



# PEOPLE PASSION PERFORMANCE

# WHO WE ARE

**JOHN MENZIES PLC IS A COMPANY WITH TWO FAST MOVING DIVISIONS, MENZIES AVIATION AND MENZIES DISTRIBUTION. WE ARE PASSIONATE ABOUT PERFORMANCE AND ACHIEVING OUR VISION. THAT PASSION IS DELIVERED THROUGH EVERY LEVEL OF OUR BUSINESS AND HELPS KEEP US AND OUR CUSTOMERS' BUSINESSES MOVING FORWARD.**

## MENZIES AVIATION

Menzies Aviation is the fastest growing, and now the world's second largest, global aviation services business. It also owns AMI, the world's only global wholesale freight forwarder. The business is highly successful – operating at 131 airports in 29 countries, with annual revenue in excess of £676m and employing some 17,000 highly trained people. Best in the class Safety & Security as well as great customer service are core to its success and sets it apart from the other handlers.

## OUR VISION

To be the world's number one aviation business, and the handler of choice for the world's leading airlines.

## MENZIES DISTRIBUTION

Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK. The division handles around 5 million newspapers and 2.1 million magazines (covering 3,000 magazine titles) each day, with deliveries to more than 25,000 customers. The division employs 4,000 people at 39 sites throughout the UK – and is a strongly cash generative business, with around 45% of the newspaper and magazine wholesale distribution market in the UK. It has a track record of investment in innovation and customer service delivery.

## OUR VISION

To be the most efficient and profitable player in the news and magazine distribution market, providing innovative solutions for publishers and retailers.

## RELATED INFORMATION

Within this report we highlight further sources of information with the following icons:

 **MORE INFO IN THIS REPORT**

 **MORE INFO ONLINE**

## DIRECTORS' REPORT AND BUSINESS REVIEW OVERVIEW

- 01 At a glance
- 02 Chairman's statement
- 04 Group strategy

## OPERATING REVIEW

- 06 Group performance
- 07 Menzies Aviation
- 10 Menzies Distribution
- 14 Group financial review
- 19 Outlook
- 20 Corporate social responsibility
- 24 Principal risks and uncertainties

## GOVERNANCE

- 26 Board of Directors
- 28 Corporate governance statement
- 40 Report on Directors' remuneration

## FINANCIAL STATEMENTS

- 51 Independent auditors' report to the members of John Menzies PLC
- 53 Group income statement
- 54 Group statement of comprehensive income
- 55 Group and Company balance sheets
- 56 Group and Company statement of changes in equity
- 57 Group and Company statement of cash flows
- 58 Notes to the accounts
- 93 Five year summary

## SHAREHOLDER INFORMATION

- 94 Notice of annual general meeting
- 100 General information



## PEOPLE, PASSION, PERFORMANCE

Through this report you will see employees from across our business. We are absolutely dedicated to performance and thrive on the passion that makes up the culture of our business.

## A RECORD YEAR FOR THE GROUP

# JOHN MENZIES PLC STRATEGY HAS DELIVERED RECORD PROFITS, WITH BOTH DIVISIONS PRODUCING EXCELLENT RESULTS AND MENZIES AVIATION GROWING INTO THE BIGGEST DIVISION IN THE GROUP.

### FINANCIAL HIGHLIGHTS

**£56.4<sub>M</sub>**

UNDERLYING PROFIT BEFORE TAX

**£39.4<sub>M</sub>**

FREE CASH FLOW

**£2,013.8<sub>M</sub>**

TURNOVER

**73.2<sub>p</sub>**

UNDERLYING EARNINGS PER SHARE

## ACROSS OUR DIVISIONS

### MENZIES AVIATION

Menzies Aviation had another great year as it continued to deliver sustainable earnings growth by winning new contracts and entering new markets.

#### PROFIT

**£32.3<sub>M</sub>**

#### TURNOVER

**£676.8<sub>M</sub>**

### MENZIES DISTRIBUTION

Menzies Distribution dealt with a year of operational change and difficult markets to deliver an excellent result maintaining profits year on year.

#### PROFIT

**£28.8<sub>M</sub>**

#### TURNOVER

**£1,337.0<sub>M</sub>**

#### DEFINITIONS & NON-GAAP MEASURES USED BY MANAGEMENT

Management believes that the following non-GAAP or adjusted measures provide a useful comparison of business performance and reflect the way in which the business is controlled:

**UNDERLYING PROFIT BEFORE TAXATION** is defined as profit before taxation, intangible amortisation and exceptional items.

**UNDERLYING OPERATING PROFIT** includes each division's share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.

**UNDERLYING EARNINGS PER SHARE** is profit after taxation and non-controlling interest, but before intangible amortisation and exceptional items, divided by the weighted average number of ordinary shares in issue.

**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.

**TOTAL DEBT TO EBITDA RATIO.** Total debt is net debt plus guarantees and excluding financial derivatives and preference shares. EBITDA is underlying operating profit plus depreciation and computer software

**INTEREST COVER** is EBITA divided by external interest charge. EBITA is underlying operating profit plus computer software amortisation. External interest charge excludes net financial income/(charge) related to pensions.

## CHAIRMAN'S STATEMENT

**IAIN NAPIER**

Chairman, John Menzies PLC

P.24 RISKS AND UNCERTAINTIES

P.28 CORPORATE GOVERNANCE



**FULL YEAR DIVIDEND  
FOR THE YEAR OF 24p**

**UP 26%**

**UNDERLYING EARNINGS  
PER SHARE OF 73.2p**

**UP 26%**

### INTRODUCTION

The Group has again made excellent progress in our continued drive for sustainable shareholder value.

Individually, both operating divisions enjoyed a good year with Menzies Aviation emerging as the larger profit contributor after another strong year. Menzies Distribution, however, delivered its plan of maintaining year on year earnings and strong cash generation.

### RESULTS OVERVIEW

The Group has had another very successful year. I am delighted that we continue to grow sustainable shareholder value through delivery of the clear and consistent strategies of our two operating divisions. I am particularly pleased that Menzies Aviation, after delivering profit growth of 31%, is now the larger profit contributor. Menzies Distribution, as planned, maintained profits by driving efficiencies through the business.

Growth opportunities exist and we will continue to invest in new projects that meet our investment criteria and produce sustainable returns. Financially, the Group is in a very strong position allowing a continued focus on shareholder value.

### OUR BOARD

David Coltman retired from the Board in May 2011 after 10 years service. Sadly, David passed away in June and is missed by all who knew him. He was a wise counsel and friend to many people who served on the Board.

Ian Harley became our Senior Independent Director from the conclusion of the 2011 AGM. Ian has now been on the Board for 2 years during which time he has become the Audit Committee Chairman.

At the end of the year and in keeping with corporate governance best practice, Ian Harrison and Dermot Jenkinson, who have each served more than 9 years on the Board, stood down as members of the Audit and Remuneration Committees respectively. This means that these Committees are now comprised solely of independent Non-Executive Directors. We have a Board comprising 9 members, a Chairman, 3 executive Directors and 5 non-executives, 3 of whom are independent.

## DIVISIONAL TURNOVER (£m)

## Aviation

2011	676.8
2010	626.0

## Distribution

2011	1337.0
2010	1338.2

DIVISIONAL UNDERLYING  
OPERATING PROFIT (£m)

## Aviation

2011	32.3
2010	24.6

## Distribution

2011	28.8
2010	28.8

Your Board embraces the ethos of diversity. We are fully supportive of the principles of merit and equality in appointing new Directors and senior executives in the business. We strongly believe in selecting the best person for the job in terms of skills and merit, irrespective of their gender, race or background. This approach gives us a strong and healthy mix of Directors, opinions and experiences.

The size and structure of the Board and its Committees are reviewed annually. We believe we have an excellent balance, with an appropriate mixture of skills and experience.

## PEOPLE

We operate in uncertain economic times. Our ability to differentiate ourselves and provide value to our customers and stakeholders helps us to not only gain new business, but to retain existing customers. Throughout this report we discuss our People, Passion and Performance as the 3 key aspects to our business model. Worldwide we

employ over 21,000 people. We are a people business. Without the dedication of our People, we would not be able to deliver a quality product to our customers, whether it be on an aircraft turnaround or morning newspaper deliveries. It is the Passion of our People that delivers an outstanding Performance time after time. Both of our divisions have seen significant change during the year, and I would like to thank and congratulate the teams driving those changes, and the people who have adapted to new methods of working, as we seek to continually improve our customer services.

## PROSPECTS

Financially, the Group is in a strong position. Both operating divisions hold prominent positions in their respective markets. The dynamics of our divisions mean that the Group is able to continue to offer an attractive blend of stability and growth. Menzies Aviation will continue to expand in 2012 through winning more contracts and by identifying new markets. Menzies Distribution will again focus on operational

efficiencies but also look forward to opportunities in an interesting year that will bring a diamond jubilee, a major football championship and the London Olympics.

The Group will continue to deliver its well defined, long term strategy. John Menzies plc is committed to delivering shareholder value through investment in our operating divisions where sustainable returns can be generated.



IAIN NAPIER  
CHAIRMAN

**THROUGHOUT THIS REPORT WE  
DISCUSS OUR PEOPLE, PASSION  
AND PERFORMANCE AS THE 3 KEY  
ASPECTS OF OUR BUSINESS MODEL.**

## GROUP STRATEGY

### OUR MISSION

**JOHN MENZIES PLC AIMS TO DELIVER SUSTAINABLE GROWTH AND MAINTAIN AN ATTRACTIVE, LONG-TERM VALUE ENHANCING RETURN FOR SHAREHOLDERS BY BEING THE WORLD'S BEST PROVIDER OF AVIATION SUPPORT SERVICES AND MOST EFFICIENT PRINT MEDIA DISTRIBUTOR.**

P.28 CORPORATE GOVERNANCE

## OUR CUSTOMER FOCUSED APPROACH...

### PERFORMANCE

Performance matters. That is how we will deliver sustainable Shareholder value.

It is by being better than our competitors that we both retain existing business and gain new contracts. We have developed market leading safety initiatives which deliver a safe and secure service. We continually invest in systems to promote efficiency, utilise leading edge systems and encourage constant innovation.

**S.P.I.R.I.T**  
SAFETY & SECURITY  
PASSION  
INTEGRITY  
RELIABILITY  
INNOVATION  
TEAMWORK

### PASSION

We operate in competitive, service dependent industries. Being passionate about what we do is what differentiates us and makes us the first choice for our customers. Being the best each day, every day is our aim.

We want to give customers great service.

### PEOPLE

We aim to have the best workforce that delivers service excellence every time. We must attract and retain the best people. We must encourage them to fulfil their potential in order that they can deliver the outstanding performance we strive for.

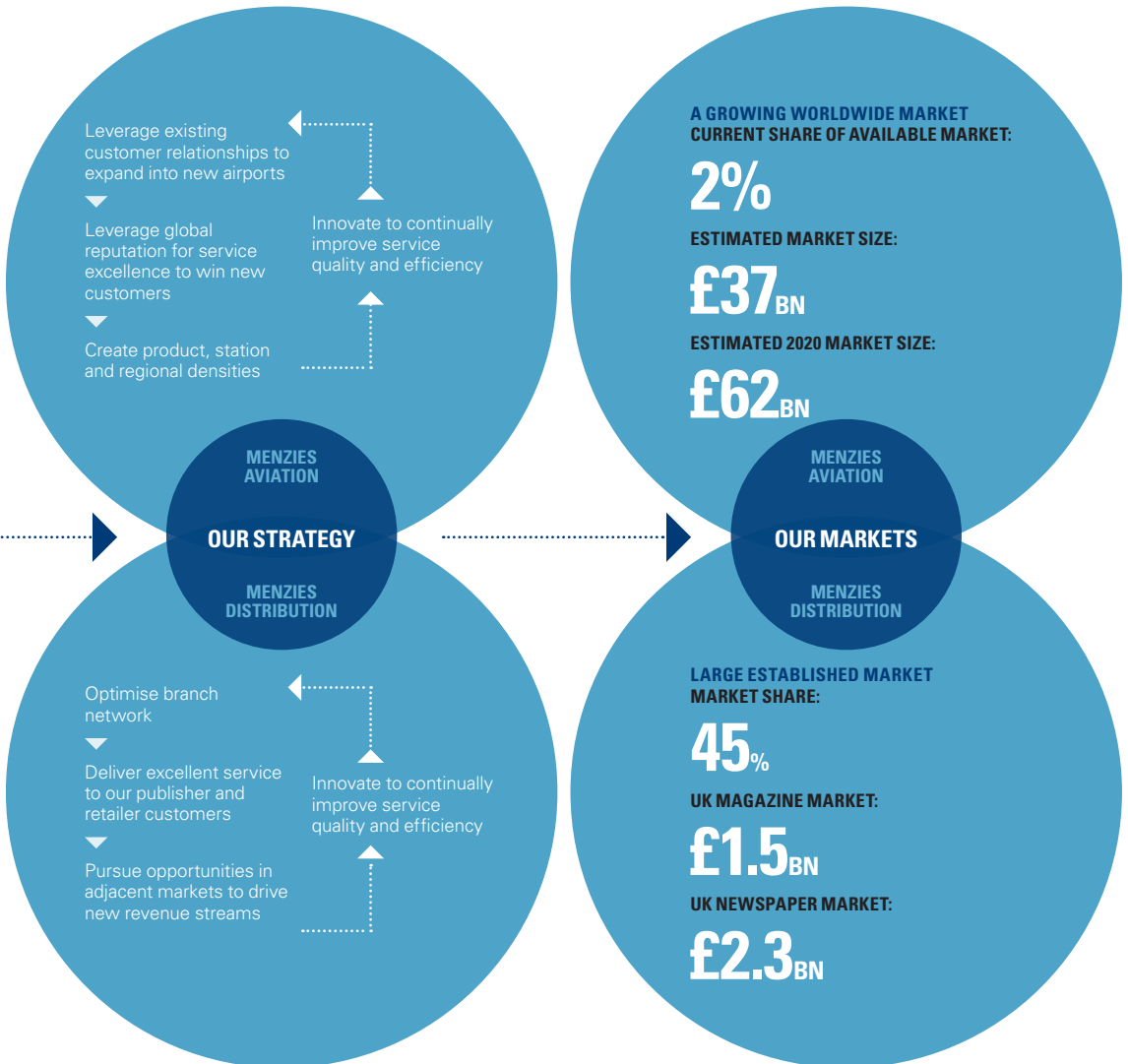


**OUR EXECUTIVE TEAM**

Paul Dollman – Group Finance Director  
 Craig Smyth – Managing Director, Menzies Aviation,  
 David McIntosh – Managing Director,  
 Menzies Distribution

**...IS DELIVERED ACROSS  
 BOTH OUR DIVISIONS...**

**...ALLOWING US TO  
 MAXIMISE OPPORTUNITY.**



GROUP  
PERFORMANCE

TOTAL BANK DEBT HAS NOW  
REDUCED BELOW THE GROUP'S  
EBITDA AND DIVIDENDS TO  
SHAREHOLDERS CONTINUE TO GROW.

UNDERLYING EPS UP 26%

73.2<sub>p</sub>



**PAUL DOLLMAN**  
Group Finance Director, John Menzies plc

P14 GROUP FINANCIAL REVIEW

WWW.JOHNMENZIESPLC.COM

## OVERVIEW

2011 was an excellent year. Both operating divisions are performing well and delivering the returns expected of them. Total bank debt has now reduced below the Group's EBITDA and dividends to shareholders continue to grow.

Underlying profit before taxation was up 25% to £56.4m on turnover of £2,013.8m (2010: £1,964.2m). This is a record result for the Group and endorses the strategy followed over the last 3 years. The Group is now on a very strong financial footing.

Menzies Aviation's growth continued after an excellent year where contract gains helped the division to overtake Menzies Distribution as the larger profit contributor. Turnover was up 8% to £676.8m generating operating profits of £32.3m, a rise of 31%. At Menzies Distribution turnover and profit were in line with last year with operating profits maintained at £28.8m.

## DEBT AND INTEREST

Group net debt fell further to £80.1m and is now less than the Group's EBITDA. The covenanted ratio which includes bank guarantees and letters of credit fell from 1.5 times last year

to 1.2 times. Interest cover increased from 9 times in 2010 to 12 times in 2011. All required facilities are secured with the next facility renewal in January 2013.

## CASH FLOW AND INVESTMENT

The Group had another strong year with a free cash flow of £39.4m. Capital expenditure increased year on year mainly as a result of the strong contract win momentum in the Aviation Division. The Group's net capital expenditure at £20.8m was still below the level of depreciation. After increased additional payments into the pension fund and a higher level of dividend the net cash flow for the Group was £18.9m including a currency translation gain of £1.6m.

## DIVIDEND

The Board has declared a final dividend of 17p which is payable on 22 June 2012 to all shareholders on the register on 25 May 2012. This represents an increase of 26% on the prior year and underlines the Board's continuing confidence in the Group's future, the cash generative nature of the Group and the resilience of its earnings.

## GROUP KEY PERFORMANCE INDICATORS

## REVENUE (£m)

2011	1899.7
2010	1837.6
2009	1725.7
2008	1667.1
2007	1541.1

## UNDERLYING PBT (£m)

2011	56.4
2010	45.0
2009	35.2
2008	30.7
2007	38.0

## UNDERLYING EPS (p)

2011	73.2
2010	57.9
2009	43.8
2008	31.3
2007	47.9

## FULL YEAR DIVIDEND PER SHARE (p)

2011	24.0
2010	19.0
2009	8.0
2008	7.56
2007	25.6

## FREE CASH FLOW (£m)

2011	39.4
2010	43.8
2009	26.9
-11.1	2008
2007	14.9



## GROUP PERFORMANCE MENZIES AVIATION



**CRAIG SMYTH**  
Managing Director, Menzies Aviation

### MENZIES AVIATION OPERATING BOARD

Craig Smyth – Managing Director  
Paul Dollman – Group Finance Director  
Mervyn Walker – EVP Operations  
Stephen Koller – EVP IT and AMI  
Giles Wilson – EVP Finance

P.04 GROUP STRATEGY

 [WWW.MENZIESAVIATION.COM](http://WWW.MENZIESAVIATION.COM)

WE OPERATE IN 29 COUNTRIES  
AND HAVE OPERATIONS AT

**131** AIRPORTS

INCREASE IN ABSOLUTE  
AIRCRAFT TURNS

**12.9%**

### PERFORMANCE

Menzies Aviation had another great year, benefiting from a clear and consistently delivered business plan. Operating profits of £32.3m were 31% up on the previous year as new contracts were secured and new markets entered. During the year operations commenced at a further 18 airports as existing customer relationships were leveraged and new customer relationships formed. The division now operates at 131 airports in 29 countries.

The highly cash generative nature of the business was demonstrated again with 100% cash conversion for the third year running.

As in previous years, the division had a successful year in securing new contracts. Over all product categories the division were net winners of 50 contracts which will generate £41m of revenue on an annualised basis. Just as important as securing new contracts is renewing existing contracts and during the year some 81 contracts were renewed securing £77m of annualised revenue.

The continued excellent record for securing and retaining contracts is helped by investment made into systems and processes. The division's market leading IT systems are critical to success of the business, creating robust platforms that control global time critical operations.

Operational efficiency remains one of our key points of differentiation. During the year a SMART audit programme was implemented which helps drive standardisation across the network. The division's operating model revolves around doing the same procedures time and again in a safe, secure and efficient manner. During the year 5 airport operations were granted ISAGO accreditation. This industry standard is important and reinforces the commitment to service excellence.

### GROUND HANDLING

The ground handling business had a very strong year across the network. Absolute aircraft turns were up 12.9% with like for like turns up 6.1%. The growth in the underlying business is pleasing and reinforces the strategy of aligning ourselves with expanding airlines in growing markets.

Operating profit from ground handling rose by 11% to £24.3m as a result of the annualisation of contracts gained in 2010 and new contracts acquired early in 2011.

Material contracts gained during the year included a start up operation for Jetstar in Darwin, Australia. This contract is the division's first with Jetstar who are a wholly owned subsidiary of Qantas and are fast growing across the Oceania region. Each week in Darwin we handle some 63 flights. In May operations commenced to handle 168 flights per week for Wizz Air out of London Luton Airport. In the Americas,



**RELIABLE  
WITH YEARS OF EXPERIENCE,  
THE STRENGTH OF OUR  
OPERATING MODEL AND  
PROVEN TRACK RECORD,  
YOU CAN COUNT ON US,  
EVERY TIME.**

# PASSIONATE

## GROUP PERFORMANCE MENZIES AVIATION CONTINUED

following the award of contracts by Vivaerobus, 11 new airport operations commenced in Mexico. The division is now the provider of ground handling services to the airline at 18 destinations across Mexico.

Overall 75% of ground handling revenue is derived from handling narrow bodied aircraft which fits the business model of quick, efficient and safe turnarounds.

Over the year the division was a net winner of 40 new contracts which secured some £30.1m of annualised revenue. Ground handling accounts for 60% of divisional revenues and remains the most attractive product category with the strongest growth prospects.

### CARGO HANDLING

The cargo handling business, which now represents 24% of divisional turnover, performed well during the year. Operating profits were up 62% as a result of contract wins, particularly in Amsterdam and London Heathrow. Absolute volumes fell 1.8% as new contracts partly offset general volume declines. Like for like volumes were down 4.3% reflecting the Japanese earthquake, followed by the slowdown in Asia, which reduced Asian airline traffic into our markets. This event was coupled with the general uncertain economic climate which resulted in a reduction in consumer demand for goods shipped by air. Unlike the events of 2008, volumes, whilst down on the previous year, remain stable.

Further progress was made in reducing losses at the 3 underperforming cargo locations that exist within the network. At these locations excess capacity makes it very difficult to maintain economic rates. At London Heathrow, new contracts with Kingfisher Airways and China Airlines were secured increasing throughput by some 20,000 tonnes per annum.

Where the market dynamics are good, cargo remains an excellent product category and continues to deliver attractive returns in locations where the market is not over-supplied.

### CARGO FORWARDING

The air freight wholesaling business, AMI, had an excellent year with profits up 52% to £3.5m. The business has benefited from market-leading web-based products launched in the UK, capacity in 2 key growing markets (South Africa and Western Australia), and strengthened sales and service delivery across all inter-regional trade lanes. AMI has also benefited by embracing Menzies Aviation's world class security and safety programme. With global presence, strong product development and a proven management team, AMI is well placed to continue its growth.

### STRATEGY

Menzies Aviation is now the world's second largest and fastest growing global aviation support services business. Its strategy remains unaltered. Within ground handling the business will continue to grow into a large and available market. With a specialisation for handling narrow bodied aircraft, growth will

### CARGO FORWARDING PROFITS UP

52%

### MENZIES AVIATION KEY PERFORMANCE INDICATORS

#### GROUND HANDLING labour hours per turn

2011	31.0
2010	30.2

#### GROUND HANDLING on-time performance (%)

2011	99.7
2010	98.2

#### CARGO HANDLING (tonnes per FTE)

2011	533.8
2010	548.2*

\* restated

#### AIRCRAFT DAMAGE category A incidents per 1,000 turns

2011	0.04
2010	0.06

continue to be predominantly organic as we consolidate positions, enter new airports and seek out new geographies. Within cargo handling new ventures will typically be where a cargo facility is complementary to an existing ground handling business. Away from major airports that are over supplied, cargo handling delivers good returns and growth opportunities will be pursued where the market dynamics are right.

The aviation services sector remains highly fragmented with strong and deliverable growth prospects and Menzies Aviation is well placed to capitalise on this.

## GROUP PERFORMANCE MENZIES DISTRIBUTION



**DAVID McINTOSH**

Managing Director, Menzies Distribution

### MENZIES DISTRIBUTION OPERATING BOARD

David McIntosh – *Managing Director*  
Paul Dollman – *Group Finance Director*  
Catherine Bland – *Finance Director*  
David Cooke – *Commercial Director*  
Jane Dyson – *Marketing Services Director*  
Christina Mellon – *HR Director*  
David Spiers – *IT Director*  
Mark Cassie – *Supply Chain Director*

### PERFORMANCE

Menzies Distribution produced a strong performance in challenging markets, delivering operating profits in line with the previous year at £28.8m. The division also continued to be highly cash generative producing free cash flow of £22.9m.

During the year major operational projects were delivered successfully. In November, the implementation of the SAP IT system was completed across the UK mainland and over a period of several months the branch network in the London area went through a period of reorganisation.

### CORE BUSINESS

Underlying volumes during the year continued to be in our range of estimates with newspaper volumes down 8% and magazine volume down 6%.

In the newspaper market, the volume decline was offset by strong cover price growth which resulted in retail sales value declining by only 2.2% during the year. July saw the unprecedented closure of the largest selling Sunday title, News of the World. However, the habitual nature of newspaper purchasing led to a high rate of substitution purchases which was aided by publisher discounting. The rate of substitution has now eased and developments in this category continue to be monitored.

In magazines, underlying sales value fell 4.4%. Magazines continue to be more of a discretionary purchase and sales are affected by the wider economic uncertainty. Sales received a marginal boost in May as a result of the Royal Wedding, although this upside was relatively short lived.

The division's excellent track record of taking out cost continued with some £4.6m of cost savings during the year. This ability to constantly increase efficiency and reduce costs in the face of declining volume remains central to the success of the division in maintaining profits.

The implementation of the SAP IT system was completed throughout the UK mainland in November 2011. The system is now bedded in and performing well. The teams locally have embraced the new system and are confident that the expected savings will be delivered.

During the year a reorganisation of the branch network in the London area was completed. This involved the successful resiting of 1 branch and the closure of a returns processing unit, which resulted in all returns from the London area being split between 2 hub branches.

The distribution business in Ireland continued to make progress. In the North the business traded well. In the South operational challenges continue, but real progress is being made and we anticipate that during the coming year this business can start to make a larger contribution to divisional profits.


P04 GROUP STRATEGY

 [WWW.MENZIESDISTRIBUTION.COM](http://WWW.MENZIESDISTRIBUTION.COM)



**SERVICE**  
EVERY NIGHT 5 MILLION  
NEWSPAPERS ARE  
TIMEOUSLY DELIVERED  
TO 25,000 RETAIL CUSTOMERS.

**INTEGRAL**



**TECHNOLOGY**  
BOTH OUR DIVISIONS HAVE  
DEVELOPED MOBILE PHONE  
APPS TO IMPROVE THE FLOW  
OF INFORMATION WITHIN  
THE BUSINESS AND WITH  
OUR CUSTOMERS.

# INNOVATORS

## GROUP PERFORMANCE MENZIES DISTRIBUTION CONTINUED

### NEW REVENUE VENTURES

During the year the businesses formed to pursue new revenue ventures were re-structured into 2 distinct subsidiaries. Menzies Select is involved in the bulk distribution of newspapers to the travel market together with corporate newspaper distribution. During the second half of the year the business performed in line with expectations.

Menzies Marketing Services, whose primary focus is on field marketing and retail inventory management, performed well in difficult markets although profits were marginally behind expectations.

The creation of 2 distinct business units with dedicated management provides the best structure to deliver the future growth ambitions that exist.

### STRATEGY

The division has been following a 3 pillar strategy, Execute, Re-design, Diversify. Much of the Execute work is complete with the integration of the new business won in 2009 and the changes to the branch network that resulted from this. The focus is now on the Re-design and Diversify stage.

With the implementation of SAP and the centralisation that this has brought there will be opportunities to further rationalise the branch network and its processes. The Diversify phase continues to gain traction with the creation of Menzies Select and a new structure for Menzies Marketing Services. Opportunities exist within these markets and will be actively pursued.

### MENZIES DISTRIBUTION KEY PERFORMANCE INDICATORS

NEWSPAPERS DELIVERED ON TIME (%)	
2011	97.96
2010	97.15

MAGAZINE PACKING ACCURACY (%)	
2011	99.75
2010	99.72*

\* restated

MAGAZINES DELIVERED ON TIME (%)	
2011	98.11
2010	97.45

NEWSPAPER RETURNS PROCESSED ON TIME (%)	
2011	85.36
2010	88.68

NEWSPAPER PACKING ACCURACY (%)	
2011	99.92
2010	99.87



## GROUP FINANCIAL REVIEW

P51 FINANCIAL STATEMENTS

WWW.JOHNMENZIESPLC.COM



**PAUL DOLLMAN**  
Group Finance Director

### SHAREHOLDERS' FUNDS

The movement on shareholders' funds during the year was as follows:

	£m
Shareholders' funds at December 2010	85.7
Profit before tax	48.5
Taxation	(10.1)
Net actuarial loss	(18.9)
Currency translation	(8.3)
New shares issued	1.2
Own shares purchased	(2.4)
Dividends paid	(12.2)
Share-based payment	1.7
Impact of rate change on deferred tax	(1.3)
Other	(0.5)
<b>SHAREHOLDERS' FUNDS AT DECEMBER 2011</b>	<b>83.4</b>

### CASH FLOW

The Group generated an operating cash flow of £75.2m in 2011 (2010: £69.1m). Some £28m was invested in the business and £12.2m was paid as dividends. An additional pension payment of £6.3m was made. Tax and interest payments accounted for £15m. Net debt decreased by £18.9m from £99m to £80.1m.

CASH FLOW	2011		2010	
	£m	£m	£m	£m
<b>OPERATING PROFIT</b>		<b>47.0</b>		37.7
Share-based payments		1.7		0.8
Depreciation		22.5		24.0
Amortisation of intangibles		6.0		5.3
Net pension movement		(1.8)		(1.0)
Working capital		(3.1)		(2.9)
Exceptional items		0.3		(0.1)
Cash spend on exceptional items		(3.6)		(2.9)
Dividends from associates and joint ventures		6.7		7.9
Non-cash items		(0.5)		0.3
<b>OPERATING CASH FLOW</b>		<b>75.2</b>		69.1
Purchase of property, plant and equipment	(21.8)		(11.6)	
Intangible asset additions	(4.5)		(3.9)	
Sale of property, plant and equipment	5.5		0.7	
Net capital expenditure		(20.8)		(14.8)
Net interest paid		(5.0)		(5.4)
Tax paid		(10.0)		(5.1)
<b>FREE CASH FLOW</b>		<b>39.4</b>		43.8
Equity dividends paid		(12.2)		(7.7)
Additional pension payment		(6.3)		(3.0)
Acquisitions		(1.7)		(1.7)
Cash raised from asset sales and leasebacks		-		5.0
Net cash acquired with subsidiaries		0.5		-
Other investments		(1.2)		1.1
Net spend on shares		(1.2)		(2.1)
Total movement		17.3		35.4
<b>OPENING NET DEBT</b>		<b>(99.0)</b>		(132.3)
Currency translation		1.6		(2.1)
<b>CLOSING NET DEBT</b>		<b>(80.1)</b>		(99.0)

### GROUP FREE CASH FLOW

# £39.4m

The above cash flow data provides more information than the statutory IFRS cash flow statement on page 57.



The cash spend on exceptional items of £3.6m included £2.7m of redundancy costs and £0.9m 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 benefits accrued to current active members prior to 1 May 2006 are linked to future price inflation rather than future salary increases. Following a consultation period with current active members in early 2010 future accrual is also now capped at 1% per annum.

INCOME STATEMENT	2011		2010	
	£m	£m	£m	£m
Current service cost		(0.7)		(1.7)
Gains on curtailments and settlements		0.1		4.6
		(0.6)		2.9
Expected return on scheme assets	16.8		15.2	
Interest on pension liabilities	(15.4)		(16.6)	
Net financial income/(charge)		1.4		(1.4)
Net income		0.8		1.5
BALANCE SHEET				
Total market value of assets		242.0		241.8
Present value of scheme liabilities		(306.3)		(289.6)
Deficit in scheme		(64.3)		(47.8)
Related deferred tax asset		16.1		12.9
Net pension liabilities		(48.2)		(34.9)

The current service cost for 2011 decreased as a result of an ongoing reduction in the pensionable payroll. The service cost for 2012 is expected to reduce further.

During 2011 the Group contributed cash of £8.7m (2010: £5.7m) to the Fund.

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. The next actuarial valuation will be at 31 March 2012.

IAS 19 Employee Benefits (Revised) will become effective for the Group in its 2013 accounts. Under IAS 19 (Revised) the interest charge on retirement benefit liabilities and the expected return on pension plan assets will be replaced by a net interest income or expense on net defined benefit assets or liabilities based on high-quality corporate bond rates. We are still assessing the potential impact, but this is likely to increase our reported net finance costs. The volatility of reported net finance costs is also expected to increase. We do not expect the effect on the net assets of the Group to be material.

### 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:

- (i) on 6 July 2011 Menzies Aviation and Swissport Handling SA signed a termination agreement bringing the 39% associate undertaking arrangement in Spain to an end. The termination agreement split the existing 6 airport operations whereby Menzies Aviation acquired 100% control of the operations at Alicante, Murcia, Jerez and Almeria while Swissport Handling acquired 100% control of the operations at Madrid and Lanzarote. The split was agreed following an independent review of the individual operations and the calculation of the £4m gain on the transaction remains subject to an ongoing completion valuation exercise

## GROUP FINANCIAL REVIEW CONTINUED

- (ii) during the year the Group sold a surplus freehold property for consideration of £2.5m resulting in a net gain of £1m
- (iii) the costs of rationalising excess capacity, comprising asset write-downs and staff redundancy costs, in Distribution amounted to £2.5m (2010: £2.3m) and in Aviation amounted to £1.7m (2010: nil)
- (iv) a provision for future obligations on a vacated leasehold property of £1.1m was set up following the sub-tenant entering administration.

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:

	2011 £m	2010 £m
Fixed rate sterling term loan	1.5	1.7
Fixed rate sterling loan	1.6	2.1
Floating rate sterling loan	0.6	0.9
Preference shares	0.1	0.1
Cash/overdrafts	1.1	1.0
Other finance (income)/charge	(1.4)	1.4
Net underlying interest charge	3.5	7.2

The sterling term loan is at a fixed rate of 6.23% and is repayable between 2012 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 matured in July 2011 with the remaining £25m maturing in June 2012.

Other finance income/charge is the net financial income/charge from the pension scheme under IAS19.

### TAXATION

The tax rate on underlying profits for the year was 23.4% compared with 24.2% in 2010 and is analysed as:

	%
Tax due at UK rate	26.5
Non tax-deductible items	3.6
Unrelieved overseas losses	1.5
Utilisation of tax losses	(2.0)
Lower rate of tax on overseas earnings	(0.7)
Recognition of deferred tax asset	(5.5)
Underlying tax rate	23.4

The deferred tax asset relates to available brought forward losses in the Netherlands.

Tax paid during the year was £10m.

**NET DEBT**

**£80.1<sub>M</sub>**

**RETURN ON CAPITAL EMPLOYED**

**20.3%**

The tax effect of the exceptional items, described in Note 5 on the accounts, is a net credit of £1m.

The overall effective tax rate has reduced from 24.8 % in 2010 to 20.8%, principally related to the deferred tax asset.

The UK Government has announced that the main rate of UK corporation tax will be reduced from the current rate of 26%, which has applied from 1 April 2011, to 23%, by means of a series of 1% annual reductions. The reduction in the UK corporation tax rate to 25% from 1 April 2012 was enacted on 19 July 2011. As this rate was enacted at the balance sheet date, and reduces the tax rate expected to apply when temporary differences reverse, it had the effect of reducing the UK deferred tax asset. However, as most of the UK deferred tax asset relates to the UK pension deficit, which has arisen predominantly due to actuarial gains/losses taken to other comprehensive income, the majority of the reduction was debited to other comprehensive income and does not have a material effect on the effective tax rate or on profit for the year. It is expected that this treatment will also apply in relation to the further rate reductions announced by the Government. Those further rate reductions are to be incorporated within future legislative acts and so will not be substantively enacted until later periods. The estimated effect of the further reductions in the rate to 23% by 2014 would be to decrease the net UK deferred tax asset by £0.9m.

**ACQUISITIONS**

During the year the Group completed a number of small acquisitions in the UK, details of which are shown in Note 24.

**PROPERTY, PLANT AND EQUIPMENT**

Purchases of property, plant and equipment totalled:

	Property £m	Plant & Equipment £m	Total £m
Distribution	0.1	5.4	5.5
Aviation	0.8	15.5	16.3
	0.9	20.9	21.8

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

**INTANGIBLE ASSETS**

Expenditure on computer software amounted to £4.4m during 2011, of which some £3.2m related to SAP.

Capitalised goodwill amounts to £54.4m compared to £56.1m in 2010. 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 invested in joint ventures and associates.

**WORKING CAPITAL**

Working capital movement is analysed as follows:

	2011 £m	2010 £m
Inventories	(1.7)	(1.6)
Trade and other receivables	(3.1)	(3.9)
Trade and other payables	1.7	2.6
	(3.1)	(2.9)

## GROUP FINANCIAL REVIEW CONTINUED

### 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 December 2011	Year end 31 December 2011	Average for year to December 2010	Year end 31 December 2010
US\$	1.610	1.554	1.546	1.566
Euro	1.150	1.197	1.167	1.167

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

### GOING CONCERN

At 31 December 2011 the Group had committed borrowing facilities of £169.1m, with an expiry profile of:

£50m	January 2013
£41.8m (US\$65m)	May 2014
£30m	May 2014
£25m	June 2014
£22.3m	March 2020

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

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

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

## OUTLOOK

The Group has made a positive start to the year and is trading in line with the Board's expectations.

At Menzies Aviation some significant new contracts have been won. Contracts to handle Flybe at London Gatwick and Birmingham International have been secured with operations commencing on 1 April. Operations in Toulouse, France have commenced with a contract to handle some 134 easyJet flights per week and a licence to operate in Naples, Italy has been activated with operations commencing on 1 April. This is an expansion into 2 new countries for the division and it is hoped that customer relationships can be leveraged to grow the business and create airport and ultimately regional density.

In Mexico, our relationship with Vivaerobus has been deepened with the signing of a 5 year contract to provide full passenger and ramp handling services to Vivaerobus at all 26 airports that they operate in throughout Mexico. To facilitate this, 4 new airport operations will commence.

Menzies Distribution continues to drive efficiencies as a result of the implementation of the SAP IT system. Following the centralisation of a number of functions and the creation of a central operations unit, a number of network rationalisation opportunities have been identified and plans are already in place to deliver these changes during the year.

On 17 February, News International announced the launch of the Sun on Sunday. It is too early to gauge the impact of this new title.

The Group is now financially strong. The reduction in net debt over the last few years has left the Group in a strong position. Within both divisions, particularly Aviation, expansion opportunities exist and we continue to evaluate these against sensible returns criteria.

With our two strong operating divisions providing a blend of stability, growth and cash generation the Group is well placed to build on our success.



CORPORATE  
SOCIAL  
RESPONSIBILITY

P.04 GROUP STRATEGY

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1,300

CHILDREN RECEIVE 3 MEALS  
A DAY AT 4 SCHOOLS AROUND  
BANGALORE, THANKS TO  
PARIKRMA FOUNDATIONOUR FULL CSR REPORT FOR 2011 CAN BE  
VIEWED AT: [WWW.JOHNMENZIES.COM/  
RESPONSIBILITY](http://WWW.JOHNMENZIES.COM/RESPONSIBILITY)

## OUR POLICY AND STRUCTURE

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 Board 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. Both Operating Boards recognise their legal, moral and commercial responsibility for effective policies, robust health, safety and security management systems and controls to identify, recognise and where reasonably practical eliminate or minimise risk.

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.

A description of the Company's internal control system for management, particularly of financial risks, is in the Corporate Governance statement on pages 28 to 39. An analysis of the key business risks facing the Group appears in the Business Review on pages 24 and 25. 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 2011 can be accessed at [www.johnmenziesplc.com](http://www.johnmenziesplc.com).

**DISCOVER MORE OF WHAT WE ARE DOING  
IN CORPORATE SOCIAL RESPONSIBILITY  
ONLINE AT: [WWW.ENVIROMENZIES.COM](http://WWW.ENVIROMENZIES.COM)**

**2011 SAW MENZIES AVIATION  
INTRODUCE ITS COMMUNITY  
TEAM CHALLENGE, WITH  
OUR MANAGEMENT TEAM  
GIVING SOMETHING BACK  
TO COMMUNITIES  
WHERE WE OPERATE.**

**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 well being 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.

**COMMUNITY TEAM CHALLENGE**

2011 saw Menzies Aviation introduce its Community Team Challenge programme, for the first time combining the development of our talented management team with putting something back (with a focus on helping children) in communities around the world where we operate. There were 3 distinct objectives:

1. to create a developmental experience for our employees,
2. for the Company to become involved in a project with local community benefit and
3. to work with the local community to provide sustainable benefit.

To kick start the programme we selected 30 of our highest performing managers from our Leadership Talent Review process, and formed 3 teams to complete 3 extremely worthwhile projects in South Africa, Romania and India.

Menzies Aviation fully funded the programme and completion of each project. It also asked key customers, suppliers and airport partners for donations to help sustain the substantial benefits to these children and communities for the long-term. In South Africa, our team worked in conjunction with teachers and village leaders to enlarge and upgrade a preschool in the Zulu village of Hlambanyathi, building an additional classroom and creating onsite restroom facilities for staff and children. Our continued support for this project includes the provision of cooking facilities and financial support to fund the cost of a food programme, which is expected to provide enough food for the children at the school for over 2 years.

In Romania our team worked within a children's village in Bucharest to provide an outdoor pavilion and upgrade the village entrance, which now sports wall murals designed and painted by the children. The villages were introduced as an alternative to the orphanage environment, and groups of between 5 and 7 children under the age of 15 live in a home environment with a long term carer "mother". The Company has supported this project for a number of years and the Community Challenge provided an opportunity to become more involved. We left the village with funding to provide for an away day for the house mothers and funds to be used to support the young adults as they move from hostel accommodation in preparation for independent living.

Our final challenge was in India, where we assisted a school for pupils from Bangalore's slums to host and run an inaugural under 16's Bangalore Football Tournament in the Karnataka State Football stadium, in association with the Parikrma Foundation, an organization we have supported for a number of years. The Parikrma Foundation takes children from very challenging backgrounds and provides schooling, in English, and 3 meals a day for 1,300 children in 4 schools around Bangalore. During the week of competition, teams from local schools competed for a place in the final and ultimately the Equality Cup. The children from Parikrma were able to demonstrate that they could compete on an equal footing with other local schools and

the overall feedback was of the sense of pride they had in themselves and their school. To continue the relationship with the Foundation, the Company has committed to providing funding for the tournament to run again in 2012.

**CHARITIES FUND**

The Company's Charities Fund exists 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.

Nominations are considered for charitable organisations suggested by the divisions, although generally donations will not be made 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 2011, over £80,000 was donated by the Company through this fund.

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 2011, almost £11,000 was donated via this fund.

**POLITICAL DONATIONS**

It is the Company's policy not to make political donations and no political donations were made during the year (2010: £nil).

## 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 equality legislation and our policies and practices are regularly reviewed and updated to ensure that recruitment and promotion is based on merit and in line with equality principles.

Managers are also encouraged to foster a work-based culture based on values espoused as part of a campaign promoting and providing guidance on ethical business practices and professional conduct concerning dealings with all our stakeholder groups including customers, suppliers and, of course, employees.

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
- whistleblowing, anti-corruption and bribery.

## 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 time-critical environments 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 our website, [www.johnmenziesplc.com](http://www.johnmenziesplc.com).

## INJURY AND INCIDENT REPORTING

Both divisions utilise key performance measures to monitor trends and to improve performance. They operate in very different sectors to each other, and so statistics for each division are analysed individually.

Safety and Security management in Menzies Aviation is cascaded down through regional Safety and Security managers who are responsible for safety and security compliance within their assigned region. 2011 has seen further changes to the Network Safety and Security Team to meet the needs of the business and include additional resources to raise the security focus within Menzies Aviation operations. The regional Safety and Security managers maintain a strong functional reporting line with the responsible specialists in the central support team.

Within Menzies Distribution, the Human Resources Director has Operating Board responsibility for Health and Safety. Detailed annual plans are prepared by a Health and Safety manager, who is responsible for developing and implementing

procedures and initiatives within Menzies Distribution and its new subsidiaries, Menzies Marketing Services and Menzies Select, and these are approved by the Board.

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.

## ENVIRONMENT

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.



## THE LAST 5 YEARS HAVE SEEN THE VOLUME OF WASTE DROP BY OVER 40%

### CARBON TRUST STANDARD

The Group is proud that at the start of 2009 Menzies Distribution achieved the Carbon Trust Standard for the energy efficiency work that has been undertaken in the division. The Carbon Trust Standard is awarded to organisations that measure, manage and reduce their carbon footprint. It shows which businesses and organisations are taking real action on climate change and reducing carbon emissions and the award recognises Menzies Distribution's efforts to date and its commitment to further reductions. Following a re-certification process in 2011, Menzies Distribution were awarded the Carbon Trust Standard for the second time. CO<sub>2</sub>e data for 2009 and 2010 was compared against the base year of 2008 to confirm that the division had achieved an absolute reduction of 2.4% over this period. As with the original application, evidences of governance, carbon accounting and carbon management were required to prove that the company is committed to a sustainable future.

Carbon footprint reduction continues across the Group, providing efficiencies and reducing costs to the business and both divisions remain committed to minimising the impact they have on the environment.

### ENERGY CONSUMPTION

Since 2007, all Menzies Distribution mainland UK electricity has been procured from fully 'green' renewable resources. The division had 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. Total energy consumption at Menzies Distribution during the year amounted to

27 million kWh, a decrease of 5% on 2010, and at approximately 13% beating its target set in 2008. In 2012, the division will establish new targets for total energy consumption.

### WASTE AND EMISSIONS

At Menzies Distribution, packaging waste, namely cardboard and polythene, and office paper are by-products of our activities. We have waste compactors installed at 19 of our largest branches in the UK. Menzies Distribution has been working closely with their waste services provider since the beginning of 2010 to reduce waste and increase recycling, and has set a goal to achieve 90% recycling across the division of all general waste material previously sent to landfill. In 2010 the volume recycled stood at under a third, but due to the concerted effort during 2011, the percentage recycled more than doubled to two thirds. The last 5 years have seen the volume of waste drop by over 40% and the percentage of our waste that is recycled increase from around 13% to over 67%. The division will keep on working to achieve its goal of 90% recycling of general waste, whilst also reducing the total volume of waste.

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 594 tonnes (2010: 757 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.

### 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.

### 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 34.2 days (2010: 33.8 days) of purchases from suppliers.

## PRINCIPAL RISKS AND UNCERTAINTIES

P.28 CORPORATE GOVERNANCE

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### OVERVIEW

The risks and uncertainties described below are considered to be those that would have the most significant effect on John Menzies plc. When ensuring that an effective risk management platform is in place it is recognised that by operating 2 distinct businesses their risk profiles differ. Some of the major risks that are faced, such as extreme weather

or acts of terrorism, remain outside our full control but they are still considered and mitigating activities are planned for.

The Group's key risks and those of each operating division are reviewed six monthly by the Group Board and in more detail by the Audit Committee.

### BUSINESS ENVIRONMENT RISK

RISK AREA	RISK DESCRIPTION	IMPACT	MITIGATING FACTORS
<b>Distribution</b>	Risk associated with changing consumer behaviour and digital media proliferation.	This could lead to an acceleration of top line decline as fewer newspapers and magazines are sold as individuals adapt the way they consume media.	A focus on cost and productivity efficiency within the core business. New revenue opportunities away from printed media distribution are being pursued. An external consultant review was commissioned that provided a forward looking market overview.
<b>Aviation</b>	The risk of global economic recession and its impact on airlines, ground and cargo handling volumes.	This could result in a reduction in the number of aircraft movements which have a direct impact on the amount of aircraft turns and cargo tonnes handled. The ultimate impact of this risk would be financial.	A flexible business model exists with geographical diversity that has stood up to previous events. Strategic alignment with more robust, financially strong airlines. Rigorous credit control and weekly analysis of volume across all product categories.

### CUSTOMER RISK

RISK AREA	RISK DESCRIPTION	IMPACT	MITIGATING FACTORS
<b>Distribution</b>	Risk associated with publisher renewals.	Failure to re-negotiate existing contracts at acceptable rates would have a material effect on the current operating model. Ultimately the impact of this risk would be financial.	Majority of current contracts secured through to 2015. Strategic analysis of options at the time of the next contract renewals. Constant evolution of the operating model to ensure an optimum cost base. Implementation of current branch re-organisation plans.
<b>Distribution</b>	Risk associated with retailer consolidation and retailer aspirations.	Greater power within the supply chain for large multiple retailers could result in preferential payment terms and increased service level demands. This would have both operational and financial implications.	Continue to drive service excellence and respond to retailer KPIs. Customer survey completed and pertinent actions implemented.
<b>Aviation</b>	Risk associated with airline industry change. Airline consolidation or failure can lead to opportunities and threats. A risk exists if airline customers fail or are consolidated or significantly reduce volume.	Airline consolidation could result in volume reductions across the main product categories if the acquiring airline is handled by a competitor or drops off a route. This would impact operations at effected airports and ultimately the financial performance of the division.	A balanced customer portfolio exists. The division attempts to focus on growing, financially strong airlines. Maintain key relationships within airlines.

**FINANCIAL RISK**

RISK AREA	RISK DESCRIPTION	IMPACT	MITIGATING FACTORS
<b>Group</b>	Risk of inadequate financing facilities and inadequate management of foreign exchange exposures.	<p>Failure to arrange adequate banking facilities would have a material impact of the Group's ability to operate.</p> <p>Failure to adequately manage the Group's foreign exchange exposures would have a financial impact.</p>	<p>The Group maintains strong relationships with a portfolio of high street banks and is confident that it has sufficient headroom available to fund the Group.</p> <p>Monthly Treasury meetings are held which review hedging policy, supplemented by weekly cash forecasts and a daily monitoring of facility headroom.</p> <p>The Board annually reviews treasury policy and takes external advice as appropriate.</p>

**PEOPLE RISK**

RISK AREA	RISK DESCRIPTION	IMPACT	MITIGATING FACTORS
<b>Group</b>	Risk of inadequate succession planning and people development. A risk exists that the Group does not have in place adequate succession plans for the key management roles across the Group and that key employees leave the Group if development opportunities do not exist.	The impact of this risk could result in internal candidates not existing for key roles as they become available or individuals with in-depth knowledge and skills leaving the Group due to a lack of opportunity.	<p>Succession plans across all areas of the Group exist. The Board annually reviews succession plans for senior management and executive directors.</p> <p>Each division has its own structured development programmes aimed at identifying and developing key employees.</p>
<b>Group</b>	Health and Safety risk. A risk of failing to provide employees with appropriate training and a safe working environment exists across the Group together with a risk that the Group fails to comply with relevant Health and Safety legislation.	The impact of a Health and Safety failure could affect the Group's reputation, operational performance and ultimately financial performance.	<p>Safety is the number one value across the Group.</p> <p>Dedicated Health and Safety teams exist at both operating divisions. Detailed Health and Safety reports are discussed at both Operating Boards and Health and Safety is the first agenda item at all John Menzies plc Board meetings.</p> <p>Continual analysis of accidents allows trends to be identified and prompt action taken.</p>
<b>Aviation</b>	Security risk. A serious security breach or incident occurs within the division that is directly attributable to the actions of one of our employees or the failure of related processes and/or training.	The impact of a serious security related incident would affect the Group's reputation, operational performance and ultimately financial performance.	<p>The division works closely with airport authorities.</p> <p>Rigorous checking and vetting of all employees takes place.</p> <p>Central support is provided to all stations to ensure consistency utilising the MORSE intranet based safety and security monitoring system, which provides consistent and regular reporting.</p>

**TECHNOLOGY**

RISK AREA	RISK DESCRIPTION	IMPACT	MITIGATING FACTORS
<b>Group</b>	The risk of collapse of divisional IT platforms. Each division operates its own IT platform. Both are critical to the running of each division.	A serious outage for a limited period of time would have an operational and reputational impact.	<p>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.</p> <p>Each division has its own disaster recovery plans which are periodically tested.</p>

## BOARD OF DIRECTORS

### ROLE OF THE BOARD:

- The approval of strategic plans.
- The approval of financial statements, acquisitions and disposals.
- The approval of major non-recurring projects and major capital expenditures.



### 1. IAIN NAPIER

#### NON-EXECUTIVE CHAIRMAN

- Chairman of the Nomination Committee
- Member of the Audit Committee
- Member of the Remuneration Committee

#### BACKGROUND AND EXPERIENCE

Iain was appointed Non-Executive Director of the Company in September 2008 and became Chairman in May 2010. He has significant experience at senior levels in international organisations having previously been Group CEO of Taylor Woodrow plc and prior to this CEO of Bass Brewers and Bass International Brewers. Iain is a chartered management accountant.

#### OTHER APPOINTMENTS

- Chairman of Imperial Tobacco Group plc
- Chairman of McBride plc
- Non-Executive Director of the Molson Coors Brewing Company
- Non-Executive Director of William Grant & Sons Ltd.

### 2. ERIC BORN

#### NON-EXECUTIVE DIRECTOR

- Member of the Audit Committee
- Member of the Nomination Committee

#### BACKGROUND AND EXPERIENCE

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.

#### OTHER APPOINTMENTS

- Chief Executive at Wincanton plc.

### 3. PAUL DOLLMAN EXECUTIVE DIRECTOR, GROUP FINANCE DIRECTOR

#### BACKGROUND AND EXPERIENCE

Paul was appointed as Group Finance Director in 2002. A chartered accountant, he was previously Finance Director at William Grant & Sons Ltd, and has also held senior financial positions with Inveresk plc, Maddox Group plc and Clydesdale Retail Group.

#### OTHER APPOINTMENTS

- Non-Executive Director of Scottish Amicable Life Association Society.

### 4. IAN HARLEY

#### NON-EXECUTIVE DIRECTOR

- Chairman of the Audit Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee

#### BACKGROUND AND EXPERIENCE

Ian was appointed a Non-Executive Director of the Company in February 2009. Ian was previously Finance Director and Chief Executive Officer of Abbey National plc and spent 9 years on their Board. He also spent 8 years on the Rentokil Initial plc Board and is a chartered accountant and Fellow and Past President of the Institute of Bankers.

#### OTHER APPOINTMENTS

- Chairman of Rentokil Initial Pension Trustee Limited.



**5. IAN HARRISON**  
 NON-EXECUTIVE DIRECTOR

**BACKGROUND AND EXPERIENCE**

Ian was appointed a Non-Executive Director in 1987. He joined a major UK commodity merchant in 1979 where he established and built up the treasury and foreign exchange department, becoming a Director in 1984. He then joined Record Currency Management, an institutional investment management company specialising in currency management for pension funds worldwide, in 1989.

**OTHER APPOINTMENTS**

- Director of Record Currency Management Ltd.

**6. DERMOT JENKINSON**  
 NON-EXECUTIVE DIRECTOR

**BACKGROUND AND EXPERIENCE**

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 Executive Chairman until 2011 when the business was sold to Teleperformance SA.

**OTHER APPOINTMENTS**

- Director of Scottish Friendly Association and a number of other private companies.

**7. DAVID McINTOSH**  
 EXECUTIVE DIRECTOR,  
 MENZIES DISTRIBUTION

**BACKGROUND AND EXPERIENCE**

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.

**8. OCTAVIA MORLEY**  
 NON-EXECUTIVE DIRECTOR

- Chairman of the Remuneration Committee
- Member of the Audit Committee
- Member of the Nomination Committee

**BACKGROUND AND EXPERIENCE**

Octavia was appointed a Non-Executive Director in 2006. She has significant experience in managing dynamic, fast paced organisations having previously been Chief Executive of Lighterlife Ltd and Marketing Director and Commercial Director at Woolworths plc. She has also held positions as Managing Director, ecommerce at Asda Stores Ltd and as Buying and Merchandising Director at Laura Ashley plc.

**OTHER APPOINTMENTS**

- Chief Executive of Crew Clothing Ltd.

**9. CRAIG SMYTH**  
 EXECUTIVE DIRECTOR,  
 MENZIES AVIATION

**BACKGROUND AND EXPERIENCE**

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 19 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.

**10. JOHN GEDDES**  
 COMPANY SECRETARY

**BACKGROUND AND EXPERIENCE**

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.

# CORPORATE GOVERNANCE STATEMENT



**IAIN NAPIER**  
Chairman

The Board remains committed to the principles of good corporate governance, as it continues delivering its strategy. In June 2010 the Financial Reporting Council issued the UK Corporate Governance Code (the Code), which is the product of an extensive review of the Combined Code on Corporate Governance. The Code applies to accounting periods beginning on or after 29 June 2010 and so is applicable for this report, and the Board believes that, having amended the composition of the Board Committees during the year, that the Company is now fully compliant with the principles of the Code.

## AUDIT COMMITTEE



### Name

1. I Harley  
Chairman
2. E Born  
Member
3. O Morley  
Member
4. I Napier  
Member

### MAIN RESPONSIBILITIES

To monitor the integrity of the financial statements, internal control and risk management, whilst overseeing the relationship with the external auditors.

## REMUNERATION COMMITTEE



### Name

1. O Morley  
Chairman
2. I Harley  
Member
3. I Napier  
Member

### MAIN RESPONSIBILITIES

To determine and agree the framework and policy for the remuneration of directors, company secretary and other members of the senior management team as it is designated to consider.

## NOMINATION COMMITTEE



### Name

1. I Napier  
Chairman
2. E Born  
Member
3. I Harley  
Member
4. O Morley  
Member

### MAIN RESPONSIBILITIES

To review the structure, balance and composition of the Board and its Committees and propose new appointments.

## 1. THE BOARD

### 1.1 Structure and Leadership

The Board currently consists of 9 Directors, 6 of whom are Non-Executive (including the Chairman) and 3 Executive. The role of the Chairman is distinct from other positions, is clearly defined and, as noted, 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 having been agreed by the Board are regularly reviewed with the Chairman.

#### The role of the Board:

The Board of Directors' key purpose is to ensure the Company's prosperity by collectively directing the Company's affairs whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues the Board of Directors must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. Its key responsibilities include:

- the approval of strategic plans,
- the approval of financial statements, acquisitions and disposals,
- the approval of major non-recurring projects and major capital expenditures.

#### The role of the Chairman:

- lead the Board,
- lead strategic discussions between the Board ensuring accurate, clear and timely information is available to all Directors,
- be available to the Executive Directors to discuss any concerns or issues that they may have,
- ensure that sufficient time is made available for discussion of items at Board meetings, and develop an atmosphere which encourages active participation by the Board,
- ensure that risk and long term shareholder value remain a key focus for the Executive team,
- ensure an open dialogue is maintained with shareholders and be available to meet as required.

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 3 years. Under the Company's Articles of Association (the 'Articles') any Director who was not appointed or re-appointed at one of the two preceding AGMs is required to retire from office and offer themselves for re-election.

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 on any issues that are happening within their business and their proposed resolutions when problems occur.

In addition to the Chairman, who satisfied the independence criteria set out in the Code on appointment, 3 of the Directors are considered independent (Eric Born, Ian Harley and Octavia Morley) which is in excess of the minimum recommended 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.

The Board fully supports diversity, recognising the benefits that diverse viewpoints can bring in key decision making. We are committed to encouraging and developing all our employees and our Board to reach their full potential, irrespective of their gender, race or sexuality. It is our intention to always keep the benefits that derive from a diverse Board in mind when making future appointments. However the Board does not believe that setting a quota is the most appropriate method for achieving a balanced Board, and all appointments will be made on merit. The Board is also committed to developing talent throughout the Group, and provide appropriate training, support and development to those identified as displaying potential.

### 1.2 Accountability

The Board met 8 times in 2011 and has a formal schedule of matters specifically reserved to it for decision.

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. At the end of 2011, and in line with best practice principles, Ian Harrison and Dermot Jenkinson, our two non-independent Non-Executive Directors, stood down from the Board Committees. This means that our Board Committees now comprise solely of the Chairman and independent Non-Executive Directors with the Audit Committee and Nomination Committee having 4 members and the Remuneration Committee 3.

The Chairmen of the Audit and Remuneration Committees are chosen from Directors who are independent under the terms of the 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 2 Executive Directors on them.

## CORPORATE GOVERNANCE STATEMENT

### CONTINUED

#### 1.3 Appointments and retireals

David Coltman retired from the Board following the AGM in May 2011.

The Code requires that on companies of our size, Non-Executive Directors serving for more than 9 years offer themselves up for annual re-election. The Articles also require that Directors not appointed or re-appointed at one of the 2 preceding AGMs must retire and stand for re-appointment. The Directors who therefore retire and, being eligible, offer themselves for re-appointment at the AGM are Ian Harley, Ian Harrison, Dermot Jenkinson, Octavia Morley and Iain Napier.

Iain Napier was appointed a Non-Executive Director of the Company in 2008 and became Chairman in May 2010. Iain was formerly main Board Director of Bass PLC, Chief Executive of Bass Leisure and then of Bass Brewers and Bass International Brewers. He was then Vice President UK and Ireland for Interbrew SA until August 2001. He was Chief Executive of Taylor Woodrow International Housing and Development from 2001 to 2005. Currently, he is Chairman of Imperial Tobacco Group plc and McBride plc and a Non-Executive Director of Molson Coors Brewing Company and William Grant & Sons Holdings Limited.

Ian Harley was appointed a Non-Executive Director of the Company in 2009. He is Chairman of Rentokil Initial Pension Trustee Limited having previously spent 8 years on the Rentokil Initial plc Board. Ian has previously held a variety of posts in the Finance, Retail Banking and Wholesale Banking Divisions of Abbey National and spent 9 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. He is Chairman of the Audit Committee.

Octavia Morley was appointed a Non-Executive Director in 2006. She is 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. She is Chairman of the Remuneration Committee.

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

All Directors standing for re-election have undergone a formal performance evaluation and the performance of each continues to be effective and demonstrates commitment to their role, including commitment of time for Board and Committee meetings in addition to their other duties. The Board recommends to shareholders the re-appointment of Ian Harley, Ian Harrison, Dermot Jenkinson, Octavia Morley and Iain Napier.

#### 1.4 Independence

The Chairman satisfied the independence criteria set out in the Code on appointment. There are 3 independent Non-Executive Directors (Eric Born, Ian Harley and Octavia Morley) which is in excess of the minimum number recommended 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. 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.

Since the end of 2011 all of the Non-Executive Directors on each of the Board Committees are independent, and are therefore fully compliant with the Code.

#### 1.5 Senior Independent Director

Ian Harley became Senior Independent Director following David Coltman's retirement from the Board at the 2011 AGM. 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.

#### 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 Nomination 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.

### 1.7 Board Performance Evaluation

The Board is supportive of the principles and provisions of the Code on Board performance evaluation. The Board's policy is to conduct rigorous performance evaluations internally on an annual basis, using external consultants to refresh the process every 3 to 5 years. An independent external consultant was used during 2011 to evaluate the Board, its members and its Committees.

This evaluation was undertaken by Genius Methods and consisted of an online survey of each Board member, questioning their views on their own skills, the skills of the other Directors, the mix of skills on the Board, the performance of the Board as a whole, and the performance of its Committees. This was followed up by a one-to-one meeting between the Directors and evaluators to discuss the surveys' 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 results of the evaluation were reported to the Chairman and the Board in January 2012.

Overall the evaluation was very positive on the operation of the Board and its Committees and some minor constructive changes have been made to their operation based on the findings.

### 1.8 Conflict of interest

The Articles 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. These indemnities 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 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](http://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 and also to meet the Directors after the formal business of the AGM has concluded. The Chairmen of the Board Committees will also be available to answer questions from any shareholder at the AGM. 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.

## CORPORATE GOVERNANCE STATEMENT

CONTINUED

### 2. BOARD COMMITTEES

Board and Committee meetings and attendance in 2011:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>MEETINGS</b>	<b>8</b>	<b>3</b>	<b>2</b>	<b>2</b>
I Napier	8/8	3/3	2/2	2/2
E Born	8/8	3/3	–	–
I Harley	8/8	3/3	2/2	1/1
I Harrison	7/8	2/3	–	–
D Jenkinson	8/8	–	2/2	2/2
O Morley	8/8	3/3	2/2	–
P Dollman	8/8	–	–	–
D McIntosh	8/8	–	–	–
C Smyth	8/8	–	–	–
D Coltman*	0/3	–	–	0/1

\* Appointments and retireals  
D Coltman retired in May 2011

#### 2.1 Nomination Committee

Name	Position
I Napier	Chairman
E Born	Member
I Harley	Member
O Morley	Member
D Coltman	Past member
D Jenkinson	Past member

#### Changes during 2011:

Ian Harley was appointed to the Committee and David Coltman stood down in May 2011. Eric Born and Octavia Morley were appointed to the Committee and Dermot Jenkinson stood down in December 2011.

The Nomination Committee has terms of reference modelled closely on those set out in the Code and its responsibilities include recommending new Board appointments and succession planning. A copy of 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 2011, the Nomination Committee reviewed the structure, balance and composition of the Board and its Committees. In line with best practice principles, both Ian Harrison and Dermot Jenkinson, who have been Non-Executive Directors for over 9 years, have retired from all Board Committees.

## 2.2 Remuneration Committee

Name	Position
O Morley	Chairman
I Napier	Member
I Harley	Member
D Jenkinson	Past member

### Changes during 2011:

Dermot Jenkinson stood down from the Committee in December 2011.

The Report on Directors' Remuneration on pages 40 to 50 details the role of the Remuneration Committee and how the principles of the Code relating to Directors' Remuneration have been applied.

## 2.3 Audit Committee

Name	Position
I Harley	Chairman
E Born	Member
O Morley	Member
I Napier	Member
I Harrison	Past member

### Changes during 2011:

Eric Born became a member of the Audit Committee in January 2011. Ian Harrison stood down from the Audit Committee in December 2011.

### Overview and structure

The Audit Committee assists the Board in the execution of its responsibilities for corporate governance and internal control, and has adopted terms of reference modelled on those set out in the Code. The Group Finance Director and certain senior financial executives as appropriate, together with representatives from the internal and external audit teams, attend each meeting. It is a requirement that at least one Audit 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 Audit Committee's terms of reference is available on the Company's website. The Audit Committee has delegated authority from the Board for ensuring adherence to the Code provisions and related guidance.

### Responsibilities

The responsibilities of the Audit Committee include:

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

The Audit Committee met 3 times in 2011 and a full report of its activities and of findings and recommendations from each meeting is given to the Board.

During the year ended 31 December 2011, the Audit 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 Audit Committee reviewed the reports of management and the controls assurance (internal audit) provider and took into account the views of the external auditors.

## CORPORATE GOVERNANCE STATEMENT

### CONTINUED

#### Internal Control structure and Internal Audit

The Audit 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 LLP, given their global spread and resources.

Findings from the internal audit programme (on financial and key non-financial risks) and areas identified for improvement are reviewed by the Committee and prioritised for action by management. The Audit 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.

#### Risk and the Risk Register

The Audit 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 Audit Committee was satisfied that management had appropriate risk management strategies and systems in place to address the Group's key business risks.

#### Group Audit

The Audit Committee 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.

In 2009 the Group moved the audit role to Ernst & Young following a tendering process, and the contract was awarded on the basis of cost, expertise and ability to audit the Group's worldwide activities. The Audit Committee was satisfied then, and remains satisfied, that in accepting the position of Statutory Auditor Ernst & Young are able to remain independent and objective.

As part of its review of the effectiveness of the external auditors, the Audit 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. 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.

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 Audit Committee. The Audit Committee believes that the level and scope of these non-audit services does not impair the objectivity of the Company's auditors.

During 2011, audit fees amounted to approximately £0.5m, whilst non-audit fees to Ernst & Young amounted to approximately £0.7m. The Audit Committee regularly reviews the remuneration received by the Company's auditors for audit services, audit-related services and non-audit work. These reviews are to 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 enable 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 meets a minimum of 4 times per year.

The three Executive Directors also meet prior to each Board meeting, with the Chairman and Company Secretary joining them as appropriate. The meetings provide a forum for sharing ideas and experiences from within the Operating Divisions. It also allows the common financial controls, managed at Group level, to be reviewed and discussed. The composition of the Menzies Aviation Operating Board is shown on page 7 and the Menzies Distribution Operating Board is shown on page 10.

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

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

The Directors are responsible for the maintenance and integrity of the website ([www.johnmenziesplc.com](http://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 Rules 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 re-appoint Ernst & Young LLP as auditors to the Company and to authorise the Board to agree their remuneration will be proposed at the AGM.

# CORPORATE GOVERNANCE STATEMENT

## CONTINUED

### 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 2011 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.

Further details on how the Board manages business risks are shown on pages 24 and 25, and stakeholder risks in particular are summarised in the Corporate Social Responsibility report on pages 20 to 23.

### 5. SHAREHOLDER INFORMATION

#### 5.1 Share capital and structure

The Company has two classes of shares: ordinary shares and 9% cumulative preference shares. As at 31 December 2011 the Company had an issued share capital of £16,576,922 comprising 1,394,587 9% cumulative preference shares of £1 each and 60,729,343 ordinary shares of 25p each. Of these 60,729,343 ordinary shares, 1,142,845 were held as Treasury Shares and 1,020,387 were held in Employee Benefit Trusts. These figures include 499,753 ordinary shares with a nominal value of £124,938 representing 0.8% of the issued share capital which were purchased as Treasury Shares at an average price of £5.33 per share during 2011, to be used for the satisfaction of share plan awards.

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.

## 5.2 Directors' share interests

Directors' interests in the ordinary shares of the Company are shown in the table below. There have been no changes between 31 December 2011 and 5 March 2012.

		31 December 2011	31 December 2010 (or at date of appointment)
I Napier	Beneficial	5,000	5,000
E Born	–	–	–
P Dollman	Beneficial	80,000	88,077
I Harley	Beneficial	4,000	4,000
I Harrison	Beneficial	2,122,832	2,122,832
	Non-beneficial	402,500	402,500
D Jenkinson	Beneficial	2,098,360	2,098,360
	Non-beneficial	3,570,360	3,570,360
D McIntosh	Beneficial	20,052	17,524
O Morley	–	–	–
C Smyth	Beneficial	43,468	31,352
D Coltman*	Beneficial	n/a	35,000

\* D Coltman retired from the Board in May 2011.

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 5 March 2012.

## 5.3 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 31 December 2011 and 5 March 2012:

	Number of ordinary shares at 31 December 2011	% ordinary share capital	Number of ordinary shares at 5 March 2012	% ordinary share capital
D C Thomson & Co.	5,190,000	8.54	5,190,000	8.54
JPMorgan Asset Management	3,139,483	5.17	3,265,874	5.38
Mr D Ramsay	2,589,878	4.26	2,589,878	4.26
Mrs P Menzies	2,529,650	4.16	2,529,650	4.16
Mrs K Slater	2,396,552	3.95	2,396,552	3.95
Legal & General Investment Management	1,874,127	3.08	1,878,043	3.09

# CORPORATE GOVERNANCE STATEMENT

## CONTINUED

### 6. ARTICLES OF ASSOCIATION

#### 6.1 Transfer of shares

There is no restriction on the transfer of shares in the Company, other than as contained in the Articles. Subject to the Articles 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.

#### 6.2 Voting rights

Deadlines for exercising voting rights and appointing a proxy or proxies to vote on resolutions to be passed at the AGM on 18 May 2012 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 6 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.

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.

#### 6.3 Allotment and issue of shares

The Directors are, by shareholder resolutions passed at the AGM of the Company on 20 May 2011, 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 £4,969,446. 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 £9,938,892.

Such authority and power expire at the Company's AGM being held on 18 May 2012, unless previously revoked, varied or renewed. It is proposed that such authority and power 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.

#### 6.4 Purchase of own shares

The Company is, by shareholder resolution passed at the AGM of the Company on 20 May 2011, authorised to purchase up to 5,963,335 of its own ordinary shares at a maximum price equal to 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 5 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 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 20 May 2011, 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 5 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 18 May 2012 and it is proposed that these authorities be renewed by shareholder resolution at that AGM, but without prejudice to the exercise of any such authorities prior to the date of such resolutions.

### 6.5 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.

### 6.6 Retirement of Directors

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 2 AGMs.

### 6.7 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 subject to restrictions contained in the Articles. The Articles detail the specific powers of the Directors. Copies of the Articles may be obtained from the Company Secretary or the Company's website [www.johnmenziesplc.com](http://www.johnmenziesplc.com).

The Articles can only be amended by Special Resolution of the Company in General Meeting.

### 6.8 Significant agreements – change of control

Both 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



**OCTAVIA MORLEY**  
Chairman of Remuneration Committee

### REMUNERATION COMMITTEE MEMBERSHIP

Name	Title	Attendance
O Morley	Chairman	3/3
I Napier	Member	3/3
I Harley	Member	3/3
J Geddes	Secretary	3/3

Changes during year:

Dermot Jenkinson stood down from the Committee in December 2011

### INTRODUCTION BY OCTAVIA MORLEY

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2011 on behalf of the Board.

I have been Chairman of the Remuneration Committee (the 'Committee') since May 2010 and believe that it is essential that the executive remuneration be fair, balanced and reflective of the general markets and environments in which we operate.

For the last 2 years we have had a core structure for executive remuneration which we believe complies with best practice. All executive incentives are based on a multiple of basic salary and it is therefore essential that the basic salaries are set at the correct levels to attract, motivate and retain skilled and capable individuals who can deliver shareholder value against the Group's defined strategy.

During the year ended 31 December 2011, the Committee has:

- Reviewed incentive structures. It is important that we continue to ensure that our remuneration structure remains fair and compliant with best practice principles. We have now fully amended all our incentive schemes so that they are calculated on the basis of basic salary.
- Introduced a bonus 'claw-back'. From 2012 and in compliance with best practice principles, all executive bonus payments will include a claw-back clause should information subsequently materialise that would have affected the amount of bonus payable to an individual.
- Reviewed basic salaries. Salaries for Paul Dollman and Craig Smyth increased by 2.5% whilst David McIntosh's, having completed his second year in the role, increased by around 10%.
- Reviewed shareholding targets. Shareholding targets have increased to 200% of base salary. For Paul Dollman and Craig Smyth this is during 2012 and for David McIntosh by 2015.

In 2012 the Committee will, in conjunction with external consultants, review all of the components of the package to ensure that they remain fit for purpose, compliant with industry best practice and correctly incentivise the executive team to deliver long term shareholder value against the Group's defined strategy.

### OCTAVIA MORLEY

5 March 2012

## 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 2010 Code, which are displayed on the Company's website.

## REMUNERATION POLICY, PRACTICE AND PRINCIPLES

The Board recognises that the continuing success of the Group depends on the quality and motivation of its executive team and all 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 package that works as a whole 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' base salaries are maintained at competitive levels for comparable positions reflecting, where appropriate, the international nature of the business. These base 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.

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 2010 Code. The Committee also determines the extent to which all performance targets are met.

## ALIGNMENT OF REMUNERATION TO OBJECTIVES

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 performance related plans and savings-related share option scheme.

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 (divisional) and external (Group) 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. Stretch performance will be rewarded where the objectives set have been exceeded, as well as Executive Directors' individual targets as set by the Board.

## DISTRIBUTION OF REMUNERATION (% OF TOTAL)

### THRESHOLD PERFORMANCE (%)

2011	64	16	20
2010	66	16	18

### STRETCH PERFORMANCE (%)

2011	34	25	41
2010	33	25	43

Salary Bonus Long-Term Incentive Plans

### Basis for calculations

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

## REPORT ON DIRECTORS' REMUNERATION

### CONTINUED

#### DIRECTORS' REMUNERATION RECEIVED FOR THE YEAR ENDED DECEMBER 2011

(Audited)

ELEMENT	PURPOSE	DELIVERY	PAUL DOLLMAN		DAVID McINTOSH		CRAIG SMYTH	
			2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>BASE SALARY</b>	Attract and retain high performing individuals reflecting market value of role and executive's skills and experience.	Cash salaries set on date of appointment. Salary reviews annually to take account of divisional and Group rates of increase.	<b>326</b>	318	<b>262</b>	238	<b>305</b>	300
<b>ANNUAL BONUS</b>	Incentivise delivery of Group and individual objectives and enhance performance, including as measured by individual Key Result Areas (KRAs).	Maximum payment potential of 75% of base salary, split as: 15% KRAs, cash; 40% Group Results, cash; 20% Group Results, shares (to be held for 3 years).	<b>182</b>	177	<b>27</b>	–	<b>231</b>	210
<b>LONG TERM INCENTIVE PLANS</b>	Incentivise long-term delivery of EPS, TSR and Divisional Operating Profit, and align with interests of shareholders.	Up to 100% of base salary on date of award in Long Term Incentive Plan, Up to 40% of cash bonus in Bonus Co-Investment Plan.	<b>205</b>	–	<b>13</b>	69	<b>38</b>	–
<b>TOTAL VALUE RECEIVED</b>			<b>713</b>	495	<b>302</b>	69	<b>574</b>	510

#### REMUNERATION PACKAGE

In 2010 the Committee implemented a revised executive remuneration package designed to reflect best practice. The new package covers 5 key areas and uses the individual's basic salary as the basis for any awards under any of the other incentive plans.

##### 1. SHAREHOLDING

The Committee has asked each Executive Director to build up a shareholding valued at 200% of their base salary. Paul Dollman and Craig Smyth are to achieve this during 2012, with David McIntosh to achieve it by 2015. This target is reviewed annually by the Committee and the current shareholding for Executive Directors is shown on page 37.

##### 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. This means that all 3 executives have rates of increase in their pay which differs, reflecting increases and pay freezes in their respective divisions.

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 withdrawn from the Menzies Pension Fund and now receives a cash payment in lieu of benefit. He also has an unfunded pension undertaking from the Company to provide pension based on earnings above the 'earnings cap'.

Annual salary reviews take place in March each year, with any increase implemented from 1 May.

## DIRECTORS' EMOLUMENTS

(Audited)

	Date of appointment (resignation)	SALARY/FEES	BENEFITS	BONUS	PENSION SALARY SUPPLEMENT	TOTAL	2010 £'000
		2011 £'000	2011 £'000	2011 £'000	2011 £'000	2011 £'000	
<b>CHAIRMAN</b>							
I Napier <sup>(1)</sup>	21/05/2009	171	–	–	–	171	118
<b>EXECUTIVE DIRECTORS</b>							
P Dollman <sup>(2)</sup>	08/08/2002	326	14	182	30	552	509
D McIntosh	24/07/2009	262	24	27	25	338	346
C Smyth <sup>(2)</sup>	20/03/2007	305	14	231	33	583	560
<b>NON-EXECUTIVE DIRECTORS</b>							
E Born	22/09/2010	38	–	–	–	38	10
I Harley	21/05/2009	46	–	–	–	46	41
I Harrison	21/05/2010	38	–	–	–	38	37
D Jenkinson	21/05/2010	38	–	–	–	38	37
O Morley	21/05/2009	42	–	–	–	42	39
<b>FORMER DIRECTORS</b>							
W Thomson	(21/05/2010)	–	–	–	–	–	64
D Coltman	(20/05/2011)	21	–	–	–	21	51
		<b>1,287</b>	<b>52</b>	<b>440</b>	<b>88</b>	<b>1,867</b>	1,812

(1) I Napier became Chairman on 21 May 2010.

(2) Before its award, P Dollman and C Smyth each sacrificed part of their cash bonus entitlement. Pension contributions equal to the amounts given up were made into pension plans for the benefit of their dependents.

## 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)	20% Ordinary Shares
40% Cash payment	

The share element is subject to a 3 year retention period. If an Executive is dismissed or gives notice of resignation during the 3 year period the shares are forfeited.

The 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 awarded on a straight-line basis.

Threshold and stretch targets are 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.

## REPORT ON DIRECTORS' REMUNERATION

### CONTINUED

For the year ended December 2011, bonuses were calculated as follows and are payable on 23 March 2012:

Name	Measure	Threshold Target	Stretch Target	Weighting (Percent of salary)	Achieved	Cash value of award (Audited)
P Dollman	Group PBT	£48.9m	£51.7m	20%	100%	£181,622
	Aviation EBIT	£27.0m	£29.5m	20%	100%	
	Distribution EBIT	£29.5m	£30.5m	20%	0%	
	Key Result Areas (KRAs)	–	–	15%	100%	
D McIntosh	Distribution EBIT	£29.5m	£30.5m	60%	0%	£26,730
	Key Result Areas (KRAs)	–	–	15%	66%	
C Smyth	Aviation EBIT	£27.0m	£29.5m	60%	100%	£230,625
	Key Result Areas (KRAs)	–	–	15%	100%	

The bonus scheme rules for all awards from 2012 onwards have been updated to reflect best practice and now include claw back provisions.

#### 4. LONG TERM INCENTIVE PLANS

Following a market and best practice review in 2010, the Committee agreed that the value of any awards under the LTIP would be limited to one times the individual's salary in Ordinary Shares. Executive Directors may be awarded a number of conditional shares under the LTIP as determined by the Committee up to the salary limit.

##### Long Term Incentive Plan (the 'LTIP')

Under this plan all awards are subject to a 3 year performance period with appropriate targets.

The Group Finance Director's targets are split equally between the two Group Performance Criteria. The targets for Divisional Managing Directors are based 75% on the Group Performance Criteria, and 25% on their own division's performance measured using Divisional Financial Results (DFR). The LTIP targets align each Director to the performance of both the Group and future profitability of their division and are appropriate given the structure of the Group to incentivise each Director. Performance conditions are reviewed for each cycle of the LTIP.

The performance criteria 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.

Group Performance Criteria (Audited)	Threshold Target	Stretch Target
Total Shareholder Return (TSR)	TSR equals the FTSE 250 median result	TSR equals the FTSE 250 median result plus 30%
Earnings Per Share (EPS)	EPS growth exceeds RPI growth by 3%	EPS growth exceeds RPI growth by 8%

As 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. No awards to Executive Directors are due to mature in respect of the year ended December 2011.

Awards made to Executive Directors under the LTIP are shown below:

(Audited)	31 December 2010	Granted during year	Market price of award (p)	Matured during year	Lapsed during year	31 December 2011	Performance Period
P Dollman	91,662	–	342	–	–	91,662	01/01/2010 – 31/12/2012
	–	69,782	460	–	–	69,782	01/01/2011 – 31/12/2013
D McIntosh	65,789	–	342	–	–	65,789	01/01/2010 – 31/12/2012
	–	53,260	460	–	–	53,260	01/01/2011 – 31/12/2013
C Smyth	35,000	–	487	–	35,000	–	01/01/2008 – 31/12/2010
	87,719	–	342	–	–	87,719	01/01/2010 – 31/12/2012
	–	65,217	460	–	–	65,217	01/01/2011 – 31/12/2013

### 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). The performance criteria for this award have been achieved and the award will vest in March 2012.

(Audited)	31 December 2010	Granted during year	Market price of award (p)	Vested during year	Lapsed during year	31 December 2011	Performance Period
P Dollman	450,000	–	–	–	–	450,000	01/01/2009 – 31/12/2011
D McIntosh	337,500	–	–	–	–	337,500	01/01/2009 – 31/12/2011
C Smyth	450,000	–	–	–	–	450,000	01/01/2009 – 31/12/2011

Performance Criteria (Audited)	Threshold Target	Stretch Target	Actual 2011 Result
Return On Capital Employed (ROCE)	10%	12.5%	20.3%

If ROCE had been less than the threshold level at the end of the performance period, no award would be made to participants. Achievement of the threshold level would have resulted in 25% of the maximum award vesting, whilst results equal to or greater than the stretch level would have achieved 100% of the maximum award.

As ROCE for the performance period was above the stretch target, the full award will vest in March 2012. As part of the Group's commitment to effective corporate governance the following indicative disclosures have been included in relation to the award. Dividends are accrued over the performance period, and will be paid in cash in March 2012. Disclosures in next years Report on Directors' Remuneration will detail the market price and award value as at the actual vesting date.

	Shares vesting	Illustrative value of award at 5 March 2012	Dividend value
P Dollman	450,000	£2,632,500	£153,000
D McIntosh	337,500	£1,974,375	£114,750
C Smyth	450,000	£2,632,500	£153,000

The value of any award could vary significantly from that shown due to share price movements.

### Savings Related Share Option Scheme

The Company operates an HM 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 are shown in Note 20 to the Accounts.

(Audited)	31 December 2010	Granted during year	Exercised during year	Market price at date of exercise (p)	Lapsed during year	Gain/(loss) (£)	31 December 2011	Option price (p)	Exercisable from	Exercisable to
P Dollman	1,684	–	1,684	505	–	3,705	–	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
	–	701	–	–	–	–	701	395	01/12/2014	01/06/2015
D McIntosh	1,684	–	1,684	505	–	3,705	–	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
	–	701	–	–	–	–	701	395	01/12/2014	01/06/2015
C Smyth	2,123	–	–	–	2,123	–	–	452	01/12/2010	01/06/2011

## REPORT ON DIRECTORS' REMUNERATION

### CONTINUED

#### HISTORICAL PLANS

##### Executive Share Option Scheme (Audited)

Pre-2005 Share options were granted to Executive Directors under an Executive Share Option Scheme, 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 Options still held in the Executive Share Option 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 where growth in underlying earnings per share exceeded RPI plus 3%-8% per annum in the 3 years from grant, adjusted to normalise pension and tax charges. The performance conditions attaching to these options have been met in full and there will be no further awards made under the Executive Share Option Scheme.

	31 December 2010	Granted during year	Exercised during year	Market price at date of exercise(p)	Lapsed during year	Gain/(loss) £'000	31 December 2011	Exercise price (p)	Exercisable from	Exercisable to
P Dollman	196,048	–	96,048	492	–	157	100,000	329	08/11/2005	07/11/2012
	58,714	–	–	–	–	–	58,714	418	07/05/2007	06/05/2014
C Smyth	43,062	–	–	–	–	–	43,062	418	07/05/2007	06/05/2014

##### 2005 Performance Share Plan (the '2005 PSP') (Audited)

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 TSR for the 3 year performance period. The performance criteria attached to the awards made in 2008 have not been met.

It is not the intention of the Committee to issue any further awards under the 2005 PSP.

	31 December 2010	Granted during year	Market price of award on grant (p)	Vested during year	Lapsed during year	31 December 2011	Performance Period
P Dollman	70,000	–	487	–	70,000	–	01/01/2008 – 31/12/2010
C Smyth	35,000	–	487	–	35,000	–	01/01/2008 – 31/12/2010

#### 5. BONUS CO-INVESTMENT PLAN (audited)

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. Since 2010 matching shares are issued on a 1:1 basis for gross invested bonus, and will be released on the attainment of performance conditions following a 3 year performance period. The performance target is for annual Earnings Per Share (EPS) growth above the Retail Price Index ('RPI') growth over a 3 year period, with the number of shares vesting being calculated on a straight-line basis from a 25% award at the threshold target to a full award at the stretch target or above.

Performance Criteria	Threshold Target	Stretch Target
Earnings Per Share (EPS)	EPS growth exceeds RPI growth by 3%	EPS growth exceeds RPI growth by 6%



Awards before 2010 were made on a 2:1 basis. 25% of the matching shares on these awards will be paid on achieving threshold level (3% real per annum EPS growth above RPI), rising on a straight line basis to 100% paid at or above stretch targets (8% real per annum EPS growth above RPI). Any dividends accrued on shares which vest will be paid in cash on vesting. For Executive Directors, the maximum number of matching shares possible is shown below.

	31 December 2010	Granted during year	Market price of award (p)	Vested during year	Lapsed during year	Gain/(loss) £'000	31 December 2011	Performance Period
P Dollman	23,792	–	460	8,850	14,942	44	–	01/01/2008 – 31/12/2010
	20,448	–	–	–	–	–	20,448	01/01/2010 – 31/12/2012
	–	11,054	–	–	–	–	11,054	01/01/2011 – 31/12/2013
D McIntosh	4,634	–	460	1,723	2,911	9	–	01/01/2008 – 31/12/2010
	8,698	–	–	–	–	–	8,698	01/01/2009 – 31/12/2011
	10,847	–	–	–	–	–	10,847	01/01/2010 – 31/12/2012
C Smyth	20,646	–	460	7,680	12,966	38	–	01/01/2008 – 31/12/2010
	11,177	–	–	–	–	–	11,177	01/01/2010 – 31/12/2012
	–	12,370	–	–	–	–	12,370	01/01/2011 – 31/12/2013

An award made in 2008 had a performance period ended December 2010. The real per annum growth in EPS for the Company over the performance period of the award was above the threshold level, resulting in a 37.2% award. The value of the awards at vesting were as follows:

	Shares vesting	Value of award upon vesting	Dividend value
P Dollman	8,850	£40,710	£3,448
D McIntosh	1,723	£7,926	£671
C Smyth	7,680	£35,328	£2,992

The award made in 2009 had a performance period ended in December 2011. The real per annum growth in EPS for the performance period was above the stretch target and therefore the full award is expected to vest in March 2012. As part of the Group's commitment to effective corporate governance the following indicative disclosures have been included in relation to the award. Disclosures in next year's Report on Directors' Remuneration will detail the market price and award value as at the actual vesting date.

	Shares vesting	Illustrative value of award at 5 March 2012	Dividend value
D McIntosh	8,698	£50,880	£2,957

The value of any award could vary significantly from that shown due to share price movements.

#### Advisers to the Remuneration Committee

Advice sought from PricewaterhouseCoopers and Deloitte was used by the Committee for the year ended December 2011. 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. 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.

## REPORT ON DIRECTORS' REMUNERATION

### CONTINUED

#### 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 January 2012 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 2012 AGM. The Chairman of the Committee will be available to answer questions from shareholders on this report.

#### Service contracts

The Executive Directors have service contracts with the Company, listed below. The Group's practice on notice periods is that they should be for a period of 12 months. 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.

#### Payments to outgoing Directors

It is the Company's policy that any termination payment be mitigated and restricted to the actual loss incurred by the Director and our policy is to stop or reduce compensatory payments to former Directors to the extent that they receive remuneration from other employment during the compensation period. Payments that are made to a Director are mitigated wherever possible and will not exceed their entitlement based on their service contract. All Executive Directors who served for the year ended December 2011 have service contracts on this basis.

#### Executive Directors' Service Agreements

Executive Directors	Date of contract	Expiry date
P Dollman	08/08/2002	Terminable on 52 weeks' notice
D McIntosh	24/07/2009	Terminable on 52 weeks' notice
C Smyth	20/03/2007	Terminable on 52 weeks' notice

#### 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. For the year ended December 2011, Paul Dollman continued an external non-executive appointment with Scottish Amicable Life Association Society. Details of fees received are as follows:

Paul Dollman: £33,270 (2010: £31,800) (Scottish Amicable Life Association Society).

#### Non-Executive Directors

##### Appointment and 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 of Association. The Chairman and all Non-Executive Directors are subject to re-election by shareholders at least every 3 years, with the exception of any Director whose appointment exceeds 9 years, in which case there is a requirement for annual re-election.

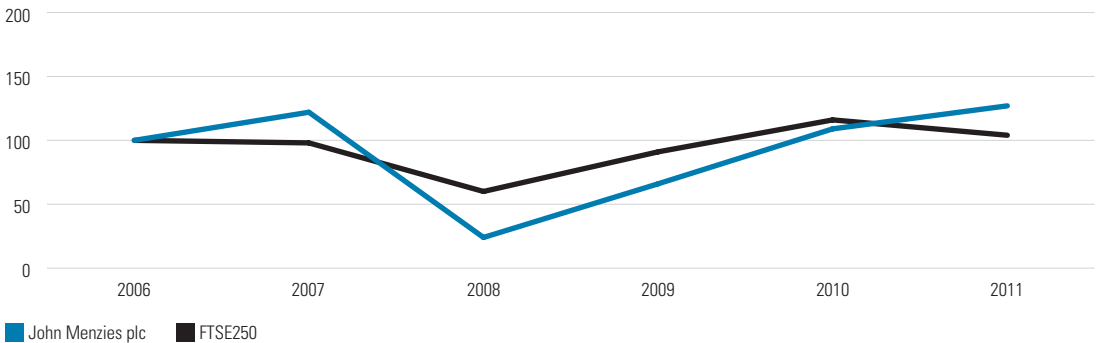
### Salary

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 2011 the fees paid were:

	May 2011	May 2010
Basic payment	£36,000	£36,000
Committee Chairmanship	£6,000	£6,000
Committee membership	£2,500	£2,500
Senior Independent Director	£6,000	£14,061

### Performance graph

The following graph compares the Company's total shareholder return for the 5 years to December 2011 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 425p to 550p for the year ended December 2011 and was 530p at 31 December 2011.

### PENSIONS

#### Scheme benefits

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. Paul Dollman withdrew from the Menzies Pension Fund during the year, and now receives a cash payment in lieu of that benefit.

#### 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.

## REPORT ON DIRECTORS' REMUNERATION

### CONTINUED

Craig Smyth and David McIntosh received a cash payment equal to 20% of their respective salaries above the earnings cap which is shown on the emoluments table. Pension details are as follows:

(Audited)

Name	Age	Total accrued pensions at start of the period £'000	Cash Equivalent Transfer Value 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 2011 £'000	Transfer value of increases at 31 Dec 2011 (net of inflation and Director's contributions) £'000	Cash Equivalent Transfer Value at 31 Dec 2011 £'000	Directors' contributions during the period £'000	Increases in Cash Equivalent Transfer Value (net of Director's contributions) £'000
P Dollman <sup>(1)</sup>	55	36.4	654.5	0.7	1.8	38.8	8.8	851.4	6.4	190.5
P Dollman <sup>(2)</sup>	55	48.8	879.1	4.5	2.4	55.7	97.6	1,217.2	–	338.1
C Smyth	44	43.9	575.1	1.0	2.1	47.0	4.7	758.7	10.8	172.8
D McIntosh	48	54.3	827.8	0.6	2.6	57.5	0.8	1,065.0	10.8	226.4

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 2011, 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 pension scheme 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 2011 for current and former Directors, calculated on an IAS 19 basis, totalled £1,449,127 (2010: £1,277,861), from which annual pensions of £19,961 (2010: £19,083 p.a.) were paid to former Directors.

By order of the Board

**J F A GEDDES**  
COMPANY SECRETARY

5 March 2012

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN MENZIES PLC

We have audited the financial statements of John Menzies plc for the year ended 31 December 2011 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 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 35, 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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### 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 2011 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; and
- 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the information given in the Corporate Governance Statement set out on page 34 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.

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

### 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 18, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the 9 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

5 March 2012

#### 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 2011 (YEAR ENDED 31 DECEMBER 2010)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2011 Total £m	Before exceptional and other items £m	Exceptional and other items £m	2010 Total £m
<b>REVENUE</b>	2	<b>1,899.7</b>	<b>–</b>	<b>1,899.7</b>	1,837.6	–	1,837.6
Net operating costs	3	<b>(1,849.1)</b>	<b>(3.6)</b>	<b>(1,852.7)</b>	(1,796.7)	(3.2)	(1,799.9)
<b>OPERATING PROFIT</b>	2	<b>50.6</b>	<b>(3.6)</b>	<b>47.0</b>	40.9	(3.2)	37.7
Share of post-tax results of joint ventures and associates		<b>9.3</b>	<b>(3.9)</b>	<b>5.4</b>	11.3	(4.1)	7.2
<b>OPERATING PROFIT AFTER JOINT VENTURES AND ASSOCIATES</b>	2	<b>59.9</b>	<b>(7.5)</b>	<b>52.4</b>	52.2	(7.3)	44.9
<i>Analysed as</i>							
Underlying operating profit*		<b>59.9</b>	<b>–</b>	<b>59.9</b>	52.2	–	52.2
Non-recurring items	5(a)	–	<b>(0.3)</b>	<b>(0.3)</b>	–	0.1	0.1
Associate goodwill impairment	5(b)	–	<b>(1.8)</b>	<b>(1.8)</b>	–	(1.8)	(1.8)
Contract amortisation	5(b)	–	<b>(3.7)</b>	<b>(3.7)</b>	–	(3.3)	(3.3)
Share of interest on joint ventures and associates		–	<b>0.4</b>	<b>0.4</b>	–	0.2	0.2
Share of tax on joint ventures and associates		–	<b>(2.1)</b>	<b>(2.1)</b>	–	(2.5)	(2.5)
Operating profit after joint ventures and associates		<b>59.9</b>	<b>(7.5)</b>	<b>52.4</b>	52.2	(7.3)	44.9
Finance income	7	<b>1.3</b>	<b>–</b>	<b>1.3</b>	1.1	–	1.1
Finance charges	7	<b>(6.2)</b>	<b>(0.4)</b>	<b>(6.6)</b>	(6.9)	(0.2)	(7.1)
Other finance income/(charge) – pensions	4	<b>1.4</b>	<b>–</b>	<b>1.4</b>	(1.4)	–	(1.4)
<b>PROFIT BEFORE TAXATION</b>		<b>56.4</b>	<b>(7.9)</b>	<b>48.5</b>	45.0	(7.5)	37.5
Taxation	8	<b>(13.2)</b>	<b>3.1</b>	<b>(10.1)</b>	(10.9)	1.6	(9.3)
<b>PROFIT FOR THE YEAR</b>		<b>43.2</b>	<b>(4.8)</b>	<b>38.4</b>	34.1	(5.9)	28.2
Attributable to equity shareholders		<b>42.7</b>	<b>(4.8)</b>	<b>37.9</b>	34.0	(5.9)	28.1
Attributable to non-controlling interests		<b>0.5</b>	<b>–</b>	<b>0.5</b>	0.1	–	0.1
		<b>43.2</b>	<b>(4.8)</b>	<b>38.4</b>	34.1	(5.9)	28.2
<b>EARNINGS PER ORDINARY SHARE</b>							
	10						
Basic		<b>73.2p</b>	<b>(8.2)p</b>	<b>64.9p</b>	57.9p	(10.0)p	47.8p
Diluted		<b>71.2p</b>	<b>(8.0)p</b>	<b>63.2p</b>	57.7p	(10.0)p	47.7p

\* 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 2011 (YEAR ENDED 31 DECEMBER 2010)

	Notes	2011 Total £m	2010 Total £m
Profit for the year		<b>38.4</b>	28.2
Actuarial (loss)/gain on defined benefit pensions	4	<b>(26.0)</b>	29.5
Income tax effect		<b>7.1</b>	(8.4)
Impact of rate change on deferred tax		<b>(1.3)</b>	(0.4)
Movement on cash flow hedges	16	<b>(0.6)</b>	–
Income tax effect		<b>(0.2)</b>	–
Movement on net investment hedges	16	<b>1.8</b>	1.3
Income tax effect		<b>0.5</b>	0.1
Exchange (loss)/gain on translation of foreign operations		<b>(8.5)</b>	4.8
Other comprehensive income for the year, net of tax		<b>(27.2)</b>	26.9
Cumulative exchange movement recycled to income on disposal of associate undertaking		<b>(1.3)</b>	–
Total comprehensive income for the year		<b>9.9</b>	55.1
Attributable to equity shareholders		<b>9.4</b>	55.0
Attributable to non-controlling interests		<b>0.5</b>	0.1
		<b>9.9</b>	55.1



## GROUP AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2011 (31 DECEMBER 2010)

	Notes	Group		Company	
		2011 £m	2010 £m	2011 £m	2010 £m
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Intangible assets	11	105.1	100.5	–	–
Property, plant and equipment	12	123.4	128.2	28.8	30.7
Investments accounted using the equity method	13	31.5	41.7	–	–
Investment in subsidiaries	13	–	–	292.8	292.7
Deferred tax assets	19	15.3	11.0	10.7	8.6
		<b>275.3</b>	281.4	<b>332.3</b>	332.0
<b>CURRENT ASSETS</b>					
Inventories		15.3	13.6	–	–
Trade and other receivables	14	169.7	165.9	188.3	205.6
Derivative financial assets	16	1.5	1.3	1.5	1.3
Cash and cash equivalents		24.4	26.6	1.1	8.4
		<b>210.9</b>	207.4	<b>190.9</b>	215.3
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Borrowings	16	(3.4)	(60.5)	(2.8)	(60.2)
Derivative financial liabilities	16	(1.9)	(2.5)	(1.9)	(2.5)
Trade and other payables	15	(211.6)	(205.9)	(291.0)	(273.7)
Current income tax liabilities		(12.0)	(13.4)	–	–
Provisions	19	(2.9)	(3.3)	–	–
		<b>(231.8)</b>	(285.6)	<b>(295.7)</b>	(336.4)
<b>NET CURRENT LIABILITIES</b>					
		<b>(20.9)</b>	(78.2)	<b>(104.8)</b>	(121.1)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>254.4</b>	203.2	<b>227.5</b>	210.9
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	16	(100.4)	(63.2)	(100.4)	(63.1)
Other payables	15	(1.8)	(1.9)	(5.0)	(5.1)
Derivative financial liabilities	16	(0.3)	(0.7)	(0.3)	(0.7)
Provisions	19	(3.6)	(3.8)	–	–
Retirement benefit obligations	4	(64.3)	(47.8)	(64.3)	(47.8)
		<b>(170.4)</b>	(117.4)	<b>(170.0)</b>	(116.7)
<b>NET ASSETS</b>					
		<b>84.0</b>	85.8	<b>57.5</b>	94.2
<b>SHAREHOLDERS' EQUITY</b>					
Ordinary shares	20	15.2	15.1	15.2	15.1
Share premium account		17.4	16.3	17.4	16.3
Treasury shares		(8.3)	(5.9)	–	–
Other reserves		(0.9)	7.4	(1.7)	(0.9)
Retained earnings		38.4	31.2	5.0	42.1
Capital redemption reserve		21.6	21.6	21.6	21.6
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>83.4</b>	85.7	<b>57.5</b>	94.2
Non-controlling interest in equity		0.6	0.1	–	–
<b>TOTAL EQUITY</b>		<b>84.0</b>	85.8	<b>57.5</b>	94.2

The accounts were approved by the Board of Directors on 5 March 2012 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 2011 (31 DECEMBER 2010)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Total equity £m
<b>GROUP</b>										
At 31 December 2010	15.1	16.3	(5.9)	(0.9)	8.3	31.2	21.6	85.7	0.1	85.8
Profit for the year	–	–	–	–	–	37.9	–	37.9	0.5	38.4
Other comprehensive income	–	–	–	(0.8)	(6.2)	(20.2)	–	(27.2)	–	(27.2)
Recycled exchange gains*	–	–	–	–	(1.3)	–	–	(1.3)	–	(1.3)
Total comprehensive income	–	–	–	(0.8)	(7.5)	17.7	–	9.4	0.5	9.9
New share capital issued	0.1	1.1	–	–	–	–	–	1.2	–	1.2
Share-based payments	–	–	–	–	–	1.7	–	1.7	–	1.7
Dividends paid	–	–	–	–	–	(12.2)	–	(12.2)	–	(12.2)
Repurchase of own shares	–	–	(2.4)	–	–	–	–	(2.4)	–	(2.4)
<b>AT 31 DECEMBER 2011</b>	<b>15.2</b>	<b>17.4</b>	<b>(8.3)</b>	<b>(1.7)</b>	<b>0.8</b>	<b>38.4</b>	<b>21.6</b>	<b>83.4</b>	<b>0.6</b>	<b>84.0</b>
At 31 December 2009	15.1	15.8	(3.3)	(0.9)	2.1	(10.8)	21.6	39.6	–	39.6
Profit for the year	–	–	–	–	–	28.2	–	28.2	0.1	28.3
Other comprehensive income	–	–	–	–	6.2	20.7	–	26.9	–	26.9
Total comprehensive income	–	–	–	–	6.2	48.9	–	55.1	0.1	55.2
New share capital issued	–	0.5	–	–	–	–	–	0.5	–	0.5
Share-based payments	–	–	–	–	–	0.8	–	0.8	–	0.8
Dividends paid	–	–	–	–	–	(7.7)	–	(7.7)	–	(7.7)
Repurchase of own shares	–	–	(2.6)	–	–	–	–	(2.6)	–	(2.6)
At 31 December 2010	15.1	16.3	(5.9)	(0.9)	8.3	31.2	21.6	85.7	0.1	85.8
<b>COMPANY</b>										
At 31 December 2010	15.1	16.3	–	(0.9)	–	42.1	21.6	94.2	–	94.2
Loss for the year	–	–	–	–	–	(6.4)	–	(6.4)	–	(6.4)
Other comprehensive income	–	–	–	(0.8)	–	(20.2)	–	(21.0)	–	(21.0)
Total comprehensive income	–	–	–	(0.8)	–	(26.6)	–	(27.4)	–	(27.4)
New share capital issued	0.1	1.1	–	–	–	–	–	1.2	–	1.2
Share-based payments	–	–	–	–	–	1.7	–	1.7	–	1.7
Dividends paid	–	–	–	–	–	(12.2)	–	(12.2)	–	(12.2)
<b>AT 31 DECEMBER 2011</b>	<b>15.2</b>	<b>17.4</b>	<b>–</b>	<b>(1.7)</b>	<b>–</b>	<b>5.0</b>	<b>21.6</b>	<b>57.5</b>	<b>–</b>	<b>57.5</b>
At 31 December 2009	15.1	15.8	–	(0.9)	–	31.5	21.6	83.1	–	83.1
Loss for the year	–	–	–	–	–	(2.6)	–	(2.6)	–	(2.6)
Other comprehensive income	–	–	–	–	–	20.7	–	20.7	–	20.7
Total comprehensive income	–	–	–	–	–	18.1	–	18.1	–	18.1
New share capital issued	–	0.5	–	–	–	–	–	0.5	–	0.5
Share-based payments	–	–	–	–	–	0.2	–	0.2	–	0.2
Dividends paid	–	–	–	–	–	(7.7)	–	(7.7)	–	(7.7)
At 31 December 2010	15.1	16.3	–	(0.9)	–	42.1	21.6	94.2	–	94.2

\* Recycled to income statement on disposal of associated undertaking (Note 5).

## GROUP AND COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011 (YEAR ENDED 31 DECEMBER 2010)

	Notes	Group		Company	
		2011 £m	2010 £m	2011 £m	2010 £m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash generated from operations	21	62.2	58.2	(9.3)	(10.4)
Interest received		1.3	1.0	0.2	–
Interest paid		(6.3)	(6.4)	(5.8)	(5.5)
Tax paid		(10.0)	(5.1)	(3.0)	(0.3)
Net cash from operating activities		47.2	47.7	(17.9)	(16.2)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment in joint ventures and associates		(1.2)	1.0	–	–
Loan repaid by joint venture		–	0.1	–	–
Proceeds from disposal of investments		–	1.6	–	–
Acquisitions	24	(1.7)	(1.7)	–	–
Net cash acquired with subsidiaries	24	0.5	–	–	–
Purchase of property, plant and equipment		(21.8)	(11.6)	–	–
Intangible asset additions		(4.5)	(3.9)	–	–
Proceeds from sale of property, plant and equipment		5.5	4.1	2.5	–
Dividends received from equity accounted investments		6.7	7.9	–	–
Net cash used in investing activities		(16.5)	(2.5)	2.5	–
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of ordinary share capital		1.2	0.5	1.2	0.5
Purchase of own shares		(2.4)	(2.6)	(2.4)	(2.6)
Repayment of borrowings	22	(49.9)	(88.7)	(49.9)	(88.7)
Proceeds from borrowings	22	37.7	50.2	37.7	50.2
Dividends paid to ordinary shareholders		(12.2)	(7.7)	(12.2)	(7.7)
Amounts repaid by subsidiaries		–	–	41.1	64.8
Net cash from financing activities		(25.6)	(48.3)	15.5	16.5
<b>INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS</b>	22	<b>5.1</b>	<b>(3.1)</b>	<b>0.1</b>	<b>0.3</b>
Effects of exchange rate movements		(0.1)	0.8	–	–
Opening net cash and cash equivalents		18.2	20.5	0.1	(0.2)
<b>CLOSING NET CASH AND CASH EQUIVALENTS*</b>	22	<b>23.2</b>	<b>18.2</b>	<b>0.2</b>	<b>0.1</b>

\* 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 2011 were approved and authorised for issue in accordance with a resolution of the directors on 5 March 2012. 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.

#### New Accounting Standards and Interpretations

The following standards and interpretations have been adopted in these accounts and have not had a material impact on the Group's accounts in the period of initial application:

IAS24 Related Party Disclosures (Revised)  
IAS32 Classification of Rights Issues (Amendment to IAS32 Financial Instruments – Presentation)  
IFRIC14 Amendment to IFRIC14 Prepayment of a Minimum Funding Requirement  
IFRIC19 Extinguishing Financial Liabilities with Equity Instruments

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2011 and have not been early adopted:

IAS1 Presentation of items in other comprehensive income – effective date 1 July 2012  
IAS12 Income Taxes (Amendment) – Deferred Taxes: Recovery of underlying assets – effective date 1 January 2012  
IAS19 Employee Benefits (Revised) – effective date 1 January 2013  
IFRS9 Financial Instruments – effective date 1 January 2015  
IFRS10 Consolidated Financial Statements – effective date 1 January 2013  
IFRS11 Joint Ventures – effective date 1 January 2013  
IFRS12 Disclosure of interests in other entities – effective date 1 January 2013  
IFRS13 Fair Value Measurement – effective date 1 January 2013

IAS19 Employee Benefits (Revised) will become effective for the Group in its 2013 accounts. Under IAS 19 (Revised) the interest charge on retirement benefit liabilities and the expected return on pension plan assets will be replaced by a net interest income or expense on net defined benefit assets or liabilities based on high-quality corporate bond rates. We are still assessing the potential impact, but this is likely to increase our reported net finance costs. The volatility of reported net finance costs is also expected to increase. We do not expect the effect on the net assets of the Group to be material. Other standards and interpretations issued, but not yet effective, are not expected to have a material effect on the Group's net assets or results.

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.

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. Product is sold to UK retailers on a sale or return basis. Revenue for goods supplied with a right of return is stated net of the value of any returns.

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

### Property, plant and equipment

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

Freehold and long leasehold properties – over 50 years  
Short leasehold properties – over the remaining lease term

Plant and equipment – over the estimated life of the asset between 3 and 20 years.

### 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

Business combinations from 1 January 2010 are accounted using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses.

Business combinations prior to 1 January 2010 were accounted using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs and subsequent adjustments to contingent consideration have been recognised as part of goodwill.

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.

Goodwill acquired is recognised as an asset and reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment is recognised in the income statement.

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

#### Contracts

The fair value 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.

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 1. ACCOUNTING POLICIES continued

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

#### 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.

#### 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.

### Use of estimates and judgements

The preparation of the consolidated accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates will, by definition, seldom equal the related actual results particularly so given the prevailing difficult economic conditions and the level of uncertainty regarding their duration and severity.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most important estimates and judgements are set out below.

### Intangible assets

On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired (provided they meet the criteria to be recognised). The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cashflows, as well as appropriate discount rates. In addition, the allocation of useful lives to acquired intangible assets requires the application of judgement based on available information and management expectations at the time of recognition.

### Impairment

IFRS requires companies to carry out impairment testing on any assets that show indications of impairment and annually on goodwill and intangibles that are not subject

to amortisation. This testing involves exercising management judgement about future cashflows and other events which are, by their nature, uncertain.

### Retirement benefits

The assumptions underlying the calculation of retirement benefits are important and based on independent advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligations.

### Income taxes

The Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

### 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 14 to 18.

### Definitions & Non-GAAP measures used by management

Management believes that the following non-GAAP or adjusted measures provide a useful comparison of business performance and reflect the way in which the business is controlled:

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

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 1. ACCOUNTING POLICIES continued

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

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

**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.

**Total debt to EBITDA ratio.** Total debt is net debt plus guarantees and excluding financial derivatives and preference shares. EBITDA is underlying operating profit plus depreciation and computer software amortisation.

**Interest cover** is EBITA divided by external interest charge. EBITA is underlying operating profit plus computer software amortisation. External interest charge excludes net financial income/(charge) related to pensions.

#### 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.

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.

#### Business segment information

	Revenue		Pre-exceptional operating profit/(loss)	
	2011 £m	2010 £m	2011 £m	2010 £m
<b>DISTRIBUTION</b>	<b>1,337.0</b>	1,338.2	<b>28.8</b>	28.8
<b>AVIATION</b>				
– ground handling	<b>402.8</b>	369.8	<b>24.3</b>	21.8
– cargo handling	<b>161.2</b>	156.7	<b>8.1</b>	5.0
– cargo forwarding	<b>112.8</b>	98.7	<b>3.5</b>	2.3
– discontinued	–	0.8	–	(1.2)
– unallocated costs	–	–	<b>(3.6)</b>	(3.3)
	<b>676.8</b>	626.0	<b>32.3</b>	24.6
<b>CORPORATE</b>	–	–	<b>(1.2)</b>	(1.2)
	<b>2,013.8</b>	1,964.2	<b>59.9</b>	52.2
Joint ventures and associates	<b>(114.1)</b>	(126.6)	–	–
	<b>1,899.7</b>	1,837.6	<b>59.9</b>	52.2



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

2011	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit	25.2	23.1	(1.3)	47.0
Share of post-tax results of joint ventures	0.7	4.2	–	4.9
Share of post-tax results of associates	–	0.5	–	0.5
Operating profit after joint ventures and associates	25.9	27.8	(1.3)	52.4
Net finance expense				(3.9)
Profit before tax				48.5

Analysed as:				
Pre-exceptional operating profit/(loss)*	28.8	32.3	(1.2)	59.9
Gain on disposal of interest in associate (Note 5)	–	4.0	–	4.0
Gain on disposal of property, plant and equipment (Note 5)	–	–	1.0	1.0
Rationalisation costs (Note 5)	(2.5)	(1.7)	–	(4.2)
Onerous lease provision (Note 5)	–	–	(1.1)	(1.1)
Impairment provision (Note 5b)	–	(1.8)	–	(1.8)
Contract amortisation (Note 11)	–	(3.7)	–	(3.7)
Share of interest on joint ventures and associates	–	0.4	–	0.4
Share of tax on joint ventures and associates	(0.4)	(1.7)	–	(2.1)
Operating profit after joint ventures and associates	25.9	27.8	(1.3)	52.4

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 (Note 5a&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

\* 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.

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 2. SEGMENT INFORMATION continued

2011	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	174.9	267.5	4.0	446.4
Unallocated assets				39.8
Total assets				486.2
Segment liabilities	(112.3)	(93.2)	(16.8)	(222.3)
Unallocated liabilities				(179.9)
Total liabilities				(402.2)
Segment net assets/(liabilities)	62.6	174.3	(12.8)	224.1
Unallocated net liabilities				(140.1)
Net assets				84.0
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

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.

2011	Distribution £m	Aviation £m	Corporate £m	Group £m
Capital expenditure	5.5	16.3	–	21.8
Depreciation	5.3	16.4	0.8	22.5
Amortisation of intangible assets	2.3	3.7	–	6.0
Goodwill impairment (Note 13)	–	1.8	–	1.8
Gain on disposal of property, plant and equipment	(0.1)	(0.4)	–	(0.5)
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	–	1.8	–	1.8
(Gain)/loss on disposal of property, plant and equipment	(0.4)	0.7	–	0.3

## Geographic information

	Revenue		Segment non-current assets	
	2011 £m	2010 £m	2011 £m	2010 £m
United Kingdom	1,431.4	1,412.9	146.0	153.5
Continental Europe	147.5	128.0	36.7	32.2
Americas	145.9	140.9	24.1	24.3
Rest of the World	174.9	155.8	53.2	60.4
	1,899.7	1,837.6	260.0	270.4

## 3. NET OPERATING COSTS

	2011 £m	2010 £m
Goods for resale and other operating charges	1,388.9	1,380.9
Employment costs (Note 4)	435.0	389.8
Intangible assets amortisation (Note 11)	6.0	5.3
Depreciation (Note 12)	22.5	24.0
Exceptional items (Note 5)	0.3	(0.1)
	1,852.7	1,799.9

Other operating charges include:

Operating leases and hire charges – plant and machinery	23.9	19.8
Rent of properties	29.8	29.6
(Gain)/loss on disposal of property, plant and equipment	(0.5)	0.3
Net exchange (gain)/loss	(0.3)	0.1

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

Audit services		
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	0.4	0.2
Overseas taxation	0.2	0.2
Due diligence	0.1	0.1

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 4. EMPLOYEES

	2011 £m	2010 £m
Wages and salaries	386.7	348.8
Share-based payments	1.7	0.8
Social security costs	36.6	31.2
	<b>425.0</b>	380.8
Pension charge	10.0	9.0
	<b>435.0</b>	389.8

The average number of persons employed during the year was:

	2011 number	2010 Number
Distribution	4,124	4,171
Aviation	16,873	15,759
Corporate	18	18
	<b>21,015</b>	19,948

The numbers above include 12,657 persons employed outside the UK (2010: 11,912).

#### 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:

	2011 £m	2010 £m
Menzies Pension Fund	0.6	1.7
Other schemes	9.4	7.3
	<b>10.0</b>	9.0

#### Financial assumptions

The Actuary undertook a valuation of the Menzies Pension Fund as at 31 December 2011 (2010: 31 December) under IAS 19.

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

	2011 %	2010 %
Rate of increase in salaries	2.80	3.30
Rate of increase in pensions (prior to 1 May 2006)	3.40	3.40
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	1.00
Price inflation	2.80	3.30
Discount rate	4.90	5.40

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:

	2011	2010
Male	20.1	20.0
Female	21.8	21.7

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

	2011	2010
Male	20.7	20.6
Female	22.9	22.8

#### Fair value of assets (and expected return on assets)

	2011		2010	
	Long-term rate of return %	Value at December £m	Long-term rate of return %	Value at December £m
Equities	6.5	147.4	7.7	158.4
Bonds	4.9	64.6	5.4	57.1
Property	5.5	27.8	6.7	26.1
Other	0.5	2.2	0.5	0.2
Total value of assets		242.0		241.8
Defined benefit obligation		(306.3)		(289.6)
Recognised in balance sheet		(64.3)		(47.8)
Related deferred tax asset (Note 19)		16.1		12.9
Net pension liabilities		(48.2)		(34.9)

#### 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 2% or £6m.

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% or £9m.

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 4. EMPLOYEES continued

COMPONENTS OF PENSION EXPENSE	2011 £m	2010 £m
<b>AMOUNTS CHARGED/(CREDITED) TO OPERATING PROFIT</b>		
Current service cost	0.7	1.7
Gains on curtailments and settlements	(0.1)	(4.6)
	<b>0.6</b>	(2.9)

#### AMOUNTS INCLUDED IN FINANCE COSTS

Expected return on pension scheme assets	16.8	15.2
Interest on pension liabilities	(15.4)	(16.6)
Net financial income/(charge)	1.4	(1.4)

#### PENSION INCOME

(0.8) (1.5)

#### AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	£m	£m
(Loss)/gain on assets	(12.5)	18.2
(Loss)/gain on defined benefit obligation	(13.5)	11.3
<b>ACTUARIAL (LOSS)/GAIN</b>	<b>(26.0)</b>	29.5

#### CHANGE IN SCHEME ASSETS DURING THE YEAR

	£m	£m
Fair value of assets at start of year	241.8	211.9
Expected return on assets	16.8	15.2
Company contributions	8.7	5.7
Employee contributions	1.1	1.2
Assets distributed on settlements	(0.3)	–
Benefits and expenses paid	(13.6)	(10.4)
(Loss)/gain on assets	(12.5)	18.2
Fair value of assets at end of year	242.0	241.8

The actual return on scheme assets was a loss of £29.3m (2010: a gain of £33.4m).

#### CHANGE IN DEFINED BENEFIT OBLIGATION DURING THE YEAR

	£m	£m
Defined benefit obligation at start of year	289.6	296.4
Current service cost	0.7	1.7
Interest cost	15.4	16.6
Gains on curtailments and settlements	–	(4.6)
Employee contributions	1.1	1.2
Liabilities extinguished on settlements	(0.4)	–
Benefits and expenses paid	(13.6)	(10.4)
Loss/(gain) on defined benefit obligation	13.5	(11.3)
Defined benefit obligation at end of year	306.3	289.6

The net impact on the scheme liability of changing the inflation measure from RPI to CPI during 2010 was a £7m reduction in the liability.

Expected employer contributions for 2012 are estimated to be £9m.

## History of experience gains and losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
(Loss)/gain on scheme assets	(12.5)	18.2	26.4	(78.1)	(2.7)
Percentage of scheme assets	5.2%	7.5%	12.5%	42.8%	1.0%
Actuarial (loss)/gain on defined benefit obligation	(13.5)	11.3	(76.4)	29.4	(0.5)
Percentage of scheme liabilities	4.4%	3.9%	25.8%	13.5%	0.2%
Total value of assets	242.0	241.8	211.9	182.4	250.2
Defined benefit obligation	(306.3)	(289.6)	(296.4)	(218.0)	(240.7)
Recognised in balance sheet	(64.3)	(47.8)	(84.5)	(35.6)	9.5

## 5(a) EXCEPTIONAL ITEMS

	Notes	2011 £m	2010 £m
Gain on disposal of interest in associate	(i)	4.0	–
Gain on disposal of property, plant and equipment	(ii)	1.0	–
Rationalisation costs	(iii)	(4.2)	(2.3)
Onerous lease provision	(iv)	(1.1)	–
Pension credit	(v)	–	4.6
Impairment provisions	(vi)	–	(2.2)
		(0.3)	0.1

- (i) On 6 July 2011 Menzies Aviation and Swissport Handling SA signed a termination agreement bringing the 39% associate undertaking arrangement in Spain to an end. The termination agreement split the existing 6 airport operations whereby Menzies Aviation acquired 100% control of the operations at Alicante, Murcia, Jerez and Almeria (Note 24) while Swissport Handling acquired 100% control of the operations at Madrid and Lanzarote. The split was agreed following an independent review of the individual operations and the calculation of the gain on the transaction remains subject to an ongoing completion valuation exercise.
- (ii) During the year the Group sold a surplus freehold property for consideration of £2.5m.
- (iii) Costs of rationalising excess capacity comprised asset write-downs and staff redundancy costs in Distribution £2.5m (2010: £2.3m) and in Aviation £1.7m (2010: nil).
- (iv) This provision is in respect of future obligations on a vacated leasehold property following the sub-tenant entering administration.
- (v) During 2010 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.
- (vi) 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%.

## 5(b) INTANGIBLE AMORTISATION

		2011 £m	2010 £m
Goodwill impairment	(i)	(1.8)	(1.8)
Contract amortisation	(ii)	(3.7)	(3.3)
		(5.5)	(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 (2010: £1.8m) reflecting the remaining life of the current licence at Menzies Macau Aviation Services Ltd.
- (ii) This charge relates to contracts capitalised as intangible assets on the acquisition of businesses.

The taxation effect of the exceptional items is a net credit of £1.0m (2010: net charge of £0.9m).

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 6. DIRECTORS

A detailed analysis of Directors' remuneration, together with shareholdings and options, is provided on pages 37 to 50.

#### 7. FINANCE COSTS

	2011 £m	2010 £m
<b>FINANCE INCOME:</b>		
Bank deposits	1.3	1.1
	<b>1.3</b>	1.1
<b>FINANCE CHARGES:</b>		
Bank loans and overdrafts	(6.1)	(6.8)
Preference dividends	(0.1)	(0.1)
	<b>(6.2)</b>	(6.9)
Net finance costs	<b>(4.9)</b>	(5.8)

#### 8. TAXATION

##### (a) Analysis of charge in year

	2011 £m	2010 £m
<b>CURRENT TAX</b>		
UK corporation tax on profits for the year	4.9	4.8
Overseas tax	6.6	4.8
Adjustments to prior years' liabilities	(0.1)	(1.4)
Total current tax	<b>11.4</b>	8.2
<b>DEFERRED TAX</b>		
Origination and reversal of temporary differences	(3.6)	0.3
Impact of UK rate change	(0.2)	(0.1)
Adjustments to prior years' liabilities	(0.1)	(1.1)
	<b>(3.9)</b>	(0.9)
Retirement benefit obligations	2.6	2.0
Total deferred tax	<b>(1.3)</b>	1.1
Tax on profit on ordinary activities	<b>10.1</b>	9.3

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

	2011 £m	2010 £m
Deferred tax on actuarial (loss)/gain on retirement benefit obligations	(7.1)	8.4
Deferred tax on fair value movement on interest rate hedges	0.2	-
Impact of UK rate change	1.3	0.4
Current tax on net exchange adjustments	(0.5)	(0.1)
Tax (credit)/charge reported outside profit or loss	<b>(6.1)</b>	8.7



**(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 2011 and 31 December 2010 is as follows:**

	2011 £m	2010 £m
Profit before tax	48.5	37.5
Profit before tax multiplied by standard rate of corporation tax in the UK 26.5% (2010: 28%)	12.9	10.5
Non-deductible expenses (principally goodwill impairment and intangible amortisation)	3.7	2.7
Depreciation on non-qualifying assets	0.3	0.6
Unrelieved overseas losses	0.9	1.0
Utilisation of previously unrecognised losses	(1.1)	(0.8)
Lower tax rates on overseas earnings	(0.4)	–
Joint venture and associate post-tax result (included in profit before tax)	(1.5)	(2.0)
Adjustments to prior years' liabilities	(0.2)	(2.6)
Impact of UK rate change on deferred tax	(0.2)	(0.1)
Gain on Swissport transaction	(1.2)	–
Overseas deferred tax assets recognised	(3.1)	–
At the effective corporation tax rate of 20.8% (2010: 24.8%)	10.1	9.3

The UK Government has announced that the main rate of UK corporation tax will be reduced from the current rate of 26%, which has applied from 1 April 2011, to 23%, by means of a series of 1% annual reductions. The reduction in the UK corporation tax rate to 25% from 1 April 2012 was enacted on 19 July 2011. As this rate was enacted at the balance sheet date, and reduces the tax rate expected to apply when temporary differences reverse, it had the effect of reducing the UK deferred tax asset. However, as most of the UK deferred tax asset relates to the UK pension deficit, which has arisen predominantly due to actuarial gains/losses taken to other comprehensive income, the majority of the reduction has been debited to other comprehensive income and does not have a material effect on the effective tax rate or on profit for the year. It is expected that this treatment will also apply in relation to the further rate reductions announced by the Government. Those further rate reductions are to be incorporated within future legislative acts and so will not be substantively enacted until later periods. The estimated effect of the further reductions in the rate to 23% by 2014 would be to decrease the net UK deferred tax asset by £0.9m.

**(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	39.8	Carry forward indefinitely
South Africa	3.1	Carry forward indefinitely
Germany	23.4	Carry forward indefinitely
Norway	10.7	Carry forward indefinitely
Sweden	2.5	Carry forward indefinitely

The Group has capital losses in the UK of approximately £17.7m 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.

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 9. DIVIDENDS

	2011 £m	2010 £m
<b>DIVIDENDS ON EQUITY SHARES:</b>		
Ordinary – interim, in lieu of final, paid in respect of 2009, 8p per share	–	4.8
– final paid in respect of 2010, 14p (2009: nil) per share	<b>8.1</b>	–
– interim paid in respect of 2011, 7p (2010: 5p) per share	<b>4.1</b>	2.9
	<b>12.2</b>	7.7

Dividends of £0.5m were waived by employee share trusts during 2011 (2010: £0.1m).

The Directors are proposing a final dividend in respect of the year to 31 December 2011 of 17p per ordinary share, which will absorb an estimated £10.3m of shareholders' funds. Payment will be made on 22 June 2012 to shareholders on the register at the close of business on 25 May 2012.

#### Treasury shares

The Company's ordinary shares are held in trust for an employee share scheme. At 31 December 2011 the trusts held 2,163,232 (2010: 1,727,793) ordinary 25p shares with a market value of £11,465,130 (2010: £8,163,822).

#### 10. EARNINGS PER SHARE

	Basic		Underlying*	
	2011 £m	2010 £m	2011 £m	2010 £m
Operating profit	<b>47.0</b>	37.7	<b>47.0</b>	37.7
Share of post-tax results of joint ventures and associates	<b>5.4</b>	7.2	<b>5.4</b>	7.2
add back: exceptional items (Note 5(a))	–	–	<b>0.3</b>	(0.1)
intangible amortisation (Note 5(b))	–	–	<b>5.5</b>	5.1
share of interest on joint ventures and associates	–	–	<b>(0.4)</b>	(0.2)
share of tax on joint ventures and associates	–	–	<b>2.1</b>	2.5
Net finance costs	<b>(3.9)</b>	(7.4)	<b>(3.5)</b>	(7.2)
Profit before taxation	<b>48.5</b>	37.5	<b>56.4</b>	45.0
Taxation	<b>(10.1)</b>	(9.3)	<b>(10.1)</b>	(9.3)
Exceptional tax	–	–	<b>(3.1)</b>	(1.6)
Non-controlling interests	<b>(0.5)</b>	(0.1)	<b>(0.5)</b>	(0.1)
Earnings for the year	<b>37.9</b>	28.1	<b>42.7</b>	34.0

#### BASIC

Earnings per ordinary share (pence)	<b>64.9p</b>	47.8p
Diluted earnings per ordinary share (pence)	<b>63.2p</b>	47.7p

#### UNDERLYING\*

Earnings per ordinary share (pence)	<b>73.2p</b>	57.9p
Diluted earnings per ordinary share (pence)	<b>71.2p</b>	57.7p

#### NUMBER OF ORDINARY SHARES IN ISSUE (MILLIONS)

Weighted average	<b>58.363</b>	58.753
Diluted weighted average	<b>59.989</b>	58.892

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

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

## 11. INTANGIBLE ASSETS

	Goodwill £m	Contracts £m	Computer Software £m	Total £m
<b>COST</b>				
At 31 December 2010	60.7	51.7	16.5	128.9
Acquisitions (Note 24)	0.8	6.2	–	7.0
Additions	–	0.1	4.4	4.5
Currency translation	0.3	(1.3)	–	(1.0)
At 31 December 2011	61.8	56.7	20.9	139.4

### AMORTISATION AND IMPAIRMENT

At 31 December 2010	10.5	11.0	6.9	28.4
Amortisation charge	–	3.7	2.3	6.0
Currency translation	0.2	(0.3)	–	(0.1)
At 31 December 2011	10.7	14.4	9.2	34.3

### NET BOOK VALUE

<b>AT 31 DECEMBER 2011</b>	<b>51.1</b>	<b>42.3</b>	<b>11.7</b>	<b>105.1</b>
At 31 December 2010	50.2	40.7	9.6	100.5

	Goodwill £m	Contracts £m	Computer Software £m	Total £m
<b>COST</b>				
At 31 December 2009	58.3	50.0	12.6	120.9
Acquisitions	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

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 11. INTANGIBLE ASSETS continued

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated at acquisition to cash generating units (CGU's) 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.

	2011		2010	
	Goodwill £m	Contracts £m	Goodwill £m	Contracts £m
<b>AVIATION</b>				
Netherlands Cargo	7.8	–	8.0	–
North American Cargo	8.1	–	8.0	–
Australia Cargo	7.0	–	7.0	–
UK Cargo	0.3	–	0.3	–
South Africa	2.9	–	3.5	–
Scandinavia	3.1	–	3.1	–
Ogden worldwide	10.3	–	9.5	–
Other	4.3	–	4.3	–
	<b>43.8</b>	<b>–</b>	<b>43.7</b>	<b>–</b>
<b>DISTRIBUTION</b>				
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	–	2.0	–	1.4
Other	2.5	4.1	1.7	3.8
	<b>7.3</b>	<b>19.0</b>	<b>6.5</b>	<b>18.1</b>
<b>TOTAL</b>	<b>51.1</b>	<b>19.0</b>	<b>50.2</b>	<b>18.1</b>

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% (2010: 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 10.7% (2010: 11%). The pre-tax rate has been applied to pre-tax cash flows.

#### Aviation

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. The carrying value of Aviation contracts is £23.3m (2010: £22.6m) and the average remaining amortisation period is 7 years (2010: 8 years).

Value in use calculations are based on Board approved budgets and plans for a 3 year period. Cash flows beyond the 3 year period are extrapolated by growth rates that reflect management's specific location expectations for 2015 and 2016 incorporating a long-term growth rate derived using the best available market information (such as Boeing's 2011 Aviation Industry Review) adjusted for the specific risks and challenges relating to Menzies Aviation. Short-term revenue growth rates over 2015 and 2016 range from 2.2% to 6.5% (2010: 2.2% to 6.5%) and longer term revenue growth rates range from 0.5% to 3.5% (2010: 1% to 3.5%). 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 2010, the Company recognised an impairment of £2.2m in relation to its UK Cargo operation which was included in Net Operating Costs in the Income Statement.

### Distribution

Distribution contracts are not amortised due to the very long-term nature of the business in the UK. The Group distributes to approximately 45% of the UK retail market and has only one major competitor. In such circumstances the Board considers that there is no foreseeable limit to the period over which the contracts are expected to generate cash flows and have been determined to have an indefinite life. These contracts are, however, tested annually for impairment using similar criteria to the goodwill test.

Value in use calculations are based on Board approved 3 year plans extrapolated to a 5-year period using short-term growth rates of between 0% and 2% that reflect management's specific business expectations for 2015 and 2016 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.

## 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
<b>COST</b>								
At 31 December 2010	38.2	0.2	39.4	186.2	264.0	36.0	0.7	36.7
Acquisitions (Note 24)	–	–	–	3.0	3.0	–	–	–
Additions	–	–	0.9	20.9	21.8	–	–	–
Disposals	(1.7)	(0.2)	(1.8)	(11.3)	(15.0)	(1.6)	–	(1.6)
Currency translation	–	–	(0.5)	(5.7)	(6.2)	–	–	–
At 31 December 2011	36.5	–	38.0	193.1	267.6	34.4	0.7	35.1
<b>DEPRECIATION</b>								
At 31 December 2010	9.1	0.2	19.8	106.7	135.8	5.3	0.7	6.0
Charge for the year	0.7	–	2.1	19.7	22.5	0.8	–	0.8
Disposals	(0.5)	(0.2)	(1.8)	(8.5)	(11.0)	(0.5)	–	(0.5)
Currency translation	–	–	(0.1)	(3.0)	(3.1)	–	–	–
At 31 December 2011	9.3	–	20.0	114.9	144.2	5.6	0.7	6.3
<b>NET BOOK VALUE</b>								
<b>AT 31 DECEMBER 2011</b>	<b>27.2</b>	<b>–</b>	<b>18.0</b>	<b>78.2</b>	<b>123.4</b>	<b>28.8</b>	<b>–</b>	<b>28.8</b>
At 31 December 2010	29.1	–	19.6	79.5	128.2	30.7	–	30.7

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 12. PROPERTY, PLANT AND EQUIPMENT continued

	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
<b>COST</b>								
At 31 December 2009	38.1	1.4	37.2	186.7	263.4	36.0	0.7	36.7
Acquisitions	–	–	–	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

#### 13. INVESTMENTS

	Group			Company	
	Shares in joint ventures £m	Shares in associates £m	Other £m	Total £m	Subsidiaries £m

#### NET BOOK VALUE EXCLUDING GOODWILL

At 31 December 2010	27.7	7.8	0.3	35.8	292.7
New investments	1.1	0.1	–	1.2	–
Share of profits after tax	4.9	2.3	–	7.2	–
Dividends received	(4.6)	(2.1)	–	(6.7)	–
Disposals (Note 5)	–	(5.7)	–	(5.7)	–
Currency translation	(3.7)	0.1	–	(3.6)	0.1
At 31 December 2011	25.4	2.5	0.3	28.2	292.8

#### GOODWILL

At 31 December 2010	–	5.9	–	5.9	–
Impairment provision (Note 5(b))	–	(1.8)	–	(1.8)	–
Currency translation	–	(0.8)	–	(0.8)	–
At 31 December 2011	–	3.3	–	3.3	–

#### AT 31 DECEMBER 2011

	<b>25.4</b>	<b>5.8</b>	<b>0.3</b>	<b>31.5</b>	<b>292.8</b>
At 31 December 2010	27.7	13.7	0.3	41.7	292.7

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

	Country of Incorporation	% Interest held	Revenue £m	Profit after tax £m	Assets		Liabilities		Total £m
					< 1 year £m	> 1 year £m	< 1 year £m	> 1 year £m	
<b>JOINT VENTURES</b>									
EM News (NI) Ltd	UK	50	50.0	0.9	6.7	1.3	(4.6)	(0.1)	3.3
EM News (Ireland) Ltd	Ireland	50	27.4	(0.3)	–	–	–	–	–
Worldwide Magazine Distribution Ltd	UK	50	5.1	0.1	1.3	0.1	(1.2)	–	0.2
Menzies Bobba Ground Handling Services Private Ltd	India	51	1.8	0.3	5.1	1.2	(0.1)	–	6.2
Menzies Aviation Bobba (Bangalore) Private Ltd	India	49	5.3	2.6	9.4	4.1	(2.2)	–	11.3
Hyderabad Menzies Air Cargo Private Ltd	India	49	3.7	1.1	3.6	1.0	(0.5)	–	4.1
Zaankracht Holding BV	Netherlands	30	2.0	0.2	0.3	–	–	–	0.3
<b>ASSOCIATES</b>									
Menzies Macau Airport Services Ltd	Macau	29	5.6	1.3	1.2	1.9	(0.8)	(0.3)	2.0
Swissport Menzies Handling Ute	Spain	–	12.2	1.0	–	–	–	–	–
Swissport Menzies Handling PMR Ute	Spain	19.5	1.0	–	0.6	0.5	(0.6)	–	0.5
			114.1	7.2	28.2	10.1	(10.0)	(0.4)	27.9

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.

The Group disposed of its 39% investment in the associate undertaking, Swissport Menzies Handling Ute, on 6 July 2011 (Note 5).

The investment in Swissport Menzies Handling PMR Ute is treated as an associate as the Group exercises significant influence under an operational agreement with the other shareholding parties.

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

#### 14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Trade receivables	135.2	137.3	–	–
Less: provision for doubtful debts	(2.4)	(3.9)	–	–
Trade receivables – net	132.8	133.4	–	–
Other receivables	16.9	14.3	8.9	6.6
Prepayments	20.0	18.2	1.4	1.2
Amounts owed by Group companies	–	–	178.0	197.8
	169.7	165.9	188.3	205.6

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 14. TRADE AND OTHER RECEIVABLES continued

The average credit period on sale of goods is 25.5 days. No interest is charged on any receivables balance.

##### Ageing of trade receivables

	Total £m	Neither past due nor impaired £m	Past due not impaired		
			30 – 60 days £m	60 – 90 days £m	over 90 days £m
<b>2011</b>	<b>132.8</b>	<b>112.6</b>	<b>16.1</b>	<b>1.8</b>	<b>2.3</b>
2010	133.4	116.6	14.0	2.2	0.6

##### Movement in the provision for doubtful debts

	Group	
	2011 £m	2010 £m
Balance at the beginning of the year	<b>3.9</b>	3.4
Amounts provided during the year	<b>1.0</b>	2.6
Amounts released during the year	<b>(1.0)</b>	(1.0)
Amounts utilised during the year	<b>(1.5)</b>	(1.1)
Balance at the end of the year	<b>2.4</b>	3.9

##### Ageing of past due and impaired receivables

	Group	
	2011 £m	2010 £m
0 – 30 days	<b>0.1</b>	0.5
30 – 60 days	<b>0.3</b>	0.1
60 – 90 days	<b>0.2</b>	0.1
Over 90 days	<b>1.8</b>	3.2
	<b>2.4</b>	3.9

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	
	2011 £m	2010 £m	2011 £m	2010 £m
<b>DUE WITHIN ONE YEAR</b>				
Trade payables	<b>111.6</b>	110.1	–	–
Other payables	<b>96.3</b>	92.1	<b>9.9</b>	10.0
Other taxes and social security costs	<b>3.7</b>	3.7	–	–
Amounts owed to Group companies	–	–	<b>281.1</b>	263.7
	<b>211.6</b>	205.9	<b>291.0</b>	273.7
<b>DUE AFTER MORE THAN ONE YEAR</b>				
Other payables	<b>1.8</b>	1.9	<b>5.0</b>	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 14 and 18.

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>				
Cash Flow Hedges				
Foreign exchange forward contracts	(1.2)	0.3	(1.2)	0.3
Interest rate swaps	(0.3)	(1.2)	(0.3)	(1.2)
Foreign Currency Net Investment Hedge				
Foreign exchange forward contracts	0.8	(1.0)	0.8	(1.0)
<b>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(0.7)</b>	<b>(1.9)</b>	<b>(0.7)</b>	<b>(1.9)</b>
<b>CURRENT</b>	<b>(0.4)</b>	<b>(1.2)</b>	<b>(0.4)</b>	<b>(1.2)</b>
<b>NON-CURRENT</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>(0.3)</b>	<b>(0.7)</b>
	<b>(0.7)</b>	<b>(1.9)</b>	<b>(0.7)</b>	<b>(1.9)</b>

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 2011, the Group held the following financial instruments measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

	Assets measured at fair value			
	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT</b>				
Foreign exchange contracts – hedged	1.5	–	1.5	–
	Liabilities measured at fair value			
	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT</b>				
Foreign exchange contracts – hedged	1.9	–	1.9	–
Interest rate swaps	0.3	–	0.3	–

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 16. FINANCIAL INSTRUMENTS continued

During the year ended 31 December 2011, 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	
		2011 £m	2010 £m	2011 £m	2010 £m
<b>INTEREST-BEARING LOANS AND BORROWINGS</b>					
	<b>MATURITY</b>				
Obligations under finance leases	January 2012 – July 2013	0.2	0.2	–	–
Bank overdrafts	n/a	1.2	8.4	0.9	8.3
Non-amortising bank loans	January 2012 – June 2014	78.6	88.0	78.6	88.0
Amortising term loan	March 2020	22.3	25.6	22.3	25.6
Preference shares	Non-redeemable	1.4	1.4	1.4	1.4
Unsecured loan stock	On demand (by July 2012)	0.1	0.1	–	–
<b>TOTAL INTEREST-BEARING LOANS AND BORROWINGS</b>		<b>103.8</b>	123.7	<b>103.2</b>	123.3
<b>CURRENT</b>		<b>3.4</b>	60.5	<b>2.8</b>	60.2
<b>NON-CURRENT</b>		<b>100.4</b>	63.2	<b>100.4</b>	63.1
		<b>103.8</b>	123.7	<b>103.2</b>	123.3

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 2012 and 2020 with interest payable at a fixed rate of 6.23%.

The loan has a weighted average maturity of 3 years (2010: 3 years).

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between January 2012 and June 2014.

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
<b>NET DEBT</b>				
Derivative financial instruments	0.7	1.9	0.7	1.9
Interest-bearing loans and borrowings	103.8	123.7	103.2	123.3
Total borrowings	104.5	125.6	103.9	125.2
Less: cash at bank, cash in hand and short-term deposits	24.4	26.6	1.1	8.4
	<b>80.1</b>	99.0	<b>102.8</b>	116.8

	2011		2010	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<b>FINANCIAL ASSETS AND FINANCIAL LIABILITIES</b>				
Short-term borrowings	2.0	2.4	52.0	52.2
Medium-term borrowings	88.5	90.3	47.5	48.8
Long-term borrowings	11.9	13.8	15.6	17.6
Derivative financial instruments	0.7	0.7	1.9	1.9
Finance leases	0.2	0.2	0.2	0.2
Bank overdrafts	1.2	1.2	8.4	8.4
<b>TOTAL FINANCIAL ASSETS AND FINANCIAL LIABILITIES</b>	<b>104.5</b>	<b>108.6</b>	125.6	129.1
Less: cash at bank, cash in hand and short-term deposits	24.4	24.4	26.6	26.6
<b>NET DEBT</b>	<b>80.1</b>	<b>84.2</b>	99.0	102.5

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

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

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

	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2011 Total financial liabilities £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2010 Total financial liabilities £m
Currency						
Sterling	54.7	48.7	103.4	21.4	102.0	123.4
US Dollar	0.2	–	0.2	–	–	–
Euro	0.1	–	0.1	–	–	–
South African rand	0.1	–	0.1	0.3	–	0.3
Net derivative liabilities	0.7	–	0.7	1.9	–	1.9
	<b>55.8</b>	<b>48.7</b>	<b>104.5</b>	23.6	102.0	125.6

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
At 31 December 2011, the expiry profile of undrawn committed facilities was as follows:				
Less than one year	–	58.0	–	58.0
Between one and two years	0.2	–	0.2	–
Between two and five years	68.1	12.1	68.1	12.1
	<b>68.3</b>	70.1	<b>68.3</b>	70.1

## Cash flow hedges

### Foreign exchange forward contracts

At 31 December 2011 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.

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 16. FINANCIAL INSTRUMENTS continued

##### 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 2011 the Group hedged the exposure to interest rate rises by use 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.

Of the £75m of these interest rate swaps at the start of the year, £50m matured in July 2011 with the remaining £25m maturing in June 2012. No new swaps were entered into during 2011.

At 31 December 2011, 46.9% (2010: 88.6%) of the Group's borrowings were fixed.

	2011		2010	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of Cash Flow Hedges – currency forward contracts	–	(1.2)	0.4	(0.1)
Fair value of Cash Flow Hedges – interest rate swaps	–	(0.3)	–	(1.2)
	–	(1.5)	0.4	(1.3)
<b>CURRENT</b>	–	(1.2)	0.4	(0.5)
<b>NON-CURRENT</b>	–	(0.3)	–	(0.8)
	–	(1.5)	0.4	(1.3)

For 2011, if interest rates on UK pound-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.3m (2010: £0.1m) 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	
		2011 million	2010 million	2011 million	2010 million	2011 £m	2010 £m
Euro	EUR	15.0	16.0	15.0	16.0	12.5	13.7
US dollar	USD	30.5	31.8	30.5	31.8	19.6	20.3
Czech koruna	CZK	99.0	99.0	99.0	99.0	3.2	3.4
Australian dollar	AUD	10.9	11.9	10.9	11.9	7.2	7.8
New Zealand dollar	NZD	1.7	2.5	1.7	2.5	0.9	1.2
Swedish krona	SEK	25.5	17.5	25.5	17.5	2.4	1.7
Indian rupee	INR	750.0	630.6	750.0	630.6	9.1	9.0
South African rand	ZAR	55.0	67.0	55.0	67.0	4.4	6.5

	2011		2010	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	1.5	(0.7)	0.9	(1.9)
Current	1.5	(0.7)	0.9	(1.9)
Non-current	–	–	–	–

### Foreign currency sensitivity

For 2011, if the UK pound had weakened/strengthened by 10% against the US dollar or the Euro, with all other variables held constant the effect would have been:

	Change in GBP/USD rate	Change in GBP/EUR rate	2011		2010	
			Effect on Profit Before Tax £m	Effect on Equity £m	Effect on Profit Before Tax £m	Effect on Equity £m
	+10%		0.3	3.2	0.3	3.4
	-10%		(0.3)	(2.6)	(0.3)	(2.7)
		+10%	0.8	1.7	0.7	2.0
		-10%	(0.8)	(1.4)	(0.7)	(1.6)

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

### Capital risk management

The Group manages the capital structure in order to minimise the cost of capital whilst ensuring that it has access to ongoing sources of finance such as the debt capital markets. The Group defines capital as net debt (see Note 22) and equity attributable to equity holders of the Company (see Group and Company statement of changes in equity). The only externally imposed capital requirements for the Group are total debt to EBITDA and interest cover under the terms of the Bank Facilities, with which the Group has fully complied during both the current period and the prior period. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and/or issue new shares.

### Credit risk

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

	2011 £m	2010 £m
Bank deposits	24.4	26.6
Trade receivables	132.8	133.4
	157.2	160.0

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.

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 16. FINANCIAL INSTRUMENTS continued

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

	2011			
	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	(6.2)	(4.9)	(94.3)	(11.1)
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Other liabilities	(0.2)	-	-	-
Trade and other payables	(211.6)	(1.8)	-	-
Financial derivatives	(60.5)	(0.3)	-	-
<b>TOTAL</b>	<b>(278.6)</b>	<b>(7.1)</b>	<b>(94.7)</b>	<b>(12.6)</b>

	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)

#### 17. OPERATING LEASE COMMITMENTS

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

	Group				Company	
	Property		Other		Property	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Within one year	29.0	28.7	20.4	21.5	0.6	0.6
Within two to five years	71.5	58.9	33.6	45.5	1.9	2.4
After five years	39.5	44.9	-	-	0.1	0.2
	140.0	132.5	54.0	67.0	2.6	3.2

#### 18. CAPITAL COMMITMENTS

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Contracted but not provided – property, plant and equipment	4.5	4.7	-	-

## 19. PROVISIONS

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
<b>DEFERRED TAX</b>				
<b>ASSETS</b>				
Accelerated capital allowances and other temporary differences	(0.8)	(1.9)	(5.4)	(4.3)
Retirement benefit obligations	16.1	12.9	16.1	12.9
	15.3	11.0	10.7	8.6
Movement in year:				
Income Statement – retirement benefit obligations	(2.6)	2.0	(2.6)	2.0
– other	3.9	(0.9)	0.7	(0.4)
– fair value movement on interest rate hedges	(0.3)	–	(0.3)	–
– exchange adjustments	(0.1)	(0.3)	–	–
Statement of comprehensive income	5.8	8.8	5.8	8.8
Transfer from current income tax liabilities	(2.4)	(0.7)	(1.5)	–
	4.3	8.9	2.1	10.4
<b>OTHER – PROPERTY RELATED</b>			2011 £m	2010 £m
At beginning of year			7.1	7.9
Provided during year			2.4	3.7
Utilised during year			(3.0)	(4.5)
At end of year			6.5	7.1
Current			2.9	3.3
Non-current			3.6	3.8

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 2012 and 2037.

### Contingent liabilities

In the normal course of business, the Company has guaranteed certain trading obligations of its subsidiaries.

## 20. SHARE CAPITAL

	2011 £m	2010 £m
<b>AUTHORISED</b>		
73,056,248 ordinary shares of 25p each	18.3	18.3
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
Opening – 60,340,773 ordinary shares of 25p each	15.1	15.1
Allotted under share option schemes*	0.1	–
Closing – 60,729,343 ordinary shares of 25p each	15.2	15.1

As a result of share scheme allotments, 388,570 (2010: 127,546) ordinary shares having a nominal value of £97,142 (2010: £31,886) were issued during the year at a share premium of £1,068,542 (2010: £511,078).

\* Included in this total are 3,368 (2010: 644) ordinary shares of 25p each allotted to Directors under the Savings-Related Share Option Scheme and 96,048 (2010: nil) ordinary shares of 25p each allotted to Directors under the Executive Share Option Scheme with a nominal value of £24,012 (2010: £161).

## NOTES TO THE ACCOUNTS

## CONTINUED

## 20. SHARE CAPITAL continued

**Potential issue of ordinary shares**

Certain senior executives hold options to subscribe for shares in the Company under the Executive Share Option Scheme approved by the shareholders, details of which are shown below. Options on 96,048 (2010: nil) shares were exercised in 2011 and no options lapsed.

Date of grant	Exercise price (pence)	Exercise period	2011 Number	2010 Number
Nov-02	329	2005-2012	100,000	196,048
May-04	418	2007-2014	101,776	101,776
			201,776	297,824

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 292,522 shares were exercised in 2011 and 198,376 options lapsed.

Year of grant	Exercise price (pence)	Exercise period	2011 Number	2010 Number
2007	452	2010-2011	–	65,608
2008	285	2011-2012	22,136	309,315
2009	279	2012-2013	358,566	419,224
2010	355	2013-2014	420,468	489,081
2011	395	2014-2015	488,556	–
			1,289,726	1,283,228

**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 3 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 3-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 3 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 PSP, the Board could grant Executive Directors and senior employees of the Group (selected by the Remuneration Committee) an award of conditional shares. The shares would have vested at the end of three years if Total Shareholder Return ('TSR') had reached targets set by the Board. If percentage growth in the Company's TSR for the 3 financial years was greater than the TSR for the FTSE250 Index by 30% or more, then the percentage of the award vesting is 100%. If the growth was greater than the TSR for the FTSE250 Index but less than 30% greater, then the percentage of the award vesting will be calculated on a straight-line basis. If growth was equal to or less than TSR for the FTSE250 Index, then the percentage of the award vesting is nil.



There are no outstanding awards under the 2005 PSP and it is not the Board's intention to make any further awards under this Plan.

**(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 2. For EPS growth of between RPI + 3% pa and RPI + 8% pa, the number of matching shares vesting will be calculated on a straight-line basis.

From 2010, if the percentage growth in the Company's EPS is RPI + 6% or more, then the number of matching shares that will vest is 1. 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, transferability of rights and leavers.

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

The DPSP was introduced to more closely align Divisional Directors and Senior Employees with the achievement of target divisional financial results ('DFR'). The DFR for Distribution is based on Operating Profits, Cost Savings and income from new Revenue Streams whilst for Aviation it is based on Operating Profits. The maximum award which can be made to an individual is equivalent to one times their salary per year.

Shares will vest at the end of 3 year financial periods. A nil award will be achieved where the DFR is at or below the Threshold Performance Target and 100% will vest where the DFR is equal to or greater than the Stretch Performance Target, with a result between Threshold and Stretch being made on a straight-line basis. Actual performance targets will be disclosed in the Directors' Remuneration Report in the year following the expiry of the performance period.

**(f) 2009 Performance Share Plan ('2009 PSP')**

The 2009 Performance Share Plan was designed to improve the link between reward, performance and the creation of value for shareholders by measuring the increase in Return of Capital Employed (ROCE) over a 3 year performance period. The scheme is a one-off award and awards were only made to Executive Directors.

Shares 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.

## NOTES TO THE ACCOUNTS

## CONTINUED

## 20. SHARE CAPITAL continued

## Fair values of share options

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

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

Grant date	Executive Share Option Scheme		Savings-Related Option Scheme			
	May-04	Nov-02	Oct-11	Oct-10	Oct-09	Sep-08
Share price at grant date (pence)	418	329	498	450	346	362
Exercise price (pence)	418	329	395	355	279	285
Number of employees	2	1	1,010	845	608	30
Shares under option	101,776	100,000	488,556	420,468	358,566	22,136
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	97	77	77	77
IFRS 2 charge per option**	70	50	64	47	47	47

The expected volatility is based on the historical volatility over the last 3 years. The expected life is the average expected period to vesting. The risk free rate of return is the zero coupon UK government bonds of a term consistent with the assumed award life.

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

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

Grant date	2009 PSP		BCIP		2007 DPSP		
	Jun-09	Mar-11	Mar-10	Jun-09	Mar-11	Mar-10	Jun-09
Share price at grant date (pence)	130	486	346	133	460	342	130
Number of employees	3	11	13	3	24	22	16
Shares awarded	1,237,500	46,709	84,451	20,539	537,400	672,992	670,500
Contractual life (years)	3	3	3	3	3	3	3
Expected departure*	0%	0%	0%	0%	0%	0%	0%
Expected outcome of meeting performance criteria	41%	41%	41%	41%	41%	41%	41%
Fair value per share (pence)	113	217	154	113	207	154	113
IFRS 2 charge per share award**	113	217	154	113	207	154	113

\* Risk of forfeiture

\*\*Adjusted for forfeiture risk

## 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			
	2011		2010		2011		2010	
	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	297,824	359	302,824	360	1,283,228	318	1,276,225	318
Granted	–	–	–	–	497,396	395	497,008	355
Forfeited/Expired	–	–	(5,000)	391	(198,376)	359	(362,459)	329
Exercised	(96,048)	329	–	–	(292,522)	290	(127,546)	426
Outstanding at end of year	201,776	374	297,824	359	1,289,726	348	1,283,228	318
Exercisable	201,776	374	297,824	359	22,136	–	65,608	452
Range of exercise prices	329-418		329-418		279-395		279-452	
Weighted average remaining life (years)								
– expected	–	–	–	–	2.1	–	2.1	–
– contractual	1.6	–	1.4	–	2.1	–	2.1	–
	2005 PSP 2007 DPSP & 2009 PSP				BCIP			
	2011		2010		2011		2010	
	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	2,731,354	201	2,253,000	166	183,290	403	130,887	480
Awards Made	537,400	460	698,266	342	46,709	486	84,451	347
Lapsed	(150,362)	477	(219,912)	286	(49,177)	534	(32,048)	520
Performance achieved	–	–	–	–	(29,123)	534	–	–
Outstanding at end of year	3,118,392	233	2,731,354	201	151,699	360	183,290	403
Range of award date prices	130-460		130-487		133-486		133-534	
Weighted average remaining life (years)								
– expected	0.8	–	2.2	–	1.4	–	2.2	–
– contractual	0.8	–	2.2	–	1.4	–	2.2	–

## Total IFRS 2 charge for share-based incentive schemes

The total charge for the year relating to employee share-based plans was £1.7m (2010: £0.8m), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £1.2m (2010: £0.6m).

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 21. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Operating profit/(loss)	47.0	37.7	(1.0)	(1.0)
Depreciation	22.5	24.0	0.8	0.9
Amortisation of intangible assets	6.0	5.3	–	–
Impairment provisions (Note 5(a))	–	2.2	–	–
Share-based payments	1.7	0.8	0.4	0.2
Onerous lease provision	1.1	–	1.1	–
Cash spend on onerous leases	(0.9)	(1.4)	(0.7)	(0.9)
(Gain)/loss on sale of property, plant and equipment	(0.5)	0.3	–	–
Gain on disposal of investment in associate	(4.0)	–	–	–
Exceptional gain on disposal of property, plant and equipment	(1.0)	–	(1.0)	–
Pension charge	0.7	1.7	0.1	0.1
Pension credit	(0.1)	(4.6)	(0.1)	(4.6)
Pension contributions in cash	(8.7)	(5.7)	(8.7)	(5.7)
Rationalisation costs	4.2	2.3	–	–
Cash spend on rationalisation costs	(2.7)	(1.5)	–	–
Increase in inventories	(1.7)	(1.6)	–	–
(Increase)/decrease in trade and other receivables	(3.1)	(3.9)	(0.1)	0.1
Increase/(decrease) in trade and other payables and provisions	1.7	2.6	(0.1)	0.5
	62.2	58.2	(9.3)	(10.4)

#### 22. ANALYSIS OF CHANGES IN NET BORROWINGS

	2010	Cash flows	Currency	2011
	£m	£m	translation	£m
Cash at bank and in hand	26.6	(2.1)	(0.1)	24.4
Bank overdrafts	(8.4)	7.2	–	(1.2)
Net cash and cash equivalents	18.2	5.1	(0.1)	23.2
Bank loans due within one year	(51.8)	49.9	–	(1.9)
Loan stock due within one year	(0.1)	–	–	(0.1)
Preference shares	(1.4)	–	–	(1.4)
Finance leases	(0.2)	–	–	(0.2)
Debt due after one year	(61.8)	(37.2)	–	(99.0)
Net derivative liabilities	(1.9)	(0.5)	1.7	(0.7)
	(99.0)	17.3	1.6	(80.1)

The currency translation movement results from the Group's policy of hedging its overseas net assets, which are denominated mainly in US\$ and Euro. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange loss of £6.2m (2010: gain of £6.2m). This net (loss)/gain is recognised in other comprehensive income.

#### 23. CASH FLOW HEDGE 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.

## 24. ACQUISITIONS

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

Division	Aviation	Aviation	Distribution	Distribution	
Name	Swissport Menzies 6/7/11 £m	Traymate Limited 12/8/11 £m	Media on the Move 4/7/11 £m	Other £m	Total £m
Purchase consideration					
Cash paid	–	0.3	1.2	0.2	<b>1.7</b>
Fair value of assets disposed	9.8	–	–	–	<b>9.8</b>
Deferred consideration	–	–	–	0.6	<b>0.6</b>
Total purchase consideration	9.8	0.3	1.2	0.8	<b>12.1</b>
Fair value of net assets acquired	9.8	0.3	0.4	0.8	<b>11.3</b>
Goodwill	–	–	0.8	–	<b>0.8</b>

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

Non-current assets					
Intangible assets (contracts) – fair value	5.1	0.2	0.3	0.6	<b>6.2</b>
Property, plant and equipment	2.9	0.1	–	–	<b>3.0</b>
Current assets	4.6	–	0.5	0.2	<b>5.3</b>
Cash	0.5	–	–	–	<b>0.5</b>
Current liabilities	(3.3)	–	(0.4)	–	<b>(3.7)</b>
Net assets acquired	9.8	0.3	0.4	0.8	<b>11.3</b>

Included in the £0.8m goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include anticipated business growth, synergies and an assembled workforce.

The fair value of the Swissport Menzies intangible asset remains provisional pending an external fair value calculation.

The fair value of the trade receivables amounts to £3.2m and the gross amount of trade receivables is £3.4m. None of the trade receivables has been impaired.

The acquired businesses contributed revenues of £8.6m from the date of acquisition. If the businesses had been acquired on 1 January 2011 revenues contributed would have been £17.6m. The results from acquisitions were not material.

### Other

A performance-related payment of £0.6m became payable in May 2011 in respect of The Network (Field Marketing & Promotions) Company Limited, acquired in 2008. An additional £0.2m was paid in respect of Reed Aviation Limited, acquired in October 2010, as a result of the net asset completion exercise.

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 25. RELATED PARTY TRANSACTIONS

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

Related party	Group share holding %	Sales to related party £m	Amounts owed to related party at 31 December 2011 £m	Amounts owed by related party at 31 December 2011 £m
Swissport Menzies Handling Ute	<b>Note 5</b>	<b>0.5</b>	–	–
Menzies Bobba Ground Handling Services Private Ltd	<b>51</b>	<b>0.4</b>	–	<b>0.1</b>
Hyderabad Menzies Air Cargo Private Ltd	<b>49</b>	<b>0.9</b>	–	<b>0.1</b>
Menzies Aviation Bobba (Bangalore) Private Ltd	<b>49</b>	<b>0.1</b>	–	–
Menzies Macau Airport Services Ltd	<b>29</b>	<b>0.2</b>	–	<b>0.1</b>
EM News (NI) Ltd	<b>50</b>	<b>0.5</b>	<b>4.3</b>	–
EM News (Ireland) Ltd	<b>50</b>	<b>0.8</b>	–	<b>0.1</b>

Key management personnel include individuals who are Executive Directors of the Group and Divisional Boards having 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 is as follows:

	2011 £m	2010 £m
Short-term employee benefits	<b>4.8</b>	4.9
Post-employment pension and medical benefits	<b>0.4</b>	0.3
Termination benefits	–	–
Share-based payments	<b>1.7</b>	0.8
	<b>6.9</b>	6.0

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 2011 was £0.3m (2010: £0.3m).

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

#### 26. SUBSIDIARY COMPANIES

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

The Company is taking the exemption under s410 Companies Act 2006 to disclose details about principal subsidiaries only.

## FIVE-YEAR SUMMARY

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
<b>REVENUE</b>					
Distribution	1,254.5	1,255.0	1,218.5	1,166.2	1,147.3
Aviation	645.2	582.6	507.2	500.9	393.8
	<b>1,899.7</b>	1,837.6	1,725.7	1,667.1	1,541.1
<b>OPERATING PROFIT</b>					
Distribution	28.8	28.8	28.6	23.9	23.4
Aviation	32.3	24.6	15.8	14.1	20.6
	<b>61.1</b>	53.4	44.4	38.0	44.0
Corporate	(1.2)	(1.2)	(1.0)	(1.5)	(3.0)
<b>UNDERLYING OPERATING PROFIT</b>	<b>59.9</b>	52.2	43.4	36.5	41.0
Exceptional items	(0.3)	0.1	(6.0)	(7.3)	0.1
Intangible amortisation	(5.5)	(5.1)	(5.1)	(4.3)	(2.8)
Share of interest and tax on joint ventures and associates	(1.7)	(2.3)	(2.1)	(1.9)	(1.7)
<b>PROFIT BEFORE INTEREST</b>	<b>52.4</b>	44.9	30.2	23.0	36.6
Net finance costs	(3.9)	(7.4)	(8.2)	(5.4)	(2.7)
Foreign currency loss	–	–	–	(7.7)	(2.1)
<b>PROFIT BEFORE TAXATION</b>	<b>48.5</b>	37.5	22.0	9.9	31.8
<b>PER ORDINARY SHARE</b>					
Dividends	21.0p	13.0p	0.0p	7.56p	25.6p
Underlying earnings	73.2p	57.9p	43.8p	31.3p	47.9p
Basic earnings	64.9p	47.8p	25.8p	(2.0p)	44.2p

## 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 ('AGM') of John Menzies plc (the 'Company') will be held in the Roxburghe Hotel, 38 Charlotte Square, Edinburgh on Friday, 18 May 2012 at 2pm (the 'Meeting') to transact the following business:

### ORDINARY RESOLUTIONS:

To consider and, if thought fit, pass Resolutions 1-11, 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 2011 and the Report of the Auditors thereon.

#### 2. Remuneration Report

To approve the Report on Directors' Remuneration for the financial year ended 31 December 2011.

#### 3. Dividend

To declare a final dividend of 17 pence per ordinary share for the financial year ended 31 December 2011.

#### 4-8. Re-election of Directors

4. To re-elect Ian Harley as a Director.

5. To re-elect Ian Harrison as a Director.

6. To re-elect Dermot Jenkinson as a Director.

7. To re-elect Octavia Morley as a Director.

8. To re-elect Iain Napier as a Director.

#### 9. Appointment of auditor

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

#### 10. Remuneration of auditor

To authorise the Directors to fix the auditors' remuneration.

#### 11. Authority to allot shares

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

- (a) otherwise than pursuant to paragraph (b) below, up to an aggregate nominal amount of £5,008,225 (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 £5,008,225; and
- (b) comprising equity securities up to an aggregate nominal amount of £10,016,450 (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 AGM of the Company or, if earlier, on 30 June 2013 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 12-15, each of which will be proposed as a Special Resolution:

### 12. Authority to disapply pre-emption rights

That, subject to the passing of Resolution 11 in the Notice of AGM of the Company dated 5 April 2012 (the 'section 551 Resolution') the Directors be and are hereby empowered pursuant to section 570 and section 573 of 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 the 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 £751,233, representing approximately 5% of the issued ordinary share capital of the Company as at 2 April 2012,

and (unless previously renewed, varied or revoked) this power shall expire at the conclusion of the next AGM of the Company or, if earlier, on 30 June 2013 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 and 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.

### 13. 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 6,009,870, representing approximately 10% of the Company's issued ordinary share capital as at 2 April 2012;
- (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 AGM of the Company or at the close of business on 30 June 2013, 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.

### 14. 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:

# NOTICE OF ANNUAL GENERAL MEETING

## CONTINUED

- (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 2 April 2012;
- (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 AGM of the Company or at the close of business on 30 June 2013, 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.

### 15. Length of Notice of Meeting

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

By order of the Board

**J F A GEDDES**  
COMPANY SECRETARY

5 April 2012

### EXPLANATORY NOTES

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

#### Resolutions 4-8 – Election of Directors

Biographical details of the Directors to re-elected can be found on pages 26 and 27 of the Annual Report and Accounts for the year ended December 2011. In accordance with the Combined Code on Corporate Governance Dermot Jenkinson and Ian Harrison who have served longer than 9 years will retire at the Meeting and seek re-election. Ian Harley, Octavia Morley and Iain Napier retire by rotation in accordance with the Company's Articles of Association and 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 31 of the Annual Report and Accounts for the year ended 31 December 2011), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to the role.

#### Resolutions 11 and 12 – 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 AGM of the Company held on 20 May 2011, the Directors followed these guidelines and were given authority to allot relevant securities up to an aggregate nominal amount of £9,938,892, representing two thirds of the issued share capital of the Company as at 23 March 2011. 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 £10,016,450 representing the guideline limit of approximately two-thirds of the Company's issued ordinary share capital as at 2 April 2012. Of this amount, 20,032,900 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 AGM of the Company or, if earlier, 30 June 2013. The Directors have no present intention of exercising this authority, however, they have confirmed, should the power authorised in Resolution 11 part (b) be utilised, that all directors would stand for re-election at the next AGM.

As at 2 April 2012, the Company holds 744,449 ordinary shares in the capital of the Company as treasury shares.

Resolution 12 will, if passed, give the Directors power, pursuant to the authority to allot granted under Resolution 11, to allot equity securities (as defined in sections 560 (1)-(3) of the Companies Act 2006 'the 2006 Act') or sell treasury shares for cash on a non-pre-emptive basis without first offering them to existing shareholders in proportion to their existing shareholdings in limited circumstances. In light of the ABI guidelines described in relation to Resolution 10 above, this authority will permit the Directors to allot equity securities:

- (a) in relation to a pre-emptive rights issue only, up to a maximum nominal amount of £10,016,450 (representing approximately two-thirds of the Company's issued ordinary share capital excluding treasury shares) as at 2 April 2012; and
- (b) in any other case up to a maximum nominal value of £751,233, representing approximately 5% of the issued share capital of the Company as at 2 April 2012 (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 AGM of the Company or, if earlier, on 30 June 2013.

### Resolutions 13 and 14 – Authority to buy back shares

These special resolutions give the Company authority to make market purchases of its own ordinary and 9% cumulative preference shares in the market as permitted by the 2006 Act. The authorities set the minimum and maximum prices and limit the number of shares that could be purchased to 6,009,870 ordinary shares (representing approximately 10% of the issued ordinary share capital as at 2 April 2012) and 1,394,587 9% cumulative preference shares (representing 100% of the issued 9% cumulative preference shares as at 2 April 2012).

The authorities, if granted, will expire at the conclusion of the next AGM of the Company or, if earlier, 30 June 2013. 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 2 April 2012, the Company holds 744,449 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 15 – Length of Notice of Meeting

Before the introduction of the Companies (Shareholders' Rights) Regulations 2009 in August 2009, the minimum notice period permitted by the 2006 Act for general meetings (other than AGMs) 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 AGMs) provided that two conditions are met. The first condition is that a company offers a facility for shareholders to vote by electronic means. This condition is met if a 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 Directors have confirmed that they will only use the shorter notice period in limited circumstances where the proposal in question are time sensitive and the short notice would clearly be to the advantage of shareholders as a whole.

The Board is therefore proposing Resolution 15 as a special resolution and for it to be effective until the Company's next AGM when it is intended to propose that the approval be renewed.

## NOTICE OF ANNUAL GENERAL MEETING

### CONTINUED

#### 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 the AGM is available from the Company's website: [www.johnmenziesplc.com](http://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 AGM. 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 AGM.
4. It is possible for you to submit your proxy votes online. Further information on this service can be found on your proxy form, or if you receive communications from us electronically, voting information will be contained within your email broadcast.
5. If you appoint a proxy, this will not prevent you attending the AGM and voting in person if you wish to do so.
6. The right to vote at the AGM is determined by reference to the Company's register of members as at the close of business on Wednesday 16 May 2012 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 AGM.
7. As a member, you have the right to put questions at the AGM relating to the business being dealt with at the AGM.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act 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.
9. The statement of the rights of members in relation to the appointment of proxies in Notes 2, 3 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
10. As at 2 April 2012, the Company's issued ordinary share capital comprised 60,843,151 ordinary shares of 25p each, and the Company held 744,449 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 2 April 2012 is 60,098,702.
11. 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.
12. 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.

13. 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.
14. 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.
15. Under section 338 of the 2006 Act, 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 AGM. Under section 338A of that Act, members may request the Company to include in the business to be dealt with at the AGM 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 AGM; 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 2006 Act. 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 2006 Act. 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 AGM includes any statement that the Company has been required under section 527 of the 2006 Act 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 Meeting up to and including the date of the AGM 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 AGM, they will be available for inspection at the venue of the AGM from 1pm 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](http://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](http://www.investorcentre.co.uk)  
 Email: [www.investorcentre.co.uk/contactus](http://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](http://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](http://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](http://www.sharegift.org)

### ANALYSIS OF SHAREHOLDING

at 31 December 2011

Shareholding	Number of holders	% of holders	Number of shares	% of shares
1-1,000	3,391	82.4	767,928	1.26
1,001-5,000	487	11.8	1,009,380	1.66
5,001-10,000	62	1.5	451,946	0.74
10,001-100,000	104	2.5	3,812,694	6.28
Over 100,000	75	1.8	54,687,395	90.05
Total	4,119	100.0	60,729,343	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 30 March 2012 and 1 October 2012.

### Ordinary Dividends

A Final Dividend of 17p per share was proposed by the directors on 5 March 2012, and will be paid on 22 June 2012 to shareholders on the Register as at the close of business on 25 May 2012.

Any Interim Dividends for 2012 will be paid on 23 November 2012 to shareholders on the register on 26 October 2012.

## 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](http://www.johnmenziesplc.com)  
Email: [info@johnmenziesplc.com](mailto: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

N+I Brewin  
Time Central  
32 Gallowgate, Newcastle Upon Tyne, NE1 4SR

## PRINCIPAL BUSINESS ADDRESSES

### John Menzies plc

108 Princes Street, Edinburgh, EH2 3AA  
Tel: +44 (0) 131 225 8555  
Fax: +44 (0) 131 226 3752  
Email: [info@johnmenziesplc.com](mailto:info@johnmenziesplc.com)

### Menzies Distribution

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

### Menzies Aviation

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)

- 6 March 2012  
Preliminary announcement of Results
- 30 March 2012  
Payment of Dividend on 9% Cumulative Preference Shares
- 5 April 2012  
Annual Report and Notice of AGM released
- 18 May 2012  
Management Statement issued
- 18 May 2012  
Annual General Meeting
- 25 May 2012  
Record date for Final Dividend on Ordinary Shares
- 22 June 2012  
Payment of Dividend on Ordinary Shares
- 14 August 2012  
Announcement of Interim Results
- 1 October 2012  
Payment of Dividend on 9% Cumulative Preference Shares
- 26 October 2012  
Record date for Interim Dividend on Ordinary Shares
- 13 November 2012  
Management Statement issued
- 23 November 2012  
Payment of Interim Dividend on Ordinary Shares



This annual report is printed on FSC certified material. This product is biodegradable, 100% recyclable and elemental chlorine free. Vegetable based inks were used during production. Both the paper mill and printer involved in the production support the growth of responsible forest management and are both accredited to ISO 14001 which specifies a process for continuous environmental improvement.

**John Menzies plc**

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Web: [www.johnmenziesplc.com](http://www.johnmenziesplc.com)

Registered in Scotland with company number SC34970

Registered office address as above