

# PEOPLE POWERING PERFORMANCE



# PEOPLE POWERING PERFORMANCE

## Overview

- 01 At a glance
- 02 Our business model
- 02 Our Executive team
- 04 Our strategy
- 06 People Powering Performance

## Operating review

- 12 Chairman's statement
- 14 Group performance
- 16 Menzies Aviation
- 18 Menzies Distribution
- 20 Group financial review
- 26 Corporate social responsibility
- 32 Principal risks and uncertainties

## Governance

- 34 Board of Directors
- 36 Corporate governance statement
- 46 Report on Directors' Remuneration

## Financial Statements

- 57 Independent auditors' report to the members of John Menzies PLC
- 59 Group income statement
- 60 Group statement of comprehensive income
- 61 Group and Company balance sheets
- 62 Group and Company statement of changes in equity
- 63 Group and Company statement of cash flows
- 64 Notes to the Accounts
- 99 Five year summary

## Shareholder Information

- 100 Notice of annual general meeting
- 107 General information

## Related information

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



More info in this report



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



## WHO WE ARE

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

## HOW WE SUCCEEDED

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.

 Our S.P.I.R.I.T. – p.06

## FINANCIAL HIGHLIGHTS

Underlying profit before tax

£58.4m

Turnover (incl JVs & Associates)

£1,996.8m

Free cash flow

£34.7m

Underlying earnings per share

73.4p

## OPERATIONAL HIGHLIGHTS

% Increase in aircraft turns

8.9%

Distribution cost savings

£4.9m

A glossary of definitions is provided in Note 1 of the Financial Statements.

# HOW WE GENERATE VALUE

Our Executive Team is dedicated to driving performance across the business and thrive on S.P.I.R.I.T. which creates the culture of John Menzies plc.

**Our Executive Team, pictured left to right:**  
**Paul Dollman**, Group Finance Director  
**Craig Smyth**, Managing Director, Menzies Aviation  
**David McIntosh**, Managing Director, Menzies Distribution



**CREATING  
VALUE FOR OUR  
CUSTOMERS...**

---

**...CREATES  
VALUE FOR  
SHAREHOLDERS...**

---

**AND MAXIMISES  
OPPORTUNITY FOR  
BOTH DIVISIONS**

By being better than our competitors through having the best workforce that delivers service excellence everytime.

By continually investing in leading edge systems to promote efficiency and improve customer service.

Developing market leading safety initiatives which delivers a safe and secure service.

### Aviation Contract Renewals

£118m

annual revenue from 94 contract renewals

By retaining existing customer business, gaining new contracts and expanding into new ventures.

By attracting and retaining the best people and encouraging them to fulfil their potential so they can deliver an outstanding performance.

Which in turn creates the world's best provider of aviation support services and a highly efficient wholesaler of print media.

### TSR Growth

+26.1%

TSR Growth v FTSE250

## MENZIES AVIATION

### A growing worldwide market

Estimated market size:  
**£37bn**

Three acquisitions completed

### Menzies Aviation current share of available market

3%

## MENZIES DISTRIBUTION

### Large established market

UK news and magazine market:  
**£3.8bn**

Two acquisitions completed

### Menzies Distribution share of market

45%



Operating review  
Menzies Aviation – p.16



Operating review  
Menzies Distribution – p.18

# A STRATEGY THAT DELIVERS

John Menzies plc aims to deliver sustainable growth and maintain long-term value enhancing returns for shareholders. We achieve this through our customer focused approach.

## Group EBITDA

2012	£86.3m
2011	£84.7m
2010	£78.2m
2009	£69.7m
2008	£60.6m

## PEOPLE

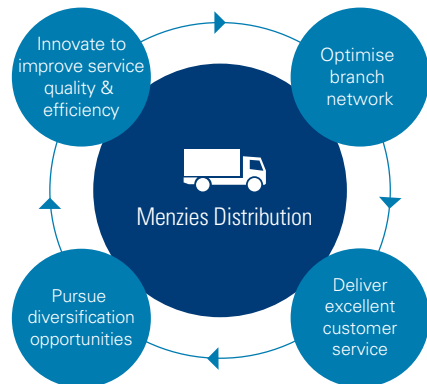
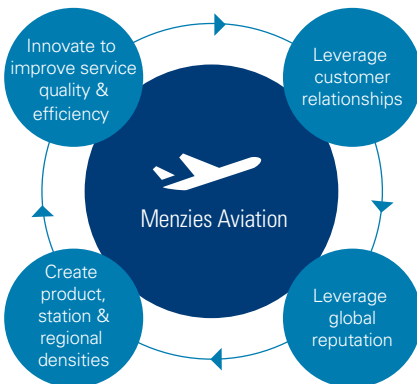
We aim to have the best workforce that delivers service excellence everytime. We must attract and retain the best people. We must encourage them to fulfil their potential in order that they can deliver the outstanding performance we strive for.

## POWERING

We operate in competitive, service dependent industries. What sets us apart from our competitors is S.P.I.R.I.T. We have developed a set of values which closely reflect the ethos of each division.

## PERFORMANCE


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, and encourage constant innovation.



# OUR S.P.I.R.I.T.

S.P.I.R.I.T. runs through both of our divisions. It's what helps to set us apart from our competitors and powers our performance.

---

 A strategy that delivers – p.04

## SAFETY & SECURITY

**What it means to us**  
Making safety matter in all day to day activities.

**How it drives performance**  
Every employee is clear on their role and responsibilities. This develops an environment where there is no delay in dealing with safety and security issues.

We strive to ensure that all our employees and customers are not faced with any risks during the course of our business. By delivering market leading safety standards we retain and attract new customers.

---

### Aircraft incidents in 2012

# 0.046

per 1,000 aircraft turnarounds





# PEOPLE

## What it means to us

We treat people with respect as well as supporting and encouraging them to progress in their careers by being honest and constructive.

## How it drives performance

Our people are our connection with our customers, by ensuring we have the best people we derive better results for our customers and our shareholders.

---

## Employees worldwide

# 22,151

Average number of employees during 2012



## Safety performance awarded

In Mexico we were awarded 18 separate safety awards by Viva Aerobus for having zero findings during their safety audits.

# INNOVATION

## What it means to us

We continue to challenge the way we do things by having an open environment where everyone has the opportunity to express their ideas.

## How it drives performance

Innovation allows us to learn and develop from our experiences. We keep our employees motivated by building strong communication links with them to initiate and embrace change. We continue to find cost effective solutions and apply them throughout our business.





**Menzies Distribution App:**

The app offers a growing range of options for customers to conduct their most common transactions with us online.



# RELIABILITY

What it means to us  
We do it right all the time.

How it drives performance  
Our customers trust us to keep their businesses serviced effectively and efficiently hence Menzies being their preferred service provider.



# INTEGRITY

What it means to us  
We will be open and honest in all that we do.

How it drives performance  
By building trust based relationships internally with our employees we reflect the same qualities with our customers. We value feedback and ensure that ideas to improve systems and processes, whether from employees or customers, are adequately considered and implemented.



# TEAMWORK

What it means to us  
We are committed to working together to succeed.

How it drives performance  
We acknowledge, recognise and manage performance. We work towards a common goal.



**Team building workshop in Bangalore**  
A group of 20 employees assisted in organising a cross cultural football tournament.



**Iain Napier**, Chairman

 Risks and uncertainties – p.32

 Corporate Governance – p.36

### **Growth**

Menzies Aviation Operating Profit (£m)

2012		35.6
2011		32.3
2010	24.6	
2009	15.8	
2008	14.1	

### **Stability**

Menzies Distribution Operating Profit (£m)

2012		28.8
2011		28.8
2010		28.8
2009		28.6
2008	23.9	

## Final Dividend

# 17.85p

Up 5%

## Underlying EPS

# 73.4p

## Introduction

The Group continues to trade on a strong footing with both divisions returning good results. Market conditions are tough but despite this we continue to deliver on our targets. Menzies Aviation overcame airline failures and currency headwinds to again turn in a strong performance. Future prospects remain strong as we seek to deliver on our organic and acquisitive growth plans. At Menzies Distribution, the acquisition of Orbital Marketing Services Group provides the division with a highly synergistic business that will offer growth in new areas.

## Results Overview

Underlying operating profit rose 4% to £58.4m reflecting another good year for the Group. During the year £18.4m of non-recurring items were incurred as Menzies Distribution rationalised their branch network and Menzies Aviation took decisive management actions to eradicate loss making cargo handling operations. Menzies Aviation continued to deliver the Group's growth ambitions with operating profit up 16% on a constant currency basis while Menzies Distribution held profits flat at £28.8m which is a commendable performance in recessionary times.

## Our Board

During the year the Group entered the FTSE250. The current structure of the Board does not fully meet the criteria set out in the UK Corporate Governance Code. The requirements have been reviewed by the Nomination Committee and the Board is committed to achieving compliance over a sensible timeline. The size and structure of the Board and its committees are reviewed annually. Whilst we are committed to compliance with the Code we believe we have an excellent balance, with an appropriate mixture of skills and experience.

In the meantime Ian Harrison, a Non-Executive Director, who is non-independent under the Code will be stepping down from the Board after the Annual General Meeting in May. Ian has been on the Board since 1987 and has made a significant contribution to the Group over the last 25 years.

Paul Dollman has intimated his desire to retire from the Group after 10 years as Group Finance Director and accordingly will not seek re-election at the Annual General Meeting on 17 May 2013. I am delighted that Paula Bell will be joining on 10 June 2013. Paula joins from Ricardo plc, a global multi-industry consultancy, where she held the post of Group Finance Director for over six years. During her time at Ricardo she has played an important role in the successful strategic evolution and growth of the business and helped drive strong cost and cash management. She is also a Non-Executive Director of Laird plc where she chairs the Audit Committee.

## People

We continue to operate in uncertain economic times. Our people are our biggest asset. We recognise this through our S.P.I.R.I.T. initiatives which run through both operating divisions. S.P.I.R.I.T. encompasses the values and behaviours that each and every employee embraces every day. By following our S.P.I.R.I.T. we can deliver great service to our customers and continue to enhance shareholder value.

We have over 22,000 employees worldwide dedicated to turning aircraft round safely and on time or making sure the UK's newspaper retailers have product ready for sale when they open up each morning. I would personally like to thank each and every employee for the contribution they made during 2012.

## Prospects

The Group continue to enjoy a strong financial platform with excellent prospects. At Menzies Aviation we will continue to expand by winning new customers and opening up in new markets. The growth dynamics of the aviation industry remain good and we believe that Menzies Aviation with its global reputation for service excellence and industry leading safety record are very well placed to prosper. At Menzies Distribution the acquisition of Orbital Marketing Services Group provides a synergistic business with traditional wholesaling but also brings with it expertise in new growth markets and I look forward to the evolution of this entity over the coming years.

Our strategy remains unaltered. John Menzies plc is committed to delivering shareholder value through investment in our operating divisions where sustainable returns can be generated.



**Iain Napier**  
Chairman



**Paul Dollman**, Group Finance Director

 Group financial review – p.20

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

## Overview

The Group performed strongly during the year despite difficult trading conditions at both operating divisions. At Menzies Aviation operating profit on a constant currency basis was up 16% while Menzies Distribution held profits flat, a commendable performance from both divisions.

The Group continues to be on a very strong financial footing. Underlying profit before taxation was up 4% to £58.4m on turnover of £1,996.8m (2011: £2,013.8m). Total net bank debt continues to be below £100m.

Menzies Aviation's growth continued with turnover up 3% to £697.2m generating operating profits of £35.6m, a rise of 10%. At constant exchange rates profits increased to £37.5m. At Menzies Distribution, turnover fell by 3% reflecting falling volumes in the core business. Despite this operating profit was flat on the previous year at £28.8m.

## Cash Flow and Investment

The Group had another strong year with a free cash flow of £34.7m. Capital expenditure was less than last year at £15.9m. The Group spent £15m on acquisitions covering both divisions. After additional payments into the pension fund, cash spend on exceptional items and a higher level of dividend the net cash outflow for the Group was £12.9m including a currency translation gain of £2.1m.

## Debt and Interest

Group net debt increased to £93m mainly due to spend on acquisitions. Although year-end net debt increased the average debt in the year was broadly flat and average interest costs fell year on year. The pension interest charge moved from a credit of £1.4m in 2011 to a debit of £0.9m in 2012 due mainly to a decrease in the returns from pension fund assets.

## Exceptional Items

The Group incurred exceptional items in the year totalling £18.4m. The main items were restructuring and network rationalisation costs of £4.1m in Distribution and at Aviation the reorganisation of UK cargo operations for £3.2m and the provision for the onerous lease for the Chicago cargo facility of £6.8m.

## Dividend

The Board has declared a final dividend of 17.85p which is payable on 21 June 2013 to all shareholders on the register on 24 May 2013. This represents an increase of 5% 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)

2012	1903.5
2011	1899.7
2010	1837.6
2009	1725.7
2008	1667.1

## Underlying EPS (p)

2012	73.4
2011	73.2
2010	57.9
2009	43.8
2008	31.3

## Free Cash Flow (£m)

2012	34.7
2011	39.4
2010	43.8
2009	26.9
-11.1	2008

## Underlying PBT (£m)

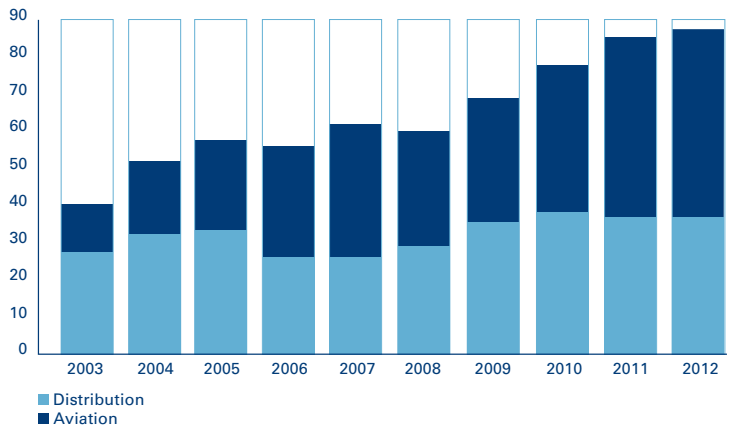
2012	58.4
2011	56.4
2010	45.0
2009	35.2
2008	30.7

## Full Year Dividend (p)

2012	25.2
2011	24.0
2010	19.0
2009	8.0
2008	7.56

# GROUP RESILIENCE

## 10 year EBITDA (£m)





**Craig Smyth**  
Managing Director,  
Menzies Aviation

---

**Menzies Aviation Operating Board**

**Paul Dollman**  
Group Finance Director

**Stephen Koller**  
EVP AMI

**Mervyn Walker**  
EVP Operations

**Giles Wilson**  
EVP Finance

---

 [Group financial review – p.20](#)

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

## Menzies Aviation

### Performance

Menzies Aviation delivered another strong performance in the face of tough overall trading conditions with airline consolidation and the uncertain global economic climate prevalent. Despite this, operating profit on a constant currency basis at £37.5m was up 16% (10% actual).

As in previous years, the division continued to grow its core business through contract wins. Excluding contracts lost to airline failures, there was a net gain of 30 contracts that deliver £19m of revenue. In addition some 94 contracts were renewed, for an average contract length of three years, securing £118m of revenue. Airline failures offset some of the positive momentum gained from new contracts as they represented profitable business that was not replicated at the stations affected. Best in class safety & security as well as great customer service are core to contract successes and sets the division apart from other handlers.

Three businesses were acquired in the year. In the UK, Flight Support, a ground handling business operating at 4 stations, was acquired for £5.3m. This synergistic acquisition brought 3 new stations to the division's network and deepened relationships with a number of existing customers. In the Czech Republic, the ground handling company of Prague Airport was acquired. This acquisition brought a number of new customers and also consolidated the number of players in the market from 3 to 2. In Romania, Kamino Cargo, a cargo handling business at Otopeni

International Airport in Bucharest, was acquired and bolted on to the existing ground handling operation allowing a one stop shop service, which is more important at stations of this size, to be offered to all airlines.

### Ground Handling

The ground handling business continued to prosper during the year securing notable new contracts across the network. Underlying operating profit increased by £1.1m. This represents a 5% rise in difficult markets and shows the continuing strength of the business.

Continuing contract win momentum is reflected in the ground handling volumes. Absolute aircraft turns were up 8.9% with like for like turns up 3.5%. The ground handling business continues to be the primary driver of growth for the division and offers very strong growth dynamics. Currently this business segment generates 61% of divisional turnover and is very well placed to pursue further market opportunities.

### Cargo Handling

Cargo handling endured a difficult year with volumes affected by the general economic slowdown. Absolute volume fell 0.2% with like for like volume down 5.6%. Despite this, operating profits at £10.3m were up £1.6m reflecting the annualisation of previous year's contract wins and restructuring actions.



1. Reliability – We pushed back over 850,000 aircraft in 2012 and delivered 99.7% on time performance.
2. Safety – All employees are provided with a daily safety briefing.
3. AMI grew profits by 32% and expanded its network into India.

Reflecting the difficult economic conditions faced, some decisive management actions were taken. In July, it was announced that the division would focus its UK cargo business on its London Heathrow operations and exit most of its UK regional operations. The restructuring was successfully completed in quarter 3 and has placed the UK cargo handling business on a more stable platform. In December, it was decided, having exhausted all alternative courses of action, to close the cargo handling operations in Chicago, USA. This operation was loss making and the closure will improve EBIT in 2013 by around £1.5m.

The business, which now represents 23% of divisional revenues, has been significantly re-structured over the last 3 years and the management actions taken during 2012 now complete the eradication of the 4 major loss-making operations that had been previously reported. The business now operates predominantly at locations where the airport is not over supplied and the cargo business complements a successful ground handling operation.

### Cargo Forwarding

The air freight wholesaling business, AMI, made further progress with profit at £2.5m up £0.6m on the previous year. The business expanded during the year opening a new office in Mumbai. This key cargo gateway expands the AMI network and offers customers a global solution. AMI is a strong niche business and is well placed to continue to grow and develop in a large available market.

### Ground Handling (hours per turn)

2012	29.9
2011*	30.4

### Ground Handling (on-time performance) (%)

2012	99.7
2011	99.7

### Cargo Handling Tonnes per FTE

2012	670.7
2011*	661.8

### Aircraft Damage Per 1,000 turns

2012	0.046
2011	0.047

\* Restated



**David McIntosh**  
Managing Director,  
Menzies Distribution

---

Menzies Distribution  
Operating Board

**Catherine Bland**  
Finance Director

**Mark Cassie**  
Supply Chain Director

**David Cooke**  
Commercial Director

**Paul Dollman**  
Group Finance Director

**Jane Dyson**  
Marketing Services Director

**Christina Mellon**  
HR Director

**David Speirs**  
IT Director

---

 [Group financial review – p.20](#)

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

## Menzies Distribution

### Performance

Menzies Distribution delivered a stable performance with operating profit held at £28.8m, despite challenging market conditions.

During the period the division made positive progress in shaping the division for the future by completing two acquisitions, securing new regional and national press contracts together with new logistics contracts.

### Core Business

The magazine market continues to be weak as the recessionary environment in the UK resulted in a reduction in discretionary spend. Overall like for like revenue was down 6%. There was limited upside during the year from the Queen's Diamond Jubilee and the Olympic Games and the sticker category received a boost resulting from Euro 2012. Monthly magazines were relatively resilient with like for like revenue down 5%. The weekly magazine sector, where like for like revenues were down 7%, continues to experience fierce price cutting activity particularly within the crowded celebrity magazine sector.

Newspapers sales were ahead of expectations after a number of cover price increases and additional business gains from News International and DC Thomson. In particular, Monday to Friday sales performed strongly. Overall like for like sales were down 3%. In the Sunday market some stability returned following the launch of the Sun on Sunday and a high degree of cut price activity. Overall the demise of the News of the World and the launch of the Sun on Sunday has been broadly neutral.

In August, contract terms were agreed with News International for a further 7 years. As part of this renewal, additional business in Kent, Lancashire and Northern Ireland was secured. This was a key renewal as News International represents 34% of the total UK newspaper market. Following on from this, the business of the UK's second largest magazine distributor, Marketforce, was also secured through to 2019. These contracts secure some £245m of annual revenue and allow the division to plan positively for the future with long term contracts in place.

A further re-organisation of the branch network, which was highlighted at the half year, has been delivered and is now achieving its projected savings. Profit Improvement Plans are embedded in the business and they continue to deliver cost savings at branch level. A dedicated team is already focusing on further areas of savings through to 2015 and together with the benefits being felt from the fully implemented SAP system visibility on cost savings is good. During 2012 cost savings of £4.9m were delivered.

### New Revenue Streams

During the year 2 acquisitions were made.

In November, the division made its most significant investment away from its core business to date by acquiring Orbital Marketing Services Group (Orbital). Orbital comprises a portfolio of UK based logistics and marketing services businesses serving the travel, tourism, education, charity, publishing and healthcare sectors. The business was established in 1972 and employs over 550 staff at 9 locations across the UK. The acquisition of Orbital takes Menzies Distribution



1. Orbital acquisition – Most significant investment by Menzies Distribution to date.
2. Branch re-organisation – The network of branches have been streamlined to become more efficient and cost effective.

into new business sectors and adds further complementary services to its existing logistics and marketing services capabilities. Given the respective infrastructure of both businesses there are significant network, operational and system synergies to be gained as part of the integration process in the medium term.

During July, the division also acquired the retail consultancy division of the Fore Partnership, which it has integrated with its own category management business D-Cipher to become part of Menzies Marketing Services. The combined businesses, which trade as Fore, looks after more than 8,000 retail outlets with a combined annual news turnover of £500m – 12% of the UK market. Customers include M&S, Spar, Boots, Martin McColl, Nisa and One Stop.

#### Newspapers delivered on time (%)

2012	97.08
2011	97.96

#### Magazines delivered on time (%)

2012	99.37
2011	98.11

#### Newspaper packing accuracy (%)

2012	99.86
2011	99.92

#### Magazine packing accuracy (%)

2012	99.94
2011	99.75

### Shareholders' Funds

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

	£m
Shareholders' funds at December 2011	<b>87.1</b>
Profit before tax	<b>32.0</b>
Taxation	<b>(10.4)</b>
Net actuarial loss	<b>(9.5)</b>
Currency translation	<b>(4.0)</b>
New shares issued	<b>1.3</b>
Own shares purchased	<b>(4.3)</b>
Dividends paid	<b>(15.3)</b>
Share-based payment	<b>1.4</b>
Impact of rate change on deferred tax	<b>(1.3)</b>
Other	<b>1.7</b>
<b>Shareholders' funds at December 2012</b>	<b>78.7</b>

### Free Cash Flow

£34.7m

### Cash Flow

The Group generated an operating cash flow of £64.3m in 2012 (2011: £78.8m). Some £43.8m was invested in the business and £15.3m was paid as dividends. An additional pension payment of £6.5m was made. Tax and interest payments accounted for £13.7m. Net debt increased by £12.9m from £80.1m to £93.0m.

	2012		2011	
	£m	£m	£m	£m
<b>Underlying operating profit</b>		<b>63.1</b>		59.9
Depreciation		<b>20.2</b>		22.5
Dividends from associates and joint ventures		<b>4.5</b>		6.7
Working capital		<b>(17.9)</b>		(3.1)
Net pension movement		<b>(3.0)</b>		(1.8)
Non-cash items		<b>(2.6)</b>		(5.4)
<b>Operating cash flow</b>		<b>64.3</b>		78.8
Purchase of property, plant and equipment	<b>(16.7)</b>		(21.8)	
Intangible asset additions	<b>(3.1)</b>		(4.5)	
Sale of property, plant and equipment	<b>3.9</b>		5.5	
Net capital expenditure		<b>(15.9)</b>		(20.8)
Net interest paid		<b>(4.2)</b>		(5.0)
Tax paid		<b>(9.5)</b>		(10.0)
<b>Free cash flow</b>		<b>34.7</b>		43.0
Equity dividends paid		<b>(15.3)</b>		(12.2)
Additional pension payment		<b>(6.5)</b>		(6.3)
Acquisitions		<b>(17.2)</b>		(1.7)
Net cash acquired with subsidiaries		<b>2.2</b>		0.5
Other investments		<b>0.1</b>		(1.2)
Cash spend on exceptional items		<b>(10.0)</b>		(3.6)
Net spend on shares		<b>(3.0)</b>		(1.2)
Total movement		<b>(15.0)</b>		17.3
<b>Opening net debt</b>		<b>(80.1)</b>		(99.0)
Currency translation		<b>2.1</b>		1.6
<b>Closing net debt</b>		<b>(93.0)</b>		(80.1)

### Net Debt

£93.0m

The above cash flow data provides more information than the statutory IFRS cash flow statement on page 63.

The cash spend on exceptional items of £10.0m included £8.2m of rationalisation costs and £1.8m of onerous lease payments.

### Pensions

In May 2006 the main UK pension scheme changed from a final pensionable salary scheme to an average salary scheme. 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.

	2012		2011	
	£m	£m	£m	£m
<b>Income Statement</b>				
Current service cost		(0.6)		(0.7)
Gains on curtailments and settlements		0.3		0.1
		(0.3)		(0.6)
Expected return on scheme assets	13.8		16.8	
Interest on pension liabilities	(14.7)		(15.4)	
Net financial (charge)/income		(0.9)		1.4
Net income (charge)/income		(1.2)		0.8
<b>Balance Sheet</b>				
Total market value of assets		257.2		242.0
Present value of scheme liabilities		(325.3)		(306.3)
Deficit in scheme		(68.1)		(64.3)
Related deferred tax asset		15.7		16.1
<b>Net pension liabilities</b>		<b>(52.4)</b>		<b>(48.2)</b>

The current service cost for 2012 decreased as a result of an ongoing reduction in the pensionable payroll.

During 2012 the Group contributed cash of £9.8m (2011: £8.7m) to the Fund.

Following the full actuarial valuation carried out as at 31 March 2012, the Company agreed with the Trustees of the Fund to contribute an additional annual cash contribution of £11m plus RPI, which will commence on 1 April 2013.

IAS 19 (Revised) Employee Benefits will become effective for the Group in its 2013 accounts. Under IAS 19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets will be replaced with a net interest charge that is calculated by applying the discount rate to the net defined benefit liability. The impact on the results for the year ended 31 December 2013 will be to increase net operating costs by £1m and to increase pension related finance charges by £1.3m. In addition, amortisation for benefits that do not vest immediately is eliminated resulting in an increase to net operating costs of £1m. The deficit at 31 December 2012 would reduce by £5.6m.

### 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) Costs of rationalising excess capacity comprised asset write-downs and staff redundancy in Distribution £4.1m (2011: £2.5m) and in Aviation £6.6m (2011: £1.7m).

(ii) A provision of £7.7m for future lease obligations in UK and US Cargo at Aviation.

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 are amortised and this amortisation charge of £4.6m (2011: £3.9m) 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:

	<b>2012</b>	2011
	<b>£m</b>	£m
Fixed rate sterling term loan	<b>1.3</b>	1.5
Fixed rate sterling loan	<b>0.4</b>	1.6
Floating rate sterling term loan	<b>1.7</b>	0.6
Preference shares	<b>0.1</b>	0.1
Cash/overdrafts	<b>0.3</b>	1.1
Other finance charge/(income)	<b>0.9</b>	(1.4)
Net underlying interest charge	<b>4.7</b>	3.5

The sterling term loan is at a fixed rate of 6.23% and is repayable between 2013 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 paid a fixed rate of interest and received a variable rate of LIBOR+margin on the notional amount. £50m of these interest rate swaps matured in 2011 and the remaining £25m matured in June 2012.

Other finance charge/income is the net financial charge/income from the pension scheme under IAS 19.



## Taxation

The tax rate on underlying profits for the year was 24.5%, compared with 23.4% in 2011 and is analysed as:

	%
Tax due at UK rate	24.5
Non-tax deductible items	0.2
Unrelieved overseas losses	1.7
Utilisation of tax losses	(0.3)
Lower rate of tax on overseas earnings	(0.3)
Write-off of deferred tax asset	0.5
Deferred tax rate change	(0.8)
Prior year adjustment	(1.0)
Underlying tax rate	24.5

### Underlying tax rate

24.5%

Tax paid during the year was £9.5m.

The tax effect of the exceptional items, described in Note 5 on the accounts, is a net credit of £2.3m.

The UK Government has announced that the main rate of UK corporation tax will be reduced from the current rate of 24%, which has applied from 1 April 2012, to 21%, by means of a series of annual reductions. The reduction in the UK corporation tax rate to 23% from 1 April 2013 was enacted on 17 July 2012. 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 that deferred tax asset relates to the UK pension deficit the majority of the reduction was debited to other comprehensive income and did not have a material effect on the effective tax rate or on profit. 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 21% by 2014 would be to decrease the net UK deferred tax asset by £1m.

## Property, Plant and Equipment

Purchases of property, plant and equipment totalled:

	Property £m	Plant & Equipment £m	Total £m
Distribution	0.1	3.3	3.4
Aviation	0.8	12.5	13.3
	0.9	15.8	16.7

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

### Intangible Assets

Expenditure on computer software amounted to £3.1m during 2012.

Capitalised goodwill amounts to £50.6m compared to £54.4m in 2011. 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.

### Other Investments

This includes cash invested in joint ventures and associates.

### Acquisitions

During the year the Group completed a number of acquisitions in the UK, Romania and Czech Republic, details of which are shown in Note 24.

### Return on Capital Employed

**19.6%**

### Working Capital

Working capital movement is analysed as follows:

	2012 £m	2011 £m
Inventories	1.2	(1.7)
Trade and other receivables	(9.3)	(3.1)
Trade and other payables	(9.8)	1.7
	<b>(17.9)</b>	<b>(3.1)</b>

### 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 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 2012	Year end 31 December 2012	Average for year to December 2011	Year end 31 December 2011
USD	1.593	1.626	1.610	1.554
EUR	1.237	1.233	1.150	1.197
AUD	1.535	1.566	1.542	1.516
INR	85.072	89.061	75.446	82.531

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

## Going Concern

At 31 December 2012 the Group had committed borrowing facilities of £185.4m, with an expiry profile of:

£50m	January 2013
£70m	May 2014
£25m	June 2014
£20m	September 2017
£20.4m	March 2020

The £50m facility expiring in January 2013 was successfully refinanced with the same lender in January with a new £55m 3 year facility expiring in January 2016.

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

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

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

## Outlook

Menzies Aviation is trading in line with expectations with good visibility on summer schedules across the network. The closure of the Chicago cargo operations are on track and global relationships with affected airlines have been maintained. Contract wins are most prevalent in the first half and the year has started well with a number of new contracts gained across the network.

Trading at Menzies Distribution in its core business has continued to be challenging with weekly magazines in particular continuing to underperform. However, the Orbital Marketing Services business acquired in November 2012 is performing well with integration plans and synergy benefits on track. In addition, contract negotiations with a number of publishers continue and it is expected a number of these will be concluded during the year.

Overall, the challenging trading climate continues but prospects for the Group remain strong and the Board are confident of delivering further growth during 2013.

# S.P.I.R.I.T. RUNS THROUGH THE HEART OF OUR PEOPLE AND HELPS DRIVE A SUSTAINABLE BUSINESS



Group financial review – p.20



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

## 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 Company recognises that being a socially responsible company adds to and enhances the Company's overall value, both short and long term. The impact our business activities have on the environment, communities in which we operate, and wider society are important to us. We recognise that all our stakeholders have an interest in our business activities, and seek to maintain an open and participatory dialogue ensuring that our business activities are performed in a safe, ethical and efficient way.

We have systems in place to identify, analyse and manage key risks arising from our operations, and develop better business methods. The policies and guidelines we have in place set standards concerning ethics, sound business practices and wider governance issues.

The Board expects the Group to conduct its operations based on sound ethical practices which are open and free from discrimination and harassment, and will promote a positive representation of the Group to stakeholders. The Group has adopted and disseminated appropriate policies and procedures, including clear guidelines on matters such as competition law, bribery and

whistle-blowing, and the Board has tasked each Divisional Managing Director to be responsible for the implementation of all of these policies in their divisions.

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

A description of the Company's internal control system for management, particularly of financial risks, is in the Corporate Governance statement on pages 36 to 45. An analysis of the key business risks facing the Group appears in the Operating Review on page 32. 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 2012 can be accessed at [www.johnmenziesplc.com](http://www.johnmenziesplc.com).

## 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

Menzies Aviation continued its Community Team Challenge ('CTC') programme, which it launched in 2011 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 life changing 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.

The 2012 challenges afforded the opportunity for the Company to continue its efforts in making a positive sustainable community impact by continuing its support of 2 charities within countries that it operates: South Africa and India.

This year, apart from providing a rewarding and life-lasting experience for 20 talented and promising managers, there was also a strong developmental aspect, aiming to engage the managers involved in challenges and tasks that will help them build on their leadership, communication, and organising skills, as well as enhance their confidence and exposure to their colleagues and senior managers from across the network.

The purpose was to use the vehicle of working in and leading cross cultural teams to complete community challenges, develop skills and knowledge related to leadership and team performance. Given the emphasis of cross cultural awareness and management, the project was, therefore, rebranded as the Cross Cultural Team Challenge (CCTC).

During the week/10 days, the two CCTC participants were introduced to concepts and frameworks relating to leading teams and working cross culturally

The objective of the India CCTC was to ensure the smooth-running of the football tournament, one of a kind U-16 boys tournament, now known as the Parikrma Champions League, which has become an incredibly important date in the calendar for all involved. Menzies Aviation participants, along with team members from the Parikrma Foundation, organised the tournament including the registrations, sound system, entertainment, commentary and match scheduling and security.

Parikrma Humanity Foundation is a non-profit organisation with the aim to ensure that even the poorest children have access to the best opportunities anywhere in the world. Parikrma runs 4 Centres for Learning and a Junior College for 1,375 children from 69 slum communities and 4 orphanages in Bangalore. Besides English language education, nutrition, healthcare and family care, sport is an integral part of education at Parikrma.



**Parikrma Humanity Foundation**  
The Parikrma Champions League in Bangalore is part of the Cross Cultural Team Challenge.



The setting for the South Africa CCTC was a small Zulu village in Umfolozi National Park, where Menzies Aviation participants were given the materials for building works, planting a vegetable garden and improving the village school's facilities. They were hosted by the villagers who worked closely with them on the various building projects.

Through the fundraising initiative that took place alongside the 2012 CCTC, the school was able to start a food programme for the children. Without this funding and the provision of food at the school, very few children would attend. In addition to the funding, the teachers have been spurred to grow their own fruit and vegetables to use for the children and to make the food programme last longer.



**1,500**km cycled

**Charity Bike Ride**

Menzies Distribution staff raised £20,000 during a charity bicycle event from John O'Groats to Mile End.

**Charity Bike Ride**

Between 24 August and 2 September 2012, a team of Menzies Distribution riders completed an 'end to end' cycle relay in support of NewstrAid, the industry charity of their supply chain. The trip began at John O'Groats and ended at Mile End in Portsmouth, birthplace of Charles Dickens, celebrated patron of the charity.

Donors ranged from generous corporate partners, each of whom bestowed a Dickens-themed name on one of the legs, to individuals touched by the NewstrAid cause and the exertions of the Menzies riders. The riders themselves ranged from Managing Director, David McIntosh to Night Packer, Bernie Johnson: a wide spectrum of the Menzies family, united by their love of cycling and their desire to help people from the news industry who have fallen on hard times.

The ride saw many challenges for the Menzies Team, including 1,500km of distance and 1.2km of hill-climbs; nonetheless, smiles and champagne were the order of the day as they crossed the finish line to a warm welcome from the NewstrAid welcoming committee.

**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:

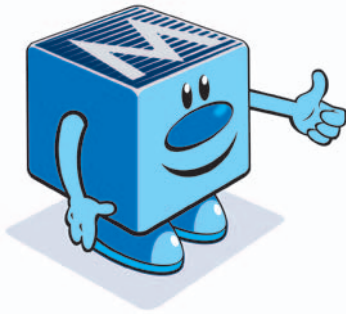
- **Efficiency:** be involved with charities that are small enough for our donation to make an impact, and not be absorbed in administrative costs
- **Integrity:** make donations on a 'needs-based' approach rather than 'taste based' approach
- **Effectiveness:** charities to have specific aims and to 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 2012, over £80,000 was donated by the Company.

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 2012, over £10,000 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 (2011: £nil).



**Health & Safety**  
MORSE is a key tool in our Health and Safety strategy

## Health & Safety

**50** employees

Menzies Aviation employees received safety recognition awards

## 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 a time-critical environment with any delay increasing costs and causing disruption for ourselves and our customers.

Reports on health and safety performance are the first operating item at all meetings of the Group Board and at Divisional Operating Board meetings. They include injury statistics and trends as well as lessons learned, training performance, contacts with regulators and legislative changes. The Group's health and safety policy statement, which is published on our website, focuses on establishing a suitable environment, providing proper training, communication and consultation with employees.

MORSE is a key tool in our Health and Safety Strategy and is utilised in various forms across the Group. Details of the health and safety programmes in each division can be found in the Group's Annual Corporate Social Responsibility Report on the Group's website, [www.johnmenziesplc.com](http://www.johnmenziesplc.com).

## Injury and Incident Reporting

Both divisions utilise key performance measures to monitor trends and to improve our performance in this area, they operate in very different sectors, and so to provide clarity on the trends within each separate business, statistics for each division are analysed individually.

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

**Carbon Trust Standard**



Within Menzies Aviation, analysis of accident trends shows that musculoskeletal type injuries resulting from manual handling activities continue to contribute significantly to the total injuries reported in 2012. These injuries are indicative of the industry and the nature of ramp services and cargo handling tasks which all require a high degree of physical handling. Menzies Aviation are constantly reviewing their approach to manual handling training to drive down musculoskeletal type injuries (such as the Pristine Condition approach).

**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:

- complying with legislation and best practice;
- allocating roles, responsibilities and resources;
- 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.

**Carbon Trust Standard**

Menzies Distribution achieved the Carbon Trust Standard for the second time in 2011 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. In 2013, the Group will again ensure that Menzies Distribution undergoes a re-certification process, demonstrating the continuing commitment of the business to carbon reduction.

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 28.5m kWh, an increase of circa 5% on 2011 due to extended periods of cold weather.

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



## Volume of waste recycled

74.6%

In 2012, the Group continued monitoring its energy consumption levels in the UK as part of its requirements under the Carbon Reduction Commitment. Water consumption across the business is low and so no specific targets have been set with regards to water consumption. Both divisions do however have a policy in place to minimise usage and the impact of our business operations to the local environments, including water consumption and waste.

### 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 17 of our largest branches in the UK, which we now use for all Dry Mixed Recyclable materials. Menzies Distribution has been working closely with its waste service provider since the beginning of 2010 to achieve the goal of 90% recycling across the division of all general waste material previously sent to landfill.

In 2012 a total of 2,948 tonnes of waste was uplifted with 74.6% being recycled. This was an improvement of over 6% from the previous year.

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.

Menzies Aviation is 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 513 tonnes (2011: 594 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 32.5 days (2011: 34.2 days) of purchases from suppliers.

# Operating Review:

## Principal Risks and Uncertainties

### 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 that of each operating division are reviewed 6 monthly by the Group Board and in more detail by the Audit Committee.

Risk Area	Risk Description	Impact	Mitigating Factors
<b>Business Environment Risk</b>			
<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.
<b>Customer Risk</b>			
<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.	Current contracts secured through until 2014 and beyond. 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 affected 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.

Risk Area	Risk Description	Impact	Mitigating Factors
<b>Financial Risk</b>			
<b>Group</b>	Risk of inadequate financing facilities and inadequate management of foreign exchange exposures.	Failure to arrange adequate banking facilities would have a material impact of the Group's ability to operate.  Failure to adequately manage the Group's foreign exchange exposures would have a financial impact.	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.  Monthly Treasury meetings are held which review hedging policy, supplemented by weekly cash forecasts and a daily monitoring of facility headroom.  The Board annually reviews treasury policy and takes external advice as appropriate.
<b>People Risk</b>			
<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.	Succession plans across all areas of the Group exist. The Board annually reviews succession plans for senior management and executive directors.  Each division has its own structured development programmes aimed at identifying and developing key employees.
<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.	Safety is the number one value across the Group.  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.  Continual analysis of accidents allows trends to be identified and prompt action is taken.
<b>Aviation</b>	Security Risk. A risk exists that 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.	The division works closely with airport authorities.  Rigorous checking and vetting of all employees takes place.  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.
<b>Technology</b>			
<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.	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.  Each division has its own disaster recovery plans which are periodically tested.

# Governance:

## 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.



2.



3.



4.



### 1. Iain Napier

- Non-Executive Chairman
- Chairman of the Nomination 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
- Member of the Remuneration 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 August 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 previously spent eight 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 in 1989 and is now a Director on their Client Team.



**Other appointments**

- Director of Record Currency Management Ltd, an institutional investment management company specialising in currency management for pension funds worldwide

**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**

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

He was appointed to the Board of Transcom Worldwide SA on 30 May 2012.

**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 January 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.

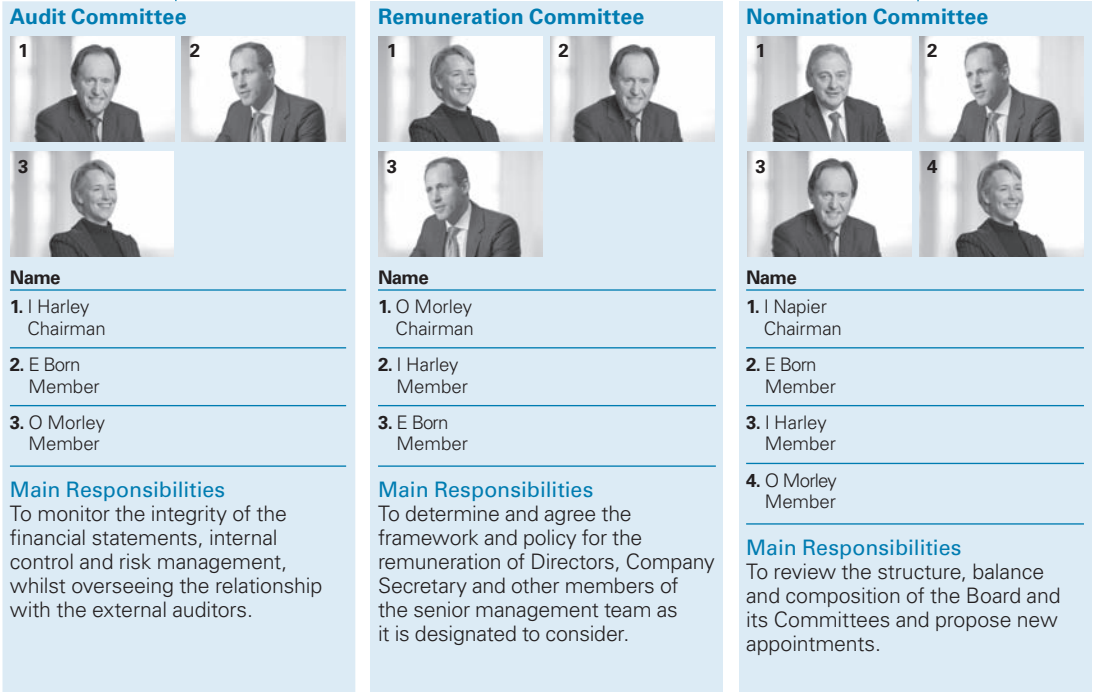
**Governance:**  
Corporate Governance Statement

The Board remains committed to the principles of good corporate governance, as it continues delivering its strategy.

The 2010 UK Corporate Governance Code (the Code) is an integral part of our principles and we continue to follow the best practice that it recommends.



**Iain Napier**, Chairman



## 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; and
- 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; and
- ensure that the control of risk and long term shareholder value remain a key focus for the Executive team.

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 2 preceding Annual General Meetings ('AGM') is required to retire from office and offer themselves for re-election. However, as the Group entered the FTSE 250 during the year all Directors will now offer themselves for re-election at the AGM.

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 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). This does not fully meet the requirements for a FTSE 250 company. However as the Group was only promoted to the FTSE 250 during the year the Board are reviewing the best future shape and size. In the meantime, Ian Harrison, who is viewed as being non-independent, will not seek re-election at the AGM. At this time 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 its employees and the 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 2012 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 to 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. Our Board Committees comprise solely independent Non-Executive Directors, with the Audit Committee and Remuneration Committee having 3 members and the Nomination Committee 4.

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.

### 1.3 Appointments and retireals

As a FTSE 250 Company, the Code requires that all our Directors be re-elected annually. All the Directors with the exception of Ian Harrison and Paul Dollman who will be retiring, are standing for re-election at the forthcoming AGM.

Iain Napier was appointed a Non-Executive Director of the Company in 2008 and became Chairman in May 2010. Iain was formerly a 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.

Eric Born was appointed a Non-Executive Director in 2010. He is Chief Executive of Wincanton plc. Before that he was Group Senior Vice President & President West/South Europe GateGroup, the global provider of onboard services and products to the passenger airline industry.

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. He also represents the interests of the Menzies family who collectively are our major shareholder.

Craig Smyth and David McIntosh are Executive Directors and their full biographies can be found on page 35.

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 all the Directors who are standing for re-election.

### 1.4 Independence

The Chairman continues to meet the independence criteria set out in the Code. There are 3 other independent Non-Executive Directors (Eric Born, Ian Harley and Octavia Morley).

Dermot Jenkinson is not independent under the terms of the Code due to his shareholding and length of service. Ian Harrison has expressed his intention not to stand for re-election at the AGM in May 2013. Dermot Jenkinson will continue not only to represent the continuing involvement of the founding Menzies family, but also contribute effectively to the Board. He brings to the Board a breadth of skills and experience from his knowledge of the Company and from his background in business and general management.

Since the end of 2012, all of the Directors on each of the Board Committees have been independent, in compliance with the Code.

### 1.5 Senior Independent Director

Ian Harley has been the Senior Independent Director since May 2011. Ian has indicated that he continues to have 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. It 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 internal evaluation of the Board, its members and its Committees was conducted in 2012. This followed an evaluation carried out by an independent external consultant in 2011.

### 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 during the AGM 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, will be made available on the Company's website after the Meeting.

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

## 2. Board Committees

Board and Committee meetings and attendance in 2012:

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

### 2.1 Nomination Committee

Name	Position
I Napier	Chairman
E Born	Member
I Harley	Member
O Morley	Member

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 2012, the Nomination Committee reviewed the structure, balance and composition of the Board and its Committees. In line with best practice principles and following the Company's entry into the FTSE 250, Iain Napier is no longer a member of the Audit or Remuneration Committee.

## 2.2 Remuneration Committee

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

### Changes during 2012:

Iain Napier stood down from the Remuneration Committee in October 2012.

Eric Born became a member of the Remuneration Committee in October 2012.

The Report on Directors' Remuneration on pages 46 to 56 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	Past member

### Changes during 2012:

Iain Napier stood down from the Audit Committee in October 2012.

### 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 of the Audit Committee. 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 2012 and full report of its activities and of findings and recommendations from each meeting is given to the Board.

During the year ended 31 December 2012, 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 together with the interim results announcements made by the Company. This aspect of its work focused on key accounting policies, estimates and judgements, including significant or unusual transactions or changes to these. In doing so the Audit Committee reviewed the reports of management and the controls assurance (internal audit) provider and took into account the views of the external auditors.

### 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 Audit 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 LLP 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 included dealing with the Group's tax affairs and 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.

During 2012, audit fees amounted to approximately £0.6m, 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.

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.

## 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 3 Executive Directors and Company Secretary also meet prior to each Board meeting, with the Chairman joining them as appropriate. The meetings provide a forum for sharing ideas and experiences from within the Operating Divisions. It also allows the common financial controls, managed at Group level, to be reviewed and discussed. The composition of the Menzies Aviation Operating Board is shown on page 16 and the Menzies Distribution Operating Board is shown on page 18.

## 3. Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company. 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 Company's 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.

### **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 2012 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 (the 'Statement') 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 set out in the Statement. 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 6-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 32 and 33, and stakeholder risks in particular are summarised in the Corporate Social Responsibility report on pages 26 to 31.

## 5. Shareholder information

### 5.1 Share capital and structure

The Company has 2 classes of shares: ordinary shares and 9% cumulative preference shares. As at 31 December 2012 the Company had an issued share capital of £16,685,483 comprising 1,394,587 9% cumulative preference shares of £1 each and 61,163,585 ordinary shares of 25p each. Of these 61,163,585 ordinary shares, 834,393 were held as Treasury Shares. These figures include 130,000 ordinary shares with a nominal value of £32,500 representing 0.2% of the issued share capital which was purchased as Treasury Shares at an average price of £5.75 per share during 2012, to be used for the satisfaction of share plan awards. In addition, under an option available to employees, 505,381 shares with a market value of £2,921,102 that would otherwise have been issued to employees were withheld in return for the Company settling the employee's tax liability relating to the share-based payment. The accounting for this transaction reflects its substance and has been recognised in Treasury shares as an issue and buy-back of shares.

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 2012 and 5 March 2013.

		31 December 2012	31 December 2011
I Napier	Beneficial	5,000	5,000
E Born	–	–	–
P Dollman	Beneficial	184,448	80,000
I Harley	Beneficial	4,000	4,000
I Harrison	Beneficial	2,122,832	2,122,832
	Non-beneficial	392,500	402,500
D Jenkinson	Beneficial	2,010,860	2,098,360
	Non-beneficial	2,807,860	3,570,360
D McIntosh	Beneficial	92,995	20,052
O Morley	–	–	–
C Smyth	Beneficial	150,364	43,468

# Governance:

## Corporate Governance Statement continued

### 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 2012 and 5 March 2013:

	Number of ordinary shares at 31 December 2012	% ordinary share capital	Number of ordinary shares at 5 March 2013	% ordinary share capital
Cazenove Capital Management	<b>5,839,400</b>	9.68	<b>6,131,631</b>	10.16
D C Thomson & Co.	<b>4,090,000</b>	6.78	<b>4,090,000</b>	6.78
JP Morgan Asset Management	<b>2,959,215</b>	4.90	<b>2,938,412</b>	4.87
Mrs P Menzies	<b>2,529,650</b>	4.19	<b>2,529,650</b>	4.19
Mr D Ramsay	<b>2,008,912</b>	3.33	<b>2,008,912</b>	3.33
Legal & General Investment Management	<b>1,975,755</b>	3.27	<b>1,981,996</b>	3.28

### 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 17 May 2013 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 1 vote unless, in the case of the latter, he has been appointed by more than 1 shareholder and has received instructions to vote both in favour of and against the same resolution in which case he will have 1 vote against that resolution and 1 vote for. On a poll, every shareholder present in person at a general meeting or by proxy, shall have 1 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 1 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 18 May 2012, generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, up to an aggregate nominal amount of £5,008,225. 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:

- (i) 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
- (ii) any other allotment of equity securities up to an aggregate nominal value of £10,016,450.

Such authority and power expire at the Company's AGM being held on 17 May 2013, 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 resolution.

#### 6.4 Purchase of own shares

The Company is, by shareholder resolution passed at the AGM of the Company on 18 May 2012, authorised to purchase up to 6,009,870 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 18 May 2012, authorised to purchase up to 1,394,587 9% cumulative preference shares at a maximum price which is 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 17 May 2013 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

Under the requirements of the Code, all the Directors of a FTSE 350 Company are recommended to retire at each AGM of the Company.

#### 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 from 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.

# Governance:

## Report on Directors' Remuneration



**OCTAVIA MORLEY**  
Chairman of Remuneration Committee

Name	Title	Attendance
O Morley	Chairman	3/3
I Harley	Member	3/3
E Born	Member	2/2
J Geddes	Secretary	3/3

#### Changes during year:

Iain Napier stood down from the Committee in October 2012

Eric Born became a member of the Committee in October 2012

### Introduction by Octavia Morley

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2012 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 executive remuneration be fair, balanced and reflective of the general markets and environments in which we operate.

For the last 3 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 2012, 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;
- reviewed the level of annual bonus payable to Executive Directors. It was decided that an award of 75% of salary was below industry market levels. Accordingly, from 2013 the annual bonus level has been increased to 100% of salary; and
- reviewed basic salaries. Salaries for Paul Dollman and Craig Smyth increased by 3% whilst David McIntosh's, having completed his third year in the role, increased by 5%.

In 2013 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. We will also fully consider the forthcoming BIS regulations with a view to adopting the new reporting regime during 2014.

### Octavia Morley

4 March 2013



### 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 UK Corporate Governance 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.

### Distribution of remuneration (% of total)

#### Threshold performance (%)

2012	66	16	18
2011	66	16	18

■ Salary ■ Bonus ■ Long-Term Incentive Plans

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 UK Corporate Governance 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.

#### Stretch performance (%)

2012	33	24	43
2011	33	24	43

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 share price on the date that the award is made, not an anticipated value on vesting date.

# Governance:

## Report on Directors' Remuneration continued

### Total remuneration received for the year ended December 2012 (Audited)

Element	Purpose	Delivery	Paul Dollman		David McIntosh		Craig Smyth	
			2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'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>336</b>	326	<b>279</b>	262	<b>314</b>	305
<b>Annual Bonus</b>	Incentivise delivery of Group and individual objectives and enhance performance, including as measured by our 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>158</b>	182	<b>61</b>	27	<b>200</b>	231
<b>Long Term Incentive Plans<sup>(1)</sup></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>1,064</b>	2,910	<b>439</b>	2,119	<b>722</b>	2,754
<b>Pension<sup>(2)(3)</sup></b>	To provide market levels of pension provision.	Defined benefit pension up to a prescribed cap, and cash allowance of 20% of above cap salary.	<b>162</b>	146	<b>54</b>	27	<b>63</b>	43
<b>Benefits</b>	To provide market levels of benefits provision.	May include car allowance, private medical insurance and life cover.	<b>15</b>	14	<b>15</b>	24	<b>15</b>	14
<b>Total value received</b>			<b>1,735</b>	3,578	<b>848</b>	2,459	<b>1,314</b>	3,347

#### Notes:

1. Long-term incentive arrangements have been calculated in line with draft BIS regulations and the FRC Lab publication, which differs from the methodology used last year. The value for 2012 represents the estimate of the LTIP which will vest in March 2013. The long term incentive value shown for 2011 includes the PSP which vested in March 2012.
2. Pension defined benefit values have been calculated in line with draft BIS regulations and the FRC Lab publication and use the HMRC method.
3. Paul Dollman participates in an unfunded arrangement above the cap rather than a cash allowance.

### 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 individuals' 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, Craig Smyth and David McIntosh achieved this during 2012. This target is reviewed annually by the Committee and the current shareholding for Executive Directors is shown on page 43.

#### 2. Basic salary and benefits

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

In addition to salary, the Executive Directors may receive additional benefits covering car allowance, private medical insurance and life cover. Craig Smyth and David McIntosh also received a cash allowance in place of any pension entitlement above the 'earnings cap'. Paul Dollman has 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)

		Salary/fees	Benefits	Bonus	Pension salary supplement	TOTAL	
	Date of appointment (resignation)	2012 £'000	2012 £'000	2012 £'000	2012 £'000	2012 £'000	2011 £'000
<b>Chairman</b>							
I Napier		176	-	-	-	176	171
<b>Executive Directors</b>							
P Dollman	08/08/2002	336	15	158	45	554	552
D McIntosh	24/07/2009	279	15	61	29	384	338
C Smyth	20/03/2007	314	15	200	32	561	583
<b>Non-Executive Directors</b>							
E Born		40	-	-	-	40	38
I Harley		49	-	-	-	49	46
I Harrison		40	-	-	-	40	38
D Jenkinson		40	-	-	-	40	38
O Morley		43	-	-	-	43	42
<b>Former Directors</b>							
D Coltman		-	-	-	-	-	21
		1,317	45	419	106	1,887	1,867

### 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 for year ended 31 December 2012 is 75% of base salary, split on the following basis:

	Cash element	Share element
15% – Key Result Area (KRA)	40% Cash payment	20% Ordinary Shares

The share element is subject to a 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.

## Governance:

### Report on Directors' Remuneration continued

For the year ended December 2012, bonuses were calculated as follows:

Name	Measure	Threshold target	Stretch target	Weighting (per cent of salary)	Achieved	Cash value of award (Audited) £000
P Dollman	Group PBT	£59.8m	£62.5m	20%	72%	158
	Aviation EBIT	£35.6m	£37.0m	20%	88%	–
	Distribution EBIT	£28.7m	£30.0m	20%	17%	–
	Key Result Areas (KRAs)	–	–	15%	75%	–
D McIntosh	Distribution EBIT	£28.7m	£30.0m	60%	17%	61
	Key Result Areas (KRAs)	–	–	15%	75%	–
C Smyth	Aviation EBIT	£35.6m	£37.0m	60%	88%	200
	Key Result Areas (KRAs)	–	–	15%	70%	–

The bonus scheme rules for all awards from 2012 onwards now include a claw back provision in line with best practice.

During 2012 the Committee considered the annual bonus opportunity for Executive Directors and concluded that the maximum award of 75% of salary was below industry market levels. After careful consideration the Committee decided that from 2013 the annual bonus level would be increased to 100% of salary.

#### 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 2 Group Performance Criteria. The targets for Divisional Managing Directors are based 75% on the 2 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.

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

(Audited)	31 December 2011	Granted during year	Market price of award (p)	Matured during year	Lapsed during year	31 December 2012	Performance period
P Dollman	91,662	–	–	–	–	<b>91,662</b>	1/1/2010 – 31/12/2012
	69,782	–	–	–	–	<b>69,782</b>	1/1/2011 – 31/12/2013
	–	55,766	–	–	–	<b>55,766</b>	1/1/2012 – 31/12/2014
D McIntosh	65,789	–	–	–	–	<b>65,789</b>	1/1/2010 – 31/12/2012
	53,260	–	–	–	–	<b>53,260</b>	1/1/2011 – 31/12/2013
	–	45,762	–	–	–	<b>45,762</b>	1/1/2012 – 31/12/2014
C Smyth	87,719	–	–	–	–	<b>87,719</b>	1/1/2010 – 31/12/2012
	65,217	–	–	–	–	<b>65,217</b>	1/1/2011 – 31/12/2013
	–	52,118	–	–	–	<b>52,118</b>	1/1/2012 – 31/12/2014

The awards made to Executive Directors in 2010 maturing on 31 December 2012 are detailed below. The performance criteria for this award have been achieved for Paul Dollman and Craig Smyth and partly achieved for David McIntosh. The shares will vest after the final results announcement on 5 March 2013.

	Shares awarded	Criteria	Threshold target	Stretch target	Attainment	Weighting	Shares vesting	Performance period
P Dollman	91,662	TSR v FTSE 250	Median	Median +30%	100%	50%	91,662	1/1/10 – 31/12/12
		EPS v RPI	RPI + 3% p.a.	RPI + 8% p.a.	100%	50%	–	–
D McIntosh	65,789	Divisional Op Profit	£30.0m	£31.5m	0%	25%	49,341	1/1/10 – 31/12/12
		TSR v FTSE 250	Median	Median +30%	100%	37.5%	–	–
C Smyth	87,719	EPS v RPI	RPI + 3% p.a.	RPI + 8% p.a.	100%	37.5%	–	–
		Divisional Op Profit	£26.0m	£29.5m	100%	12.5%	87,719	1/1/10 – 31/12/12
		ROCE	10%	14%	100%	12.5%	–	–
		TSR v FTSE 250	Median	Median +30%	100%	37.5%	–	–
		EPS v RPI	RPI + 3% p.a.	RPI + 8% p.a.	100%	37.5%	–	–

### Savings Related Share Option Scheme

The Company operates a H.M. Revenue & Customs approved Savings Related Share Option Scheme (the SAYE Scheme) available to all UK-based employees in the Group, including Executive Directors. The Company believes that the SAYE Scheme is an important tool in the motivation and retention of staff. Further details of the SAYE Scheme and the cost to the Company are shown in Note 20 to the accounts.

(Audited)	31 Dec 2011	Granted during year	Exercised during year	Market price at date of exercise (p)	Lapsed during year	Gain/(loss) (£)	31 Dec 2012	Option price	Exercisable from	Exercisable to
P Dollman	910	–	910	612p	–	£3,031	–	279	01/12/2012	01/06/2013
	415	–	–	–	–	–	<b>415</b>	355	01/12/2013	01/06/2014
	701	–	–	–	–	–	<b>701</b>	395	01/12/2014	01/06/2015
D McIntosh	910	–	910	590p	–	£2,831	–	279	01/12/2012	01/06/2013
	415	–	–	–	–	–	<b>415</b>	355	01/12/2013	01/06/2014
	701	–	–	–	–	–	<b>701</b>	395	01/12/2014	01/06/2015
	–	651	–	–	–	–	<b>651</b>	497	01/12/2015	01/06/2016

## Governance:

### Report on Directors' Remuneration continued

#### 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 2011	Granted during year	Market price of award (p)	Vested during year	Lapsed during year	Gain/(loss) £'000	31 December 2012	Performance period
P Dollman	20,448	–	–	–	–	–	<b>20,448</b>	1/1/2010 – 31/12/2012
	11,054	–	–	–	–	–	<b>11,054</b>	1/1/2011 – 31/12/2013
D McIntosh	8,698	–	590	8,698	–	54	–	1/1/2009 – 31/12/2011
	10,847	–	–	–	–	–	<b>10,847</b>	1/1/2010 – 31/12/2012
	–	1,787	–	–	–	–	<b>1,787</b>	1/1/2012 – 31/12/2014
C Smyth	11,177	–	–	–	–	–	<b>11,177</b>	1/1/2010 – 31/12/2012
	12,370	–	–	–	–	–	<b>12,370</b>	1/1/2011 – 31/12/2013
	–	4,084	–	–	–	–	<b>4,084</b>	1/1/2012 – 31/12/2014

An award made in 2009 had a performance period ended December 2011. The real per annum growth in EPS for the Company over the performance period of the award was above the stretch level, resulting in a 100% award. The value of the awards at vesting were as follows:

	Shares vesting	Value of award upon vesting	Dividend value
D McIntosh	8,698	£51,318	£2,957

The awards made to Executive Directors in 2010 maturing on 31 December 2012 are detailed below. The stretch performance criteria for this award has been achieved. The shares will vest after the final results announcement on 5 March 2013.

	Shares awarded	Attainment	Shares vesting	Performance period
P Dollman	20,448	100%	20,448	1/1/10 – 31/12/12
D McIntosh	10,847	100%	10,847	1/1/10 – 31/12/12
C Smyth	11,177	100%	11,177	1/1/10 – 31/12/12

## 6. 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 Dec 2011	Granted during year	Exercised during year	Market price at date of exercise(p)	Lapsed during year	Gain/(loss) £'000	31 Dec 2012	Exercise price	Exercisable from	Exercisable to
P Dollman	100,000	–	100,000	575	–	246	–	329	08/11/2005	07/11/2012
	58,714	–	–	–	–	–	<b>58,714</b>	418	07/05/2007	06/05/2014
C Smyth	43,062	–	–	–	–	–	<b>43,062</b>	418	07/05/2007	06/05/2014

### 2009 Performance Share Plan (the '2009 PSP')

This one-off plan was introduced in 2009. The awards aligned Executive Directors with the potential success of the Company over a 3-year performance period ending December 2011, as measured by an increase in the Return On Capital Employed (ROCE). The performance criteria for this award was achieved and the award vested in March 2012.

(Audited)	31 December 2011	Granted during year	Market price of award (p)	Vested during year	Lapsed during year	31 December 2012	Performance period
P Dollman	450,000	–	590	450,000	–	–	1/1/2009 – 31/12/2011
D McIntosh	337,500	–	590	337,500	–	–	1/1/2009 – 31/12/2011
C Smyth	450,000	–	590	450,000	–	–	1/1/2009 – 31/12/2011

### Performance Criteria

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.

The Company's ROCE performance in the period exceeded the stretch performance target and the award vested in March 2012.

### Advisers to the Remuneration Committee

The Committee retain the services of Deloitte LLP who provide ad hoc advice and an annual review of the incentive programme and the general marketplace. In the year, Deloitte LLP also provided controls assurance services to the Company. Deloitte LLP is a member of the Remuneration Consultant's Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. 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.

# Governance:

## 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 December 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 2013 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 2012 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 2012, Paul Dollman continued an external non-executive appointment with Scottish Amicable Life Association Society. Details of fees received are as follows:

Paul Dollman: £35,612 (2011: £33,270) (Scottish Amicable Life Association Society).



## Non-Executive Directors

### Appointment & Service Contracts

The Chairman and each of the Non-Executive Directors have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and the Directors can be removed in accordance with the Company's Articles of Association. The Chairman and all Non-Executive Directors are subject to annual re-election.

### Fees

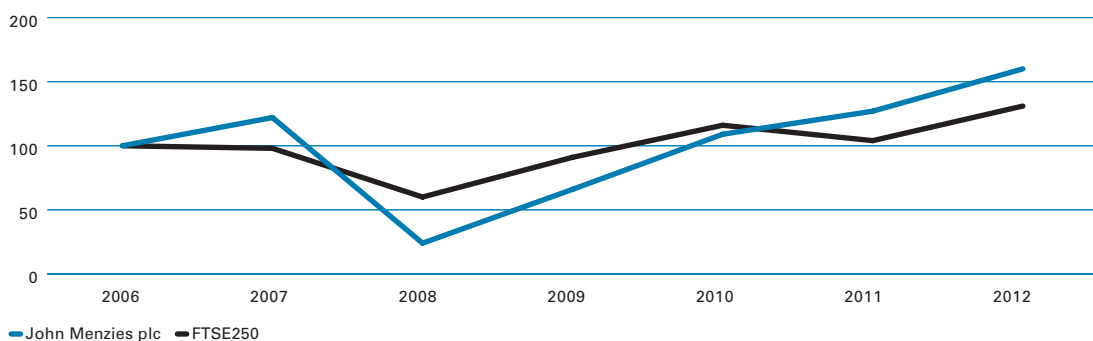
The fee mix for Non-Executive Directors comprises a basic payment and additional payments for being Chairman of a Committee or a Committee member, or the Senior Independent Director. It is intended to be a competitive mix broadly in line with comparable companies. From May 2012 the fees paid were:

	May 2012	May 2011
Basic payment	<b>£38,000</b>	£36,000
Committee Chairmanship	<b>£6,000</b>	£6,000
Committee membership	<b>£2,500</b>	£2,500
Senior Independent Director	<b>£6,000</b>	£6,000

## Governance

### Performance graph

The following graph compares the Company's total shareholder return for the five years to December 2012 with the equivalent performance of the FTSE 250 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 520p to 652p for the year ended December 2012 and was 642p at 31 December 2012.

## 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 base salary. Paul Dollman withdrew from the Menzies Pension Fund in 2011, and receives a cash payment equivalent to £48,000 per annum in lieu of pension saving.

## Governance:

### Report on Directors' Remuneration continued

#### Unfunded arrangement

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

Craig Smyth and David McIntosh received a cash payment equal to 20% of their respective salaries above the earnings cap which is included in other benefits. Pension details are as follows:

(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 2012 £'000	Transfer value of increases at 31 Dec 2012 (net of inflation and Director's contributions) £'000	Cash Equivalent Transfer Value at 31 Dec 2012 £'000	Directors' contributions during the period £'000	Increases in Cash Equivalent transfer value (net of Director's contributions) £'000
P Dollman <sup>(1)</sup>	56	38.8	851.4	–	1.0	<b>39.1</b>	<b>–</b>	<b>886.0</b>	–	34.6
P Dollman <sup>(2)</sup>	56	55.7	1,217.2	5.8	1.5	<b>63.0</b>	<b>130.3</b>	<b>1,416.8</b>	–	199.6
C Smyth	45	47.0	758.7	1.9	1.2	<b>50.1</b>	<b>19.3</b>	<b>811.4</b>	10.8	41.9
D McIntosh	49	57.5	1,065.0	1.8	1.5	<b>60.8</b>	<b>22.0</b>	<b>1,139.2</b>	10.8	63.4

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 2012, 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 2012 for current and former Directors, calculated on an IAS 19 basis, totalled £1,768,620 (2011: £1,449,127), from which annual pensions of £21,078 were paid to former Directors (2011: £19,961).

By order of the Board

**JFA Geddes**

Company Secretary

4 March 2013

## Financial Statements:

# Independent auditors' report to the members of John Menzies plc

We have audited the Group financial statements of John Menzies plc for the year ended 31 December 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group and Company Statement of Cash Flows, 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' statement of responsibilities set out on page 41, 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 2012 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 requirements 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 pages 40 and 41 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.

## 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 25, in relation to going concern; and
- the part of the Corporate Governance report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

#### Annie Graham

(Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP,  
Statutory Auditor  
Edinburgh  
4 March 2013

## Financial statements: Group income statement

for the year ended 31 December 2012 (year ended 31 December 2011)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2012 Total £m	Before exceptional and other items £m	Exceptional and other items Restated (Note 1) £m	2011 Total Restated (Note 1) £m
<b>Revenue</b>	2	<b>1,903.5</b>	–	<b>1,903.5</b>	1,899.7	–	1,899.7
Net operating costs	3	<b>(1,847.0)</b>	<b>(23.0)</b>	<b>(1,870.0)</b>	(1,849.1)	0.4	(1,848.7)
<b>Operating profit</b>		<b>56.5</b>	<b>(23.0)</b>	<b>33.5</b>	50.6	0.4	51.0
Share of post-tax results of joint ventures and associates		<b>6.6</b>	<b>(2.8)</b>	<b>3.8</b>	9.3	(3.9)	5.4
<b>Operating profit after joint ventures and associates</b>	2	<b>63.1</b>	<b>(25.8)</b>	<b>37.3</b>	59.9	(3.5)	56.4
<i>Analysed as</i>							
Underlying operating profit*		<b>63.1</b>	–	<b>63.1</b>	59.9	–	59.9
Non-recurring items	5(a)	–	<b>(18.4)</b>	<b>(18.4)</b>	–	3.9	3.9
Associate goodwill impairment	5(b)	–	<b>(1.8)</b>	<b>(1.8)</b>	–	(1.8)	(1.8)
Contract amortisation	5(b)	–	<b>(4.6)</b>	<b>(4.6)</b>	–	(3.9)	(3.9)
Share of interest on joint ventures and associates		–	<b>0.6</b>	<b>0.6</b>	–	0.4	0.4
Share of tax on joint ventures and associates		–	<b>(1.6)</b>	<b>(1.6)</b>	–	(2.1)	(2.1)
Operating profit after joint ventures and associates		<b>63.1</b>	<b>(25.8)</b>	<b>37.3</b>	59.9	(3.5)	56.4
Finance income	7	<b>0.8</b>	–	<b>0.8</b>	1.3	–	1.3
Finance charges	7	<b>(4.6)</b>	<b>(0.6)</b>	<b>(5.2)</b>	(6.2)	(0.4)	(6.6)
Other finance (charge)/income – pensions	4	<b>(0.9)</b>	–	<b>(0.9)</b>	1.4	–	1.4
<b>Profit before taxation</b>		<b>58.4</b>	<b>(26.4)</b>	<b>32.0</b>	56.4	(3.9)	52.5
Taxation	8	<b>(14.3)</b>	<b>3.9</b>	<b>(10.4)</b>	(13.2)	3.1	(10.1)
<b>Profit for the year</b>		<b>44.1</b>	<b>(22.5)</b>	<b>21.6</b>	43.2	(0.8)	42.4
Attributable to equity shareholders		<b>44.1</b>	<b>(22.5)</b>	<b>21.6</b>	42.7	(0.8)	41.9
Attributable to non-controlling interests		–	–	–	0.5	–	0.5
		<b>44.1</b>	<b>(22.5)</b>	<b>21.6</b>	43.2	(0.8)	42.4
<b>Earnings per ordinary share</b>	10						
Basic		<b>73.4p</b>	<b>(37.4)p</b>	<b>36.0p</b>	73.2p	(1.4)p	71.8p
Diluted		<b>73.2p</b>	<b>(37.4)p</b>	<b>35.8p</b>	71.2p	(1.4)p	69.8p

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

## Financial statements:

### Group statement of comprehensive income

for the year ended 31 December 2012 (year ended 31 December 2011)

	Notes	2012 Total £m	2011 Total Restated (Note 1) £m
Profit for the year		<b>21.6</b>	42.4
Actuarial loss on defined benefit pensions	4	<b>(12.4)</b>	(26.0)
Actuarial loss on unfunded pension arrangements		<b>(0.2)</b>	–
Income tax effect		<b>3.1</b>	7.1
Impact of rate change on deferred tax		<b>(1.3)</b>	(1.3)
Movement on cash flow hedges	16	<b>1.4</b>	(0.6)
Income tax effect		<b>(0.3)</b>	(0.2)
Movement on net investment hedges	16	<b>(0.4)</b>	1.8
Income tax effect		<b>0.1</b>	0.5
Exchange loss on translation of foreign operations		<b>(4.8)</b>	(8.8)
Other comprehensive income for the year, net of tax		<b>(14.8)</b>	(27.5)
Cumulative exchange movement recycled to income on disposal of associate undertaking		–	(1.3)
Total comprehensive income for the year		<b>6.8</b>	13.6
Attributable to equity shareholders		<b>6.8</b>	13.1
Attributable to non-controlling interests		–	0.5
		<b>6.8</b>	13.6

# Financial statements:

## Group and Company balance sheets

as at 31 December 2012 (31 December 2011)

	Notes	Group		Company	
		2012 £m	2011 Restated (Note 1) £m	2012 £m	2011 Restated (Note 1) £m
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	11	123.0	108.8	–	–
Property, plant and equipment	12	116.8	123.4	28.0	28.8
Investments accounted using the equity method	13	28.9	31.5	–	–
Investment in subsidiaries	13	–	–	290.2	292.8
Deferred tax assets	19	15.8	15.3	10.3	10.7
		<b>284.5</b>	279.0	<b>328.5</b>	332.3
<b>Current assets</b>					
Inventories		14.1	15.3	–	–
Trade and other receivables	14	183.5	169.7	217.3	180.0
Derivative financial assets	16	0.9	1.5	0.9	1.5
Cash and cash equivalents		34.0	24.4	0.3	1.1
		<b>232.5</b>	210.9	<b>218.5</b>	182.6
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowings	16	(46.2)	(3.4)	(46.1)	(2.8)
Derivative financial liabilities	16	(0.6)	(1.9)	(0.6)	(1.9)
Trade and other payables	15	(210.4)	(211.6)	(283.0)	(291.0)
Current income tax liabilities		(9.7)	(12.0)	–	–
Provisions	19	(2.2)	(2.9)	–	–
		<b>(269.1)</b>	(231.8)	<b>(329.7)</b>	(295.7)
<b>Net current liabilities</b>		<b>(36.6)</b>	(20.9)	<b>(111.2)</b>	(113.1)
<b>Total assets less current liabilities</b>		<b>247.9</b>	258.1	<b>217.3</b>	219.2
<b>Non-current liabilities</b>					
Borrowings	16	(81.1)	(100.4)	(81.1)	(100.4)
Other payables	15	(10.0)	(1.8)	(5.0)	(5.0)
Derivative financial liabilities	16	–	(0.3)	–	(0.3)
Provisions	19	(9.5)	(3.6)	–	–
Retirement benefit obligations	4	(68.1)	(64.3)	(68.1)	(64.3)
		<b>(168.7)</b>	(170.4)	<b>(154.2)</b>	(170.0)
<b>Net assets</b>		<b>79.2</b>	87.7	<b>63.1</b>	49.2
<b>Shareholders' equity</b>					
Ordinary shares	20	15.3	15.2	15.3	15.2
Share premium account		18.6	17.4	18.6	17.4
Treasury shares		(4.1)	(8.3)	(4.1)	(8.3)
Other reserves		(5.2)	(1.2)	(0.6)	(1.7)
Retained earnings		32.5	42.4	12.3	5.0
Capital redemption reserve		21.6	21.6	21.6	21.6
<b>Total shareholders' equity</b>		<b>78.7</b>	87.1	<b>63.1</b>	49.2
Non-controlling interest in equity		0.5	0.6	–	–
<b>Total equity</b>		<b>79.2</b>	87.7	<b>63.1</b>	49.2

The accounts were approved by the Board of Directors on 4 March 2013 and signed on its behalf by:

**Iain Napier**  
Chairman

**Paul Dollman**  
Group Finance Director

## Financial statements:

### Group and Company statement of changes in equity

as at 31 December 2012 (31 December 2011)

	Ordinary shares £m	Share premium account £m	Treasury shares Restated (Note 1) £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 Restated (Note 1) £m
<b>Group</b>										
At 31 December 2011	15.2	17.4	(8.3)	(1.7)	0.5	42.4	21.6	87.1	0.6	87.7
Profit for the year	–	–	–	–	–	21.6	–	21.6	–	21.6
Other comprehensive income	–	–	–	1.1	(5.1)	(10.8)	–	(14.8)	–	(14.8)
Total comprehensive income	–	–	–	1.1	(5.1)	10.8	–	6.8	–	6.8
New share capital issued	0.1	1.2	–	–	–	–	–	1.3	–	1.3
Share-based payments	–	–	–	–	–	1.4	–	1.4	–	1.4
Income tax effect of share-based payments	–	–	–	–	–	1.7	–	1.7	–	1.7
Dividends paid	–	–	–	–	–	(15.3)	–	(15.3)	(0.1)	(15.4)
Repurchase of own shares	–	–	(4.3)	–	–	–	–	(4.3)	–	(4.3)
Disposal of own shares	–	–	8.5	–	–	(8.5)	–	–	–	–
<b>At 31 December 2012</b>	<b>15.3</b>	<b>18.6</b>	<b>(4.1)</b>	<b>(0.6)</b>	<b>(4.6)</b>	<b>32.5</b>	<b>21.6</b>	<b>78.7</b>	<b>0.5</b>	<b>79.2</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 – restated (Note 1)	–	–	–	–	–	41.9	–	41.9	0.5	42.4
Other comprehensive income – restated (Note 1)	–	–	–	(0.8)	(6.5)	(20.2)	–	(27.5)	–	(27.5)
Recycled exchange gains*	–	–	–	–	(1.3)	–	–	(1.3)	–	(1.3)
Total comprehensive income	–	–	–	(0.8)	(7.8)	21.7	–	13.1	0.6	13.7
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)
At 31 December 2011	15.2	17.4	(8.3)	(1.7)	0.5	42.4	21.6	87.1	0.6	87.7
<b>Company</b>										
At 31 December 2011	15.2	17.4	(8.3)	(1.7)	–	5.0	21.6	49.2	–	49.2
Profit for the year	–	–	–	–	–	40.5	–	40.5	–	40.5
Other comprehensive income	–	–	–	1.1	–	(10.8)	–	(9.7)	–	(9.7)
Total comprehensive income	–	–	–	1.1	–	29.7	–	30.8	–	30.8
New share capital issued	0.1	1.2	–	–	–	–	–	1.3	–	1.3
Share-based payments	–	–	–	–	–	1.4	–	1.4	–	1.4
Dividends paid	–	–	–	–	–	(15.3)	–	(15.3)	–	(15.3)
Repurchase of own shares	–	–	(4.3)	–	–	–	–	(4.3)	–	(4.3)
Disposal of own shares	–	–	8.5	–	–	(8.5)	–	–	–	–
<b>At 31 December 2012</b>	<b>15.3</b>	<b>18.6</b>	<b>(4.1)</b>	<b>(0.6)</b>	<b>–</b>	<b>12.3</b>	<b>21.6</b>	<b>63.1</b>	<b>–</b>	<b>63.1</b>
At 31 December 2010	15.1	16.3	(5.9)	(0.9)	–	42.1	21.6	88.3	–	88.3
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)
Repurchase of own shares	–	–	(2.4)	–	–	–	–	(2.4)	–	(2.4)
At 31 December 2011	15.2	17.4	(8.3)	(1.7)	–	5.0	21.6	49.2	–	49.2

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



## Financial statements:

### Group and Company statement of cash flows

for the year ended 31 December 2012 (year ended 31 December 2011)

	Notes	Group		Company	
		2012 £m	2011 £m	2012 £m	2011 £m
<b>Cash flows from operating activities</b>					
Cash generated from operations	21	<b>43.3</b>	62.2	<b>(10.4)</b>	(8.0)
Interest received		<b>0.6</b>	1.3	–	0.2
Interest paid		<b>(4.8)</b>	(6.3)	<b>(4.5)</b>	(5.8)
Tax paid		<b>(9.5)</b>	(10.0)	<b>(2.2)</b>	(3.0)
Net cash from operating activities		<b>29.6</b>	47.2	<b>(17.1)</b>	(16.6)
<b>Cash flows from investing activities</b>					
Loan repaid by associate		<b>0.1</b>	–	–	–
Investment in joint ventures and associates		–	(1.2)	–	–
Acquisitions	24	<b>(17.2)</b>	(1.7)	–	–
Net cash acquired with subsidiaries	24	<b>2.2</b>	0.5	–	–
Purchase of property, plant and equipment		<b>(16.7)</b>	(21.8)	–	–
Intangible asset additions		<b>(3.1)</b>	(4.5)	–	–
Proceeds from sale of property, plant and equipment		<b>3.9</b>	5.5	–	2.5
Dividends received from equity accounted investments		<b>4.5</b>	6.7	–	–
Net cash used in investing activities		<b>(26.3)</b>	(16.5)	–	2.5
<b>Cash flows from financing activities</b>					
Proceeds from issue of ordinary share capital		<b>1.3</b>	1.2	<b>1.3</b>	1.2
Purchase of own shares		<b>(4.3)</b>	(2.4)	<b>(4.3)</b>	(2.4)
Repayment of borrowings	22	<b>(17.9)</b>	(49.9)	<b>(17.9)</b>	(49.9)
Proceeds from borrowings	22	<b>44.1</b>	37.7	<b>44.1</b>	37.7
Dividends paid to ordinary shareholders		<b>(15.3)</b>	(12.2)	<b>(15.3)</b>	(12.2)
Net amount repaid by subsidiaries		–	–	<b>9.2</b>	39.8
Net cash from financing activities		<b>7.9</b>	(25.6)	<b>17.1</b>	14.2
<b>Increase in net cash and cash equivalents</b>	22	<b>11.2</b>	5.1	–	0.1
Effects of exchange rate movements		<b>(0.6)</b>	(0.1)	–	–
Opening net cash and cash equivalents		<b>23.2</b>	18.2	<b>0.2</b>	0.1
<b>Closing net cash and cash equivalents*</b>	22	<b>33.8</b>	23.2	<b>0.2</b>	0.2

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

# Financial statements:

## Notes to the Accounts

The consolidated accounts of the Group for the year ended 31 December 2012 were approved and authorised for issue in accordance with a resolution of the directors on 4 March 2013. 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:

IAS 1 Presentation of items in other comprehensive income – effective date 1 July 2012

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of underlying assets – effective date 1 January 2012

IFRS 7 Financial Instruments : Disclosures (Amendment) – Transfers of Financial Assets – effective date 1 January 2012

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2012 and have not been early adopted:

IAS 19 Employee Benefits (Revised) – effective date 1 January 2013

IFRS 10, 11, 12 Transition Guidance Amendments – effective date 1 January 2013

IFRS 7 Financial Instruments : Disclosures (Amendment) – Offsetting Financial Assets and Financial Liabilities – effective date 1 January 2013

IFRS 13 Fair Value Measurement – effective date 1 January 2013

IFRS 10 Consolidated Financial Statements – effective date 1 January 2014\*

IFRS 11 Joint Ventures – effective date 1 January 2013

IFRS 12 Disclosure of interests in other entities – effective date 1 January 2014\*

IAS 32 Financial instruments : Offsetting Financial Assets and Liabilities (Amendments to IAS32) – effective date 1 January 2014

IFRS 9 Financial Instruments – effective 1 January 2015

IAS 27 Separate Financial Statements – effective 1 January 2014\*

IAS 28 Investments in Associates and Joint Ventures – effective date 1 January 2014\*

Improvements to IFRS' (May 2012) – effective date 1 January 2013

\* Expected effective date in EU. IASB effective date 1 January 2013.

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application with the exception of IAS19 (revised).

Under IAS19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, will be replaced with a net interest charge that is calculated by applying the discount rate to the net defined benefit liability. The impact on the results for the year ended 31 December 2013 will be to increase net operating costs by £1.0m and to increase pension related finance charges by £1.3m. In addition, amortisation for benefits that do not vest immediately is eliminated resulting in an increase to net operating costs of £1.0m. The deficit at 31 December 2012 would reduce by £5.6m.

For these standards with a later effective date, the directors are in the process of assessing the likely impact and look to finalisation of the standards before formalising their view.

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-coterminous year ends. In such cases, the information is based on the accounting period of these entities and is adjusted for material changes up to 31 December. Accordingly, the information consolidated is deemed to cover the same period for all entities throughout the Group.

#### Restatement

During the year the provisional fair value attributed to the 2011 acquisition of Swissport Menzies was finalised. The effect has been to increase the exceptional gain recorded in 2011 on the assets exchanged in the acquisition by £4.2m to £8.2m, increase the amortisation of intangible assets by £0.2m and to increase the exchange loss recognised in other comprehensive income by £0.3m to £8.8m. In the balance sheet the effect is to increase the carrying value of intangible assets by £3.7m to £108.8m. See Notes 5 and 24.

The company balance sheet reflects a reclassification of £8.3m Treasury shares held at 31 December 2011 from Trade and other receivables to Shareholders' equity aligning with the historic treatment in the Group balance sheet.

### 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.

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.

# Financial statements:

## Notes to the Accounts *continued*

### 1. Accounting policies *continued*

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.

Contract amortisation is business-stream dependent. At Distribution, publisher 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 and for non-publisher related contracts in Distribution, 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.

#### 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 cash flows 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 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 Group Financial Review on pages 20 to 25.

# Financial statements:

## Notes to the Accounts continued

### 1. Accounting policies continued

#### 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 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 2 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)	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Distribution</b>	<b>1,299.6</b>	1,337.0	<b>28.8</b>	28.8
<b>Aviation</b>				
– ground handling	<b>422.1</b>	402.8	<b>22.8</b>	21.7
– cargo handling	<b>158.6</b>	161.2	<b>10.3</b>	8.7
– cargo forwarding	<b>116.5</b>	112.8	<b>2.5</b>	1.9
	<b>697.2</b>	676.8	<b>35.6</b>	32.3
<b>Corporate</b>	<b>–</b>	–	<b>(1.3)</b>	(1.2)
	<b>1,996.8</b>	2,013.8	<b>63.1</b>	59.9
Joint ventures and associates	<b>(93.3)</b>	(114.1)	<b>–</b>	–
	<b>1,903.5</b>	1,899.7	<b>63.1</b>	59.9

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

<b>2012</b>	<b>Distribution £m</b>	<b>Aviation £m</b>	<b>Corporate £m</b>	<b>Group £m</b>
Operating profit	<b>23.0</b>	<b>11.8</b>	<b>(1.3)</b>	<b>33.5</b>
Share of post-tax results of joint ventures	<b>0.9</b>	<b>3.4</b>	–	<b>4.3</b>
Share of post-tax results of associates	–	<b>(0.5)</b>	–	<b>(0.5)</b>
Operating profit after joint ventures and associates	<b>23.9</b>	<b>14.7</b>	<b>(1.3)</b>	<b>37.3</b>
Net finance expense				<b>(5.3)</b>
Profit before tax				<b>32.0</b>

Analysed as:				
Pre-exceptional operating profit/(loss)*	<b>28.8</b>	<b>35.6</b>	<b>(1.3)</b>	<b>63.1</b>
Rationalisation costs (Note 5(a))	<b>(4.1)</b>	<b>(6.6)</b>	–	<b>(10.7)</b>
Onerous lease provision (Note 5(a))	–	<b>(7.7)</b>	–	<b>(7.7)</b>
Impairment provision (Note 5(b))	–	<b>(1.8)</b>	–	<b>(1.8)</b>
Contract amortisation (Note 11)	<b>(0.5)</b>	<b>(4.1)</b>	–	<b>(4.6)</b>
Share of interest on joint ventures and associates	–	<b>0.6</b>	–	<b>0.6</b>
Share of tax on joint ventures and associates	<b>(0.3)</b>	<b>(1.3)</b>	–	<b>(1.6)</b>
Operating profit after joint ventures and associates	<b>23.9</b>	<b>14.7</b>	<b>(1.3)</b>	<b>37.3</b>

2011 – restated (Note 1)	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit	25.2	27.1	(1.3)	51.0
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	31.8	(1.3)	56.4
Net finance expense				(3.9)
Profit before tax				52.5

Analysed as:				
Pre-exceptional operating profit/(loss)*	28.8	32.3	(1.2)	59.9
Gain on disposal of interest in associate (Note 5(a))	–	8.2	–	8.2
Gain on disposal of property, plant and equipment (Note 5(a))	–	–	1.0	1.0
Rationalisation costs (Note 5(a))	(2.5)	(1.7)	–	(4.2)
Onerous lease provision (Note 5(a))	–	–	(1.1)	(1.1)
Impairment provision (Note 5(b))	–	(1.8)	–	(1.8)
Contract amortisation (Note 11)	–	(3.9)	–	(3.9)
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	31.8	(1.3)	56.4

\* 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.

# Financial statements:

## Notes to the Accounts continued

### 2. Segment information continued

2012	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	198.0	265.8	3.4	467.2
Unallocated assets				49.8
Total assets				517.0
Segment liabilities	(123.0)	(95.9)	(13.8)	(232.7)
Unallocated liabilities				(205.1)
Total liabilities				(437.8)
Segment net assets/(liabilities)	75.0	169.9	(10.4)	234.5
Unallocated net liabilities				(155.3)
Net assets				79.2

2011 – restated (Note 1)	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	174.9	271.2	4.0	450.1
Unallocated assets				39.8
Total assets				489.9
Segment liabilities	(112.3)	(93.2)	(16.8)	(222.3)
Unallocated liabilities				(179.9)
Total liabilities				(402.2)
Segment net assets/(liabilities)	62.6	178.0	(12.8)	227.8
Unallocated net liabilities				(140.1)
Net assets				87.7

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.

2012	Distribution £m	Aviation £m	Corporate £m	Group £m
Capital expenditure	3.4	13.3	–	16.7
Depreciation	5.0	14.4	0.8	20.2
Amortisation of intangible assets	2.1	5.5	–	7.6
Goodwill impairment (Note 13)	–	1.8	–	1.8
Gain on disposal of property, plant and equipment	(0.1)	(0.3)	–	(0.4)

2011 – restated (Note 1)	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	3.9	–	6.2
Goodwill impairment	–	1.8	–	1.8
Gain on disposal of property, plant and equipment	(0.1)	(0.4)	–	(0.5)



## Geographic information

	Revenue		Segment non-current assets	
	2012 £m	2011 £m	2012 £m	2011 Restated (Note 1) £m
United Kingdom	1,437.5	1,431.4	125.2	146.0
Continental Europe	145.6	147.5	49.0	40.4
Americas	146.6	145.9	36.4	24.1
Rest of the World	173.8	174.9	58.1	53.2
	<b>1,903.5</b>	1,899.7	<b>268.7</b>	263.7

## 3. Net operating costs

	2012 £m	2011 Restated (Note 1) £m
Goods for resale and other operating charges	1,377.7	1,388.9
Employment costs (Note 4)	446.1	435.0
Intangible assets amortisation (Note 11)	7.6	6.2
Depreciation (Note 12)	20.2	22.5
Exceptional items (Note 5(a))	18.4	(3.9)
	<b>1,870.0</b>	1,848.7

Other operating charges include:

Operating leases and hire charges – plant and machinery	27.1	23.9
Rent of properties	30.2	29.8
Gain on disposal of property, plant and equipment	(0.4)	(0.5)
Net exchange gain	–	(0.3)

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	0.4	0.3

### Non-audit services

Tax compliance services	0.2	0.2
Tax advisory services	0.4	0.4
Due diligence	0.1	0.1

## 4. Employees

	2012 £m	2011 £m
Wages and salaries	397.5	386.7
Share-based payments	1.4	1.7
Social security costs	37.2	36.6
	<b>436.1</b>	425.0
Pension charge	10.0	10.0
	<b>446.1</b>	435.0

# Financial statements:

## Notes to the Accounts continued

### 4. Employees continued

The average number of persons employed during the year was:

	2012 number	2011 number
Distribution	4,156	4,124
Aviation	17,978	16,873
Corporate	17	18
	<b>22,151</b>	21,015

The numbers above include 13,137 persons employed outside the UK (2011: 12,657).

### 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:

	2012 £m	2011 £m
Menzies Pension Fund	0.3	0.6
Other schemes	9.7	9.4
	<b>10.0</b>	10.0

### Financial assumptions

The Actuary undertook a valuation of the Menzies Pension Fund as at 31 December 2012 (2011: 31 December) under IAS 19.

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

	2012 %	2011 %
Rate of increase in salaries	2.80	2.80
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)	2.20	2.50
Rate of increase in pensions (after 1 June 2010)	1.00	1.00
Price inflation	2.80	2.80
Discount rate	4.40	4.90

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:

	2012	2011
Male	20.8	20.1
Female	22.4	21.8

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

	2012	2011
Male	21.6	20.7
Female	23.6	22.9

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

	2012		2011	
	Long-term rate of return %	Value at December £m	Long-term rate of return %	Value at December £m
Equities	6.5	153.9	6.5	147.4
Bonds	4.4	66.1	4.9	64.6
Property	5.5	24.9	5.5	27.8
Other	0.5	12.3	0.5	2.2
Total value of assets		257.2		242.0
Defined benefit obligation		(325.3)		(306.3)
Recognised in balance sheet		(68.1)		(64.3)
Related deferred tax asset (Note 19)		15.7		16.1
Net pension liabilities		(52.4)		(48.2)

### 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 £10m.

	2012 £m	2011 £m
<b>Components of pension expense</b>		
<b>Amounts charged/(credited) to operating profit</b>		
Current service cost	0.6	0.7
Gains on curtailments and settlements	(0.3)	(0.1)
	0.3	0.6

### Amounts included in finance costs

Expected return on pension scheme assets	13.8	16.8
Interest on pension liabilities	(14.7)	(15.4)
Net financial (charge)/income	(0.9)	1.4

<b>Pension expense/(income)</b>	1.2	(0.8)
---------------------------------	-----	-------

	£m	£m
<b>Amounts recognised in the Statement of comprehensive income</b>		
Gain/(loss) on assets	3.6	(12.5)
Loss on defined benefit obligation	(16.0)	(13.5)
<b>Actuarial loss</b>	(12.4)	(26.0)

	£m	£m
<b>Change in scheme assets during the year</b>		
Fair value of assets at start of year	242.0	241.8
Expected return on assets	13.8	16.8
Company contributions	9.8	8.7
Employee contributions	1.0	1.1
Assets distributed on settlements	–	(0.3)
Benefits and expenses paid	(13.0)	(13.6)
Gain/(loss) on assets	3.6	(12.5)
Fair value of assets at end of year	257.2	242.0

The actual return on scheme assets was a loss of £10.2m (2011: a loss of £29.3m).

# Financial statements:

## Notes to the Accounts continued

### 4. Employees continued

#### Change in defined benefit obligation during the year

	£m	£m
Defined benefit obligation at start of year	<b>306.3</b>	289.6
Current service cost	<b>0.6</b>	0.7
Interest cost	<b>14.7</b>	15.4
Liabilities extinguished on settlements	<b>(0.3)</b>	(0.4)
Employee contributions	<b>1.0</b>	1.1
Benefits and expenses paid	<b>(13.0)</b>	(13.6)
Loss on defined benefit obligation	<b>20.9</b>	13.5
Gain on scheme experience	<b>(4.9)</b>	–
Defined benefit obligation at end of year	<b>325.3</b>	306.3

Expected employer contributions for 2013 are estimated to be £13m.

#### History of experience gains and losses

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Gain/(loss) on scheme assets	<b>3.6</b>	(12.5)	18.2	26.4	(78.1)
Percentage of scheme assets	<b>1.4%</b>	5.2%	7.5%	12.5%	42.8%
Actuarial (loss)/gain on defined benefit obligation	<b>(16.0)</b>	(13.5)	11.3	(76.4)	29.4
Percentage of scheme liabilities	<b>4.9%</b>	4.4%	3.9%	25.8%	13.5%
Total value of assets	<b>257.2</b>	242.0	241.8	211.9	182.4
Defined benefit obligation	<b>(325.3)</b>	(306.3)	(289.6)	(296.4)	(218.0)
Recognised in balance sheet	<b>(68.1)</b>	(64.3)	(47.8)	(84.5)	(35.6)

### 5(a) Exceptional items

	Notes	2012 £m	2011 Restated (Note 1) £m
Gain on disposal of interest in associate	(i)	–	8.2
Rationalisation costs	(ii)	<b>(10.7)</b>	(4.2)
Onerous lease provisions	(iii)	<b>(7.7)</b>	(1.1)
Gain on disposal of property, plant and equipment	(iv)	–	1.0
		<b>(18.4)</b>	3.9

(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 gain on the transaction was subject to an ongoing completion valuation exercise. This independent valuation exercise was completed during the year and resulted in an additional gain of £4.2m (Note 1).

(ii) Costs of rationalising excess capacity comprised asset write-offs and staff redundancy in Distribution £4.1m (2011: £2.5m) and in Aviation £6.6m (2011: £1.7m).

(iii) These provisions are in respect of future lease obligations in UK and US cargo at Aviation. The provision in 2011 related to a vacated leasehold property following the sub-tenant entering administration.

(iv) During 2011 the Group sold a surplus freehold property for consideration of £2.5m.

## 5(b) Intangible amortisation

	Notes	2012 £m	2011 Restated (Note 1) £m
Goodwill impairment	(i)	<b>(1.8)</b>	(1.8)
Contract amortisation	(ii)	<b>(4.6)</b>	(3.9)
		<b>(6.4)</b>	(5.7)

(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 (2011: £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 £2.3m (2011: net credit of £1.0m).

## 6. Directors

A detailed analysis of Directors' remuneration, together with shareholdings and options, is provided on pages 46 to 56.

## 7. Finance costs (pre-exceptional)

	2012 £m	2011 £m
<b>Finance income:</b>		
Bank deposits	<b>0.8</b>	1.3
	<b>0.8</b>	1.3
<b>Finance charges:</b>		
Bank loans and overdrafts	<b>(4.5)</b>	(6.1)
Preference dividends	<b>(0.1)</b>	(0.1)
	<b>(4.6)</b>	(6.2)
Net finance costs	<b>(3.8)</b>	(4.9)

## 8. Taxation

### (a) Analysis of charge in year

	2012 £m	2011 £m
<b>Current tax</b>		
UK corporation tax on profits for the year	<b>3.1</b>	4.9
Overseas tax	<b>5.6</b>	6.6
Adjustments to prior years' liabilities	<b>(1.3)</b>	(0.1)
Total current tax	<b>7.4</b>	11.4
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>0.6</b>	(3.6)
Impact of UK rate change	<b>(0.4)</b>	(0.2)
Adjustments to prior years' liabilities	<b>0.7</b>	(0.1)
	<b>0.9</b>	(3.9)
Retirement benefit obligations	<b>2.1</b>	2.6
Total deferred tax	<b>3.0</b>	(1.3)
Tax on profit on ordinary activities	<b>10.4</b>	10.1

## Financial statements:

### Notes to the Accounts continued

#### 8. Taxation continued

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

	2012 £m	2011 £m
Deferred tax on actuarial loss on retirement benefit obligations	<b>(3.1)</b>	(7.1)
Impact of UK rate change	<b>1.3</b>	1.3
Current tax on fair value movement on cashflow hedges	<b>0.3</b>	0.2
Current tax on share based payments	<b>(1.0)</b>	–
Deferred tax on share based payments	<b>(0.7)</b>	–
Current tax on net exchange adjustments	<b>(0.6)</b>	(0.5)
Tax credit reported outside profit or loss	<b>(3.8)</b>	(6.1)

##### (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 2012 and 31 December 2011 is as follows:

	2012 £m	2011 Restated (Note 1) £m
Profit before tax	<b>32.0</b>	52.5
Profit before tax multiplied by standard rate of corporation tax in the UK 24.5% (2011: 26.5%)	<b>7.8</b>	13.9
Non-deductible expenses (principally goodwill impairment and intangible amortisation)	<b>1.1</b>	2.7
Depreciation on non-qualifying assets	<b>0.6</b>	0.3
Unrelieved overseas losses	<b>1.0</b>	0.9
Overseas deferred tax assets written off/(recognised)	<b>0.3</b>	(3.1)
Exceptional items (Note 5)	<b>2.3</b>	1.0
Utilisation of previously unrecognised losses	<b>(0.2)</b>	(1.1)
Lower tax rates on overseas earnings	<b>(0.2)</b>	(0.4)
Joint venture and associate post-tax result (included in profit before tax)	<b>(1.2)</b>	(1.5)
Adjustments to prior years' liabilities	<b>(0.6)</b>	(0.2)
Impact of UK rate change on deferred tax	<b>(0.5)</b>	(0.2)
Gain on Swissport transaction	–	(2.2)
At the effective corporation tax rate of 32.5% (2011: 19.2%)	<b>10.4</b>	10.1

The UK Government has announced that the main rate of UK corporation tax will be reduced from the current rate of 24%, which has applied from 1 April 2012, to 21%, by means of a series of annual reductions. The reduction in the UK corporation tax rate to 23% from 1 April 2013 was enacted on 17 July 2012. 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 21% by 2014 would be to decrease the net UK deferred tax asset by £1.0m.

#### (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	2.4	Carry forward indefinitely
Germany	21.3	Carry forward indefinitely
Norway	11.3	Carry forward indefinitely
Sweden	3.2	Carry forward indefinitely
Netherlands	6.4	Carry forward for nine years

The Group has capital losses in the UK of approximately £10.4m that are available for offset against future taxable gains arising in the UK. No deferred tax asset has been recognised in respect of these losses.

## 9. Dividends

	2012 £m	2011 £m
<b>Dividends on equity shares:</b>		
Ordinary – interim paid in respect of 2012, 7.35p per share	<b>4.4</b>	–
– final paid in respect of 2011, 17p per share	<b>10.2</b>	–
– paid in respect of 2009 performance share plan	<b>0.7</b>	–
– interim paid in respect of 2011, 7p per share	–	4.1
– final paid in respect of 2010, 14p per share	–	8.1
	<b>15.3</b>	12.2

Dividends of £0.2m were waived on Treasury shares during 2012 (2011: £0.5m).

The Directors are proposing a final dividend in respect of the year to 31 December 2012 of 17.85p per ordinary share, which will absorb an estimated £10.9m of shareholders' funds. Payment will be made on 21 June 2013 to shareholders on the register at the close of business on 24 May 2013.

### Treasury shares

The Company's ordinary shares are held for employee share schemes. At 31 December 2012 the Company held 834,393 (2011: 2,163,232) ordinary shares with a market value of £5,352,631 (2011: £11,465,130).

# Financial statements:

## Notes to the Accounts continued

### 10. Earnings per share

	Basic		Underlying*	
	2012 £m	2011 Restated (Note 1) £m	2012 £m	2011 Restated (Note 1) £m
Operating profit	33.5	51.0	33.5	51.0
Share of post-tax results of joint ventures and associates	3.8	5.4	3.8	5.4
add back: exceptional items (Note 5(a))	–	–	18.4	(3.9)
intangible amortisation (Note 5(b))	–	–	6.4	5.7
share of interest on joint ventures and associates	–	–	(0.6)	(0.4)
share of tax on joint ventures and associates	–	–	1.6	2.1
Net finance costs	(5.3)	(3.9)	(4.7)	(3.5)
Profit before taxation	32.0	52.5	58.4	56.4
Taxation	(10.4)	(10.1)	(10.4)	(10.1)
Exceptional tax	–	–	(3.9)	(3.1)
Non-controlling interests	–	(0.5)	–	(0.5)
Earnings for the year	21.6	41.9	44.1	42.7

#### Basic

Earnings per ordinary share (pence)	36.0p	71.8p
Diluted earnings per ordinary share (pence)	35.8p	69.8p

#### Underlying\*

Earnings per ordinary share (pence)	73.4p	73.2p
Diluted earnings per ordinary share (pence)	73.2p	71.2p

#### Number of ordinary shares in issue (millions)

Weighted average	60.066	58.363
Diluted weighted average	60.273	59.989

The weighted average number of fully paid shares in issue during the year excludes Treasury shares. 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 2011	61.8	60.6	20.9	143.3
Acquisitions (Note 24)	–	21.4	–	21.4
Additions	–	–	3.1	3.1
Currency translation	(2.6)	(1.5)	–	(4.1)
<b>At 31 December 2012</b>	<b>59.2</b>	<b>80.5</b>	<b>24.0</b>	<b>163.7</b>

### Amortisation and impairment

At 31 December 2011	10.7	14.6	9.2	34.5
Amortisation charge	–	4.6	3.0	7.6
Exceptional impairment	0.3	–	–	0.3
Currency translation	(1.0)	(0.7)	–	(1.7)
<b>At 31 December 2012</b>	<b>10.0</b>	<b>18.5</b>	<b>12.2</b>	<b>40.7</b>

### Net book value

<b>At 31 December 2012</b>	<b>49.2</b>	<b>62.0</b>	<b>11.8</b>	<b>123.0</b>
At 31 December 2011	51.1	46.0	11.7	108.8

	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	0.8	10.4	–	11.2
Additions	–	0.1	4.4	4.5
Currency translation	0.3	(1.6)	–	(1.3)
At 31 December 2011	61.8	60.6	20.9	143.3

### Amortisation and impairment

At 31 December 2010	10.5	11.0	6.9	28.4
Amortisation charge	–	3.9	2.3	6.2
Currency translation	0.2	(0.3)	–	(0.1)
At 31 December 2011	10.7	14.6	9.2	34.5

### Net book value

At 31 December 2011	51.1	46.0	11.7	108.8
At 31 December 2010	50.2	40.7	9.6	100.5

\* Restated (Note 1 and Note 24)

## Financial statements:

### 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 has been allocated to the operating units as per the table below.

	2012		2011	
	Goodwill £m	Contracts £m	Goodwill £m	Contracts £m
<b>Aviation</b>				
Netherlands Cargo	7.6	–	7.8	–
North American Cargo	7.7	–	8.1	–
Australia Cargo	6.8	–	7.0	–
UK Cargo	–	–	0.3	–
South Africa	2.6	–	2.9	–
Scandinavia	3.1	–	3.1	–
Ogden worldwide	9.9	–	10.3	–
Other	4.2	–	4.3	–
	<b>41.9</b>	<b>–</b>	<b>43.8</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	–	2.0
Other	2.5	4.1	2.5	4.1
	<b>7.3</b>	<b>19.0</b>	<b>7.3</b>	<b>19.0</b>
<b>Total</b>	<b>49.2</b>	<b>19.0</b>	<b>51.1</b>	<b>19.0</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% (2011: 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 10.6% (2011: 10.7%). The pre-tax rate has been applied to pre-tax cash flows.

#### Aviation

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. The carrying value of Aviation contracts is £27.8m (2011: £27.0m) and the average remaining amortisation period is 6 years (2011: 7 years).

Value in use calculations are based on Board approved budgets and plans for a three year period. Cash flows beyond the three year period are extrapolated by growth rates that reflect management's specific location expectations for 2016 and 2017 incorporating a long-term growth rate derived using the best available market information (such as Boeing's 2012 Aviation Industry Review) adjusted for the specific risks and challenges relating to Menzies Aviation. Short-term revenue growth rates over 2016 and 2017 range from 0% to 6.5% (2011: 2.2% to 6.5%) and longer term revenue growth rates range from 0.5% to 4.1% (2011: 0.5% 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.

## Distribution

Distribution publisher 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 three year plans extrapolated to a 5-year period and keeping the growth rates flat. This reflects management's specific business expectations for 2016 and 2017. 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	Short leasehold property £m	Plant and equipment £m	Total £m	Freehold property £m
<b>Cost</b>					
At 31 December 2011	36.5	38.0	193.1	267.6	34.4
Acquisitions (Note 24)	–	0.1	3.6	3.7	–
Additions	0.1	0.8	15.8	16.7	–
Exceptional write-offs	–	(0.6)	(7.3)	(7.9)	–
Disposals	–	–	(6.2)	(6.2)	–
Currency translation	–	(0.2)	(3.8)	(4.0)	–
<b>At 31 December 2012</b>	<b>36.6</b>	<b>38.1</b>	<b>195.2</b>	<b>269.9</b>	<b>34.4</b>
<b>Depreciation</b>					
At 31 December 2011	9.3	20.0	114.9	144.2	5.6
Charge for the year	0.7	2.2	17.3	20.2	0.8
Exceptional write-offs	–	(0.5)	(5.8)	(6.3)	–
Disposals	–	–	(2.7)	(2.7)	–
Currency translation	–	(0.2)	(2.1)	(2.3)	–
<b>At 31 December 2012</b>	<b>10.0</b>	<b>21.5</b>	<b>121.6</b>	<b>153.1</b>	<b>6.4</b>
<b>Net book value</b>					
<b>At 31 December 2012</b>	<b>26.6</b>	<b>16.6</b>	<b>73.6</b>	<b>116.8</b>	<b>28.0</b>
At 31 December 2011	27.2	18.0	78.2	123.4	28.8

# Financial statements:

## 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
<b>Cost</b>						
At 31 December 2010	38.2	0.2	39.4	186.2	264.0	36.0
Acquisitions	–	–	–	3.0	3.0	–
Additions	–	–	0.9	20.9	21.8	–
Disposals	(1.7)	(0.2)	(1.8)	(11.3)	(15.0)	(1.6)
Currency translation	–	–	(0.5)	(5.7)	(6.2)	–
At 31 December 2011	36.5	–	38.0	193.1	267.6	34.4

### Depreciation

At 31 December 2010	9.1	0.2	19.8	106.7	135.8	5.3
Charge for the year	0.7	–	2.1	19.7	22.5	0.8
Disposals	(0.5)	(0.2)	(1.8)	(8.5)	(11.0)	(0.5)
Currency translation	–	–	(0.1)	(3.0)	(3.1)	–
At 31 December 2011	9.3	–	20.0	114.9	144.2	5.6

### Net book value

At 31 December 2011	27.2	–	18.0	78.2	123.4	28.8
At 31 December 2010	29.1	–	19.6	79.5	128.2	30.7

During the year, the Aviation division revised its estimates of useful lives of certain categories of plant and equipment. The effect of this revision in the current year is a £1.4m reduction in the depreciation charge.

### 13. Investments

	Group			Company	
	Shares in joint ventures £m	Shares in associates £m	Other £m	Total £m	Subsidiaries £m
<b>Net book value excluding goodwill</b>					
At 31 December 2011	25.4	2.5	0.3	28.2	292.8
Share of profits after tax	4.3	1.3	–	5.6	–
Dividends received	(2.9)	(1.6)	–	(4.5)	–
Disposals	–	(0.1)	–	(0.1)	(2.3)
Currency translation	(1.6)	(0.1)	–	(1.7)	(0.3)
At 31 December 2012	25.2	2.0	0.3	27.5	290.2
<b>Goodwill</b>					
At 31 December 2011	–	3.3	–	3.3	–
Impairment provision (Note 5(b))	–	(1.8)	–	(1.8)	–
Currency translation	–	(0.1)	–	(0.1)	–
At 31 December 2012	–	1.4	–	1.4	–
<b>At 31 December 2012</b>	<b>25.2</b>	<b>3.4</b>	<b>0.3</b>	<b>28.9</b>	<b>290.2</b>
At 31 December 2011	25.4	5.8	0.3	31.5	292.8

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

	Country of Incorporation	% Interest held	Revenue £m	Profit after tax £m	Assets		Liabilities		Total £m
					Less than 1 year £m	More than 1 year £m	Less than 1 year £m	More than 1 year £m	
<b>Joint ventures</b>									
EM News (NI) Ltd	UK	50	46.8	0.9	7.7	1.0	(4.3)	(0.1)	4.3
EM News (Ireland) Ltd	Ireland	50	23.4	–	–	–	–	–	–
Worldwide Magazine Distribution Ltd	UK	50	5.2	–	0.9	0.1	(0.8)	–	0.2
Menzies Bobba Ground Handling Services Private Ltd	India	51	1.3	0.3	4.6	1.5	(0.1)	–	6.0
Menzies Aviation Bobba (Bangalore) Private Ltd	India	49	4.2	2.1	2.4	8.6	(0.4)	–	10.6
Hyderabad Menzies Air Cargo Private Ltd	India	49	3.2	0.8	1.9	2.1	(0.4)	–	3.6
Zaankracht Holding BV	Netherlands	30	1.9	0.1	0.8	–	(0.4)	–	0.4
AMI Asia HK Ltd	Hong Kong	50	0.2	0.1	0.2	–	(0.1)	–	0.1
<b>Associates</b>									
Menzies Macau Airport Services Ltd	Macau	29	6.0	1.3	1.2	1.6	(0.9)	(0.3)	1.6
Swissport Menzies Handling PMR Ute	Spain	19.5	1.1	–	0.4	–	–	–	0.4
			93.3	5.6	20.1	14.9	(7.4)	(0.4)	27.2

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(a)).

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. During the year, Swissport Menzies Handling PMR Ute repaid £0.1m of the investment loan.

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

### Company

During the year the Company struck off a number of dormant UK companies and adjusted the carrying value of the investment.

## Financial statements:

### Notes to the Accounts continued

#### 14. Trade and other receivables

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 Restated (Note 1) £m
Trade receivables	<b>141.2</b>	135.2	–	–
Less: provision for doubtful debts	<b>(2.5)</b>	(2.4)	–	–
Trade receivables – net	<b>138.7</b>	132.8	–	–
Other receivables	<b>19.9</b>	16.9	<b>0.5</b>	0.6
Prepayments	<b>24.9</b>	20.0	<b>1.4</b>	1.4
Amounts owed by Group companies	–	–	<b>215.4</b>	178.0
	<b>183.5</b>	169.7	<b>217.3</b>	180.0

The average credit period on sale of goods is 26.6 days (2011: 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>2012</b>	<b>138.7</b>	<b>117.6</b>	<b>16.8</b>	<b>2.4</b>	<b>1.9</b>
2011	132.8	112.6	16.1	1.8	2.3

#### Movement in the provision for doubtful debts

	Group	
	2012 £m	2011 £m
Balance at the beginning of the year	<b>2.4</b>	3.9
Amounts provided during the year	<b>1.1</b>	1.0
Amounts released during the year	<b>(1.0)</b>	(1.0)
Amounts utilised during the year	–	(1.5)
Balance at the end of the year	<b>2.5</b>	2.4

#### Ageing of past due and impaired receivables

	Group	
	2012 £m	2011 £m
0 – 30 days	<b>0.1</b>	0.1
30 – 60 days	<b>0.1</b>	0.3
60 – 90 days	<b>0.1</b>	0.2
over 90 days	<b>2.2</b>	1.8
	<b>2.5</b>	2.4

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

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

## 15. Trade and other payables

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Due within one year</b>				
Trade payables	104.1	111.6	–	–
Other payables	102.1	96.3	9.9	9.9
Other taxes and social security costs	4.2	3.7	–	–
Amounts owed to Group companies	–	–	273.1	281.1
	<b>210.4</b>	211.6	<b>283.0</b>	291.0
<b>Due after more than one year</b>				
Other payables	10.0	1.8	5.0	5.0

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 Group Financial Review on pages 20 to 25.

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Derivative financial instruments</b>				
Cash Flow Hedges				
Foreign exchange forward contracts	(0.1)	(1.2)	(0.1)	(1.2)
Interest rate swaps	–	(0.3)	–	(0.3)
Foreign Currency Net Investment Hedge				
Foreign exchange forward contracts	0.4	0.8	0.4	0.8
<b>Total derivative financial instruments</b>	<b>0.3</b>	(0.7)	<b>0.3</b>	(0.7)
<b>Current</b>	<b>0.3</b>	(0.4)	<b>0.3</b>	(0.4)
<b>Non-current</b>	<b>–</b>	(0.3)	<b>–</b>	(0.3)
	<b>0.3</b>	(0.7)	<b>0.3</b>	(0.7)

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.

## Financial statements: Notes to the Accounts *continued*

### 16. Financial instruments *continued*

#### Fair value hierarchy

As at 31 December 2012, 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	0.9	–	0.9	–

	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	0.6	–	0.6	–

During the year ended 31 December 2012, 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	
		2012 £m	2011 £m	2012 £m	2011 £m
<b>Interest-bearing loans and borrowings</b>	<b>Maturity</b>				
Obligations under finance leases	<i>n/a</i>	–	0.2	–	–
Bank overdrafts	<i>n/a</i>	0.2	1.2	0.1	0.9
Non-amortising bank loans	January 2013 – September 2017	105.3	78.6	105.3	78.6
Amortising term loan	March 2020	20.4	22.3	20.4	22.3
Preference shares	Non-redeemable	1.4	1.4	1.4	1.4
Unsecured loan stock	Repaid July 2012	–	0.1	–	–
<b>Total interest-bearing loans and borrowings</b>		<b>127.3</b>	103.8	<b>127.2</b>	103.2
<b>Current</b>		<b>46.2</b>	3.4	<b>46.1</b>	2.8
<b>Non-current</b>		<b>81.1</b>	100.4	<b>81.1</b>	100.4
		<b>127.3</b>	103.8	<b>127.2</b>	103.2

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 2013 and 2020 with interest payable at a fixed rate of 6.23%.

The loan has a weighted average maturity of 3 years (2011: 3 years).



Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between January 2013 and September 2017.

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Net Debt</b>				
Derivative financial instruments	(0.3)	0.7	(0.3)	0.7
Interest-bearing loans and borrowings	127.3	103.8	127.2	103.2
Total borrowings	127.0	104.5	126.9	103.9
Less: cash at bank, cash in hand and short-term deposits	34.0	24.4	0.3	1.1
	93.0	80.1	126.6	102.8

	2012		2011	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<b>Financial assets and financial liabilities</b>				
Short-term borrowings	46.0	46.4	2.0	2.4
Medium-term borrowings	72.3	74.3	88.5	90.3
Long-term borrowings	8.8	10.2	11.9	13.8
Derivative financial instruments	(0.3)	(0.3)	0.7	0.7
Finance leases	–	–	0.2	0.2
Bank overdrafts	0.2	0.2	1.2	1.2
<b>Total financial assets and financial liabilities</b>	127.0	130.8	104.5	108.6
Less: cash at bank, cash in hand and short-term deposits	34.0	34.0	24.4	24.4
<b>Net Debt</b>	93.0	96.8	80.1	84.2

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

Trade and other receivables and trade and other payables carrying values of £158.6m (2011: £149.7m) and £206.2m (2011: £207.9m) respectively, in respect of the Group and £215.9m and £283.0m (2011: £178.6m and £291.0m) in respect of the Company 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 £0.1m 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	2012 Total financial liabilities £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2011 Total financial liabilities £m
Currency						
Sterling	105.5	21.8	127.3	54.7	48.7	103.4
US dollar	–	–	–	0.2	–	0.2
Euro	–	–	–	0.1	–	0.1
South African rand	0.1	–	0.1	0.1	–	0.1
Net derivative (assets)/liabilities	(0.3)	–	(0.3)	0.7	–	0.7
	105.3	21.8	127.1	55.8	48.7	104.5

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>At 31 December 2012, the expiry profile of undrawn committed facilities was as follows:</b>				
Less than one year	6.1	–	6.1	–
Between one and two years	53.4	0.2	53.4	0.2
Between two and five years	0.1	68.1	0.1	68.1
	59.6	68.3	59.6	68.3

## Financial statements:

### Notes to the Accounts *continued*

#### 16. Financial instruments *continued*

##### Cash flow hedges

##### Foreign exchange forward contracts

At 31 December 2012 the Group held foreign currency forward contracts designed as hedges of transaction exposures arising from non-local currency revenue. These contracts were in line with the Group's policy to hedge significant forecast transaction exposures for a maximum 18 months forward.

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

##### Interest rate swaps

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

During 2011 the Group hedged the exposure to interest rate rises by use of interest rate swap agreements, whereby the Group paid a fixed rate of interest and received a variable rate of LIBOR+margin on the notional amount.

The £25m interest rate swaps at the start of the year matured in June 2012. No new swaps were entered into during 2012.

At 31 December 2012, 20.6% (2011: 46.9%) of the Group's borrowings were fixed.

	2012		2011	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of Cash Flow Hedges – currency forward contracts	–	(0.1)	–	(1.2)
Fair value of Cash Flow Hedges – interest rate swaps	–	–	–	(0.3)
	–	(0.1)	–	(1.5)
<b>Current</b>	–	(0.1)	–	(1.2)
<b>Non-current</b>	–	–	–	(0.3)
	–	(0.1)	–	(1.5)

For 2012, 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 £0.6m (2011: £0.3m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

##### Foreign currency net investment hedges

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

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

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

		Group		Company		Sterling Equivalent	
		2012 million	2011 million	2012 million	2011 million	2012 £m	2011 £m
Euro	EUR	22.5	15.0	22.5	15.0	18.2	12.5
US dollar	USD	36.5	30.5	36.5	30.5	22.5	19.6
Czech koruna	CZK	115.0	99.0	115.0	99.0	3.7	3.2
Australian dollar	AUD	15.4	10.9	15.4	10.9	9.8	7.2
New Zealand dollar	NZD	2.4	1.7	2.4	1.7	1.2	0.9
Swedish krona	SEK	29.0	25.5	29.0	25.5	2.7	2.4
Indian rupee	INR	960.0	750.0	960.0	750.0	10.8	9.1
South African rand	ZAR	65.0	55.0	65.0	55.0	4.7	4.4

	2012		2011	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	0.9	(0.5)	1.5	(0.7)
Current	0.9	(0.5)	1.5	(0.7)

### Foreign currency sensitivity

For 2012, if the UK pound had weakened/strengthened by 10% on currencies which have a material impact on the Group, with all other variables held constant, the effect would have been:

				2012		2011	
Change in rate				Effect on Profit Before Tax £m	Effect on Equity £m	Effect on Profit Before Tax £m	Effect on Equity £m
US dollar	USD	+10%		<b>0.3</b>	<b>2.0</b>	0.3	3.2
US dollar	USD	-10%		<b>(0.3)</b>	<b>(1.6)</b>	(0.3)	(2.6)
Euro	EUR	+10%		<b>0.6</b>	<b>1.7</b>	0.8	1.7
Euro	EUR	-10%		<b>(0.7)</b>	<b>(1.4)</b>	(0.8)	(1.4)
Australian dollar	AUD	+10%		<b>0.7</b>	<b>1.2</b>	0.6	1.3
Australian dollar	AUD	-10%		<b>(0.8)</b>	<b>(1.0)</b>	(0.7)	(1.1)
Indian rupee	INR	+10%		<b>0.4</b>	<b>1.2</b>	0.5	1.4
Indian rupee	INR	-10%		<b>(0.5)</b>	<b>(1.0)</b>	(0.6)	(1.1)

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:

	2012 £m	2011 £m
Bank deposits	<b>34.0</b>	24.4
Trade receivables	<b>138.7</b>	132.8
	<b>172.7</b>	157.2

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.

## Financial statements:

### Notes to the Accounts continued

#### 16. Financial instruments continued

##### Liquidity risk

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

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

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

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

	2012			
	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	(48.7)	(46.2)	(31.9)	(8.0)
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Trade and other payables	(206.2)	(10.0)	–	–
Financial derivatives	(73.8)	–	–	–
	<b>(328.8)</b>	<b>(56.3)</b>	<b>(32.3)</b>	<b>(9.5)</b>

	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>(278.6)</b>	<b>(7.1)</b>	<b>(94.7)</b>	<b>(12.6)</b>

#### 17. Operating lease commitments

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

	Group				Company	
	Property		Other		Property	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Within one year	<b>31.0</b>	29.0	<b>25.4</b>	20.4	<b>0.5</b>	0.6
Within two to five years	<b>71.1</b>	71.5	<b>43.9</b>	33.6	<b>1.0</b>	1.9
After five years	<b>39.6</b>	39.5	<b>2.4</b>	–	–	0.1
	<b>141.7</b>	140.0	<b>71.7</b>	54.0	<b>1.5</b>	2.6

#### 18. Capital commitments

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Contracted but not provided – property, plant and equipment	<b>1.4</b>	4.5	–	–

## 19. Provisions

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Deferred tax</b>				
<b>Assets</b>				
Accelerated capital allowances and other temporary differences	0.1	(0.8)	(5.4)	(5.4)
Retirement benefit obligations	15.7	16.1	15.7	16.1
	15.8	15.3	10.3	10.7
Movement in year:				
Income Statement – retirement benefit obligations	(2.1)	(2.6)	(2.1)	(2.6)
– other	(0.9)	3.9	(0.1)	0.7
– fair value movement on interest rate hedges	–	(0.3)	–	(0.3)
– exchange adjustments	–	(0.1)	–	–
Statement of comprehensive income	2.4	5.8	1.8	5.8
Transfer to/(from) current income tax liabilities	1.1	(2.4)	–	(1.5)
	0.5	4.3	(0.4)	2.1
<b>Other – property related</b>			2012 £m	2011 £m
At beginning of year			6.5	7.1
Provided during year			12.3	2.4
Utilised during year			(6.9)	(3.0)
Released during year			(0.2)	–
At end of year			11.7	6.5
Current			2.2	2.9
Non-current			9.5	3.6
			11.7	6.5

The property related provision is in respect of obligations for 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 2013 and 2038.

### Contingent liabilities

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

## 20. Share capital

	2012 £m	2011 £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 – 60,729,343 ordinary shares of 25p each	15.2	15.1
Allotted under share option schemes*	0.1	0.1
Closing – 61,163,585 ordinary shares of 25p each	15.3	15.2

As a result of share scheme allotments, 434,242 (2011: 388,570) ordinary shares having a nominal value of £108,561 (2011: £97,142) were issued during the year at a share premium of £1,167,981 (2011: £1,068,542).

\* Included in this total are 1,820 (2011: 3,368) ordinary shares of 25p each allotted to Directors under the Savings-Related Share Option Scheme and 100,000 (2011: 96,048) ordinary shares of 25p each allotted to Directors under the Executive Share Option Scheme with a nominal value of £25,455 (2011: £24,012).

## Financial statements:

### 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 100,000 (2011: 96,048) shares were exercised in 2012 and no options lapsed.

Date of grant	Exercise price (pence)	Exercise period	2012 Number	2011 Number
Nov-02	329	2005-2012	–	100,000
May-04	418	2007-2014	<b>101,776</b>	101,776
			<b>101,776</b>	201,776

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 334,242 shares were exercised in 2012 and 159,103 options lapsed.

Year of grant	Exercise price (pence)	Exercise period	2012 Number	2011 Number
2008	285	2011-2012	–	22,136
2009	279	2012-2013	<b>36,270</b>	358,566
2010	355	2013-2014	<b>362,060</b>	420,468
2011	395	2014-2015	<b>406,216</b>	488,556
2012	497	2015-2016	<b>489,080</b>	–
			<b>1,293,626</b>	1,289,726

##### 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 7 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 3 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 6 months of maturity. Special provisions apply to employees who leave their employment due to ill health, redundancy or retirement.

###### (c) 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.

#### (d) 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'). A detailed description of this plan is included in the Report on Directors' Remuneration on page 50.

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.

#### 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	Oct-12	Oct-11	Oct-10	Oct-09
Share price at grant date (pence)	418	622	498	450	346
Exercise price (pence)	418	497	395	355	279
Number of employees	2	1,086	838	736	51
Shares under option	101,776	489,080	406,216	362,060	36,270
Vesting period (years)	3	3	3	3	3
Expected volatility	25.0%	25.0%	25.0%	25.0%	25.0%
Option life (years)	10	3.5	3.5	3.5	3.5
Expected life (years)	4	3.5	3.5	3.5	3.5
Risk-free rate	5.1%	4.6%	4.6%	4.6%	4.6%
Expected dividends expressed as a dividend yield *	4.0%	4.0%	4.0%	4.0%	4.0%
Fair value per option (pence)	76	113	97	77	77
IFRS 2 charge per option **	70	75	64	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 IFRS2 charge per option is due to adjustments for forfeiture risk.

# Financial statements:

## Notes to the Accounts continued

### 20. Share capital continued

Grant date	2005 BCIP			2007 Plan		
	Mar-12	Mar-11	Mar-10	Mar-12	Mar-11	Mar-10
Share price at grant date (pence)	598	486	346	590	460	342
Number of employees	13	11	13	22	23	22
Shares awarded	25,820	46,450	84,451	374,154	479,217	668,442
Contractual life (years)	3	3	3	3	3	3
Expected departure *	0%	0%	0%	0%	0%	0%
Expected outcome of meeting performance criteria	41%	41%	41%	41%	41%	41%
Fair value per share (pence)	267	217	154	259	207	154
IFRS2 charge per share award **	267	217	154	259	207	154

2005 BCIP – 2005 Bonus Co-Investment Plan

2007 Plan – 2007 Divisional Performance Share Plan

\* 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			
	2012		2011		2012		2011	
	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	<b>201,776</b>	<b>374</b>	297,824	359	<b>1,289,726</b>	<b>348</b>	1,283,228	318
Granted	–	–	–	–	<b>497,245</b>	<b>497</b>	497,396	395
Forfeited/Expired	–	–	–	–	<b>(159,103)</b>	<b>370</b>	(198,376)	359
Exercised	<b>(100,000)</b>	<b>329</b>	(96,048)	329	<b>(334,242)</b>	<b>283</b>	(292,522)	290
Outstanding at end of year	<b>101,776</b>	<b>418</b>	201,776	374	<b>1,293,626</b>	<b>419</b>	1,289,726	348
Exercisable	<b>101,776</b>		201,776	374	<b>36,270</b>		22,136	452
Range of exercise prices	<b>418</b>		329-418		<b>279-395</b>		279-395	
Weighted average remaining life (years)								
– expected	<b>1.3</b>		1.6		<b>2.1</b>		2.1	
– contractual	<b>1.3</b>		1.6		<b>2.1</b>		2.1	



	2007 DPSP				2005 BCIP			
	2012		2011		2012		2011	
	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	<b>3,118,392</b>	<b>233</b>	2,731,354	201	<b>151,699</b>	<b>360</b>	183,290	403
Awards Made	<b>438,564</b>	<b>590</b>	537,400	460	<b>25,820</b>	<b>598</b>	46,709	486
Lapsed	<b>(127,143)</b>	<b>522</b>	(150,362)	477	<b>(579)</b>	<b>486</b>	(49,177)	534
Performance achieved	<b>(1,908,000)</b>	<b>130</b>	–	–	<b>(20,219)</b>	<b>133</b>	(29,123)	534
Outstanding at end of year	<b>1,521,813</b>	<b>440</b>	3,118,392	233	<b>156,721</b>	<b>429</b>	151,699	360
Range of award date prices	<b>342-590</b>		130-460		<b>346-598</b>		133-486	
Weighted average remaining life (years)								
– expected	<b>1.1</b>		0.8		<b>0.9</b>		1.4	
– contractual	<b>1.1</b>		0.8		<b>0.9</b>		1.4	

#### Total IFRS2 charge for share-based incentive schemes

The total charge for the year relating to employee share-based plans was £1.4m (2011: £1.7m), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £1.1m (2011: £1.2m).

## 21. Cash generated from operations

	Group		Company	
	2012 £m	2011 Restated (Note 1) £m	2012 £m	2011 Restated (Note 1) £m
Operating profit/(loss)	<b>33.5</b>	51.0	<b>(1.9)</b>	(1.0)
Depreciation	<b>20.2</b>	22.5	<b>0.8</b>	0.8
Amortisation of intangible assets	<b>7.6</b>	6.2	–	–
Share-based payments	<b>1.4</b>	1.7	<b>1.4</b>	1.7
Onerous lease provisions	<b>7.7</b>	1.1	–	1.1
Cash spend on onerous leases	<b>(1.8)</b>	(0.9)	<b>(0.7)</b>	(0.7)
Gain on sale of property, plant and equipment	<b>(0.4)</b>	(0.5)	–	–
Gain on disposal of investment in associate	–	(8.2)	–	–
Exceptional gain on disposal of property, plant and equipment	–	(1.0)	–	(1.0)
Pension charge	<b>0.6</b>	0.7	<b>0.1</b>	0.1
Pension credit	<b>(0.3)</b>	(0.1)	<b>(0.3)</b>	(0.1)
Pension contributions in cash	<b>(9.8)</b>	(8.7)	<b>(9.8)</b>	(8.7)
Rationalisation costs	<b>10.7</b>	4.2	–	–
Cash spend on rationalisation costs	<b>(8.2)</b>	(2.7)	–	–
Decrease/(increase) in inventories	<b>1.2</b>	(1.7)	–	–
Increase in trade and other receivables	<b>(9.3)</b>	(3.1)	–	(0.1)
(Decrease)/increase in trade and other payables and provisions	<b>(9.8)</b>	1.7	–	(0.1)
	<b>43.3</b>	62.2	<b>(10.4)</b>	(8.0)

## 22. Analysis of changes in net borrowings

	2011 £m	Cash flows £m	Currency translation £m	2012 £m
Cash at bank and in hand	24.4	10.2	(0.6)	<b>34.0</b>
Bank overdrafts	(1.2)	1.0	–	<b>(0.2)</b>
Net cash and cash equivalents	23.2	11.2	(0.6)	<b>33.8</b>
Bank loans due within one year	(1.9)	(44.1)	–	<b>(46.0)</b>
Loan stock due within one year	(0.1)	0.1	–	–
Preference shares	(1.4)	–	–	<b>(1.4)</b>
Finance leases	(0.2)	0.2	–	–
Debt due after one year	(99.0)	19.3	–	<b>(79.7)</b>
Net derivative (liabilities)/assets	(0.7)	(1.7)	2.7	<b>0.3</b>
	(80.1)	(15.0)	2.1	<b>(93.0)</b>

The movement on Debt due after 1 year of £19.3m relates to a non-cash movement to Bank loans due within 1 year leaving a net cash outflow on Bank loans due within 1 year of £24.8m.

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 £5.1m (2011: loss of £6.5m). This net loss 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			Distribution		Total 2012
	Flight Support	Kamino Cargo S.R.L.	Czech GH, S.R.O.	Fore Partnership	Orbital Marketing Services Group	
Name	Shares 2/8/2012	Shares 6/8/2012	Assets 1/9/2012	Assets 6/7/2012	Shares 31/10/2012	£m
Date of acquisition	£m	£m	£m	£m	£m	£m
Purchase consideration						
Cash paid	4.8	0.9	1.7	0.4	8.8	<b>16.6</b>
Deferred consideration	0.5	0.2	–	1.1	8.5	<b>10.3</b>
Total purchase consideration	5.3	1.1	1.7	1.5	17.3	<b>26.9</b>
Fair value of net assets acquired	5.3	1.1	1.7	1.5	17.3	<b>26.9</b>
Goodwill	–	–	–	–	–	–

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

Non-current assets						
Intangible assets (contracts) – fair value	4.9	1.1	–	1.5	13.9	<b>21.4</b>
Property, plant and equipment	0.2	–	1.7	–	1.8	<b>3.7</b>
Other non-current assets	–	–	–	–	0.1	<b>0.1</b>
Current assets	0.8	0.2	0.1	–	5.7	<b>6.8</b>
Cash	–	–	–	–	2.2	<b>2.2</b>
Current liabilities	(0.6)	(0.2)	(0.1)	–	(5.9)	<b>(6.8)</b>
Non-current liabilities	–	–	–	–	(0.5)	<b>(0.5)</b>
Net assets acquired	5.3	1.1	1.7	1.5	17.3	<b>26.9</b>

The fair values of the acquisition assets remain provisional pending an assessment of the intangible assets and the formal completion net asset process.

The Flight Support acquisition consists of the following ground handling companies: Manchester Handling Limited, Airbase Flight Support Limited (UK) and Airbase Flight Support Limited (IoM). The £0.5m deferred consideration is payable evenly over 2 years.

Orbital Marketing Services Group comprises a portfolio of UK based logistics and marketing services businesses serving the travel, tourism, education, charity, publishing and healthcare sectors. The business employs over 550 staff at 9 locations across the UK.

Orbital's deferred consideration is made up of a purchase price adjustment of £0.8m and contingent consideration of £7.7m. The contingent consideration's range is between a minimum of £6.0m and a maximum of £12.2m.

The fair value of the trade receivables amounts to £6.1m and the gross amount of trade receivables is £6.2m.

Acquisition transaction costs expensed amounted to £0.4m.

The acquired businesses contributed revenues of £9.4m from the date of acquisition. If the businesses had been acquired on 1 January 2012 revenues and profit before tax contributed would have been £36.4m and £3.8m respectively.

### 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. This was cash-settled during 2012.

### Restatement (Note 1)

In the 2011 annual report and accounts, the fair values on acquisition of Swissport Menzies were provisional due to the timing of the transaction. The fair values have now been finalised resulting in adjustments to the provisional fair values attributed. The following table summarises the adjustments made to the provisional fair values during the period.

Aviation	Provisional fair values	Adjustment to provisional values	Restated fair values
Name	Swissport Menzies		
Date of acquisition	6/7/2011		
	£m	£m	<b>Total £m</b>
Purchase consideration			
Fair value of assets disposed	9.8	4.2	<b>14.0</b>
Total purchase consideration	9.8	4.2	<b>14.0</b>
Fair value of net assets acquired	9.8	4.2	<b>14.0</b>
Goodwill	–	–	–

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

Non-current assets			
Intangible assets (contracts) – fair value	5.1	4.2	<b>9.3</b>
Property, plant and equipment	2.9	–	<b>2.9</b>
Current assets	4.6	–	<b>4.6</b>
Cash	0.5	–	<b>0.5</b>
Current liabilities	(3.3)	–	<b>(3.3)</b>
Net assets acquired	9.8	4.2	<b>14.0</b>

As a result of the uplift in the fair value of assets acquired, an additional £4.2m has been recognised on the gain on the transaction (Note 5(a)). This was recorded as a prior year adjustment as required by the accounting standards.

## Financial statements:

### Notes to the Accounts *continued*

#### 24. Acquisitions *continued*

As a consequence of this adjustment, the amortisation charge relating to intangible assets for the period to 31 December 2011 has been restated by £0.2m from £3.7m to £3.9m. The currency movement on the investment has also been restated for the period from acquisition to 31 December 2011, resulting in an increase in the exchange loss on translation of foreign operations from £8.5m to £8.8m.

#### 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 Shareholding %	Sales to related party £m	Amounts owed to related party at 31 December 2012 £m	Amounts owed by related party at 31 December 2012 £m
Menzies Bobba Ground Handling Services Private Ltd	51	0.3	–	0.1
Hyderabad Menzies Air Cargo Private Ltd	49	0.6	–	0.1
Menzies Aviation Bobba (Bangalore) Private Ltd	49	0.1	–	0.1
Menzies Macau Airport Services Ltd	29	0.1	–	0.1
EM News (NI) Ltd	50	0.5	5.5	–
EM News (Ireland) Ltd	50	1.0	–	0.2
Worldwide Magazine Distribution Ltd	50	0.1	–	0.2

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:

	2012 £m	2011 £m
Short-term employee benefits	4.9	4.8
Post-employment pension and medical benefits	0.3	0.4
Termination benefits	–	–
Share-based payments	1.4	1.7
	<b>6.6</b>	6.9

Certain activities, including treasury, taxation, insurance, pension and legal matters are provided by the parent company to subsidiary companies and are recharged on a cost-plus basis. The amount recharged and settled in respect of 2012 was £0.2m (2011: £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 Group Holdings Limited\*, Menzies Distribution Limited, Princes Street (Jersey) Limited, John Menzies Finance Limited, Menzies Aviation Holdings Limited and Menzies Aviation plc 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.

(\*Held directly by John Menzies plc)

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

## Financial statements: Five-year Summary

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
<b>Revenue</b>					
Distribution	<b>1,224.2</b>	1,254.5	1,255.0	1,218.5	1,166.2
Aviation	<b>679.3</b>	645.2	582.6	507.2	500.9
	<b>1,903.5</b>	1,899.7	1,837.6	1,725.7	1,667.1
<b>Operating profit</b>					
Distribution	<b>28.8</b>	28.8	28.8	28.6	23.9
Aviation	<b>35.6</b>	32.3	24.6	15.8	14.1
	<b>64.4</b>	61.1	53.4	44.4	38.0
Corporate	<b>(1.3)</b>	(1.2)	(1.2)	(1.0)	(1.5)
<b>Underlying operating profit</b>	<b>63.1</b>	59.9	52.2	43.4	36.5
Exceptional items	<b>(18.4)</b>	3.9	0.1	(6.0)	(7.3)
Intangible amortisation	<b>(6.4)</b>	(5.7)	(5.1)	(5.1)	(4.3)
Share of interest and tax on joint ventures and associates	<b>(1.0)</b>	(1.7)	(2.3)	(2.1)	(1.9)
<b>Profit before interest</b>	<b>37.3</b>	56.4	44.9	30.2	23.0
Net finance costs	<b>(5.3)</b>	(3.9)	(7.4)	(8.2)	(5.4)
Foreign currency loss	<b>–</b>	–	–	–	(7.7)
<b>Profit before taxation</b>	<b>32.0</b>	52.5	37.5	22.0	9.9
<b>Per ordinary share</b>					
Dividends	<b>24.35p</b>	21.0p	13.0p	0.0p	7.56p
Underlying earnings	<b>73.4p</b>	73.2p	57.9p	43.8p	31.3p
Basic earnings	<b>36.0p</b>	71.8p	47.8p	25.8p	(2.0p)

# Shareholder information:

## 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, 17 May 2013 at 2pm (the 'Meeting') to transact the following business:

### Ordinary resolutions:

To consider and, if thought fit, pass Resolutions 1-13, 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 2012 and the Report of the Auditors thereon.

#### 2. Remuneration Report

To approve the Report on Directors' Remuneration for the financial year ended 31 December 2012.

#### 3. Dividend

To declare a final dividend of 17.85 pence per ordinary share for the financial year ended 31 December 2012.

#### 4-10. Re-election of Directors

4. To re-elect Ian Harley as a Director.
5. To re-elect Dermot Jenkinson as a Director.
6. To re-elect Octavia Morley as a Director.
7. To re-elect Eric Born as a Director.
8. To re-elect Craig Smyth as a Director.
9. To re-elect David McIntosh as a Director.
10. To re-elect Iain Napier as a Director.

#### 11. Appointment of auditor

To re-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.

#### 12. Remuneration of auditor

To authorise the Directors to fix the auditors' remuneration.

#### 13. 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 £5,054,080 (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 £5,054,080; and
- (b) comprising equity securities up to an aggregate nominal amount of £10,108,161 (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 2014 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 14-17, each of which will be proposed as a Special Resolution:

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

That, subject to the passing of Resolution 13 in the Notice of AGM of the Company dated 5 April 2013 (the 'Section 551 Resolution') the Directors be and are hereby empowered pursuant to section 570 and section 573 of the Companies Act 2006 (the '2006 Act') to exercise all powers of the Company to allot equity securities (within the meaning of sections 560 (1)-(3) of the 2006 Act) wholly for cash pursuant to the authority conferred by the Section 551 Resolution and/or by way of a sale of treasury shares as if Section 561(1) of 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 £758,112, representing approximately 5% of the issued ordinary share capital of the Company as at 2 April 2013;

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 2014 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.

#### 15. 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 6,064,896 representing approximately 10% of the Company's issued ordinary share capital as at 2 April 2013;
- (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 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 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

## Shareholder information:

### Notice of Annual General Meeting continued

(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 2014, 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.

#### 16. Purchase of own preference shares by Company

That the Company be and is hereby authorised pursuant to section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its own 9% cumulative preference shares of £1 each, on such terms and in such manner as the Directors may from time to time determine, provided that:

- (a) the maximum number of 9% cumulative preference shares hereby authorised to be purchased is 1,394,587, representing 100% of the Company's issued 9% cumulative preference share capital as at 2 April 2013;
- (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 2014, 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.

#### 17. 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 2013



## Explanatory notes

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

### Resolutions 4-10 – Re-election of Directors

Biographical details of the Directors to re-elected can be found on pages 34 and 35 of the Annual Report and Accounts for the year ended December 2012. In accordance with provision B.7.1 of the UK Corporate Governance Code, all the Directors will retire at the AGM and seek re-election except Paul Dollman and Ian Harrison who opted to stand down from the Board.

In proposing the re-election of the Directors, the Chairman has confirmed that, following formal performance evaluation (described on page 39 of the Annual Report and Accounts for the year ended 31 December 2012), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to the role.

### Resolutions 13 and 14 – 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 18 May 2012, the Directors followed these guidelines and were given authority to allot relevant securities up to an aggregate nominal amount of £10,016,450, representing approximately two-thirds of the issued share capital of the Company as at 2 April 2012. 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 £10,108,161 representing the guideline limit of approximately two-thirds of the Company's issued ordinary share capital as at 2 April 2013. Of this amount, 20,216,322 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 2014. The Directors have no present intention of exercising this authority, although they have confirmed that, should the power authorised in Resolution 13 part (b) be utilised then all Directors would stand for re-election at the next AGM.

As at 2 April 2013, the Company held 642,689 ordinary shares in the capital of the Company as treasury shares.

Resolution 14 will, if passed, give the Directors power, pursuant to the authority to allot granted under Resolution 13, to allot equity securities (as defined in sections 560 (1)-(3) of 'the 2006 Act') or sell treasury shares for cash on a non-pre-emptive basis without first offering them to existing shareholders in proportion to their existing shareholdings in limited circumstances. In light of the ABI guidelines described in relation to Resolution 13 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 £10,108,161 (representing approximately two-thirds of the Company's issued ordinary share capital excluding treasury shares) as at 2 April 2013; and
- (b) in any other case up to a maximum nominal value of £758,112, representing approximately 5% of the issued share capital of the Company as at 2 April 2013 (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 2014.

## Shareholder information:

### Notice of Annual General Meeting continued

#### Resolutions 15 and 16 – 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 6,064,896 ordinary shares (representing approximately 10% of the issued ordinary share capital as at 2 April 2013) and 1,394,587 9% cumulative preference shares (representing 100% of the issued 9% cumulative preference shares as at 2 April 2013).

The authorities, if granted, will expire at the conclusion of the next AGM of the Company, or, if earlier, 30 June 2014. 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 2013, the Company holds 642,689 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 17 – 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 2 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 is time sensitive and the short notice would clearly be to the advantage of shareholders as a whole.

The Board is therefore proposing Resolution 17 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.

#### 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 Meeting 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 Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
3. A form of proxy is enclosed. To be valid, your form of proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to Computershare Investor Services at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ so as to arrive no later than 48 hours before the commencement of the Meeting.
4. 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 Meeting and voting in person if you wish to do so.
6. The right to vote at the Meeting is determined by reference to the Company's register of members as at the close of business on Wednesday 15 May 2013 or, if the Meeting is adjourned, at 5:00pm on the day two days prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.
7. As a member, you have the right to put questions at the Meeting relating to the business being dealt with at the Meeting.
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 2013, the Company's issued ordinary share capital comprised 61,291,656 ordinary shares of 25p each, and the Company held 642,689 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 2013 is 60,648,967.
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.

## Shareholder information:

# Notice of Annual General Meeting continued

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 Meeting. Under section 338A of that Act, members may request the Company to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business.
16. It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 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 Meeting 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 AGM up to and including the date of the Meeting during usual business hours at the registered office of the Company and at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB. On the date of the Meeting, they will be available for inspection at the venue of the Meeting 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.

## Shareholder information:

### 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.

#### John Menzies IR App

The Group has launched an investor relations App for iPhone and iPad users. The App provides users with the latest share price, regulatory and business news, annual/interim reports and presentations. The App can be downloaded via the company website or by visiting your App store.



#### 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](mailto: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 2012

Shareholding	Number of holders	% of holders	Number of shares	% of shares
1-1,000	3,399	81.7	800,645	1.31
1,001-5,000	488	11.7	996,685	1.63
5,001-10,000	72	1.7	541,677	0.89
10,001-100,000	125	3.1	4,344,679	7.10
Over 100,000	76	1.8	54,479,899	89.07
Total	4,160	100.0	61,163,585	

#### 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 28 March 2013 and 1 October 2013.

# Shareholder information:

## General information continued

### Ordinary Dividends

A Final Dividend of 17.85p per share was proposed by the directors on 4 March 2013, and will be paid on 21 June 2013 to shareholders on the Register as at the close of business on 24 May 2013.

Any Interim Dividends for 2013 will be paid on 22 November 2013 to shareholders on the register on 25 October 2013.

### 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, 2 Lochside Avenue,  
Edinburgh Park, Edinburgh, EH12 9DJ

### Principal advisers

#### Auditors

Ernst & Young LLP  
10 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

N1 Singer Capital Market Limited  
Time Central  
32 Gallowgate  
Newcastle Upon Tyne  
NE1 45R

### Principal business addresses

#### John Menzies plc

2 Lochside Avenue, Edinburgh Park,  
Edinburgh, EH12 9DJ  
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)

5 March 2013	Preliminary announcement of Results
28 March 2013	Payment of dividend on 9% Cumulative Preference Shares
5 April 2013	Annual Report and Notice of AGM released
17 May 2013	Management Statement issued
17 May 2013	Annual General Meeting
24 May 2013	Record date for Final Dividend on Ordinary Shares
21 June 2013	Payment of dividend on Ordinary Shares
20 August 2013	Announcement of Interim Results
1 October 2013	Payment of dividend on 9% Cumulative Preference Shares
25 October 2013	Record date for Interim Dividend on Ordinary Shares
12 November 2013	Management Statement issued
22 November 2013	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.

Designed and produced by Carnegie Orr +44 (0)20 7610 6140.  
[www.carnegieorr.com](http://www.carnegieorr.com)

**John Menzies plc**

2 Lochside Avenue,  
Edinburgh Park,  
Edinburgh, EH12 9DJ  
Tel: +44 (0) 131 225 8555  
Fax: +44 (0) 131 220 1491  
Email: [info@johnmenziesplc.com](mailto:info@johnmenziesplc.com)  
Web: [www.johnmenziesplc.com](http://www.johnmenziesplc.com)

Registered in Scotland with company number SC34970  
Registered office address as above

