010 £m	2009 £m
Deferred tax on actuarial gain/(loss) on retirement benefit obligations	**8.8**	(14.1)
Deferred tax on fair value movement on interest rate hedges	**–**	(0.3)
Current tax on net exchange adjustments	**(0.1)**	0.2
Tax charge/(credit) reported outside profit or loss	**8.7**	(14.2)

(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 2010 and 31 December 2009 is as follows:

	2010 £m	2009 £m
Profit before tax	**37.5**	22.0
Profit before tax multiplied by standard rate of corporation tax in the UK 28%	**10.5**	6.2
Non-deductible expenses (principally goodwill impairment and intangible amortisation)	**2.7**	2.2
Depreciation on non-qualifying assets	**0.6**	0.1
Unrelieved overseas losses	**1.0**	2.1
Utilisation of previously unrecognised losses	**(0.8)**	(0.7)
Higher tax rates on overseas earnings	**–**	0.2
Deferred tax on undistributed reserves of associate	**–**	(0.6)
Joint venture and associate post-tax result (included in profit before tax)	**(2.0)**	(1.7)
Adjustments to prior years' liabilities	**(2.6)**	(0.6)
Impact of UK rate change on deferred tax	**(0.1)**	–
Overseas deferred tax assets recognised	**–**	(0.5)
At the effective corporation tax rate of 24.8% (2009: 30.5%)	**9.3**	6.7

In June 2010 the UK Government announced its intention to reduce the main rate of corporation tax from 28% to 24%. The fall will be phased in over a period of four years with a 1% reduction in the main corporation tax rate for each year starting on 1 April 2011. The Finance (No. 2) Act 2010, enacted on 27 July 2010, included legislation on the initial phase to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. The deferred tax asset at 31 December 2010 has been calculated at 27%. The estimated effect of the proposed reductions in rate by 2014 would be to decrease the net deferred tax asset by £0.8m. Most of the UK deferred tax asset relates to the UK pension deficit and it is expected that the majority of the reduction will be debited to other comprehensive income and will not have a material effect on the effective tax rate or on profit.

(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	39.4	Carry forward indefinitely
Netherlands	23.0	Not earlier than 1 January 2012
Germany	22.6	Carry forward indefinitely
Hungary	1.4	Carry forward indefinitely
Norway	8.2	Carry forward indefinitely
Sweden	1.6	Carry forward indefinitely

The Group has capital losses in the UK of approximately £13.7m 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

	2010 £m	2009 £m
Dividends on equity shares:		
Ordinary – Interim, in lieu of final, paid in respect of 2009, 8p (2008: nil) per share	**4.8**	–
– Interim paid in respect of 2010, 5p (2009: nil) per share	**2.9**	–
	7.7	–

Dividends of £0.1m were waived by employee share trusts during 2010.

Investment in own shares

The Company's ordinary shares are held in trust for an employee share scheme. At 31 December 2010 the trusts held 1,727,793 (2009: 1,020,387) ordinary 25p shares with a market value of £8,163,822 (2009: £3,038,202).

10. Earnings per share

	Basic		Underlying*	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Operating profit	**37.7**	24.3	**37.7**	24.3
Share of post-tax results of joint ventures and associates	**7.2**	5.9	**7.2**	5.9
add back: exceptional items (Note 5(a))	**–**	–	**(0.1)**	6.0
intangible amortisation (Note 5(b))	**–**	–	**5.1**	5.1
share of interest on joint ventures and associates	**–**	–	**(0.2)**	–
share of tax on joint ventures and associates	**–**	–	**2.5**	2.1
Net finance costs	**(7.4)**	(8.2)	**(7.2)**	(8.2)
Profit before taxation	**37.5**	22.0	**45.0**	35.2
Taxation	**(9.3)**	(6.7)	**(9.3)**	(6.7)
Exceptional tax	**–**	–	**(1.6)**	(2.6)
Non-controlling interests	**(0.1)**	–	**(0.1)**	–
Earnings for the year	**28.1**	15.3	**34.0**	25.9
Basic				
Earnings per Ordinary Share (pence)	**47.8**	25.8		
Diluted earnings per Ordinary Share (pence)	**47.7**	25.8		
Underlying*				
Earnings per Ordinary Share (pence)			**57.9**	43.8
Diluted earnings per Ordinary Share (pence)			**57.7**	43.8
Number of ordinary shares in issue (millions)				
Weighted average	**58.753**	59.188		
Diluted weighted average	**58.892**	59.188		

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, ie 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.

11. Intangible assets

	Goodwill £m	Contracts £m	Computer software £m	Total £m
Cost				
At 31 December 2009	58.3	50.0	12.6	120.9
Acquisitions (Note 25)	0.3	1.3	–	1.6
Additions	–	–	3.9	3.9
Currency translation	2.1	0.4	–	2.5
At 31 December 2010	60.7	51.7	16.5	128.9
Amortisation and impairment				
At 31 December 2009	8.1	7.4	4.9	20.4
Amortisation charge	–	3.3	2.0	5.3
Impairment (Note 5 (a))	2.2	–	–	2.2
Currency translation	0.2	0.3	–	0.5
At 31 December 2010	10.5	11.0	6.9	28.4
Net book value				
At 31 December 2010	**50.2**	**40.7**	**9.6**	**100.5**
At 31 December 2009	50.2	42.6	7.7	100.5

	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

11. Intangible assets continued

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.

	2010		2009	
	Goodwill £m	**Contracts £m**	Goodwill £m	Contracts £m
Aviation				
Netherlands Cargo	**8.0**	**–**	8.3	–
North American Cargo	**8.0**	**–**	7.8	–
Australia Cargo	**7.0**	**–**	6.0	–
UK Cargo	**0.3**	**–**	2.5	–
South Africa	**3.5**	**–**	2.9	–
Scandinavia	**3.1**	**–**	2.9	–
Ogden worldwide	**9.5**	**–**	9.2	–
Other	**4.3**	**–**	4.4	–
	43.7	**–**	44.0	–
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	**1.7**	**3.8**	1.4	3.8
	6.5	**18.1**	6.2	18.1
Total	**50.2**	**18.1**	50.2	18.1

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

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

The post-tax discount rate assumption of 8% (2009: 8%) is based on the Group's weighted average post-tax cost of capital having considered the uncertainty risk attributable to individual CGUs. The equivalent pre-tax discount rate is 11% (2009: 11%). The 11% pre-tax rate has been applied to pre-tax cash flows.

Aviation
Value in use calculations are based on Board-approved budgets and plans for a three-year period. Cash flows beyond the three-year period are extrapolated by growth rates that reflect management's specific location expectations for 2014 and 2015 incorporating a long-term growth rate derived using the best available market information (such as Boeing's 2010 Aviation Industry Review) adjusted for the specific risks and challenges relating to Menzies Aviation. Short-term revenue growth rates over 2014 and 2015 range from 2.2% to 6.5% (2009: –8.9% to +10%) and longer-term revenue growth rates range from 1% to 3.5% (2009: 0.5% to 3.5%).Net margin assumptions are based on historic experience.

In 2009, the three year plan cash flows were extrapolated to a 10-year period prior to applying a long-term growth rate. Following a review of comparator companies impairment disclosures, management has reduced this extrapolation period to five years prior to applying a long-term growth rate. If the 2009 value in use calculation had been carried out on a similar basis to 2010 no impairment provision would have been required.

Base case forecasts show significant headroom above carrying value for each CGU with the exception of the UK cargo operations. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions.

In 2010, the Company has recognised an impairment of £2.2m in relation to its UK Cargo operations. This has been included in Net Operating Costs in the Income Statement. Whilst cargo markets outside the UK have already shown significant volume growth in 2010 and worldwide volumes are expected to grow in excess of 5% over the next 20 years, the UK market has continued to lag behind the rest of the world. The impairment is a result of a decline in 2010 volumes and revenues at UK Cargo and excess supply capacity in the market. Management continue to expect that UK cargo volumes will show significant recovery in the near term followed by steady long-term growth. The key growth assumptions used in the value in use calculation during the post Board-approved plan period were revenue growth of 4.5% in 2014, 5.0% in 2015 and 3.5% thereafter. The long-term growth assumption of 3.5% reflects underlying actual historic cargo volume growth in the world market.

In 2009, in respect of the UK and North American cargo operations, management concluded that a reasonably possible change in a key assumption could cause the carrying values to exceed recoverable amounts. During 2010 North American cargo volumes have increased by 23%, which was well ahead of market expectations resulting in significantly improved cash flows.

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 three-year plans extrapolated to a five-year period using short-term growth rates of between 0% and 2% that reflect management's specific business expectations for 2014 and 2015 incorporating a long-term growth rate of between 0% and 2%. 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.

In 2009, the plan cash flows were extrapolated to a 10-year period prior to applying a long-term growth rate. Following a review of comparator companies impairment disclosures, management has reduced this extrapolation period to five years prior to applying a long-term growth rate. If the 2009 value in use calculation had been carried out on a similar basis to 2010 no impairment provision would have been required.

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 2009	38.1	1.4	37.2	186.7	263.4	36.0	0.7	36.7
Acquisitions (Note 25)	–	–	–	0.1	0.1	–	–	–
Additions	0.1	–	0.3	12.3	12.7	–	–	–
Transfers	–	(1.3)	1.3	–	–	–	–	–
Disposals	–	–	(0.3)	(20.1)	(20.4)	–	–	–
Currency translation	–	0.1	0.9	7.2	8.2	–	–	–
At 31 December 2010	38.2	0.2	39.4	186.2	264.0	36.0	0.7	36.7
Depreciation								
At 31 December 2009	8.3	0.2	17.1	97.0	122.6	4.5	0.6	5.1
Transfers	–	(0.2)	0.2	–	–	–	–	–
Charge for the year	0.8	–	2.1	21.1	24.0	0.8	0.1	0.9
Disposals	–	–	(0.2)	(14.7)	(14.9)	–	–	–
Currency translation	–	0.2	0.6	3.3	4.1	–	–	–
At 31 December 2010	9.1	0.2	19.8	106.7	135.8	5.3	0.7	6.0
Net book value								
At 31 December 2010	**29.1**	**–**	**19.6**	**79.5**	**128.2**	**30.7**	**–**	**30.7**
At 31 December 2009	29.8	1.2	20.1	89.7	140.8	31.5	0.1	31.6

	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 25)	–	–	–	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

13. Investments

	Shares in joint ventures £m	Loans to joint ventures £m	Shares in associates £m	Other £m	Group Total £m	Company Subsidiaries £m
Net book value excluding goodwill						
At 31 December 2009	24.0	0.1	9.9	0.3	34.3	292.5
New investments	0.1	–	0.6	–	0.7	–
Share of profits after tax	5.4	–	3.6	–	9.0	–
Dividends received	(3.4)	–	(4.5)	–	(7.9)	–
Disposals	–	(0.1)	(1.7)	–	(1.8)	–
Currency translation	1.6	–	(0.1)	–	1.5	0.2
At 31 December 2010	27.7	–	7.8	0.3	35.8	292.7
Goodwill						
At 31 December 2009	–	–	7.5	–	7.5	–
Impairment provision (Note 5(b))	–	–	(1.8)	–	(1.8)	–
Currency translation	–	–	0.2	–	0.2	–
At 31 December 2010	–	–	5.9	–	5.9	–
At 31 December 2010	**27.7**	**–**	**13.7**	**0.3**	**41.7**	**292.7**
At 31 December 2009	24.0	0.1	17.4	0.3	41.8	292.5

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 <1 year £m	Assets >1 year £m	Liabilities <1 year £m	Liabilities >1 year £m	Total £m
Joint ventures									
EM News (NI) Ltd	UK	50	51.7	1.3	6.7	1.5	(4.6)	(0.1)	3.5
EM News (Ireland) Ltd	Ireland	50	27.6	(0.3)	2.2	0.4	(3.1)	(0.3)	(0.8)
Worldwide Magazine Distribution Ltd	UK	50	3.9	0.2	0.7	0.1	(0.6)	–	0.2
Menzies Bobba Ground Handling Services Private Ltd	India	51	1.8	0.1	7.0	2.7	(2.6)	–	7.1
Menzies Aviation Bobba (Bangalore) Private Ltd	India	49	4.9	2.6	10.3	4.8	(1.9)	–	13.2
Hyderabad Menzies Air Cargo Private Ltd	India	49	3.6	1.3	3.7	1.1	(0.5)	–	4.3
Zaankracht Holding BV	Netherlands	30	3.0	0.2	0.5	–	(0.3)	–	0.2
Associates									
Menzies Macau Airport Services Ltd	Macau	29	5.9	1.3	1.3	1.8	(0.7)	–	2.4
Swissport Menzies Handling Ute	Spain	39	23.5	2.2	7.0	4.5	(6.1)	(0.4)	5.0
Swissport Menzies Handling PMR Ute	Spain	19.5	0.7	0.1	–	0.4	–	–	0.4
			126.6	9.0	39.4	17.3	(20.4)	(0.8)	35.5

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, and Zaankracht Holding BV is 30% 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.

13. Investments continued

The Indian joint ventures have a statutory year end of 31 March. Worldwide Magazine Distribution Ltd has a statutory year end of 30 April.

Available for sale investment
The disposal of the Group's 40% interest in Menzies Chengdu Aviation Services Ltd, a company incorporated in China, completed during 2010, for its estimated recoverable amount.

14. Trade and other receivables

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Trade receivables	**137.3**	121.2	**–**	–
Less: provision for doubtful debts	**(3.9)**	(3.4)	**–**	–
Trade receivables – net	**133.4**	117.8	**–**	–
Other receivables	**14.3**	23.6	**6.6**	4.3
Prepayments	**18.2**	17.5	**1.2**	1.5
Amounts owed by Group companies	**–**	–	**197.8**	218.9
	165.9	158.9	**205.6**	224.7

The average credit period on sale of goods is 25.4 days. No interest is charged on any receivables balance.

Ageing of trade receivables

			Past due not impaired		
	Total £m	Neither past due nor impaired £m	30–60 days £m	60–90 days £m	over 90 days £m
2010	**133.4**	**116.6**	**14.0**	**2.2**	**0.6**
2009	117.8	102.3	10.9	2.6	2.0

Movement in the provision for doubtful debts

	Group	
	2010 £m	2009 £m
Balance at the beginning of the year	**3.4**	1.8
Amounts provided during the year	**2.6**	2.8
Amounts released during the year	**(1.0)**	(0.3)
Amounts utilised during the year	**(1.1)**	(0.9)
Balance at the end of the year	**3.9**	3.4

Ageing of past due and impaired receivables

	Group	
	2010 £m	2009 £m
0 – 30 days	**0.5**	–
30 – 60 days	**0.1**	0.2
60 – 90 days	**0.1**	0.4
over 90 days	**3.2**	2.8
	3.9	3.4

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	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Due within one year				
Trade payables	**110.1**	116.6	**–**	–
Other payables	**92.1**	78.9	**10.0**	9.5
Other taxes and social security costs	**3.7**	4.5	**–**	–
Amounts owed to Group companies	**–**	–	**263.7**	238.0
	205.9	200.0	**273.7**	247.5
Due after more than one year				
Other payables	**1.9**	1.3	**5.1**	–

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

16. Financial instruments

The objectives, policies and strategies pursued by the Group in relation to financial instruments are described within the Business Review on pages 24 to 28.

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Derivative financial instruments				
Cash Flow Hedges				
Foreign exchange forward contracts	**0.3**	–	**0.3**	–
Interest rate swaps	**(1.2)**	(1.2)	**(1.2)**	(1.2)
Foreign Currency Net Investment Hedge				
Foreign exchange forward contracts	**(1.0)**	0.3	**(1.0)**	0.3
Total derivative financial instruments	**(1.9)**	(0.9)	**(1.9)**	(0.9)
Current	**(1.2)**	0.3	**(1.2)**	0.3
Non-current	**(0.7)**	(1.2)	**(0.7)**	(1.2)
	(1.9)	(0.9)	**(1.9)**	(0.9)

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

The fair values of foreign currency instruments are calculated by reference to current market rates. 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 2010, 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.

16. Financial instruments continued

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	1.3	–	1.3	–

	Liabilities measured at fair value			
	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial liabilities at fair value through the income statement				
Foreign exchange contracts – hedged	2.0	–	2.0	–
Interest rate swaps	1.2	–	1.2	–

During the year ended 31 December 2010, 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	
		2010 £m	2009 £m	**2010 £m**	2009 £m
Interest-bearing loans and borrowings	**Maturity**				
Obligations under finance leases	Jan 2011 – Jul 2013	**0.2**	0.3	**–**	–
Bank overdrafts	n/a	**8.4**	11.0	**8.3**	10.8
Non-amortising bank loans	Jan 2011 – Jan 2013	**88.0**	122.8	**88.0**	122.8
Amortising term loan	Mar 2020	**25.6**	27.2	**25.6**	27.2
Preference shares	Non-redeemable	**1.4**	1.4	**1.4**	1.4
Unsecured loan stock	On demand (by Jul 2012)	**0.1**	0.1	**–**	–
Total interest-bearing loans and borrowings		**123.7**	162.9	**123.3**	162.3
Current		**60.5**	12.8	**60.2**	12.2
Non-current		**63.2**	150.1	**63.1**	150.1
		123.7	162.9	**123.3**	162.3

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

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

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

The amortising term loan is repayable between 2011 and 2020 with interest payable at a fixed rate of 6.23%.

The loan has a weighted average maturity of three years (2009: four years).

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between November 2011 and January 2013.

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Net debt				
Derivative financial instruments	**1.9**	0.9	**1.9**	0.9
Interest-bearing loans and borrowings	**123.7**	162.9	**123.3**	162.3
Total borrowings	**125.6**	163.8	**125.2**	163.2
Less: cash at bank, cash in hand and short-term deposits	**26.6**	31.5	**8.4**	10.5
	99.0	132.3	**116.8**	152.7

	2010 Book value £m	**2010** Fair value £m	2009 Book value £m	2009 Fair value £m
Financial assets and financial liabilities				
Short-term borrowings	**52.0**	**52.2**	1.8	1.9
Medium-term borrowings	**47.5**	**48.8**	131.5	132.4
Long-term borrowings	**15.6**	**17.6**	18.4	20.2
Derivative financial instruments	**1.9**	**1.9**	0.9	0.9
Finance leases	**0.2**	**0.2**	0.2	0.2
Bank overdrafts	**8.4**	**8.4**	11.0	11.0
Total financial assets and financial liabilities	**125.6**	**129.1**	163.8	166.7
Less: cash at bank, cash in hand and short-term deposits	**26.6**	**26.6**	31.5	31.5
Net debt	**99.0**	**102.5**	132.3	135.2

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 £0.4m difference in book values relates to interest-bearing loans and borrowings and is deemed to be short-term in nature.

Currency	**Floating rate financial liabilities £m**	**Fixed rate financial liabilities £m**	**2010 Total financial liabilities £m**	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2009 Total financial liabilities £m
Sterling	**21.4**	**102.0**	**123.4**	59.2	103.7	162.9
South African rand	**0.3**	**–**	**0.3**	–	–	–
Net derivative liabilities	**1.9**	**–**	**1.9**	0.9	–	0.9
	23.6	**102.0**	**125.6**	60.1	103.7	163.8

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
At 31 December 2010, the expiry profile of undrawn committed facilities was as follows:				
Less than one year	**58.0**	20.0	**58.0**	20.0
Between one and two years	**–**	33.9	**–**	33.9
Between two and five years	**12.1**	–	**12.1**	–
	70.1	53.9	**70.1**	53.9

16. Financial instruments continued

Cash flow hedges

Foreign exchange forward contracts

At 31 December 2010 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 2010 the Group hedged the exposure to interest rate rises by maintaining £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 2010, 88.6% (2009: 68.1%) of the Group's borrowings were fixed.

	2010		2009	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Fair value of cash flow hedges – currency forward contracts	**0.4**	**(0.1)**	0.4	(0.4)
Fair value of cash flow hedges – interest rate swaps	**–**	**(1.2)**	–	(1.2)
	0.4	**(1.3)**	0.4	(1.6)
Current	**0.4**	**(0.5)**	0.4	(0.4)
Non-current	**–**	**(0.8)**	–	(1.2)
	0.4	**(1.3)**	0.4	(1.6)

For 2010, 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 £0.1m (2009: £0.3m) 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	
		2010 million	2009 million	**2010 million**	2009 million	**2010 £m**	2009 £m
Euro	EUR	**16.0**	19.4	**16.0**	19.4	**13.7**	17.2
US dollar	USD	**31.8**	34.0	**31.8**	34.0	**20.3**	21.1
Czech koruna	CZK	**99.0**	99.0	**99.0**	99.0	**3.4**	3.3
Australian dollar	AUD	**11.9**	11.9	**11.9**	11.9	**7.8**	6.6
New Zealand dollar	NZD	**2.5**	5.3	**2.5**	5.3	**1.2**	2.4
Swedish krona	SEK	**17.5**	12.0	**17.5**	12.0	**1.7**	1.0
Norwegian krone	NOK	**–**	5.0	**–**	5.0	**–**	0.5
Indian rupee	INR	**630.6**	668.6	**630.6**	668.6	**9.0**	8.9
South African rand	ZAR	**67.0**	–	**67.0**	–	**6.5**	–

	2010		2009	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	**0.9**	**(1.9)**	2.2	(1.9)
Current	**0.9**	**(1.9)**	2.1	(1.8)
Non-current	**–**	**–**	0.1	(0.1)

Foreign currency sensitivity

For 2010, 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:

		2010		2009	
Change in GBP/USD rate	Change in GBP/EUR rate	**Effect on profit before tax £m**	**Effect on equity £m**	Effect on profit before tax £m	Effect on equity £m
+10%		**0.3**	**(1.0)**	0.5	(0.6)
–10%		**(0.3)**	**1.1**	(0.5)	0.7
	+10%	**0.7**	**1.1**	0.5	1.4
	–10%	**(0.7)**	**(1.4)**	(0.5)	(1.7)

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

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.

16. Financial instruments continued

Credit risk

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

	2010 £m	2009 £m
Bank deposits	**26.6**	31.5
Trade receivables	**133.4**	117.8
	160.0	149.3

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 date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Floating rate interest is estimated using the prevailing rate at the balance sheet date. Net values of transaction hedging are disclosed in accordance with the contractual terms of these derivative instruments.

				2010
	Due within 1 year £m	**Due between 1-2 years £m**	**Due between 2-4 years £m**	**Due over 5 years £m**
Interest-bearing loans and borrowings	**(61.4)**	**(3.1)**	**(46.9)**	**(15.1)**
Preference shares	**(0.1)**	**(0.1)**	**(0.3)**	**(1.5)**
Other liabilities	**(0.1)**	**(0.1)**	**–**	**–**
Trade and other payables	**(205.9)**	**(1.9)**	**–**	**–**
Financial derivatives	**(64.3)**	**(0.3)**	**–**	**–**
Total	**(331.8)**	**(5.5)**	**(47.2)**	**(16.6)**

				2009
	Due within 1 year £m	Due between 1-2 years £m	Due between 2-4 years £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)	(0.3)	(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)	(58.8)	(19.5)

17. Operating lease commitments

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

	Group				Company	
	Property		Other		Property	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Within one year	**28.7**	28.6	**21.5**	17.4	**0.6**	0.7
Within two to five years	**58.9**	63.6	**45.5**	31.3	**2.4**	2.5
After five years	**44.9**	55.7	**–**	2.8	**0.2**	0.8
	132.5	147.9	**67.0**	51.5	**3.2**	4.0

18. Capital commitments

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Contracted but not provided – property, plant and equipment	**4.7**	2.9	**–**	–

19. Provisions

	Group		Company	
Deferred tax	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Assets				
Accelerated capital allowances and other temporary differences	**(1.9)**	(3.8)	**(4.3)**	(4.7)
Retirement benefit obligations	**12.9**	23.7	**12.9**	23.7
	11.0	19.9	**8.6**	19.0
Movement in year:				
Income statement – retirement benefit obligations	**2.0**	0.3	**2.0**	0.3
– other	**(0.9)**	3.7	**(0.4)**	(0.4)
– fair value movement on interest rate hedges	**–**	(0.3)	**–**	–
– exchange adjustments	**(0.3)**	(0.1)	**–**	–
Statement of comprehensive income	**8.8**	(14.1)	**8.8**	(14.1)
Transfer from current income tax liabilities	**(0.7)**	(2.1)	**–**	–
	8.9	(12.6)	**10.4**	(14.2)

Other – property related	**2010 £m**	2009 £m
At beginning of year	**7.9**	8.6
Provided during year	**3.7**	1.9
Utilised during year	**(4.5)**	(2.0)
Released in the year	**–**	(0.6)
At end of year	**7.1**	7.9
Current	**3.3**	2.6
Non-current	**3.8**	5.3

The property related provision is in respect of obligations for vacated leasehold properties where applicable sublet income may be insufficient to meet obligations under head leases. The provision for property costs unwinds over the period between 2011 and 2034.

19. Provisions continued

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

	2010 £m	2009 £m
Authorised		
73,056,248 ordinary shares of 25p each	**18.3**	18.3
Allotted, called up and fully paid		
Opening – 60,213,226 ordinary shares of 25p each	**15.1**	15.1
Allotted under share option schemes*	**–**	–
Closing – 60,340,772 ordinary shares of 25p each	**15.1**	15.1

As a result of options being exercised, 127,546 (2009: 5,286) ordinary shares having a nominal value of £31,886 (2009: £1,322) were issued during the year at a share premium of £511,078 (2009: £14,345).

*Included in this total are nil (2009: nil) ordinary shares of 25p each allotted to Directors under the Executive Share Option Scheme and 644 (2009: nil) ordinary shares of 25p each allotted to the Directors under the Savings-Related Share Option Scheme.

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 2010 (2009: nil) and 5,000 options lapsed.

Date of grant	Exercise price (pence)	Exercise period	**2010 Number**	2009 Number
January 2000	391	2003-2010	**–**	5,000
November 2002	329	2005-2012	**196,048**	196,048
May 2004	418	2007-2014	**101,776**	101,776
			297,824	302,824

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 127,546 shares were exercised in 2010 and 362,459 options lapsed.

Date of grant	Exercise price (pence)	Exercise period	**2010 Number**	2009 Number
2006	348	2009-2010	**–**	236,228
2007	452	2010-2011	**65,608**	179,406
2008	285	2011-2012	**309,315**	367,982
2009	279	2012-2013	**419,224**	492,609
2010	355	2013-2014	**489,081**	–
			1,283,228	1,276,225

Company Share Schemes
The Company operates the following share-based payment arrangements:

(a) 2000 Executive Share Option Scheme ("ESOS")
Options under the ESOS were 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 were granted with a fixed exercise price equal to the market price of shares under option at the date of grant. No options have been issued under this scheme since 2004.

Options granted under the ESOS 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 was 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 UK 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 2005 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 FTSE 250 Index by 30% or more, then the percentage of the award vesting is 100%. If the growth is greater than the TSR for the FTSE 250 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 FTSE 250 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 2005 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 or as Treasury Shares. 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 one times their salary in shares in any year between both the 2005 PSP and the 2007 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 2010 the ratio of matching shares was reduced for future grants from up to 2:1 to up to 1:1 of the gross deferred bonus. The maximum amount of the annual cash bonus which may be eligible for matching was also reduced from 50% to 40%. 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. For awards before 2010, 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.

From 2010 awards, if the percentage growth in the Company's EPS is RPI + 6% or more, then the number of matching shares that will vest is one. For EPS growth of between RPI + 3% pa and RPI + 6% 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 for any award.

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

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

The 2007 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 equivalent to one times their salary 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 PSP was 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:

	Executive Share Option Scheme		Savings-Related Option Scheme			
Grant date	May 2004	Nov 2002	Oct 2010	Oct 2009	Sep 2008	Oct 2007
Share price at grant date (pence)	418	329	450.25	346	361.75	547.5
Exercise price (pence)	418	329	355	279	285	452
Number of employees	2	1	1,001	710	491	43
Shares under option	101,776	196,048	489,081	419,224	309,315	65,608
Vesting period (years)	3	3	3	3	3	3
Expected volatility	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Option life (years)	10	10	3.5	3.5	3.5	3.5
Expected life (years)	4	4	3.5	3.5	3.5	3.5
Risk-free rate	5.1%	4.5%	4.6%	4.6%	4.6%	4.6%
Expected dividends expressed as a dividend yield*	4.0%	5.2%	4.0%	4.0%	4.0%	4.0%
Fair value per option (pence)	76	50	77	77	77	116
IFRS 2 charge per option**	70	50	47	47	47	71

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.

*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.

	2005 PSP	2009 PSP	BCIP			2007 DPSP		
Grant date	May 2008	Jun 2009	Mar 2010	Jun 2009	Mar 2008	Mar 2010	Jun 2009	May 2008
Share price at grant date (pence)	487	130	346	133	534	342	130	487
Number of employees	3	3	13	3	15	24	21	2
Shares awarded	140,000	1,237,500	84,451	20,539	101,384	698,266	855,500	70,000
Remaining potential awards	105,000	1,237,500	84,451	20,539	78,300	683,354	670,500	35,000
Contractual life (years)	3	3	3	3	3	3	3	3
Expected departure*	0%	0%	0%	0%	14%	0%	0%	0%
Expected outcome of meeting performance criteria	41%	41%	41%	41%	52%	41%	41%	41%
Fair value per share (pence)	199	113	154	113	194	154	113	199
IFRS 2 charge per share award**	199	113	154	113	194	154	113	199

*Risk of forfeiture.
**Adjusted for forfeiture risk.

20. Share capital continued

Movement in share options

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

	Executive Share Option Scheme				Savings-Related Option Scheme			
	2010		2009		**2010**		2009	
	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	**302,824**	**360**	307,824	360	**1,276,225**	**318**	1,085,473	350
Granted	**–**	**–**	–	–	**497,008**	**355**	498,888	279
Forfeited/expired	**(5,000)**	**391**	(5,000)	348	**(362,459)**	**329**	(304,119)	367
Exercised	**–**	**–**	–	–	**(127,546)**	**426**	(4,017)	348
Outstanding at end of year	**297,824**	**359**	302,824	360	**1,283,228**	**318**	1,276,225	318
Exercisable	**297,824**	**359**	302,824	360	**65,608**	**452**	236,228	348
Range of exercise prices	**329-418**		329-418		**279-452**		279-452	
Weighted average remaining life (years)								
– expected	**–**		–		**2.1**		2.1	
– contractual	**1.4**		2.4		**2.1**		2.1	

	2005 PSP, 2007 DPSP & 2009 PSP				BCIP			
	2010		2009		**2010**		2009	
	Number	**Weighted average price (p)**	Number	Weighted average price (p)	**Number**	**Weighted average price (p)**	Number	Weighted average price (p)
Outstanding at start of year	**2,253,000**	**166**	420,000	520	**130,887**	**480**	239,524	534
Awards made	**698,266**	**342**	2,093,000	130	**84,451**	**347**	16,216	133
Lapsed	**(219,912)**	**286**	(260,000)	448	**(32,048)**	**520**	(124,853)	538
Performance achieved	**–**		–		**–**		–	
Outstanding at end of year	**2,731,354**	**201**	2,253,000	166	**183,290**	**403**	130,887	480
Range of award date prices	**130-487**		130-487		**133-534**		133-534	
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 £0.8m (2009: £0.4m), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £0.6m (2009: £0.3m).

21. Cash generated from operations

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Operating profit/(loss)	**37.7**	24.3	**(1.0)**	–
Depreciation	**24.0**	24.9	**0.9**	0.9
Amortisation of intangible assets	**5.3**	4.7	**–**	–
Impairment provisions (Note 5(a))	**2.2**	1.0	**–**	–
Share-based payments	**0.8**	0.4	**0.2**	–
Onerous lease provisions	**–**	1.7	**–**	1.7
Cash spend on onerous leases	**(1.4)**	(2.0)	**(0.9)**	(0.6)
Loss/(gain) on sale of property, plant and equipment	**0.3**	(1.7)	**–**	(1.7)
Gain on disposal of investment in joint venture	**–**	(0.2)	**–**	–
Pension charge	**1.7**	1.6	**0.1**	0.2
Pension credit	**(4.6)**	–	**(4.6)**	–
Pension contributions in cash	**(5.7)**	(4.5)	**(5.7)**	(4.5)
Rationalisation costs	**2.3**	4.7	**–**	–
Cash spend on rationalisation costs	**(1.5)**	(6.1)	**–**	(0.3)
Increase in inventories	**(1.6)**	(2.7)	**–**	–
(Increase)/decrease in trade and other receivables	**(3.9)**	(2.2)	**0.1**	(0.6)
Increase/(decrease) in trade and other payables and provisions	**2.6**	8.1	**0.5**	(2.8)
	58.2	52.0	**(10.4)**	(7.7)

22. Non-controlling interests

	2010 £m	2009 £m
At beginning of year	**–**	–
Share of profit after tax	**0.1**	–
At end of year	**0.1**	–

23. Analysis of changes in net borrowings

	2009 £m	Cash flows £m	Currency translation £m	**2010 £m**
Cash at bank and in hand	31.5	(5.7)	0.8	**26.6**
Bank overdrafts	(11.0)	2.6	–	**(8.4)**
Net cash and cash equivalents	20.5	(3.1)	0.8	**18.2**
Bank loans due within one year	(1.6)	(50.2)	–	**(51.8)**
Loan stock due within one year	(0.1)	–	–	**(0.1)**
Preference shares	(1.4)	–	–	**(1.4)**
Finance leases	(0.3)	0.1	–	**(0.2)**
Debt due after one year	(148.5)	86.7	–	**(61.8)**
Net derivative liabilities	(0.9)	1.9	(2.9)	**(1.9)**
	(132.3)	35.4	(2.1)	**(99.0)**

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 gain of £6.2m (2009: loss of £1.7m). This net gain/(loss) is recognised in other comprehensive income.

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. Acquisitions

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

Division	Aviation	Distribution	Distribution	
Name Date of acquisition	**Transilvania Handling Services SRI 29/09/2010 £m**	**Trinity Field Marketing 30/06/2010 £m**	**Reed Aviation Limited 31/10/2010 £m**	**Total £m**
Purchase consideration				
Cash paid	1.0	0.3	0.4	**1.7**
Deferred consideration	0.3	–	0.1	**0.4**
Total purchase consideration	1.3	0.3	0.5	**2.1**
Fair value of net assets acquired	1.3	–	0.7	**2.0**
Goodwill	–	0.3	(0.2)	**0.1**
The assets and liabilities arising from the acquisitions are as follows:				
Non-current assets				
Intangible assets (contracts) – fair value	1.3	–	–	**1.3**
Property, plant and equipment	0.1	–	–	**0.1**
Current assets	0.2	–	1.3	**1.5**
Current liabilities	(0.3)	–	(0.6)	**(0.9)**
Fair value of net assets acquired	1.3	–	0.7	**2.0**

The acquired businesses contributed revenues of £2.0m from the date of acquisition. If the businesses had been acquired on 1 January 2010 revenues contributed would have been £6.8m. The results from acquisitions were not material.

In 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 Ltd, acquired in 2008, up to May 2011.

26. Related party transactions

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

Related party	Group share-holding %	Sales to related party £m	Amounts owed to related party at 31 Dec 2010 £m	Amounts owed by related party at 31 Dec 2010 £m
Swissport Menzies Handling Ute	39	0.9	–	0.6
Menzies Bobba Ground Handling Services Private Ltd	51	0.5	–	0.1
Hyderabad Menzies Air Cargo Private Ltd	49	0.4	–	–
Menzies Macau Airport Services Ltd	29	0.2	–	0.1
EM News (NI) Ltd	50	0.5	4.5	–
EM News (Ireland) Ltd	50	0.8	–	0.1

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:

	2010 £m	2009 £m
Short-term employee benefits	**2.2**	3.6
Termination benefits	**–**	0.2
Share-based payments	**0.2**	0.1
	2.4	3.9

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 2010 was £0.3m (2009: £0.5m).

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

27. Subsidiary companies

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

The Company is taking the exemption under S410 Companies Act 2006 to disclose details about principal subsidiaries only.

Five year summary

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue					
Distribution	**1,255.0**	1,218.5	1,166.2	1,147.3	1,132.0
Aviation	**582.6**	507.2	500.9	393.8	318.4
	1,837.6	1,725.7	1,667.1	1,541.1	1,450.4
Operating profit					
Distribution	**28.8**	28.6	23.9	23.4	23.7
Aviation	**24.6**	15.8	14.1	20.6	16.6
	53.4	44.4	38.0	44.0	40.3
Corporate	**(1.2)**	(1.0)	(1.5)	(3.0)	(3.4)
Underlying operating profit	**52.2**	43.4	36.5	41.0	36.9
Exceptional items	**0.1**	(6.0)	(7.3)	0.1	3.0
Intangible amortisation	**(5.1)**	(5.1)	(4.3)	(2.8)	(2.2)
Share of interest and tax on joint ventures and associates	**(2.3)**	(2.1)	(1.9)	(1.7)	(1.0)
Profit before interest	**44.9**	30.2	23.0	36.6	36.7
Net finance costs	**(7.4)**	(8.2)	(5.4)	(2.7)	(1.1)
Foreign currency loss	**–**	–	(7.7)	(2.1)	–
Profit before taxation	**37.5**	22.0	9.9	31.8	35.6
Per ordinary share					
Dividends	**13.0p**	0.0p	7.56p	25.6p	20.5p
Underlying earnings	**57.9p**	43.8p	31.3p	47.9p	46.9p
Basic earnings	**47.8p**	25.8p	(2.0)p	44.2p	46.4p

Notice of annual general meeting

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

Notice is hereby given that the Annual General Meeting of John Menzies plc (the 'Company') will be held in the Roxburghe Hotel, 38 Charlotte Square, Edinburgh on Friday, 20 May 2011 at 12.15pm (the 'Meeting') to transact the following business:

Ordinary Resolutions:
To consider and, if thought fit, pass Resolutions 1-10, 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 2010 and the Report of the Auditors thereon.

2. Remuneration Report
To approve the Report on Directors' Remuneration for the financial year ended 31 December 2010.

3. Dividend
To declare a final dividend on the Company's Ordinary Shares of 14p each for the financial year ended 31 December 2010.

4-7. Election and re-election of Directors
4. To elect Eric Born as a Director
5. To re-elect Dermot Jenkinson as a Director
6. To re-elect Ian Harrison as a Director
7. To re-elect Paul Dollman 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.

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 £4,969,446 (such amount to be reduced by the aggregate nominal amount of any equity securities (as defined by Section 560 of the 2006 Act) allotted under paragraph (b) below in excess of £4,969,446; and

(b) comprising equity securities up to an aggregate nominal amount of £9,938,892 (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) this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 30 June 2012 save that the Company shall be entitled to make offers or agreements before the expiry of such authority 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 authority conferred by this Resolution had not expired. This authority is in substitution for and to the exclusion of all unexercised existing authorities previously granted to the Directors under the 2006 Act 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:
To consider, and if thought fit, pass Resolutions 11-14, each of which will be proposed as a Special Resolution:

11. Authority to disapply pre-emption rights

That, subject to the passing of Resolution 10 in the Notice of Annual General Meeting of the Company dated 7 April 2011 (the 'Section 551 Resolution') 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 Sections 560 (1)-(3) of the 2006 Act) wholly for cash pursuant to the authority conferred by the Section 551 Resolution 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 the Section 551 Resolution 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 the Section 551 Resolution (otherwise than pursuant to paragraph (a) of this Resolution) to any person or persons of equity securities up to an aggregate nominal amount of £745,416, representing approximately 5% of the issued ordinary share capital of the Company as at 23 March 2011, 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 2012 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 Sections 570-573 of the 2006 Act 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 pursuant to Section 701 of the 2006 Act to make market purchases (within the meaning of Section 693(4) of 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 5,963,335, representing approximately 10% of the Company's issued ordinary share capital as at 23 March 2011;

(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 2012, 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 pursuant to Section 701 of the 2006 Act to make market purchases (within the meaning of Section 693(4) of the 2006 Act) 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 23 March 2011;

(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 a 9% Cumulative Preference 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 2012, 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.

By order of the Board
J F A Geddes
Company Secretary
7 April 2011

EXPLANATORY NOTES

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

Resolutions 4-7 – Election of Directors

Biographical details of the Directors to be elected and re-elected can be found on pages 22 and 23 of the Annual Report and Accounts for financial year 2010. In accordance with the Articles of Association and the Combined Code on Corporate Governance Dermot Jenkinson and Ian Harrison (who have served longer than nine years) will retire at the Meeting and seek re-election. Paul Dollman retires by rotation in accordance with the Articles of Association, and Eric Born, who retires having been appointed since the last AGM and being eligible, 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 2010), 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

The Association of British Insurers (ABI) guidelines issued in December 2008 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.

At the Annual General Meeting of the Company held on 21 May 2010, the Directors followed these guidelines and were given authority to allot relevant securities up to an aggregate nominal amount of £10,035,650, representing two-thirds of the issued share capital of the Company as at 26 March 2010. This authority is due to expire at the end of this year's AGM.

The Board considers it appropriate that Directors again be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £9,938,892 representing the guideline limit of approximately two-thirds of the Company's issued ordinary share capital as at 23 March 2011. Of this amount, 19,877,784 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 2012. The Directors have no present intention of exercising this authority.

As at 23 March 2011, the Company holds 711,226 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 Sections 560 (1)-(3) 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 £9,938,892 (representing approximately two-thirds of the Company's issued ordinary share capital excluding Treasury Shares) as at 23 March 2011; and

(b) in any other case up to a maximum nominal value of £745,416, representing approximately 5% of the issued share capital of the Company as at 23 March 2011 (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 2012.

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 5,963,335 Ordinary Shares (representing approximately 10% of the issued ordinary share capital as at 23 March 2011) and 1,394,587 9% Cumulative Preference Shares (representing 100% of the issued 9% Cumulative Preference Shares as at 23 March 2011).

The authorities, if granted, will expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, 30 June 2012. 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 23 March 2011, the Company holds 711,226 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.

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.

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 18 May 2011 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 23 March 2011, the Company's issued share capital comprised 60,344,582 Ordinary Shares of 25p each, and the Company held 711,226 of its own Ordinary Shares of 25p each in Treasury. 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 23 March 2011 is 59,633,356.
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 Shareholder information 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) copies of the Directors' service contracts with the Company;

(b) the terms of appointment of the Non-Executive Directors of the Company.

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 2010

Shareholding	Number of holders	% of holders	Number of shares	% of shares
1-1,000	3,445	82.44	778,612	1.29
1,001-5,000	487	11.65	1,016,445	1.69
5,001-10,000	61	1.46	458,156	0.76
10,001-100,000	104	2.49	3,912,061	6.48
Over 100,000	82	1.96	54,175,499	89.78
Total	4,179	100.00	60,340,773	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 2011 and 3 October 2011.

Ordinary Dividends
A Final Dividend of 14p per share was proposed by the directors on 7 March 2011, and will paid on 24 June 2011 to shareholders on the Register as at the close of business on 27 May 2011.

Any Interim Dividends for 2011 will be paid on 25 November 2011 to shareholders on the register on 28 October 2011.

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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108 Princes Street, Edinburgh EH2 3AA
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Fax: +44 (0) 131 226 3752
Email: info@johnmenziesplc.com

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

Menzies Aviation
4 New Square, Bedfont Lakes,
Feltham, Middlesex TW14 8HA
Tel: +44 (0) 20 8750 6000
Fax: +44 (0) 20 8750 6001

Corporate calendar
(Provisional dates)

8 March 2011
Preliminary announcement of Results

1 April 2011
Payment of dividend on 9% Cumulative Preference Shares

7 April 2011
Annual Report and Notice of AGM released

20 May 2011
Annual General Meeting and Management Statement issued

27 May 2011
Record date for Final Dividend on Ordinary Shares

24 June 2011
Payment of dividend on Ordinary Shares

16 August 2011
Announcement of Interim Results

3 October 2011
Payment of dividend on 9% Cumulative Preference Shares

28 October 2011
Record date for Interim Dividend on Ordinary Shares

15 November 2011
Management Statement issued

25 November 2011
Payment of Interim Dividend on Ordinary Shares

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Registered in Scotland with company number SC34970
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