



Annual Report 2013

# DELIVERING THROUGH PEOPLE



# WHO WE ARE

## DELIVERING THROUGH PEOPLE

John Menzies plc provides support services in fast-moving time-critical markets. As a team we are passionate about performance and achieving our vision of being a successful services business which delivers shareholder value.

Our people are critical to our success, representing our business to customers around the world and responding to their needs every minute of every day.

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### Related information

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More information in this report



Visit our website [www.johnmenziesplc.com](http://www.johnmenziesplc.com)

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## 2013 HIGHLIGHTS

**£2,000.3m**  
(2012: £1,996.8m)  
**Turnover**

**9%**  
**Increase in  
aircraft turns**

**£53.1m**  
(2012: £54.5m)  
**Underlying profit  
before tax**

**66**  
(2012: 24)  
**Net aviation  
contract wins**

**65.6p**  
(2012: 68.8p)  
**Underlying earnings  
per share**

**80%**  
**Publisher contracts  
renewed to 2019**

**26.5p**  
(2012: 25.2p)  
**Dividend per  
share up 5%**

**11%**  
**Increase in  
aviation underlying  
operating profit  
(constant currency)**

- Aviation momentum continues – underlying operating profit up 11% (constant currency)
- Three acquisitions broaden Aviation platform
- Continued strong cost focus – over £5m savings delivered
- Group financially strong

# WHAT WE DO

John Menzies plc is passionate about performance in all of our businesses. Every day of the year our people all around the world operate in time-critical support services, working with integrity to deliver a safe and secure, efficient service to our clients. This in turn provides a strong platform for growth.

## OUR BUSINESSES

### Ground Handling

Our people provide a world leading ground handling service to airlines worldwide. Menzies Aviation is one of the fastest growing ground handlers, operating in over 140 airports in 31 countries. The division aims to be the handler of choice for the world's leading airlines. It offers a complete range of services to the airline industry from landside activities such as ticketing, check-in, baggage services, dispatch and boarding to airside activities including aircraft towing and pushback, de-icing, passenger and baggage transfer, ramp handling and other ancillary services.

### Cargo Handling

Our cargo handling business is strategically positioned to offer a complimentary service to our airline customers. We manage cargo facilities at airports globally and our cargo team are able to process and move perishable and high value goods onto and off aircraft quickly and reliably. We offer a full ramp transfer, load management and import/export handling service. We can also provide warehousing and trucking services and track and trace systems giving customers visibility at all times.

### Cargo Forwarding

Our cargo forwarding business, AMI, works exclusively with freight forwarders and courier companies, offering air freight rates and transport services around the world. AMI is unique in providing a 100% neutral service to its clients and will source the best way of moving their goods to their destination. Its product range covers export, import and cross-trade, express and time-definite international road freight. It is supported by a state-of-the-art IT infrastructure allowing clients to organise and manage the service via the internet.

### News Distribution

Overnight our network throughout the UK and Ireland processes around 7 million newspapers and magazines (covering 3,000 titles), with deliveries to more than 25,000 retailers. Covering c45% of all UK news print daily, News Distribution has invested heavily in state of the art technology and customer service to ensure our packing and returns systems are the best they can be. We also offer a logistics solution to other businesses providing an efficient and cost-effective alternative to in-house logistics, tailored to our customers individual needs. Using our fleet of around 1,700 vehicles and utilising sophisticated route planning software, we cover around 130,000 miles daily – the equivalent of going around the world five times. Our innovative Marketing Services solutions in promotions support retailers, publishers and wider industries with services ranging from category management, product placement, contact handling and data and insight.



Strategy  
see page 08



Business Model  
see page 10

## OUR BUSINESSES



**23,500**  
Employees

**950,000**  
Aircraft turnarounds

**1.5m**  
Tonnes of cargo


**1.7bn**  
Newspapers delivered


**25,000**  
Newsagents

**130,000**  
Miles daily

# WHERE WE DO IT

Every day Menzies are hard at work. We are growing and 2013 continued to see key landmark achievements for our business in every part of the world.

 Strategy  
see page 08

 Business Model  
see page 10

# 144

Airports across the globe

# 23,623

Employees world-wide

## North America

17  
ground handling  
7  
cargo facilities  
5  
cargo forwarding

3,423  
employees

In Los Angeles we started handling A380 aircraft in 2008. During 2013 we handled 32 every week and are due to increase to 56 in 2014, making Menzies one of the largest A380 handlers in the world.

## Central America & Caribbean

40  
ground handling

2,551  
employees

In March a cruise ship malfunction in the Caribbean led our team in St. Maarten to handle 21 short-notice emergency flights to carry the passengers home.

In August Menzies acquired Desacol in Colombia, the country's leading service provider, re-entering the South American market and now handling 50,000 turnarounds and 60,000 tonnes of cargo every year.

## South America

5  
ground handling  
1  
cargo facility

983  
employees

**UK & Ireland**

9  
distribution hubs  
 16  
ground handling  
 2  
cargo facilities  
 2  
cargo forwarding

8,783  
employees



Menzies Distribution successfully renewed 80% of its News Industry distribution contracts with Trade Sales Value of almost £1bn per annum, each for around 5 years.

**Continental Europe**

29  
ground handling  
 5  
cargo facilities

3,446  
employees



In October Menzies Aviation acquired Moose Aviation in Sweden, a specialist de-icing company, complimenting and enhancing capabilities in the Nordic region.

**Oceania & South East Asia**

16  
ground handling  
 7  
cargo facilities  
 5  
cargo forwarding

2,419  
employees

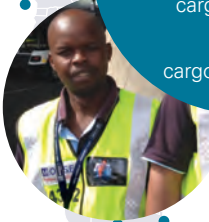


Ground handling provider Skystar which handles 17,000 turnarounds annually became part of Menzies Aviation in August. It operates at eight airports throughout Australia and New Zealand, including Perth, one of our attractive airport targets.

**Africa & Middle East**

15  
ground handling  
 9  
cargo facilities  
 3  
cargo forwarding

1,459  
employees

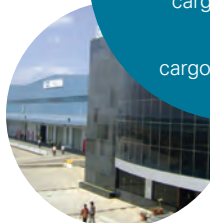


Menzies Aviation's two Indian cargo facilities in Hyderabad and Bangalore were voted number 1 and number 2 cargo facilities in the country respectively by the Air Cargo Agents Association of India.

**India**

1  
ground handling  
 2  
cargo facilities  
 1  
cargo forwarding

559  
employees



In December, our Johannesburg team handled over 40 V.V.I.P. flights for world leaders and dignitaries attending the memorial event following the passing of Nelson Mandela.

# A YEAR OF STRONG PROGRESS

**Iain Napier**  
Chairman



During 2013 our Aviation services business continued to demonstrate its growth credentials, improving profit by 11%. We have continued to invest for growth, acquiring three businesses which extend our global footprint and further develop relationships with airlines. In Distribution, we continue to make significant efficiency improvements and had a successful year renewing contracts with publishers, although overall profit was impacted by weak markets.


I am confident that the Group is on a firm financial footing and we are well placed to grow our business while delivering returns for our shareholders.

## **Board Changes**

Paul Dollman, our Group Finance Director and Ian Harrison, a Non-Executive Director, retired from the Board at the AGM in May 2013. I would like to thank them for their service and valuable input over the years. Paula Bell joined the Board as Group Finance Director in June 2013, and I am delighted to welcome her to the executive team. Paula has made a good start to her time at Menzies and the Board looks forward to her future input. Since the year end we have announced that David McIntosh will be leaving the Group. I would like to thank David for his 25 years of service to Menzies Distribution and wish him well in the future. A recruitment process is currently underway and we will update shareholders on developments as is appropriate.

The size and structure of the Board and its Committees are reviewed annually. Whilst we are committed to compliance with corporate governance codes, we believe we have an excellent balance, with an appropriate mixture of skills and experience. Each year the Board reviews the future strategic direction of the Group, and also reviews progress against its previous objectives. As we manage the structural decline in the printed media distribution sector, the Group has continued to grow our hugely successful aviation services business.

Our strategic direction remains clear, and for our management teams the challenge is to grow our product offerings, exploiting our existing skills and abilities in an efficient way in order to achieve shareholder return.

 Strategy  
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 S.P.I.R.I.T.  
see page 10



One of the key themes to our strategy is to be the supplier of choice for our customers. That means delivering an outstanding service, safely and securely and operating with integrity in everything we do. Our reputation is delivered daily by our people, some 24,000 individuals worldwide. Throughout the business our culture, values and behaviour are encompassed within the Menzies S.P.I.R.I.T. We support, train and develop our employees so that they can deliver an excellent, world class service to our customers, and the Board can continue to deliver on its strategy. I would personally like to thank each and every employee for the contribution they made during 2013.

### Scottish Independence

2014 will see a referendum in Scotland for independence from the United Kingdom.

We recognise that this is a personal matter for the individual but, when asked for guidance from our Scottish employees who are eligible to vote, we will recommend that they avail themselves fully with as much factual information as is available and not to be unduly influenced by the emotional or “fear of exit” messages being expressed by the two campaigns.

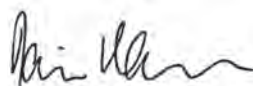
From a business perspective, John Menzies plc has a proud Scottish heritage dating back to 1833, and importantly as part of the United Kingdom, we have built a truly global Company.

Our Board believes that a successful Scotland, as part of the United Kingdom, is important for UK business and we have seen no factual evidence that another independent government infrastructure would provide any significant advantages. In addition the various areas of uncertainty surrounding the independence campaign are unhelpful and indeed detrimental to our business planning and expansion.

In summary, we consider that the best interests of John Menzies plc are served by Scotland remaining an integral part of the United Kingdom with a stable, well established political and regulatory system. We believe that within the existing proven structure we can continue to successfully expand our business and ensure both new opportunities and career development for our employees.

### Outlook

Trading conditions, particularly within the Distribution business, are likely to remain challenging in 2014. We expect momentum to continue at Aviation on a constant currency basis and with further planned growth in the aviation marketplace, a solid balance sheet and new borrowing facilities secured, the Group is well placed to take advantage of investment opportunities as they arise. The Group as a whole will continue its focus on cost management in 2014 which delivered savings in the Distribution business alone of over £5m in 2013. The announcement of a 5% increase in the final dividend emphasises the robustness of the Group’s financial prospects and the Board looks to the future with confidence.



**Iain Napier**  
Chairman

# A LONG-TERM STRATEGY FOR SUCCESS



Our 6 strategic drivers are each key to achieving our vision. These are actively measured and reviewed by the Board. Getting each of these right is essential if we are to achieve sustainable shareholder value and our people are to provide industry leading levels of customer service.

The Board reviews the strategy annually to ensure it is appropriate and that the Group is well placed to take advantage of new opportunities. Our 6 strategic drivers define what we need to focus on in order to achieve our vision to be a successful services business that delivers shareholder value.

### Safety and Security

Safety and security are and always have been our number 1 priority each and every day. We take our responsibilities to our employees, our customers, their customers and all stakeholders extremely seriously. Significant investment is made to ensure appropriate training, systems and resources are in place. Providing a safe and secure system of work is fundamental to the provision of an efficient and productive business that operates with integrity. Our customers rightly judge our safety and security record when awarding contracts. Mr MORSE, our safety and security emblem, is utilised throughout the Group and exemplifies the Company's S.P.I.R.I.T. values.

### Shareholder Value

We aim to provide a long-term sustainable return to our investors and external stakeholders. Sustainable profits are key to the long-term success of the Group, allowing us to continue to invest in our businesses and supporting our ambition to grow. Sustainable profitability also allows us to support a progressive dividend policy, rewarding shareholders for their investment in the Group.

### Growth

As airlines reshape their operating models, we must position ourselves to take advantage of opportunities as they arise. Ground handling is a growing market with forecast passenger growth, airline expansion and increased out-sourcing of non-core activities.

Contract renewals in the news distribution market occur approximately every 5 years. In a mature market, maintaining market share and diversification into ancillary services allows us to fully utilise existing assets and provide a cost efficient service to publishers and retailers alike.

### Customer Service

Having a team of people to provide an excellent standard of service to all our customers is a key point of difference. Our customers expect their product to be delivered on time, every time. In order for us to win and retain contracts and support our expansion into new markets we must ensure we build a reputation for providing quality, consistency and reliability. Our public-facing businesses reflect our customers' brands, whether checking-in passengers or distributing free newspapers on the high street, we have to get everything right.

### Efficiency

To successfully operate in fast-moving, time-critical markets we manage our operations in a highly efficient manner. Our size and future growth brings economies of scale to our purchasing and negotiating powers. We have introduced standard operating procedures throughout our divisions to ensure that each similar process is undertaken in the same way. Maximising the utilisation of assets through customer density drives a lean cost base. The utilisation of common IT platforms and state-of-the-art systems, improvement in key operational metrics and utilisation of the asset base allows us to offer our clients the best possible service at the lowest possible price, driving the contract renewal processes.

### People and Integrity

People aren't just important to our success, they're integral to it – and comprise a significant part of our costs. We strive to employ the right people, with the right skills and abilities throughout the Group. Our reputation is derived from the service that our people deliver, and the integrity they demonstrate. Operating worldwide, governance and integrity are key to ensuring the right people, with the right skills, engage at the right time and in the right way with the business. We recognise that we can only meet the very highest standards through trained, safe and motivated employees who perform well at all times. That is why we provide high quality, specific training and development to all our employees worldwide so that they can behave responsibly, ethically and achieve our objectives safely and efficiently.

 S.P.I.R.I.T.  
see page 10

 Key Performance Indicators  
see page 18

# DELIVERING OUR STRATEGY EVERY DAY

## THE KEY ELEMENTS OF OUR BUSINESS MODEL...



S.P.I.R.I.T. stands for:  
Safety & Security  
Passion  
Innovation  
Reliability  
Integrity  
Teamwork

S.P.I.R.I.T. underpins our business model. It is delivered daily by our people all over the world. Our people are what sets us apart from our competitors. These values run through all our businesses helping to deliver service excellence.



Our success depends on delivering industry-leading service to customers who want to work with us. Our people and our processes deliver our performance. We concentrate on the aviation services and news distribution sectors and work hard to ensure that our people have the tools to deliver our quality service, safely, every day.

Our S.P.I.R.I.T. is central to our business model. Our people are supported by rigorous systems and teams for safety, customer service, operational delivery and control and compliance. Each part of the Group adheres to this business model which drives the culture, performance and ultimate value in everything we do.

### Delivering Safety

Through our MORSE (Menzies Operating Responsibly Safely and Effectively) safety system we provide dedicated health and safety strategies, resources and training throughout our business. We understand that good health and safety practices are integral both to employee welfare and to the success of the Group. We continually review our procedures and our training in order to develop and adopt methods of working which reduce the likelihood of accidents. We have integrated CSR models into our business development strategies, which are designed to standardise and improve business practices throughout each division.

The Divisional Managing Directors are responsible to the Board for the health and safety of all their staff and customers and continually review the procedures and training in their division in order to develop and adopt methods of working which reduce the likelihood of accidents occurring. 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.

Network safety teams operate worldwide, supported by a central team to ensure we maintain a strong focus on safety compliance. SMART (Standard Menzies Audit Report Tool) is an integral part of the safety management system and the network safety team agrees standard operational procedures and communicates regular safety awareness information to the field organisation. The priority continues to be standardising safety and other business-critical processes.

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

### Delivering Processes

Efficiency is key to controlling cost. We have invested heavily in IT solutions to support our people and reduce the overall cost of providing a reliable service. In our cargo handling business we have a complete and integrated IT solution that encompasses all the physical handling, documentation and messaging, in real-time, to our clients. We also embrace the latest technology allowing the use of iPads and iPhones as well as the standard hand-held terminals and barcode technology.

We ensure that our teams at each location are fully supported with the right equipment in order for them to perform their tasks safely and efficiently. We invest in and maintain modern equipment so that unexpected problems and delays are minimised. Our central operational delivery teams work closely with our teams on the ground to monitor our process delivery and identify areas where efficiencies can be made or new processes developed.

We operate standard processes at all our sites to maximise efficiency and minimise risk of injury or error. We analyse all our work flows to continually improve how we do things and look to fully utilise our assets, maximising the turnarounds in an airport or diversifying our distribution business to make more use of its fleet of vehicles. We invest in innovative ideas and technology to support continual improvement in the quality and efficiency of our services. Efficiency is key to maintaining a lean cost base and delivering a standard process and so we invest in IT solutions to support our people and reduce the overall cost of providing a reliable service. We use both internally developed systems which are integral to our ground and cargo handling operations together with SAP, which is embedded in our news distribution business. Smart-app technology is also embraced with initiatives such as iMenzies downloaded by over 6,000 retailers.

In our ground handling business, our Time and Attendance systems are now used worldwide, linking attendance at work with payroll, reducing error and administration costs. We monitor and audit performance in our Aviation business using the “SMART” app which produces questions relevant to aircraft type and carrier for every part of the service offering, such as ramp or passenger services. The system provides random sampling with a real-time dashboard to identify common issues and drive conformity.

The SMART Quality Assurance and Audit programmes with ‘8 pillar’ audits initially focused on our ground handling activities, which recorded an average compliance rate of more than 88%. The SMART operational audit tool, including its innovative iPhone application, has been successfully implemented at all locations network-wide.

### **Delivering People**

We invest heavily in our people to ensure that the right people are in the right place at the right time and able to deliver our service with integrity.

We invest in training, reward achievement and provide our people with the skills they need to deliver exceptional service every day. We identify, develop and retain capable individuals and support them with a clear governance structure. We have training and development programmes at all levels of the business, from a full and focused induction programme for all employees, driver training modules, supervisory “stepping up” programmes for employees progressing through their career, to programmes designed to identify and shape tomorrow’s business leaders.

Health, safety and security training continue for everyone throughout their time in Menzies, with E-learning utilised to deliver standardised training modules. We have open and informal communication channels, using innovative techniques such as Menzies TV to share information. Training materials which cover safety as well as advanced driving skills to maximise fuel savings are included in our driver training programme.

### **Delivering Customer Service**

Our aim is to be the provider of choice for our customers. We achieve this through careful management of the cost base and by leveraging customer relationships to grow our business. We ensure that we provide an exceptional level of service to our clients, and their customers. We are a service delivery business and this means we must have the right people, in the right location, with the right skills, supported by the right equipment and systems. But these are just the building blocks of a world-class customer service; ongoing measurement is critical to success. We actively monitor our own performance against service agreements, including on-time performance, packing accuracy and customer satisfaction surveys. These provide our statistical indicators. We also review our contract renewal rates and through our ongoing close working relationships with our clients are able to identify early and correct the first signs of any problems.

### **Delivering Governance**

We have developed and invested in rigorous control systems and manuals that are used throughout our worldwide operations. Across the Group we have integrated responsibility models into our business development strategies. These responsibility models are designed to improve business practices throughout each division.

We also have standardised processes and procedures for operations within our business. It means that we can be confident that the level of service, speed of service, quality of service and cost of service are the same wherever in the world we are operating. A central team support the development of network standards and work continually to roll out improvements in how we operate.

Through internal controls procedures and self-certification programmes we continually audit and monitor the performance of our teams. Support and attention is given where weaknesses are identified.

# FOCUSED ON SAFETY DELIVERY



The Group remains on a very strong financial footing. We have a robust Balance Sheet built from strong cash generation across the divisions.



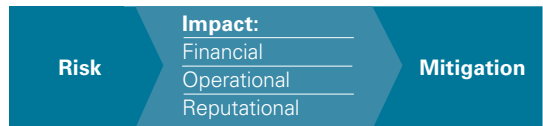


# KEY RISKS THAT AFFECT OUR BUSINESS







The implementation of our strategy can be hindered by various risks and uncertainties. The risks that the Board considers could have the most significant effect on John Menzies plc are described below. Risk mitigation is evaluated continually through the business, with a focus on activities which can expose the Group to a higher risk profile. However, it is acknowledged that the system can only provide reasonable and not absolute assurance against material risks.

Risks are evaluated for each business stream and combined with risks which affect the Group as a whole, to form an operational risk matrix. Each risk is measured against three impacts – Financial, Operational and Reputational, and together with the mitigating actions in place, are reviewed regularly by the Group Board.

## OUR RISK FLOW CHART





Risk	Description	Impact	Mitigating factors
<p><b>Changing consumer behaviour</b></p> 	<p>The risk associated with changing consumer behaviour and digital media proliferation reduces demand for Menzies Distribution services.</p>	<p>This could lead to an acceleration of top line decline as fewer newspapers and magazines are sold while individuals adapt the way they consume media.</p>	<p>A focus on cost and productivity efficiency within the core business. New revenue opportunities from hand to hand distribution and ancillary services are developed to diversify the news distribution business.</p>
<p><b>Risk of customer consolidation</b></p> 	<p>Risk of airline industry change, including airline consolidation, leading to a significantly reduced volume.</p> <p>Risk of consolidation or retailer aspirations for news distribution.</p>	<p>Consolidation could result in volume reductions across the main product categories where an airline is handled by a competitor or drops a route.</p> <p>Large multiple retailers with greater power could result in preferential payment terms and increased service level demands.</p>	<p>A balanced portfolio of customers is maintained. Ground handling focuses on growing and financially strong airlines. Good relations are maintained with key clients. We continue to drive service excellence and respond to KPIs.</p>
<p><b>Security breach</b></p> 	<p>A risk that a serious security breach or incident occurs that is directly attributable to the actions of one of our employees or the failure of related processes or training.</p>	<p>The impact of a serious security related incident would affect the Group's reputation, operational performance and ultimately financial performance.</p>	<p>The Group 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.</p>







Risk	Description	Impact	Mitigating factors
<p><b>Risk of contract renewals</b></p> 	<p>Failure to renegotiate existing contracts at acceptable rates or to successfully win new contracts.</p>	<p>Inability to renegotiate key existing contracts could materially affect operations and profitability.</p>	<p>There is a strategic analysis of all options at the time contracts in both Aviation and Distribution are due for renewal. We constantly evolve the operational model to ensure an optimum cost base is maintained. The majority of current wholesale news contracts were re-negotiated during 2013, and secured through to 2019 and beyond.</p>
<p><b>Health and Safety</b></p> 	<p>A risk of failing to provide employees with appropriate training and a safe working environment, together with a risk that the Group fails to comply with relevant health and safety legislation.</p>	<p>The impact of a health and safety failure could have an impact on the Group's reputation, operational performance and financial performance.</p>	<p>Safety is the number one value across the Group. Dedicated health and safety teams exist throughout the business. Detailed health and safety reports are discussed at Operating Boards and is the first agenda item at all John Menzies plc Board meetings. Continual analysis of accidents allows trends to be identified and prompt action taken.</p>
<p><b>Collapse of IT platforms</b></p> 	<p>The risk of a collapse of an IT platform or an external cyberattack on the IT infrastructure. Each division operates its own IT platform, and both are critical to the running of those divisions.</p>	<p>A serious outage for a limited period of time would have both an operational and reputational impact.</p>	<p>All of our back-up data centres have adequate power and facilities. We ensure that our systems remain up to date with appropriate external firewalls where required. Each division has its own disaster recovery plan which is periodically tested.</p>
<p><b>Inadequate human resources</b></p> 	<p>Risk of inadequate succession planning and people development. A risk that the Group does not have in place adequate succession plans for key management roles or key employees leave the Group if development opportunities do not exist.</p>	<p>The impact of this risk could result in internal candidates not existing for key roles as they become available or individuals with in-depth knowledge and skills leaving the Group due to a lack of opportunity.</p>	<p>Succession plans across the Group exist. The Board annually reviews succession plans for senior management and Executive Directors. Structured development programmes exist across the Group aimed at identifying and developing key employees.</p>
<p><b>Major safety incident</b></p> 	<p>The risk of an accident involving an aircraft due to safety breach.</p>	<p>The risk would have significant reputational and operational impacts for the business. There would also be a potential financial exposure.</p>	<p>Standard training programmes and pro-active safety management systems and audit processes are in place, along with insurance coverage where possible. There are continual reviews at the Operating Boards to ensure highest possible standards and processes in place.</p>
<p><b>Failure to deliver cost-savings programme</b></p> 	<p>The risk that the reorganisation projects in the Distribution business fail to deliver anticipated savings.</p>	<p>Significant management time is devoted to delivering cost-savings to the business. Failure to deliver would affect the financial performance of the business, as well as having operational time implications and potential reputational damage.</p>	<p>Well resourced project plans are in place within the division, which are reviewed at Board level. Regular progress review meetings are held to measure delivery against plan.</p>

# HOW WE MEASURE OUR SUCCESS

We measure and track our performance against each of our strategic drivers. A diverse range of key statistics has been selected to ensure that a balanced view of the business and its success can be formed.

 Risks  
see page 16

 Strategy  
see page 08

Strategic driver	Key performance indicator (KPI)	Why we measure this	How we performed
	Employee injuries per 100 FTEs	Employees are our greatest asset and deliver our industry-leading service. We operate in areas with heavy machinery and must ensure that training is appropriate so that injuries are kept to a minimum.	<b>0.18</b> 2012: 0.24
	Aircraft damage per 1,000 turns	Aircraft damage per 1,000 turns underpins our service delivery and ensures we maintain an industry leading position. Insurance costs are also monitored and controlled.	<b>0.048</b> 2012: 0.048
	Employee turnover	People are our greatest asset. We strive to employ the right people with the right skills. We train and develop our staff and therefore monitor employee turnover as a key determinant in the investment we make in them. Regional and seasonal variations exist as we operate in many different countries and this KPI is also measured on a country by country basis.	<b>39.3%</b> 2012: 41.6%
	Operating margin – Aviation	A standard measurement demonstrating our ability to turn our revenue into profit, encompassing our efficiency, controls and value generation.	<b>5.2%</b> 2012: 5.0%
	Man-hours per turn – Aviation	The man-hours required in turning an aircraft around is a key metric for efficiency of our ground handling operation.	<b>29.6 hours</b> 2012: 29.6 hours
	On time performance – Distribution	This measurement allows us to measure the retail delivery times (RDTs) and is a key performance indicator within publisher contracts. It is also essential that we ensure product is with retailers on time in order that sales are not missed.	<b>97.57%</b> 2012: 97.08%
	Contract renewal rate – Aviation	We measure the rate of contracts that we successfully tender for and renew. This is a key sign of how satisfied our customers are with the levels of service and price that we are able to provide.	<b>89.1%</b> 2012: 79.7%
	Aircraft turnarounds	Ground handling is a growing, dynamic market place. We monitor aircraft turns to ensure our business is growing both on a like-for-like and absolute basis.	<b>954,924 turns</b> 2012: 876,757 turns
	Aviation revenue growth	We are committed to growing our Aviation business. Absolute revenue growth within the business is therefore a key metric.	<b>3.67%</b> 2012: 3.01%
	Total Shareholder Return v FTSE250 over 3 years	TSR is the best and most commonly used measurement of value generated for shareholders, capturing both capital and dividend growth.	<b>33.1%</b> 2012: 86.5%

## FINANCIAL REVIEW

### Paula Bell

Group Finance Director



## Group Performance

Much progress has been made during 2013, a busy year for contract renewals and wins, in both our Aviation and Distribution businesses. We now have over 80% of our revenue streams from print media distribution underpinned with contracts which are not due for renewal until 2019, and in Aviation we have seen positive growth in contract wins with both existing customers and new customers.

Our geographic diversification continues, including entry into Latin America, with three key Aviation acquisitions made in the year building on our solid global platform and positioning us well for future growth.

2013 has been an important year for building a strong growth platform and refocusing efforts in cost management in response to very disappointing magazine sales in the year which impacted our results.

Turnover was £2,000.3m (2012: £1,996.8m). Underlying profit before tax fell to £53.1m (2012: £54.5m) as the Group continues to focus on driving growth from aviation-related activities against a backdrop of a structural decline in print media. We will continue to mitigate this trend by actively managing the cost structure supporting the print media distribution network. The small decline in underlying profit before tax had a consequent impact on our underlying earnings per share figure which decreased slightly to 65.6p (2012: 68.8p).

Profit before tax was £42.1m (2012: £28.1m). 2012 included £18.4m of non-recurring items reflecting, in the main, management actions to close cargo operations in the UK and USA which allowed the focus to be on higher margin operations which has yielded benefits in 2013.

Focus on our Aviation growth agenda continues with the division now representing 63% of Group underlying operating profit (2012: 57%). We are pleased to report revenue growth of 4% in that division to £722.8m, and 9% operating profit growth to £37.8m. On a constant currency basis, operating profits increased by 11%.

As expected, our Distribution division had a challenging year as the volume of newspapers, magazines and collectibles continue to decline with magazine sales a particular disappointment. As a result we continue to focus on efficiency measures, delivering over £5m of savings in the year. Following the acquisition of Orbital Marketing Services in 2012 we are pleased to report this is performing to expectations and made a valuable contribution. The impact of the core print decline was partially offset by cost management and new business streams although operating profit for the year was £24.3m (2012: £27.5m). Looking forward, a major rationalisation programme will commence in 2014 and c£5m of exceptional costs are planned over the next two years.

### Aviation Underlying Operating Profit (£m)

2013	37.8
2012	34.8
2011	30.9
2010	23.2
2009	15.4

### Underlying Group Profit Before Tax (£m)

2013	53.1
2012	54.5
2011	49.8
2010	38.2
2009	33.7

### Underlying EPS (p)

2013	65.6
2012	68.8
2011	64.9
2010	49.5
2009	41.9

### Dividend per share (p)

2013	26.5
2012	25.2
2011	24.0
2010	19.0
2009	8.0

## Taxation

As a multinational business we are liable to taxation in multiple jurisdictions around the world. The Group's underlying tax charge for the year was £13.3m (2012: £13.2m), representing an effective underlying tax rate of 25% (2012: 24%). Tax paid totalled £10.1m (2012: £9.5m). Looking forward, underlying tax rates are expected to increase to c27% reflecting our entry into Latin America and the rising proportion of profits in higher tax rate jurisdictions.

## Acquisition and Related Intangible Assets

During the year, three acquisitions were made as part of the business development agenda in Aviation which required an investment of £14.9m (including debt acquired). The acquisitions build upon our regional presence in Oceania and Scandinavia, and provide a new entry point into Latin America. Acquisition costs totalled £0.7m and these are highlighted as non-recurring items in the Group Income Statement.

## Cash Flow

	2013		2012	
	£m	£m	£m	£m Restated
<b>Underlying operating profit</b>		<b>60.1</b>		61.0
Depreciation		<b>19.4</b>		20.2
Dividends from associates and joint ventures		<b>4.4</b>		4.5
Working capital		<b>(13.0)</b>		(17.9)
Net pension movement		<b>0.7</b>		(0.9)
Non-cash items		<b>(3.3)</b>		(2.6)
<b>Operating cash flow</b>		<b>68.3</b>		64.3
Purchase of property, plant and equipment	<b>(19.4)</b>		(16.7)	
Intangible asset additions	<b>(3.9)</b>		(3.1)	
Sale of property, plant and equipment	<b>2.4</b>		3.9	
Net capital expenditure		<b>(20.9)</b>		(15.9)
Net interest paid		<b>(4.7)</b>		(4.2)
Tax paid		<b>(10.1)</b>		(9.5)
<b>Free cash flow</b>		<b>32.6</b>		34.7
Equity dividends paid		<b>(15.9)</b>		(15.3)
Additional pension payment		<b>(10.4)</b>		(6.5)
Acquisitions		<b>(13.0)</b>		(17.2)
Net cash acquired with subsidiaries		<b>0.3</b>		2.2
Other investments		<b>-</b>		0.1
Cash spend on exceptional items		<b>(4.0)</b>		(10.0)
Net spend on shares		<b>(1.8)</b>		(3.0)
<b>Total movement</b>		<b>(12.2)</b>		(15.0)
<b>Opening net debt</b>		<b>(93.0)</b>		(80.1)
Currency translation		<b>1.7</b>		2.1
<b>Closing net debt</b>		<b>(103.5)</b>		(93.0)

## Defined Benefit Pension Scheme

As at 31 December 2013 the scheme showed a deficit of £45.8m (2012: £62.5m) a reduction of £16.7m due to improved performance on the scheme assets and increased employer contributions. Following the actuarial valuation carried out as at 31 March 2012, the Company agreed with the Trustees of the Fund to contribute an additional annual cash payment of £11m plus RPI which commenced on 1 April 2013.

IAS19 (Revised) Employee Benefits was implemented in 2013 and the financial statements have been prepared accordingly. The impact on prior year financial statements are as set out in Note 1 to the 2013 Annual Report and results in a net reduction in operating profit for that year of £2.1m.

Auto enrolment was introduced during the year and in October 2013 more than 6,000 of our employees were enrolled in the Nest pension scheme. The current estimated impact to operating profit is an additional cost of approximately £1m for 2014.

## Cash Flow and Investment

In the year ended 31 December 2013 the Group had an operating cash flow of £68.3m (2012: £64.3m) and a free cash flow of £32.6m (2012: £34.7m). Investment in acquired businesses and capital expenditure totalled £33.5m (2012: £34.8m) which underlines our policy of investing for future growth.

## Treasury

The Group continues to be on a very strong financial footing. We have a robust Balance Sheet built from strong operating cash flows across the divisions and our total debt to EBITDA ratio of 1.7 times at 31 December 2013 is well within our covenant level of 3 times. Our interest cover is 12.4 times.

At the year end December 2013 the Group had net debt of £103.5m (2012: £93.0m) which was comfortably below the available committed lending facilities. Post the year end, facilities that were due for renewal in the first six months of 2014 have been renegotiated and increased by approximately £55m to create appropriate headroom to support business growth.

The majority of Menzies Aviation's stations are located outside of the UK and operate in currencies other than Sterling. The Group attempts to minimise the volatility of transactional foreign exchange as far as possible through the use of foreign exchange forward contracts. The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates directly affect the Group's reported results, which in 2013 was £0.7m. In particular the recent adverse movements have been in the Australian dollar, Indian rupee and South African rand.

## Going Concern

The Group's business activities are set out on pages 2 to 3 and the principal risks impacting these activities are set out on pages 16 to 17. The Group's financial position and cash flows are set out on pages 85 and 88 along with an analysis of its borrowings in Note 22 on page 125. As regards going concern the Directors have considered market and gearing risks. Sensitivities to gearing risks are set out in Note 16 on page 114 of this report.

The Group updates trading forecasts covering a forward 12-month period on a regular basis and cash flow forecasts show that the Group is capable of operating within its committed banking facilities and related financial covenants for the foreseeable future.

The Directors, who have reviewed the budgets, forecasts and sensitivities for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly the Directors believe that it is appropriate to continue to adopt the going concern basis for preparing the financial statements.

## Dividend

The Board has recommended a final dividend of 18.8p per share which is payable on 20 June 2014 to all shareholders on the register at 23 May 2014. The total (paid and proposed) dividend for the year has increased by 5% to 26.5p per ordinary share and is an indication of the underlying strength and stability in the business.

## Paula Bell

Group Finance Director





Menzies Aviation

# FOCUSED ON SERVICE DELIVERY

Menzies Aviation has now established itself as a major force in the international ground handling industry operating at 144 airports in 31 countries worldwide.

## MENZIES AVIATION


### Craig Smyth

Managing Director  
and President,  
Menzies Aviation



## 2013 HIGHLIGHTS

- Underlying operating profit up 11% at constant currency.
- Three acquisitions completed and successfully integrated.
- Contract win momentum continues
- Cargo turnaround delivers margin growth

 Business Model  
see page 10

 Key Risks  
see page 16

## GROUND HANDLING

### Market review

The ground handling market continues to grow and develop, driven by the number of aircraft in service to satisfy growing passenger demand. Last year the world saw 31m turnarounds of which around 9m were outsourced by the airlines. By 2020 there are expected to be around 46m aircraft turnarounds, of which around 20m will be outsourced.

Independent handlers continue to strengthen their position in the market as competitive pressures drive airlines to outsource their ground operations. Market share is therefore forecast to continue rising. The three main drivers in the outsourcing market are:

1. Market growth. The market is expected to grow by around 3-5% per annum, and air traffic to continue doubling every 15 years;
2. Flag carrier outsourcing;
3. Low-cost carrier growth. Low-cost carriers are aggressively gaining market share and driving the increase in flights. Core to their operating model is to out-source their ground handling operations.

### Ground handling's contribution to Group



Menzies Aviation operates in a highly dynamic and competitive industry. Over recent years the market has been consolidating around the stronger independent handlers which have the right skills, experience, safety and operational management systems in place. Market consolidation is expected to continue over the next few years.

Operating in an airport environment brings with it related security and control issues, including certification, training and security vetting. This, combined with initial investment in equipment at each station, substantial insurance cover levels, ISAGO (IATA Safety Audit Programme for Ground Operations) standards and reputation, creates significant barriers for potential new entrants into the market.

### What does Ground Handling do?

Our ground handling operation is a global provider of passenger and ramp services to airlines and a major force in the international ground handling industry. It has grown rapidly since its conception in 1995, through a combination of organic growth, acquisitions and the development of niche opportunities.

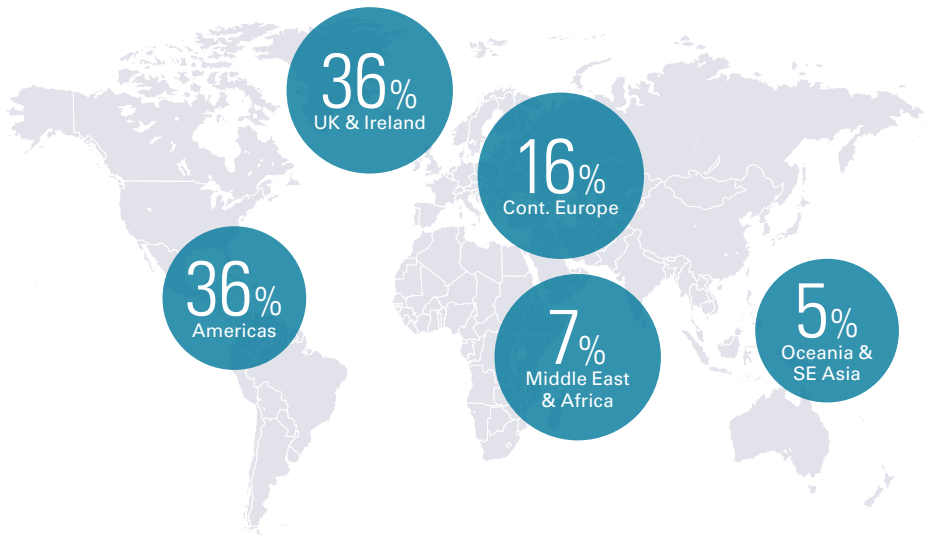
Operating at 140 stations in 30 countries and supported by a worldwide team of more than 16,000 people, we serve over 500 airline customers handling around 1 million

flights per annum. The delivery of a consistent and reliable operation, focused on meeting the needs of our airline customers, is at the centre of everything we do. Menzies Aviation aims at all times to give great service, at the right price for the leanest cost. In delivering this, we focus on working with attractive airlines in attractive markets and this selective approach enables us to create regional densities, leverage economies of scale and share operational excellence. Our operations deliver sustainable shareholder value growth from a team that wants to work for us, with customers getting a great service that is safe and secure.

We offer a full ground handling service to our customers, and work in partnership with them to provide a seamless experience for their passengers at the airport. Passengers will come into contact with our team at the airport from check-in all the way through to baggage reclamation as they access our services, including ticket desks, boarding, dispatch, passenger lounges and baggage reclamation and lost baggage services.

Airside we work to tight timescales to turn around an aircraft, in as little as 25 minutes from arrival until we push back the aircraft ready for departure. These services include load control, baggage loading and unloading, and passenger and baggage transfer. We also perform other aircraft services including towing, cabin cleaning and de-icing.

### Ground handling turns split by geography (%)



## CARGO HANDLING

### Market review

Airlines utilise the holds of their aircraft to satisfy demand for high value cargo by air with approximately 5% of international trade but 35% by value being flown. Air cargo differs from passenger transportation in that cargo relies more on one-way traffic and stronger business-to-business customer relations. Companies fly high value items where time-critical delivery is worth the additional cost of air transportation over land or sea transportation.

Typically around 100m tonnes of cargo are transported around the globe annually. Around 60% of all aircraft flights have cargo in their hold, usually larger, transcontinental aircraft. Cargo only flights account for around 2.6% of total aircraft movements.

The most significant growth rates in recent years have been seen in the Middle East, although North America and Asia-Pacific remain the largest regions with each accounting for around a third of all tonnage movements each year. Around 20% of cargo tonne movements are in Europe.

There is significant market concentration around the world's main hubs, with nearly 50% of the cargo tonnes handled at the 20 busiest stations. In terms of total tonnage, the market has been relatively steady over the last couple of years. Volumes of cargo moved by air tend to reflect economic cycles with growth between 2009 and 2011 of 6%.

The International Air Transport Association (IATA) released figures in January 2014 showing a 6.1% growth in demand (measured in freight tonne kilometres or FTK) for air freight in November 2013 over the same month in the previous year. However, in context, this falls below the peaks noted in 2010 and 2011. All regions reported growth except for Latin America and Africa. The strongest performing region was the Middle East, where carriers reported a 16.5% improvement. Significantly, Asia-Pacific carriers, who account for some 40% of the market, reported 4.9% growth, more than doubling the 1.8% growth of October. The increase is largely being driven by improving economic prospects in China along with an overall boost on Asian trade routes.

### What does Cargo Handling do?

Perishable and high-end goods flow daily through our cargo facilities around the world. We focus on ramp transfer where we take goods into our cargo facilities, break down and assemble the cargo ready for loading onto the aircraft and provide storage and transfer of goods to and from the aircraft. We can analyse and manage loads, ensuring that the appropriate paperwork is prepared for import and export handling. When goods arrive, we can arrange appropriate warehousing until the customer is ready to collect from our facilities. We have a trucking business should our customers want the goods delivered to them. Our sophisticated IT systems manage the goods through their life cycle and allow a track and trace service for our customers, which include airlines and forwarders.

Our relationship with Air China Cargo was expanded to include Vancouver in Canada.



### Cargo handling's contribution to Group





## CARGO FORWARDING

### Market review

Freight forwarders and consolidators bulk-book cargo space in planes, which they then make available to customers to book smaller consignments. Experts in supply chain management, a forwarder does not traditionally move goods but organises shipments for others. They can organise the rate, collection, customs clearance, transportation, security screening, documentation, storage and delivery of goods that customers move around the world. The market is led by world trade movements, with growth in the Asia-Europe, Middle East-Far East and North-South America trade lanes.

### What does AMI do?

Air Menzies International (AMI) was established in 1976 to provide 'neutral' air freight wholesale services exclusively to freight forwarders and courier agents. AMI's 'neutrality' means that it does not offer freight forwarding services directly to shippers, and hence it does not compete with its customers for their shipper business. It works with the world's airlines and integrators to purchase space in aircraft holds which allows customers to benefit from AMI's buying power, its ability to consolidate multiple shipments and airlines' latest spot rates. AMI's product range covers export, import and cross-trade, based on cargo, express and time definite international road freight.

AMI's convenience and online tools help customers move shipments around the clock. Our web portal brings together all AMI's Express products in an easy to use application, allowing customers to compare Express products side-by-side. Bonded warehouse capabilities

are equipped with the latest screening machines and experienced staff can handle almost any air freight requirement.

AMI has been on an upward trend over the past 5 years. A highly diversified customer base has helped AMI successfully continue its growth even in tough economic conditions. The large freight forwarders come to AMI during increased demands on space and the smaller forwarding customers reach out to AMI for its buying power, convenience and expertise.

## MENZIES AVIATION BUSINESS REVIEW

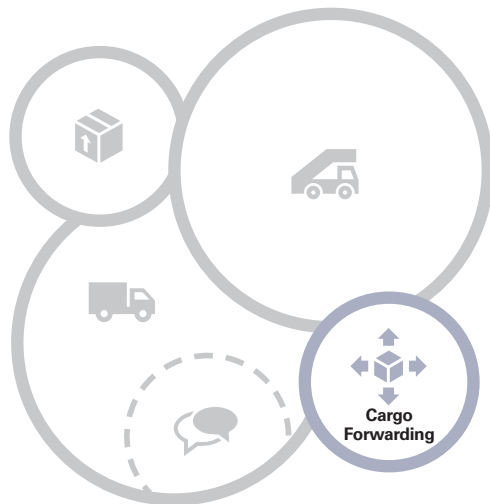
2013 was a year of further progress with good profit growth. This demonstrates the clear resilience that the business has through its customer, product and geographical diversity. We invested in further growth by making acquisitions, including a strategic entry into the Latin American market and consolidation in Australia and New Zealand. The division also grew by winning new contracts at both existing and new airports. Headwinds were experienced through foreign exchange with a number of currencies moving adversely and through yield pressure where the renewal of contracts in competitive western European airports impacted profit progression.

We won 92 new contracts, at locations across the network. 26 contracts were lost, 9 to price and the remainder from route cessation. This adds some £15.6m of net revenue. In addition, we renewed 114 contracts securing £104.1m annual revenue. We experienced some yield pressure during the year especially in Europe where competition is particularly intense.

AMI in Miami.



### Cargo forwarding's contribution to Group



Aircraft turns were up 9% reflecting the benefits of prior year contract wins and acquisitions made in the UK and the Czech Republic. Like for like turns increased 2% representing market growth at existing stations, although this was tempered by some airlines not flying their anticipated schedules, particularly in the UK, which also adversely affected ground handling margins. 2013 was a very busy year for business development. We won a licence to operate at Nice airport in France and have secured Norwegian Airlines as our anchor customer. In the USA our ground handling business continued to expand, notably with Frontier Airlines at three new locations.

Following a period of re-structuring, cargo handling had a good year with the operating margin improving and the business now in the shape that we have been striving for. It is an attractive product where good margins can be achieved. Whilst large operations at a number of locations still exist, our portfolio now mainly focuses on restricted licences in emerging markets and locations where offering airlines a one stop shop of cargo and ground handling is important. As expected, absolute cargo tonnes were down 14%. This reflects the closure of large facilities in Chicago and New York together with the downsizing of the cargo network in the UK. Like for like tonnes were marginally down on the prior year at 2% which is in line with our expectations and published IATA statistics.

We made three acquisitions during the year. Skystar, a ground handling business operating at eight locations across Australia and New Zealand, was acquired in October. This was a key consolidation play and had a strong strategic fit with our existing business in the region.

In July, Menzies began offering executive facilities in Barcelona as well as exclusive personalised corporate and private aircraft handling.

The acquisition has integrated well and further contracts have been won at the new stations. We now have a very strong presence in the region and further expansion plans are in place. In August, we acquired Desacol, a cargo and ground handling business based at five stations in Colombia. This acquisition was a strategic entry into Latin America which is an attractive region that we have identified for further growth. The acquisition is bedding in well and this provides a platform for other opportunities that exist in Latin America. Lastly, we acquired Moose Aviation, a small ground handling business based at Stockholm Arlanda airport in Sweden which added to our existing presence allowing us to provide a full service to prospective and existing airline customers.

AMI, our cargo forwarding business, had another good year increasing profits by 11% to £4.2m. The business now has a network of offices across the globe and is benefitting from being a truly independent player in the busy freight forwarding marketplace.


The contract pipeline remains strong and we continue to evaluate acquisition opportunities that we believe will deliver the required returns. We will continue to provide what we believe to be the best service offering in the industry, putting safety and security at the heart of everything we do and providing our airline customers with the service they demand. We align ourselves with growing, financially sound airlines and in a consolidating market Menzies Aviation is very well placed to continue growing as we look to deepen existing customer relationships, expand into new territories and attract new customers.



Menzies Distribution

# FOCUSED ON TIME- CRITICAL DELIVERY





We deliver 6.7 million newspapers and magazines using 1,700 vehicles, covering 130,000 miles as we undertake the 'nightly miracle' 364 days of the year.

## **MENZIES DISTRIBUTION**

### **David McIntosh**

Managing Director,  
Menzies Distribution



### **2013 HIGHLIGHTS**

- Publisher renewals continue to progress well with over 80% of 2013 revenues secured to 2019.
- Successful cost management programmes deliver over £5m full year saving.
- Distribution profits impacted by weak magazine sales.

## **NEWS DISTRIBUTION**

### **Market review**

The UK newspaper and magazine supply chain operates through a finely honed process. Product from publishers passes to wholesalers who then allocate and distribute the product to some 25,000 retailers across the country.

The overall market is worth c£2.6bn, split roughly two thirds news and one third magazines.

The Print Media industry is structured around the production of newspapers and consumer magazines by publishers, which then deliver the products to wholesalers – such as Menzies Distribution – for consolidation and distribution to retail outlets.

The UK newspaper and magazine print market has been in structural decline for a number of years, as consumers have moved to accessing media through other media such as TV, digital devices, and discretionary spending has reduced on the print categories. This structural decline continued throughout 2013. Whilst publishers attempt to slow the rate of decline, it is not anticipated that the trend will reverse; consequently, cover price increases in periodicals have become a recognised means of offsetting volume reductions.

Wholesalers have only a matter of hours to get newspapers from the presses to newsagents' doors around the country. It is a highly time-critical activity and serving this supply chain within such a restricted time window requires investment in a network of distribution centres; sophisticated packing and returns processing equipment; and a diverse fleet of commercial vehicles which, taken together, create high barriers to entry. In addition, wholesalers bid for contracts with

### **News distribution's contribution to Group**



the publishers to serve geographical areas with each publisher's products, with contract terms traditionally lasting around 5 years.

Reduction of the wholesalers' fixed and variable cost bases is constant within the industry. By concentrating on quality of service, process efficiency and economies of scale, wholesalers can maximise profitability in the face of declining sales. Consolidation of existing networks and maximisation of assets such as automated packing lines will be crucial to protecting earnings. In the future, we expect technical advances and process efficiencies to deliver the benefits required to offset continued falling sales and the cost of inflation.

The UK Print Media industry has, in recent years, shown an increasing appetite for additional marketing and promotional services. As the paid-for newspaper market has entered long-term structural decline, there has been an increase in the circulation of 'free-sheets' such as Metro and London's Evening Standard, free magazines such as Sport and Time Out and other promotional activities as the major print brands look to maintain engagement over the next decade. There is likely to be an increasing focus on services which can generate consumer interest, such as the production of promotional materials; the audit of paid-for-promotions in major retail chains; the implementation of telephone, mailing or emailing campaigns and the staging of events designed to promote their brands or engage with stakeholders. The print media industry has also been actively seeking new locations in which to place and promote its products to consumers. Displays in airport gates and inflight are now commonplace – and other travel points such as ferry ports have also been trialled.

The market to provide these marketing services is highly competitive and fragmented, with many small players offering a wide range of services to major publishers and retailers. Consolidation of providers and services is anticipated over the next few years. In such a marketplace, companies which can combine traditional services with bespoke experiential and digital campaigns will be well placed to lay claim to such marketing.

### What does News Distribution do?

In News Distribution, we distribute some 6.7 million newspapers and magazines, using 1,700 vehicles which cover 130,000 miles as we undertake the 'nightly miracle' 364 days of the year throughout the UK and Ireland.

We are experts in time-critical logistics and we are proud of the long-standing relationships we have with retailers and publishers alike. Using our fleet we cover 130,000 miles every day – the equivalent of driving around the world 5 times. We also employ a dedicated team of almost 4,000 individuals to collect, collate and deliver newspapers and magazines. We use sophisticated software to ensure we are deploying the most economical vehicles on the best routes possible, and we have invested heavily in state-of-the-art technology to ensure our packing and returns systems are the best they can be.

We operate a network of distribution branches, covering 66% of the UK, built around 9 'Hub' locations which act as administrative and magazine-packing centres. These hubs feed 26 spoke locations, which act as staging points and newspaper-packing centres for highly time-critical news distribution. As our drivers distribute new products, they collect unsold material which is returned to our nearest branch for processing, credit and recycling.

During 2013 we launched our Menzies Logistics Solutions business, quickly winning a 3 year, £1.5m contract to supply WHSmith Stores in the North of England.



Our ability to grow as a business whilst delivering our existing service offering is dependent not only on our people, but on the tools we give them. We've invested heavily in ensuring we have the latest technology at our operations disposal; from HS packing machines, and Axon returns scanners, to Optrak route mapping, to Track and Trace delivery monitoring. Supporting all of this is SAP, which has enabled a wide spectrum of process improvements and efficiencies across the business since its implementation was completed in 2012.

In addition to our delivery and collection service, we offer customers the option to manage their accounts digitally via i-menzies.com – and a smartphone app, which has now been downloaded more than 6,000 times. 30% of our customers now make use of these digital facilities on a monthly basis, maintaining order levels, registering queries and using a range of information services. Using our SAP infrastructure, we provide publishing clients with more information, more quickly than ever before – aiding their print forecasts and contributing to the overall efficiency of the supply chain.

Our core newspaper and magazine delivery has been at the heart of the Group for almost 180 years. It has operated in consistent and relatively stable markets. Over recent years it has operated to provide stability whilst providing funds for growth in the aviation business. As its core market enters a structural decline, opportunities exist to exploit its geographical spread and expertise in time-critical delivery. The division continues to be highly cash generative and with a current focus on continual efficiency gains and exploitation of the network, there is a positive future for the core news distribution business.

We successfully restructured our network in the South of England, spoking Portsmouth and Ryde into the Maidstone Hub.

As the market has changed, the business has adapted its product offering, purchasing Orbital in 2012 and growing Menzies Marketing Services, which helps businesses to both maximise existing sales opportunities and to open up new channels, new markets and new revenue streams, getting them closer to their consumers. The combined capability of our services enables clients to maximise sales and distribution and improve reach with retailers and corporates. The clear focus is in areas that complement, enhance and add value to the businesses and skill sets within the existing portfolio of individual companies. The Marketing Service business provides a wide portfolio of services complementary to the core news and magazine distribution business.

## **MENZIES DISTRIBUTION BUSINESS REVIEW**

Despite a challenging year where weekly magazine sales saw a step change decline in volume, we delivered excellent cost savings, successfully renewed over 80% of revenues from publisher contracts and Orbital Marketing Services, the business acquired in October 2012, delivered its expected returns. These achievements allow the division to plan for the future with confidence.

Sales in the magazine market were weak, with the weekly market in particular affected by falling volumes and title closures. As expected, due to the absence of a major football tournament, collectibles were behind the prior year.

In 2013 Menzies Distribution won a third consecutive Carbon Trust standard for efforts to reduce emissions.



In the core categories, overall magazine sales were down 9.2% (8.2% like for like). Weekly titles, particularly the celebrity category, were down 10.5% (9.2% like for like) with monthly titles down 7.5% (6.9% like for like). During the year a number of titles closed including Autotrader, easyLiving and More.

Newspaper sales performed ahead of expectations with sales value up 1.5% (like for like down 2.0%), resulting from strong cover price growth and new business won from News International in Northern Ireland.

During the year we continued to renew our major publisher contracts. We now have over 80% of 2013 revenues secured through to 2019. These renewals provide contract security and allow plans to be made for the future shape of the business.

Productivity and cost saving initiatives continue to deliver results. In 2013 over £5m of cost savings were achieved.

The integration of Orbital Marketing Services progressed well, meeting synergy and profit targets. The distribution of printed media (travel brochures) is integrating into the core network and we are evaluating opportunities within the fulfilment and direct mailing markets. Menzies Marketing Services made progress year on year but continues to operate in a challenging environment.

To address the fall in volume we have accelerated extensive branch rationalisation plans. The implementation of these plans will commence in the first half of 2014 and

will run through a number of stages before completion in the second half of 2015. As a result a number of newspaper packing spokes will close and magazine packing will be centralised into a smaller number of hub locations. To deliver the project exceptional rationalisation costs of c£5m will be incurred over the next 24 months. It is expected that the recurring benefits of this rationalisation will commence during 2015.

### Outlook

Our News Distribution business remains focused on its efficiency and branch rationalisation programme, analysing our branch network and geographical spread. Following the acquisition of Orbital in 2012 we now have a full UK geographic coverage. We will seek to maximise the opportunities to use our estate and vehicles for our Menzies Logistics service. In 2013 we announced the first significant contract with WHSmith and in 2014 we will seek further contracts to utilise our vehicles outside of their core news distribution timetable. We will also continue to integrate further the Marketing Services business streams into the core business to maximise efficiency and opportunities to cross promote services.

We anticipate that a strong consumer demand for printed products will remain for the foreseeable future, although there will continue to be a steady rate of decline overall. However, revenues remain exceptionally large, and the News Distribution business remains central to the Group's overall business mix. The main challenge to the core News Distribution business will be to continue driving efficiencies and the removal of costs to outstrip volume reduction, whilst at the same time developing new, complementary revenue streams.

We have integrated parts of Orbital into our branch network, and are on course to deliver £2.1m of business synergies.

Our Marketing Services team distributes free magazines throughout the UK.



# S.P.I.R.I.T. DRIVES OUR SUSTAINABLE BUSINESS

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



We recognise that being a socially responsible Company adds to and enhances the Company's overall value, both in the 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 understand 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 therefore have policies in place covering:

- **Health, Safety and Security.** Our number one priority. Operating safely and securely is central to all our operations, and at the heart of our S.P.I.R.I.T. culture.
- **Employees.** Our number one asset. Through our people, we deliver our service every day.
- **Environment.** We will operate with integrity, respecting the environments in which we operate.
- **Community Investment.** We will give back to the communities in which we operate, providing a range of assistance, including donating employee and managerial time, matching employee donations to charitable events and supporting organisations financially that seek to improve quality of life.
- **Supply Chain.** We will behave ethically and with integrity. We will behave with the highest of standards and act in accordance with local laws. We will respect those we do business with.

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.

Everyone who wears a Menzies Aviation uniform is an ambassador for us. Airline customers and senior management can award recognition cards in our Role Model campaign to any uniformed employee whom they believe to be well dressed in line with Menzies Aviation's uniform policy, friendly and professional and following the correct processes whilst carrying out duties. The campaign has been a huge success with over 250 Role Model entries into a prize draw in the second half of 2013.

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

The Group 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 2013 can be accessed at [www.johnmenziesplc.com](http://www.johnmenziesplc.com).

## Health, Safety and Security

Good health and safety practices are integral both to employee welfare and to the success of the Group. We continually review our procedures and our training in order to develop and adopt methods of working which reduce the likelihood of accidents occurring. Our employees operate in time-critical environments. As well as being the responsible thing to do, it makes good business sense to be safe and secure, as delays caused by accidents increase costs and cause 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.

Eighty employees from around the world received awards under our GO-MAD station recognition programme providing awards to staff that excel in matters of Safety, Security and Service delivery within our aviation businesses. From these 11 were selected to receive special awards in recognition of their individual achievements during the year.



MORSE is a key tool in our Health and Safety Strategy and is utilised in various forms across the Group, tailored to the operating unit. Key performance measures are used to monitor trends and to improve our performance. Our business units have different working environments and so to provide clarity on the trends within each separate business, statistics for each are analysed individually. Details of the Health and Safety programmes in each division, including key statistics for incidents and near misses, can be found in the Groups Annual Corporate Social Responsibility Report for 2013 on our website, [www.johnmenziesplc.com](http://www.johnmenziesplc.com).

During 2013 our GO-MAD recognition programme continued to provide recognition awards to staff that excel in matters of Safety, Security and Service delivery within our aviation businesses. Eighty employees received recognition awards, from which 11 were selected to receive special awards in recognition of their individual achievements during the year. Other key achievements during the year include:

- The SMART operational audit tool used by Menzies Aviation, including the innovative iPhone application, has been successfully implemented network-wide producing over 100,000 aircraft safety compliance inspections during the year, over 25% more than the previous year.
- Menzies TV was further extended during the year to cover more than 40 ground handling stations in Europe, USA, Africa and Australia.
- 2013 saw the launch of Menzies computer-based Learning Management System which complements our current training system and allows our people to complete their training in a new, engaging way.
- The Health and Safety team at Menzies Distribution was restructured to locate two new advisors in Yorkshire, allowing easier access to all areas of the country and allowing them to spend more time in branches and undertaking more rigid auditing.
- Leadership Development programmes throughout the business have grown momentum with trained and certified facilitators in all regions actively supporting this key series. It aims to educate front line management and supervisors highlighting the importance of their job role. Key messages include safety, security, training, communication and conflict management.
- A total of 17 airports have now achieved IATA (ISAGO) registration with a further 3 awaiting certification.
- Our Los Angeles team was presented with Singapore Airline's Annual Safety award at their head office in Singapore.
- Bangalore Cargo were awarded with "Best Fire Prevention Partner 2012-2013".
- In Africa, teams in both Johannesburg and Durban received the ACSA Feather Safety Award 2013 whilst Port Elizabeth was recognised with the ACSA Best Ground Handler / Service Provider Feather Award 2013.

## Employees

The Group recognises the value of 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. We have a diverse workforce and recruit and promote on the basis of ability. Analysis of the gender split of our employees is shown on the Directors Report on page 49.

Managers are expected to foster an open culture, based on the Group's S.P.I.R.I.T. (Safety and Security, Passion, Innovation, Reliability, Integrity and Teamwork) values. Training has been provided giving guidance on ethical business practices and professional conduct. This covers 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

The Company sets out to recruit and develop high quality individuals who have the ability to meet the high standards of performance that will be expected of them. We employ around 24,000 people worldwide who we rely on to deliver a safe service to our customers. We have robust systems in place to select the best candidates to join our team, upholding our principles of respect for all people, equal opportunities and dignity at work.

Children enjoying the Parikrma football competition in India.



## Reward and incentives

We will provide competitive employment packages which encourage the best to join us. We review the employment benefits that we offer, such as the Sharesave Scheme in the UK, our pension schemes and discounted travel schemes. We offer terms and conditions of employment and levels of remuneration, pension and other benefits that will attract, retain and motivate employees with the necessary ability and experience to achieve our business objectives, within the requirements of employment legislation of each country involved.

## Training and development

We proactively support the achievement of our operations and business objectives through the provision of high quality, specific training and development. The Company also recognises that the business needs of the organisation can only be met through trained, safe and motivated employees who perform well at all times. Our training and development objectives are:

- To provide training for all employees to ensure that they are able to achieve their key objectives safely and effectively.
- To regularly review the training needs of our employees and adjust the training as necessary to meet the future needs of the organisation and its employees.
- To ensure that all training and development provided has a clearly identified business objective.
- To achieve excellence in our programmes by delivering credible and appropriate training and development which is motivational, relevant and demonstrably improves the productivity and safety of our operations.
- To set and maintain high standards for all our employees, encouraging everyone to lead by example.

## Communication and consultation

Comprehensive internal communication programmes are in place to ensure that all employees throughout the Group are kept informed about the direction and performance of their own division and of the rest of the Group.

Menzies TV, now in 40 locations, was introduced as a dynamic communication tool primarily for safety messages to our front line staff. Safety bulletins, business updates and local/regional messages are broadcast on a daily basis to keep staff informed of key topics within the business.



Our divisional newsletters and magazines continue to be available to all staff, informing them of any developments in the business and sharing success stories from around the globe. These closely follow the core principles of the Group's S.P.I.R.I.T. values, acting as the primary vehicle for promoting and communicating its achievements. Regular e-bulletins are also issued with Aviation divisional news and corporate results, and disseminated through regular crew room briefings at each airport. Crew room briefings are also designed to provide an informal environment where two-way communication can occur, and employees are encouraged to raise issues, concerns or questions in these sessions.

### Recognising human rights

As a Company we support organisations in upholding human rights principles, wherever we operate. Although there is no definitive consensus on the boundaries of corporate responsibility in respect of human rights, we need to ensure that we are not involved in human rights violations, either directly or indirectly and that we operate in accordance with the Universal Declaration of Human Rights (UDHR) and take account of other internationally accepted human rights standards. In addition to this we promote human rights through our employment policies and practices, through our supply chain and through the responsible use of our products and services. The promotion of human rights through our business activities forms part of our principle of operating with integrity.

### Whistleblowing, anti-corruption and bribery

John Menzies has a number of fundamental principles and values which it believes are the foundation of sound and fair business practice and as such are important to uphold. This includes a zero tolerance position in relation to corruption, wherever and in whatever form that may be encountered. Anyone representing John Menzies is expected to conduct themselves with integrity, impartiality and honesty. John Menzies seeks to develop a culture where inappropriate behaviour at all levels is challenged. All employees are encouraged to report genuine concerns about malpractice, illegal acts or failures to comply with recognised standards of work, without fear of reprisal or victimisation. Individuals raising genuine concerns will be supported and not subjected to victimisation, detriment, or risk job security. John Menzies operates on a global scale, and it is essential that the Company's policies regarding fraud, corruption and bribery are completely understood by employees.

We actively ensure that procedures are in place to minimise the risk of them occurring. John Menzies:

- Prohibits giving and receiving bribes;
- Commits to obeying all relevant laws;
- Commits to restricting and controlling facilitation payments;
- Commits to restricting giving and receiving gifts.

### Environment

The Group remains committed to minimising the impact it has on the environment. Its environmental policies have been approved and are integrated within existing management structures and implemented through normal business practices and procedures. These 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;
- 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.

Mr MORSE is a key tool in our Health and Safety strategy and is utilised in various forms across the Group, tailored to the operating unit.



## Strategic Report:

# Corporate Social Responsibility continued

Our News Distribution division achieved the Carbon Trust Standard for the third time in 2013 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 and recognises Menzies Distribution's efforts to date and its future commitment to measure, manage and reduce its carbon footprint. Our Distribution business is the largest part of the Group using carbon producing fuels in the UK and has produced policies for managing its fuel usage since 2008. Following a successful 2008-2011 policy which saw the division exceed its target of a 12% reduction in gas and electricity usage, the 2012-2016 Energy and Water Policy calls for the division to reduce electricity usage by 14% and gas by 10%. In line with its policy all of the division's mainland UK electricity has been procured from fully 'green' renewable resources since 2007.

Menzies Aviation operates largely in shared environments such as airport terminals, and their direct billed energy is significantly lower than that of Menzies Distribution. However, they work closely with airport authorities in minimising their energy consumption, and actively promote efficiencies within their own premises. In 2013, Menzies Aviation in Alicante became the first part of the Group to achieve ISO14001.

In 2013, the Group continued monitoring its energy consumption levels in the UK as part of its requirements under the Carbon Reduction Commitment. A new worldwide system for monitoring and recording all fuel based purchases is currently being rolled out which will allow a location by location breakdown of fuel and carbon usage. Water consumption across the business is low and so no specific targets have been set with

The SMART operational audit tool used by Menzies Aviation, including the innovative iPhone application, has been successfully implemented network-wide producing over 100,000 aircraft safety compliance inspections during the year, an increase of more than 25% over the previous year.



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.

At Menzies Distribution, packaging waste, namely cardboard and polythene, and office paper are byproducts of our activities. We have waste compactors installed at all of our larger branches in the UK, which we now use for all Dry Mixed Recyclable (DMR) materials.

Menzies Distribution has been working closely with its waste service provider since the beginning of 2010 to achieve the goal of 90% recycling/landfill diversion across the division of all general waste material previously sent to landfill. In 2010, Menzies Distribution had 19% of its general waste being sent for recycling. By December 2013, 73% of waste was being recycled with a further 14% of waste being diverted from landfill to Refuse Derived Fuel (RDF).

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. The use of packaging materials through its AMI and cargo businesses in the UK remains very low. Where the division offers an aircraft cleaning service, any waste we remove from an aircraft is, wherever possible, processed via airport waste recycling systems.

### Community Investment

John Menzies 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. We donate our skills and expertise to work in the communities in which we operate. Each year the Group Board sets a budget for its charitable activities and a charities committee allocates the expenditure.

### Cross Cultural Team Challenge

Menzies Aviation continued its Cross Cultural Team Challenge programme, which it launched in 2011, combining Senior Leadership Development with putting something back (focused on helping children) in communities around the world where we operate. This year we again worked with the Parikrma Foundation which has existing strong links to, and support from, our business in India. Through their 4 schools, Parikrma provides first class education and care for approximately 1,400 children from the Bangalore slums. The Challenge in 2013 involved staging the 3rd annual Parikrma Champions League Football tournament (PCL) for sixteen Under-16 schools' teams at the Bangalore Football Stadium. There were 3 distinct community 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.

### Charity Bike Ride

In August, Menzies Distribution staged a second national fundraising week. The centrepiece event, a 7 day cycle relay from Edinburgh to Kent, involved more than 30 riders. In concert with local events staged around the country by employees, the relay raised £30,000 for charities Children 1st and Anthony Nolan.

### 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 2013, £70,000 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 2013, almost £20,000 was donated via this fund.

### 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.

The Strategic Report on pages 2 to 41 of the Annual Report 2013 has been approved by the Board of Directors in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

### John Geddes

Company Secretary  
3 March 2014

 Strategy  
see page 08

 Visit our website  
[www.johnmenziesplc.com](http://www.johnmenziesplc.com)

A black and white photograph of a man working on an aircraft. He is wearing a dark cap, large headphones, and safety glasses. He is also wearing a bright yellow high-visibility vest over a dark long-sleeved shirt. The vest has the word 'THORSE' and 'code' printed on it. He is holding a long metal rod or tool. The background shows the fuselage of an aircraft with various panels and rivets.

# GOVERNANCE REPORTS



# Governance Reports: Chairman's Introduction

## Iain Napier

Chairman



## Compliance to the UK Corporate Governance Code

The UK Corporate Governance Code sets out the standards of corporate governance that listed companies should meet. I am pleased to report that John Menzies meets all of the principles and provisions of the Code.

## Leadership


In my role as Chairman of the Board, I have a duty to shareholders to ensure that the Board works effectively and efficiently in following its strategic objectives, which are detailed on page 8 of the Annual Report. My role is very much to lead the Board in challenging and guiding the Executive Team in developing and then delivering the strategy for the Group. We ensure that the Executive Team continue to remain focused not just on delivering an excellent, world leading service to their clients, but also deliver long-term, sustainable shareholder value. I believe also that the role of the Board as a whole is to lead the Company, setting not only the strategy that the business will follow but also set the culture of the organisation. I am proud of the S.P.I.R.I.T. values that John Menzies embraces.

## Internal Control

Internal control and Corporate Governance are key to ensuring that the business operates within the parameters expected not only of the Board, but of all the stakeholders in the business. I believe that robust operating procedures are in place and have challenged the Executive Team to ensure that they have sufficient resource dedicated to internal control and the implementation of their governance manuals across their networks.

## Board Structure

Our business operates within two key business sectors, Aviation Services and Print Media Distribution, both providing time critical delivery of services to our customers. There are many practices that our businesses share, but given the separate client focus in each I feel that it continues to be appropriate for us to have two executive Managing Directors, one for each of the market segments. Each year the Nomination Committee reviews the structure of the Board, including whether it would be appropriate to change the executive structure, and this discussion is also held at Board meetings.

 Strategy  
see page 08

 S.P.I.R.I.T.  
see page 10

 Key Performance Indicators  
see page 18

## Board Diversity

I agree entirely in the principles of diversity in the Boardroom. Within Menzies, we have a female Executive Director and a female Non-Executive Director, 2 out of 8 or 25%. I believe in recruiting the right person for the job, irrespective of their background, with an acknowledgement that a diverse range of skills, backgrounds and abilities can only add to the overall performance of the Board. I am pleased that we have recruited on the principle of merit and ability, rather than to fill any quotas.

## Effectiveness of the Board

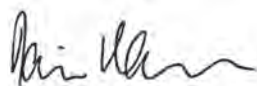
It is vital that the Group has an effective Board, and we undertook a rigorous internal performance evaluation towards the end of the year. An external evaluation is undertaken every 3 years and was last undertaken in 2011. I am pleased that this year's review demonstrated that the Board is working well and did not highlight any significant issues. As a result of the evaluation we will make some minor amendments to the Board administration. We have also begun the recruitment process for a new Non-Executive Director.

## Board Changes

During 2013 Paul Dollman retired as Group Finance Director and we are pleased to have welcomed Paula Bell as our new Group Finance Director. Paula was identified following the use of independent external recruitment advisers in accordance with the policy of the Board and best practice. Paula brings with her a wealth of experience and refreshes the Executive Team. I believe that she has settled into her new role well and is already delivering positive developments in the finance function across the Group. We also reviewed the balance of and shape of the Board, particularly the numbers of independent and non-independent Directors. In line with best practice, Ian Harrison, who had served on the Board for more than 9 years retired at the AGM in 2013. In 2014 we have begun the search for a new independent Non-Executive Director to join the Board.

Post year-end we announced that David McIntosh would be leaving the Board and the position of Managing Director for Menzies Distribution. David will stand for re-election at this year's AGM and remain on the Board until a replacement is in place. A recruitment process is now underway and the Board will keep shareholders updated as appropriate. The Nomination Committee keeps the structure of the Board and succession plans for it under constant review.

I also believe that transparency in how we conduct our business, from operating an open culture at Board meetings where discussion and comment is encouraged, all the way through the business. During 2013 we refreshed the Board composition and I am pleased with the structure, controls and direction we now have. Our Executive Team has clear strategies for their businesses, and the Board is well placed and balanced to provide overall governance, leadership and direction.



**Iain Napier**  
Chairman

# Governance Reports: Directors Biographies



## 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. Iain is a chartered management accountant has significant experience at senior levels of international organisations having previously been a Board Director of Bass PLC, Chief Executive of Bass Leisure and then of Bass Brewers and Bass International Brewers. Following Bass, he was Vice President UK and Ireland for Interbrew SA until August 2001. He was then Chief Executive of Taylor Woodrow International Housing and Development from 2001 to 2005. He is currently Chairman of McBride plc and was Chairman of Imperial Tobacco Group plc until he stepped down in Feb 2014 after 14 years on the Board. He is a Non-Executive Director of Molson Coors Brewing Company and William Grant & Sons Holdings Limited.

### Other appointments

- Chairman of McBride plc
- Non-Executive Director of the Molson Coors Brewing Company
- Non-Executive Director of William Grant & Sons Limited



## 3. 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 including Managing Director of Frimago AG in Switzerland and Managing Director of Office World in the UK.

### Other appointments

- Chief Executive of Wincanton PLC



## 2. Paula Bell

- Executive Director, Group Finance Director

### Background and experience

Paula joined the Board as Group Finance Director in June 2013. Paula is a Fellow of the Chartered Institute of Management Accountants and prior to joining John Menzies was Group Finance Director of Ricardo Plc from 2006 where she played a key role in the strategic diversification and growth of the business, driving strong cost and cash management. Previous roles include Finance Director of Gatwick Airport and Director of Finance of AWG Plc. Over a ten year period at Rolls-Royce Plc Paula was Finance Director for large scale divisions before becoming Business Development Director for their international energy Transmission and Distribution Group leading on strategy, sales and marketing and an extensive merger and acquisition programme in emerging territories. Paula is also the Senior Independent Director and Chairman of the Audit committee of Laird PLC.

### Other appointments

- Non-Executive Director and Senior Independent Director of Laird plc



## 4. Ian Harley

- Non-Executive Director
- Senior Independent 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 and Senior Independent Director in May 2011. 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 nine years on its Board as Finance Director and Chief Executive Officer. He is Chairman of the Court of the Whitgift Foundation and acts as an advisor to Independent Audit Limited, chairing its Advisory Board. He was Senior Independent Director at Remploy Limited until 2010 and 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.

### Other appointments

- Chairman of Rentokil Initial Pension Trustee Limited.





### 5. 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 Limited in 1999, a contact centre and related consultancy business and was Executive Chairman until 2010 when the business was sold to Teleperformance SA. Dermot 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.

#### Other appointments

- Non-Executive Director of Scottish Friendly Association.
- Non-Executive Director of Transcom Worldwide SA.



### 8. 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 since 1994. 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.



### 6. David McIntosh

- Executive Director, Menzies Distribution

#### Background and experience

David was appointed to the Board in June 2009. He joined the Group 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.



### 9. 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.



### 7. Octavia Morley

- Non-Executive Director
- Chairman of the Remuneration Committee
- Member of the Audit Committee
- Member of the Nomination Committee

#### Background and experience

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

#### Other appointments

- Chief Executive of Crew Clothing Limited.

## Governance Reports: Directors' Report

for the year ended 31 December 2013

In accordance with the requirements of the Companies Act 2006 and the UK Listing Authority's Listing, Disclosure and Transparency Rules, the following sections describe the matters that are required for inclusion in the Director's Report and were approved by the Board. Further details of matters required to be included in the Director's Report are incorporated by reference into this report, as detailed below.

### Directors

The Directors serving during the year or subsequently are shown below. The Directors as at the end of the financial year, and their biographies, are shown on pages 46 and 47. Subsequent to the year end, it has been announced that David McIntosh will resign from the Board once a successor has been identified. In the meantime he will stand for re-election to the Board at the 2014 AGM.

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

Name	Position	Appointed/resigned		31 December 2013	31 December 2012
Iain Napier	Chairman	Appointed September 2008	Beneficial	5,000	5,000
Eric Born	Non-Executive Director	Appointed September 2010	–	–	–
Paula Bell	Executive Director	Appointed June 2013	–	–	–
Ian Harley	Senior Independent Director	Appointed February 2009	Beneficial	4,000	4,000
Dermot Jenkinson	Non-Executive Director	Appointed December 1985	Beneficial Non-beneficial	1,885,860 2,747,860	2,010,860 2,807,860
David McIntosh	Executive Director	Appointed June 2009	Beneficial	84,512	92,995
Octavia Morley	Non-Executive Director	Appointed January 2006	–	–	–
Craig Smyth	Executive Director	Appointed March 2007	Beneficial	116,734	150,364
Paul Dollman	Executive Director	Resigned May 2013	–	–	–
Ian Harrison	Non-Executive Director	Resigned May 2013	–	–	–

There have been no subsequent changes to these interests as at 3 March 2014.

No Director had any material interest in any contract, other than a service contract as set out on page 63.

### 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 2013 and 3 March 2014:

Name	Number of ordinary shares at 3 March 2014	% ordinary share capital	Number of ordinary shares at 31 December 2013	% ordinary share capital
Schroder Investment Management	11,783,568	19.31	11,377,602	18.65
DC Thomson Pensions	5,162,711	8.46	5,162,711	8.46
Mrs P Menzies	2,529,650	4.15	2,529,650	4.15
Mr D Ramsay	2,408,002	3.95	2,408,002	3.95
Unicorn Asset Management	2,983,992	4.89	2,683,992	4.40

### Directors' and Officers' Liability Insurance

The Company has arranged, in accordance with the Companies Act 2006 and the Articles of Association qualifying third party indemnities against financial exposure that the Directors may incur in the course of their professional duties. Equivalent qualifying third party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board during the year ended 31 December 2013. Alongside these indemnities, the Company places Directors' and Officers' liability insurance cover for each Director.

## Dividends

The Directors recommend the payment of a final dividend of 18.8p per ordinary share (2012: 17.85p), payable on 20 June 2014 to shareholders on the Register as at the close of business on 23 May 2014. The shares will be quoted as ex-dividend on 21 May 2014. This final dividend, together with the interim dividend of 7.7p per ordinary share (2012: 7.35p) paid on 22 November 2013, makes a total dividend of 26.5p per ordinary share for the year ended 31 December 2013.

## Political Donations

It is the Group's policy not to make political donations and therefore no political donations were made, including donations as defined for the purposes of the Political Parties Elections and Referendums Act 2000.

## Financial Risk Management Objectives and Policies

The financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used is detailed in note 16 of the Annual Report and Accounts 2013.

## Exposure to Risk

The risk exposure of the Group including the exposure to price risk, credit risk, liquidity risk and cash flow risk is included in note 16 of the Annual Report and Accounts 2013.

## Financial Instruments

Details of the use of financial instruments and financial risk management are included in note 16 of the Annual Report and Accounts 2013.

## Employee Involvement

Details of how the Company involves its employees are contained in the Strategic Report on pages 36 to 41 which are incorporated by reference into this report.

## Post Balance Sheet Events

There have been no important financial events affecting the Company (or any subsidiaries included in its consolidation) since the end of the financial year.

Subsequent to the year end, it has been announced that David McIntosh will resign from the Board. The Board will advise shareholders of developments as appropriate.

## Outlook

An indication of the likely future developments in the business of the Company (and its subsidiaries) is included in the Strategic Report on pages 2 to 41.

## Research

The Company is not actively involved in research activities.

## Geographical Spread

John Menzies plc operates in 31 countries worldwide. Details of the geographical spread can be found on pages 4 to 5 of the Strategic Report.

## Employment Policies

Policies regarding the hiring, continuing employment and training, career development and promotion opportunities, for all employees both in the UK and worldwide, together with reports on employee involvement and representation are contained in the Corporate Responsibility Section of the Strategic Report on pages 36 to 41.

At the end of 2013 the split of male to female employees in the Group was:

	Male	Female
Directors	6	2
Decision makers	107	17
All employees	16,090	7,533

## Policy and Practice on Payment of Creditors

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 32.1 days (2012: 32.5 days) of purchases from suppliers.

## Audit Information

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. A resolution to reappoint Ernst & Young LLP as auditors to the Company and to authorise the Board to set their remuneration will be proposed at the Annual General Meeting.

## Share Capital and Structure

The Company has two classes of shares: ordinary shares and 9% cumulative preference shares. As at 31 December 2013 the Company had an issued share capital of £16,800,421 comprising 1,394,587 9% cumulative preference shares of £1 each and 61,623,336 ordinary shares of 25p each. Of these 61,623,336 ordinary shares, 613,319 were held as Treasury Shares. These figures include 135,111 ordinary shares with a nominal value of £33,778 representing 0.2% of the issued share capital which was purchased as Treasury Shares at an average price of £7.68 per share during 2013, to be used for the satisfaction of

# Governance Reports:

## Directors' Report continued

for the year ended 31 December 2013

share plan awards. In addition, under an option available to employees, 273,634 shares with a market value of £2,115,191 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. During the year the Company did not purchase any of its own shares for cancellation.

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 Companies Act.

## ARTICLES OF ASSOCIATION

### 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.

### Voting Rights

Deadlines for exercising voting rights and appointing a proxy or proxies to vote on resolutions to be passed at the AGM on 16 May 2014 are specified in the Notice of AGM. Every ordinary shareholder present in person or by proxy at a general meeting of the Company shall on a show of hands have one vote unless, in the case of the latter, he has been appointed by more than one shareholder and has received instructions to vote both in favour of and against the same resolution in which case he will have one vote against that resolution and one vote for. On a poll, every shareholder present in person at a general meeting or by proxy, shall have one vote for every share of which they are the holder, and if the holders of the preference shares have the right to vote on any resolution, each holder shall have one vote for every preference share of which he is the holder.

The holders of the preference shares shall have no right as such to receive notice of or attend or vote at any general meeting of the Company unless either:

- (i) at the date of the notice convening the meeting the dividend payable on such shares or a part thereof is six months or more in arrears; or
- (ii) the business of the meeting includes the consideration of a resolution for reducing the capital of or winding up the Company or for altering the objects of the Company as stated in its Articles or for the sale of the undertaking of the Company or any substantial part thereof or any resolution altering or abrogating any of the special rights or privileges attached to the preference shares, in which circumstances the holders of the preference shares shall have the right to vote on any such resolution.

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.

### Allotment and Issue of Shares

The Directors are, by shareholder resolutions passed at the AGM of the Company on 17 May 2013, 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 £5,054,080. The Directors are also empowered to allot equity securities (within the meaning of section 560 of the 2006 Act) of the Company for cash on a non pre-emptive basis. This power is limited to:

- (a) any allotment where equity securities have been offered to holders of equity securities in proportion (as nearly as may be) to their then holdings of such securities; and
- (b) any other allotment of equity securities up to an aggregate nominal value of £10,108,160.

Such authority and power expire at the Company's AGM being held on 16 May 2014, 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.

### Purchase of Own Shares

The Company is, by shareholder resolution passed at the AGM of the Company on 17 May 2013, authorised to purchase up to 6,064,896 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 five business days immediately prior to the date of conclusion of the contract for any such purchase; and
- (ii) the amount stipulated by Article 5(1) of the EU Buy-Back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the Company on the trading venues where the market purchases by the Company 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 17 May 2013, 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 five business days immediately prior to the date of conclusion of the contract for any such purchase; and
- (ii) the amount stipulated by Article 5(1) of the EU Buy-Back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for a 9% cumulative preference share in the Company on the trading venues where the market purchases by the Company will be carried out, and that the minimum price that may be paid is £1 per share.

These authorities expire at the AGM on 16 May 2014 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.

### 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 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.

### Retirement of Directors

In accordance with best practice guidelines all of the Directors of the Company shall retire at each AGM of the Company.

### 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.

### Significant Agreements – Change of Control

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

### Emissions Reporting

In accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations (the Regulation), the Company is required to report on all material emissions of the 6 Kyoto gases from direct sources and from purchased electricity, heat, steam and cooling, and in the form of tonnes of Carbon Dioxide equivalent (CO<sub>2</sub>e). This covers all of the Company's operations worldwide and includes indirectly purchased energy. This requirement differs from the Company's obligations to report its UK CRC Energy Efficiency scheme which broadly only required directly purchased energy in the UK to be disclosed. During 2013 the Company worked with its energy advisers, Briar Associates, to develop an efficient and cost efficient system for recording all energy emissions for reporting under the Regulation. For the Distribution business this process is already established. By the second half of the year a monitoring system for parts of the business not captured by the CRC Energy Efficiency Scheme was being implemented throughout the Aviation UK businesses. Given the complexity of the international operations, it was decided to ensure that this was working smoothly and producing quality data before it was rolled out around the world. Full worldwide rollout has commenced during 2014, and should be completed by the end of the year. This means that reliable information for 2013 comprises the data collated from the Distribution business, and is reported below. Data for the parts of the UK Aviation business not covered by the CRC Energy Efficiency Scheme are now being collated for 2014, and a full picture for the UK will be available in the report to December 2014. Worldwide rollout is currently underway, and therefore full worldwide figures will not be available until the year beginning January 2015. Extrapolations on a worldwide basis cannot be accurately undertaken due to variance in CO<sub>2</sub>e emissions and operational practices on a country by country basis. We continue to work with Briar Associates to implement the measuring tools, and also to have the figures independently verified by them.

# Governance Reports:

## Directors' Report continued

for the year ended 31 December 2013

### Methodology:

We have used the UK Government's "Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance, June 2013" and emission factors from UK Government Conversion Factors for Company Reporting 2013. The data used in calculating the emissions for our Distribution business is:

- that gathered to fulfil our requirements under the CRC Energy Efficiency scheme;
- data relating to our fleet fuel consumption; and
- estimates of our Company car use, short term car rentals, and contractors' vehicle use in terms of fuel use/mileage.

The data used in calculating the emissions for our Aviation business is:

- data relating to the site electricity and heating fuel use that we are responsible for;
- data relating to our vehicle fleet fuel consumption.

In association with our independent advisers, Briar Associates, the Company has selected to use tonnes of CO<sub>2</sub>e per £ turnover for John Menzies plc, but also at a divisional level to measure tonnes CO<sub>2</sub>e per £ turnover for the Distribution business. For the aviation business, where KPI's are measured against aircraft turnarounds, the Company will measure tonnes of CO<sub>2</sub>e per aircraft turn.

UK Distribution data for the year to December 2013:

Combustion of fuel and operation of facilities (excluding electricity):  
18,112 tonnes of CO<sub>2</sub>e

Electricity purchased for own use:  
6,275 tonnes of CO<sub>2</sub>e

Total:  
24,387 tonnes of CO<sub>2</sub>e

Intensity ratio:  
0.019 tonnes CO<sub>2</sub>e per £'000 turnover for the Distribution business

### Annual General Meeting

Notice of the John Menzies plc Annual General Meeting for 2014 is contained at the end of the Annual Report and Accounts for 2013.

Approved and issued by the Board of Directors on 3 March 2014.

### John Geddes

Company Secretary  
3 March 2014

The Board remains committed to the principles of good corporate governance as it continues delivering its strategy. The UK Corporate Governance Code is an integral part of our principles and we continue to follow the best practice that it recommends. The Board believes that the Company is fully compliant with the principles of the Code.

The Board considers that the Annual Report and Accounts for the year ended 31 December 2013 taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

## AUDIT COMMITTEE

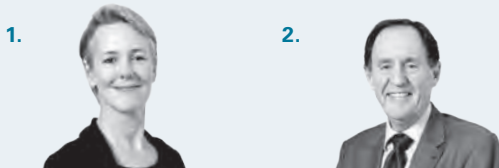


- Name**
1. I Harley – Chairman
  2. E Born – Member
  3. O Morley – Member

### Main Responsibilities

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

## REMUNERATION COMMITTEE



- Name**
1. O Morley – Chairman
  2. I Harley – Member
  3. E Born – Member

### Main Responsibilities

To determine and agree the framework and policy for the remuneration of Directors, Company Secretary and other members of the senior management team as it is designated to consider.

## NOMINATION COMMITTEE



- Name**
1. I Napier – Chairman
  2. E Born – Member
  3. I Harley – Member
  4. O Morley – Member

### Main Responsibilities

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

## LEADERSHIP

### Board Responsibilities and Composition

The Board's key responsibility 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 must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. Its key decision making responsibilities to ensure the long term prosperity of the Company include the approval of strategic plans, financial statements, acquisitions and disposals and major non-recurring projects and major capital expenditures. A formal schedule of matters reserved for the Board is detailed in the Group's Corporate Governance Manual.

The Board met eight times in 2013 and has a formal schedule of matters specifically reserved to it for decision. It consists of eight Directors, five of whom are non-executive (including the Chairman) and three executive. Biographies for each Director, and their position on the Board, are contained on pages 46 and 47.

The Company does not have a Chief Executive Officer; 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 Members

The role of the Chairman is distinct from other positions, is clearly defined and is non-executive. The position exists to lead the Board in strategic discussions, ensuring accurate, clear and timely information is available to all Directors. The Chairman is available to the Executive Directors to discuss any concerns or issues that may arise, and ensure that risk and long term shareholder value remain a key focus for the Executive Directors. In managing Board meetings, the Chairman is aware that sufficient time needs to be made available for the discussion of items, whilst developing an atmosphere which encourages active participation by all Directors. On appointment the Chairman was considered to meet the independence criteria as defined in the FRC UK Corporate Governance Code (the "Code").

Non-Executive Directors are required to constructively challenge and contribute to the strategic development of the Company and are appointed for an initial term of three years. They are expected to satisfy themselves to the integrity of the financial information, controls, and risk management within the businesses by scrutinising the performance of management and challenging information presented to them.

The role of the executive team is to implement on a day to day basis the strategy for their division that has been agreed by the Board. They are also expected to report regularly to the Board on any issues that are happening within their business and their proposed resolutions when problems occur.

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.

Throughout 2013, all of the Directors on each of the Board Committees have been independent, in compliance with the Code.

### Re-election of Directors

In accordance with best practice guidelines, all Directors offer themselves for re-election at each AGM. As reported in January 2014, David McIntosh will stand down from the Board. He will remain a Director until a replacement has been recruited and will therefore stand for re-election at the AGM in 2014.

## EFFECTIVENESS

The Board recognises and believes that having a balance of skills, knowledge and experience is vital in successfully developing and challenging its strategy. All Directors are expected to behave in the interests of all shareholders and bring with them independent judgement in reaching their decisions. The Board believes that the current balance between executive and Non-Executive Directors is appropriate. The Board reviews its composition annually, paying particular regard to the length of tenure of each Director to ensure that there are identified candidates when the Board needs refreshed.

### 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 at least every three years. An evaluation by an independent external consultant was last carried out in 2011 and so internal evaluation of the Board, its members and its Committees was conducted towards the end of 2013.

The Company Secretary in association with the Chairman circulates a detailed questionnaire to each Director, covering all aspects of the Board, its Committees and its performance. The questionnaire asked each Director to rate the performance and quality on issues covering the Board and Committees' structure, composition, procedures and administration. The evaluation also looked at the Group strategy, performance monitoring



against strategy and the Board's risk appetite. The questionnaire looked at the skills, balance and diversity on the Board together with the leadership of the Chairman and performance of the executive team along with people and succession planning.

In association with the questionnaire, the Chairman held a meeting with the Non-Executive Directors to discuss the performance of the executive team, and the Non-Executive Directors held a meeting to discuss the performance of the Chairman. The results of the questionnaire and the meetings were presented to the Board in December. Overall the results were positive indicating that the Board and its Committees was performing well and generally comprised the right mix of skills and experience. However, the evaluation process confirmed that the Board should recruit an additional Non-Executive Director. The Nomination Committee has been tasked with producing a detailed description of the role and the qualities and skills required for the successful candidate. Some administrative changes are also being introduced to address minor issues raised.

### Independence

In addition to the Chairman, who satisfied the independence criteria set out in the code on appointment, three of the Non-Executive Directors are considered independent (Eric Born, Ian Harley and Octavia Morley). Dermot Jenkinson is not considered independent under the code having been on the Board since 1985, initially as an Executive Director and latterly as a Non-Executive Director. Dermot Jenkinson continues to represent the continuing involvement of the founding Menzies family and contributes 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. Ian Harrison, a Director not considered independent under the Code, retired at the AGM in 2013. This means that four of the eight Directors are considered independent in accordance with the Code.

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

The Board continually review the best future shape and size and at this time the Board is well balanced and able to meet the challenges and opportunities that face the business.

### Efficiency

Board papers are sent one week prior to all Board meetings to ensure that Directors have sufficient time to familiarize themselves with the items for discussion. The Company uses electronic packs to ensure quick and secure communication of the papers to each Director. As part of the annual Board evaluation process, Directors are asked to confirm if they are happy with the quality and range of papers that are presented to them, and if they feel that they have sufficient information on which to base their decision making.

### Diversity

The Board fully supports diversity, recognising the benefits that diverse viewpoints can bring in key decision making. We are committed to encouraging and developing all our employees and 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.

### Accountability and Board Committees

The Board met eight times in 2013 and has a formal schedule of matters specifically reserved to it for decision.

## Board and Committee meetings and attendance in 2013:

	Appointed/ (resigned)	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Meetings</b>		<b>8</b>	<b>3</b>	<b>2</b>	<b>1</b>
I Napier		8/8	3/3	1/1	1/1
P Bell	10/6/2013	5/5	–	–	–
E Born		7/8	2/3	2/2	1/1
I Harley		8/8	3/3	2/2	1/1
D Jenkinson		7/8	–	–	–
D McIntosh		8/8	–	–	–
O Morley		8/8	3/3	2/2	1/1
C Smyth		8/8	–	–	–
I Harrison	(17/5/2013)	3/3	–	–	–
P Dollman	(17/5/2013)	3/3	–	–	–

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 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 three members and the Nomination Committee four members. 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 two Executive Directors on them.

### **Succession Planning and Board Recruitment**

The Board is aware that it is essential to have a suitable succession plan in place for when members of the Board either move on or retire. It therefore formally reviews succession plans each year. The Board also reviews the composition of each of the Board Committees to ensure that there is a suitable rotation of Directors on the Committees.

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, or that a suitable candidate is identified externally, to ensure 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.

### **Nomination Process**

The Nomination Committee is tasked with identifying and nominating candidates to the Board when a position is identified. The Committee operates under formal and transparent terms of reference which are available to view on the Company website, [www.johnmenziesplc.com](http://www.johnmenziesplc.com). The Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes; taking into account, amongst other things:

- the results of the Board evaluation process,
- the total number of Directors,
- the balance of executive and Non-Executive Directors and the balance of independent Non-Executive Directors,
- the need to ensure appropriate collective knowledge and experience, the length of service of Directors and diversity factors (including the skills mix, regional and industry experience and gender);

The Committee gives full consideration to succession planning for Directors, Non-Executive Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future. It is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise. Before any appointment is made by the Board, the Committee evaluates the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation prepares a detailed description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:

- use open advertising or the services of an independent external advisers to facilitate the search;
- consider candidates from a wide range of backgrounds;
- ensure recruitment is undertaken in accordance with the Company's equal opportunities and dignity at work policy (available to view on the Company website); and
- consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.

## Induction

On appointment a structured induction programme is used to familiarise Directors with the business. This programme was followed for Paula Bell who joined during the year. The programme is tailored for each new Director to ensure that they receive a focused and appropriate induction plan. Each new Director spends time with the executive team to understand their strategic goals and objectives for their businesses. They will also discuss any issues that are currently being addressed and how the division operates. Following this the new Director will meet with the management teams in each business and in the Group head office, and undertake various site visits to see how the businesses operate and how the various parts of the organisation interact. A new Director also has structured meetings with the Chairman and Non-Executive Directors to familiarise them with the Board and its structures, and the operating responsibilities expected from the position. Following the site visits and meetings, the new Director will then have the opportunity to discuss with the Company Secretary if they have any further training requirements, whether they would like to arrange any meetings with major shareholders or would like further meetings as part of their Company familiarisation process.

## Training and Development

The Board believes that regularly updating the skills and abilities of the Board is vital to achieving the Company's objectives. As well as refreshing Board composition, the Board also looks to receive regular updates, training and development. The Company Secretary is responsible to the Chairman for ensuring that regular updates are provided to the Board on regulatory and governance changes, reporting requirements and market practices. The annual Board evaluation process is used to identify any training requirements or areas of weakness, and the Company Secretary works with the Chairman to provide appropriate training, either to the Board as a whole or on an individual basis as required.

## Information and Support

All Directors, including Non-Executive Directors have access to independent professional advice at the Company's expense. This is arranged via the Company Secretary. In addition, the Board Committees are supported by external professional advisors who provide additional information and undertake work on behalf of the Committee independent of the Company management structure. The Company Secretary is responsible to each Committee for ensuring that sufficient resources are available to it to undertake its duties. In addition to providing sufficient resources, the Company Secretary is responsible for ensuring that the Group Corporate Governance Manual and all Board procedures are complied with, and makes himself available to all Directors to provide advice where required.

## Communication with Shareholders

The Board has responsibility for, and 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 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.

Directors are able at any time to request additional meetings with major shareholders, such meetings arranged via the Company Secretary. The Board receives reports at each of its meetings on any meetings held with shareholders or with details of meetings with analysts and analyst reports. The Chairman and senior independent Director are also available for contact with shareholders at any time.

## NOMINATION COMMITTEE

**Ian Napier**  
Chairman



### Board members

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

### Nomination Committee

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

### Composition of the Committee

The Nomination Committee comprises solely independent Non-Executive Directors, and is chaired by the Board Chairman. There were no changes to the membership of the Committee during the year. The Company Secretary acts as Secretary to the Committee. Executive Directors may attend the Committee by invitation to discuss specific agenda items.

### Role and Responsibilities of the Committee

The Nomination Committee is primarily responsible for identifying and recommending to the Board a Chairman or Non-Executive Director, and identifying and recommending Executive Directors to a brief laid down by the Board.

The Committee's main duties are to

- **Evaluate:** (before making a recommendation to the Board), the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment, and also review the time required from a non-executive to effectively fulfil their duties;

- **Succession Planning:** to ensure that appropriate plans are in place at all times for orderly succession for Board members, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore likely to be needed on the Board in the future,
- **Review Leadership and Structure:** to review annually the structure, size and composition (including the skills, knowledge and experience) of the Board and its Committees and also the leadership needs of the organisation, both executive and non-executive, and make recommendations to the Board with regard to any changes with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

### Work Undertaken in 2013

During 2013 the Committee undertook a review of the Boards structure. At the start of the year the Committee and the Board concluded the recruitment process for the new Group Financial Director. The Committee used the process outlined in the Corporate Governance Statement on page 56. Following a review of the Board structure, the diversity of talent on the Board, and the strategic direction chosen by the Board, the Committee recommended that an additional independent Non-Executive Director should be recruited. The balance of skills, knowledge and experience of the Board was evaluated and the Committee has developed an appointment specification. An external recruitment adviser has been retained to assist in identifying suitable candidates and this recruitment process is now underway in accordance with the process outlined in the Report on Directors' Remuneration on page 63.

The Committee also reviewed succession plans within the Group and for the Board, with particular attention paid to Non-Executive Directors.

### Objectives for 2014

During 2014 the Committee will lead the recruitment process for a new Independent Non-Executive Director to join the Board. It will also continue to evaluate the Board structure and composition and succession plans, and make appropriate recommendations to the Board.

## REMUNERATION COMMITTEE



**Octavia Morley**  
Chairman

### Board members

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

### Annual Statement by Octavia Morley Remuneration Committee Chair

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2013 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.

In preparing this report we have embraced the new reporting regulations and for the first time include a Policy Report that will be subject to a separate binding vote at the forthcoming annual general meeting. In creating the Policy Report we have endeavoured to fully apply the new regulations whilst maintaining an element of flexibility that may be required to deal with future developments and to ensure that the best interests of shareholders are maintained at all times.

As you will see in the Policy Report no material changes are proposed in the remuneration package offered to our Executive Directors and no changes to the structure of the package are envisaged at this time.

Following on from the Policy Report is the Annual Remuneration Report, including details of the remuneration received by Directors during 2013.

During the year Paul Dollman retired and was replaced as Group Finance Director by Paula Bell. The package offered to Paula is in line with market practice and our recruitment policy outlined on page 63. On retirement, and in accordance with the plan rules, it was agreed that Paul Dollman would have pro-rata vesting of some of his outstanding awards subject to performance conditions. Any such awards are fully disclosed in this report. As announced in January, David McIntosh will be leaving the Company after 25 years' of service. The treatment of his incentive awards is set out on page 73.

In our continuing drive for transparency and full disclosure we will continue to publish the performance targets relating to the annual bonus plan following the end of the performance period. With regard to Long-Term Incentive Plans any element of the performance criteria that is not based on EPS or TSR will also be disclosed at the end of the performance period.

During the year ended 31 December 2013, 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 basic salaries. Salary increases to be implemented on 1 May 2014 for Paula Bell, Craig Smyth and David McIntosh are 3%.

**Octavia Morley**  
3 March 2014

## DIRECTORS' REMUNERATION – PRINCIPLES

The remuneration policy below has been developed to be sufficient to attract, retain and motivate Directors of the ability and experience necessary to run the Company successfully, whilst also aligning executive remuneration with the experience of shareholders.

In setting Executive Directors' remuneration, the Committee follows corporate governance requirements. In particular, no Director is involved in the setting of their own remuneration.

## SECTION 1 – DIRECTORS' REMUNERATION POLICY

The following sections set out our Directors' Remuneration Policy (the "Policy"). This Policy will be put forward for shareholder approval at the 2014 AGM in accordance with section 439A of the Companies Act 2006. This policy will apply from the date of our 2014 AGM.

### Remuneration Policy

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<p><b>Basic Salary</b></p> <p>Attract and retain high performing individuals reflecting market value of role and executive's skills and experience.</p>	<p>Normally reviewed annually.</p> <p>Salaries for 2014 will be:</p> <ul style="list-style-type: none"> <li>– P Bell: £319,587</li> <li>– D McIntosh: £301,036</li> <li>– C Smyth: £336,316</li> </ul> <p>The Committee takes into consideration a number of factors when setting salaries, including (but not limited to):</p> <ul style="list-style-type: none"> <li>– The size and scope of the individual's responsibilities;</li> <li>– The individual's skills, experience and performance;</li> <li>– Typical salary levels for comparable roles at appropriate comparator companies;</li> <li>– Pay and conditions elsewhere in the Company; and</li> <li>– Inflation in the relevant market.</li> </ul>	<p>There is no maximum opportunity. Normally, salary increases will be in line with the average increase awarded in the wider employee population.</p> <p>Higher increases may be made in certain circumstances, at the Committee's discretion. For example, this may include (but is not limited to):</p> <ul style="list-style-type: none"> <li>– Increase in the scope and/or responsibility of the individual's role;</li> <li>– Development of the individual within the role;</li> <li>– Corporate events such as a significant acquisition or Group restructuring which impacts the scope of role; and</li> <li>– Where it is considered necessary for the retention of an executive or to reflect significant changes in market practice.</li> </ul>	<p>None, however individual and Company performance are factors taken into account when setting salaries.</p>
<p><b>Annual Bonus</b></p> <p>Incentivise delivery of Group and individual objectives and enhance performance.</p>	<p>The annual bonus is paid in cash and shares, based on the Committee's assessment of performance in the year.</p>	<p>Maximum annual award is 100% of salary.</p>	<p>All measures and targets are reviewed annually and set at the start of the financial year.</p> <p>The measures will include relevant Group and/or divisional financial measures, and may include performance against Key Results Areas (KRAs) or other strategic measures as appropriate.</p> <p>At least 70% of the bonus will be based on performance against financial measures.</p> <p>For 2014, awards will be based 85% on Group or divisional financial measures and 15% on KRAs.</p>
<p>Deferred bonus in shares encourages a longer term focus that is aligned to shareholders and discourages risk taking.</p>	<p>20% of any award is paid in deferred shares. These shares have dividend entitlements.</p> <p>The Committee may clawback bonus awards for a period of three years after the end of the relevant bonus year in the event of the misstatement of accounts that materially increased to the amount of bonus paid, or misconduct by an employee which has or could have led to their employment being summarily terminated.</p> <p>The Committee may increase the level of deferral at any time.</p>		
<p><b>Bonus Co-investment Plan</b></p> <p>Deferred bonus in shares encourages a longer term focus that is aligned to shareholders and discourages risk taking.</p> <p>Long-term performance measures incentivise performance over the medium and long term.</p>	<p>Directors can voluntarily invest up to 40% of any cash bonus received.</p> <p>Vesting of shares is dependent on the attainment of performance criteria.</p> <p>Invested and matching shares usually vest over three years.</p> <p>Matching awards may incorporate the value of dividends over the performance period.</p>	<p>Directors can currently voluntarily invest up to 40% (on a gross basis) of any cash bonus received.</p> <p>Investments are matched at a maximum of 1:1 with shares that vest dependant on performance.</p> <p>The maximum opportunity is 32% of salary.</p>	<p>Performance criteria are reviewed and set at the start of each award.</p> <p>Matching awards will vest based on Group EPS performance.</p> <p>No more than 25% of the award vests on the attainment of threshold target.</p>

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<p><b>Long-term incentive Plan</b></p> <p>To incentivise value creation over the medium and long term.</p> <p>To reward the execution of our strategy.</p> <p>To encourage longer term thinking and planning.</p> <p>To align the interests of shareholders and Directors.</p>	<p>Vesting of shares is dependent on the attainment of performance criteria over a period of at least three years.</p>	<p>Maximum annual grant value is 100% of salary.</p>	<p>Performance criteria are reviewed and set at the start of each award, using one or more of relative TSR, Group EPS performance, Return On Capital Employed or any other Group financial measure and divisional performance measures.</p> <p>Given the difference in responsibilities between the Board Directors, the weightings and measures may vary between participating Executive Directors. For example, heads of divisions will typically have a portion of award based on the performance of their division.</p> <p>For 2014 awards, performance will be based on: relative TSR, Group and Divisional financial measures.</p> <p>No more than 25% of the award vests on the attainment of threshold target.</p>
<p><b>Pension</b></p> <p>To provide market levels of pension provision.</p>	<p>Directors appointed from 2013 onwards participate in a money purchase pension scheme or cash equivalent.</p> <p>C Smyth and D McIntosh participate in a defined benefit pension scheme. The scheme closed to new entrants in 2007.</p> <p>The defined benefit pension plans are operated by the trustees of the John Menzies Pension Fund. These arrangements were agreed prior to 27 June 2012.</p>	<p>Directors appointed from 2013 onwards receive a pension contribution of up to 20% of salary.</p> <p>The defined benefit pension scheme provides pension of up to two-thirds of pensionable earnings, or the 'scheme earnings cap' if lower.</p> <p>The earnings cap is £135,000. Accruals up to this cap are limited to 1%.</p> <p>Participating Directors receive a payment of 20% of the difference between the cap and their current salary.</p> <p>The Committee may determine that executives may receive a cash supplement of up to 20% of salary in lieu of pension.</p>	<p>None.</p>
<p><b>Benefits</b></p> <p>To provide market levels of benefits provision.</p>	<p>Executive Directors receive benefits which typically may include (but are not limited to) private health insurance, life assurance, ill-health insurance protection and a company car allowance. Other benefits may be operated through salary sacrifice. The Committee may introduce or remove benefits offered to individuals if it considers it appropriate.</p> <p>Where Executive Directors are required to relocate, the Committee may offer additional expatriate benefits, if considered appropriate.</p>	<p>The car allowance is currently £13,361.</p> <p>The cost of providing other benefits, including health insurance and life assurance, may vary from year-to-year. Therefore it is not practical to define a maximum level for these or any other benefits.</p> <p>The level of any relocation benefits, allowances and expenses will depend on the specific circumstances.</p> <p>There is no overall maximum level of benefits.</p>	<p>None.</p>
<p><b>Company Share-save</b></p> <p>Gives all employees worldwide an interest in the performance of John Menzies shares.</p>	<p>Accumulated savings may be used to exercise an option to acquire shares.</p> <p>The option price may be discounted by up to the HMRC approved level (currently 20%).</p>	<p>Monthly contribution of up to the HMRC approved limit over a three or five year period.</p>	<p>None.</p>
<p><b>Shareholding guidelines</b></p> <p>Shareholding guidelines for Executive Directors are 200% of salary (built up over time). Details of how these operate are set out each year in the Annual Remuneration Report.</p>			
<p><b>Chairman and Non-Executive Director fees</b></p> <p>To attract Non-Executive Directors of sufficient skills and experience to fulfil the role.</p>	<p>The fees for Non-Executive Directors comprise a basic payment and additional payments for being Chairman of a Committee or a Committee member, or the Senior Independent Director. Differential fee levels may be paid for Non-Executive Directors depending on the skills, experience, nationality and responsibilities of the individual.</p> <p>The Chairman is eligible for a single fee for all services to the Group.</p> <p>Non-Executive Directors are not eligible to participate in any John Menzies incentive plans.</p> <p>Non-executives fees are reviewed periodically by the Board, with reference to external benchmarking.</p>		

## Governance Reports: Remuneration Committee Report continued

Notes to the Table:

### Performance measures

#### a) Annual bonus

The annual bonus performance measures have been chosen to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver in the Group's Key Results Areas. This balance allows the Committee to effectively reward performance against the key elements of our strategy.

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 analysts' expectations.

#### b) Bonus Co-Investment Plan

BCIP awards are based on Group EPS performance targets measured over three years to incentivise and reward long-term earnings growth. The Committee sets targets to be appropriately stretching, with regard to a number of internal and external reference points.

#### c) Long-Term Incentive Plan

The ultimate goal of the Group is to provide long-term sustainable returns to shareholders. The performance measures are intended to align executive remuneration with this goal. In particular (for 2014): Relative TSR – Total Shareholder Return (TSR) relative to a relevant peer group remains the best measure of the Company's ultimate delivery of value to shareholders. The Committee considers that this promotes alignment between Executive Director reward and the shareholder experience. Targets are set with reference to wider market practice and are positioned at a level which the Committee consider represents stretching performance.

Group and Divisional targets – the structure of the Group means it is important to reward certain Executive Directors based on the long-term performance of the Group and either the Aviation or Distribution division.

#### d) Differences in remuneration policy for Directors and other employees

Remuneration arrangements throughout the Group are based on the principle that reward should be set at competitive levels to support the delivery of the Group's strategy, and should attract, retain and motivate individuals who have the necessary skills for each role. Pay differs for employees of different seniority and for those operating in different parts of the world. For example, in accordance with market practice and shareholder expectations, the remuneration arrangements for Executive Directors place a significant emphasis on long-term performance related pay compared to other employees. The Company also operates a HMRC approved Share-save plan, in which all employees (including Executive Directors) are eligible and which aims to promote a sense of ownership amongst staff.

The 2005 Bonus Co-Investment Scheme and the Long-Term Incentive Plan shall be operated in accordance with the rules of the plans as approved by shareholders. Long-Term Incentive Plan awards are made under the 2007 Divisional Performance Share Plan approved by shareholders at the 2007 AGM. Awards may be adjusted in accordance with the rules approved by shareholders. For example, Long-Term Incentive Plan and Bonus Co-Investment Plan awards may be adjusted in the event of any variation of the Company's share capital. The Committee may recommend to the Board that it amends the targets applicable to LTIP awards if an event occurs which causes the Committee to reasonably consider that, having due regard for the interests of shareholders, the performance targets should be varied to ensure a fair measure of performance or a more effective incentive for participants.

Reclaim provisions (clawback) apply where stated on page 60. Other elements of remuneration are not subject to recovery provisions.

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy where the terms of the payment were agreed (i) before the Policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.



## 1. Recruitment Policy

In determining appropriate remuneration arrangements on hiring a new Executive Director, the Committee will take into consideration all relevant factors, including but not limited to the role, the remuneration being forfeited and the jurisdiction the candidate was recruited from. The Committee is mindful of the need to avoid paying more than is necessary on recruitment.

Salary would be set to take into account role and responsibilities. For interim positions a cash supplement may be paid rather than salary (for example a Non-Executive Director taking on an executive function on a short-term basis).

The Committee may make awards on hiring an external candidate to “buyout” remuneration arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the time over which they would have vested. The key principle would be that “buyout” awards should not be more valuable than those forfeited.

Normally the maximum variable remuneration (excluding buyouts) would be in line with the policy table, comprising a maximum of 232% of salary (100% Annual Bonus, 100% Long-Term Incentive Plan and 32% Bonus Co-Investment Plan). The Committee retains the flexibility to determine that for the first year of appointment any Annual Bonus award will be subject to such conditions as it may determine.

John Menzies currently has a board structure which does not include a CEO position. Against that background there is the potential that a new Executive Director could have different roles and responsibilities which may need to be reflected in their remuneration arrangements. Taking this into account the Committee may, for the first year, make an additional performance related incentive award of up to 50% of salary. The form of any award would be determined at the time. The overall maximum is therefore 282% of salary.

Where an executive is appointed from within the organisation, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following John Menzies’ acquisition of, or merger with, another company, legacy terms and conditions would be honoured.

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will be in line with those detailed in the relevant table above.

## 2. Service Contracts and Letters of Appointment

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 for both the executive and the Company. 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.

Executive Directors	Date of contract	Expiry date
P Bell	10/06/2013	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

All Executive Directors’ service contracts and Non-Executive Director letters of appointment are available for inspection at the Group’s registered office in Edinburgh.

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.

## 3. Payments to Outgoing Directors

- i) Executive Directors will be entitled to receive their basic salary and contractual benefits for any notice period. The Company may in its absolute discretion elect to terminate an Executive Director’s employment by making a payment in lieu of notice of the individual’s salary for that period. The Committee may structure any such payments in such a way as it deems appropriate taking into account the circumstances of departure. Any payments of compensation will be subject to negotiation and the Group Policy includes consideration of appropriate mitigation, including phasing of payments.
- ii) The cost of legal, tax or other advice incurred by an Executive Director in connection with the termination of their employment may be met by the Company. Additional payments may be made where required to settle legal disputes, or as consideration for new or amended post-employment restrictions.
- iii) In the event of a Director’s departure, any outstanding share awards will be treated in accordance with the relevant plan rules. The following principles apply for the treatment of remuneration elements following loss of office for a Director:

## Governance Reports:

# Remuneration Committee Report continued

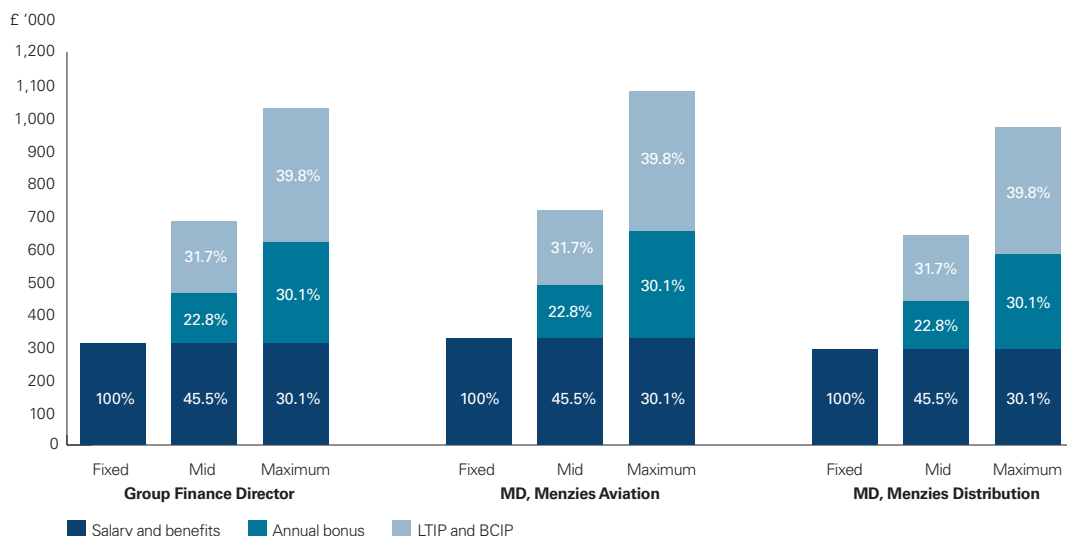
<b>Annual bonus</b>	There is no automatic entitlement to annual bonus. Taking into account the circumstances of leaving, the Committee may award a bonus in respect of performance in the financial year with appropriate consideration of time pro-rating.
<b>Deferred bonus shares</b>	Shares are required to be transferred back to the Company (or the Director to pay the market value to the Company) in circumstances of resignation or dismissal. In other circumstances the deferred shares would normally be retained by the Director.
<b>Bonus Co-Investment Plan – matching awards</b>	<p>If a Director ceases office or employment with the Group any unvested awards will lapse unless the individual is a good leaver.</p> <p>Good leavers are those participants who leave by reason of death, injury, ill-health, disability, retirement, redundancy, the transfer of the individual's employing company or business out of the Group or such other circumstances as the Committee may determine. This discretion will not be exercised where the individual is dismissed for misconduct. For good leavers awards will vest subject to the Committee's assessment of the extent to which the performance targets have been met, and, unless the Committee determines otherwise, time pro-rating by reference to the proportion of the performance period elapsed. On death the matching ratio shall be one to one unless the Committee determines that it should apply a lower ratio taking into account the particular circumstances, the time elapsed in the performance period and the extent to which the performance targets are likely to be achieved.</p>
<b>Long-Term Incentive Plan (2007 Divisional Performance Share Plan)</b>	<p>If a Director ceases office or employment with the Group any unvested awards will lapse unless the individual is a good leaver.</p> <p>Good leavers are those participants who leave by reason of injury, ill-health, disability, retirement (with the agreement of the employing company), redundancy, the transfer of the individual's employing company or business out of the Group or such other circumstances as the Committee may determine. This discretion will not be exercised where the individual is dismissed for misconduct. Awards will vest on the normal vesting date subject to performance to the end of the relevant performance period and time pro-rating.</p> <p>If the participant dies, awards will normally vest as soon as practical on a time-apportioned basis and subject to the Committee's assessment of the likelihood that the performance condition will be met in the ordinary course of events.</p>
<b>Pension</b>	<p>The Director will be eligible to receive the standard contribution to the defined contribution pension plan, or cash equivalent, during the notice period.</p> <p>Under the Menzies Pension Fund, on early retirement the Director receives a pension which is reduced to reflect early payment in accordance with the rules of the scheme.</p>
<b>Company Share-Save</b>	Leavers will be treated in accordance with the approved plan rules.
<b>Benefits</b>	The Company may make a contribution towards reasonable legal fees incurred in relation to any agreement to cease employment.
<b>Buyout awards and additional recruitment awards</b>	The Committee would determine the leaving terms for any such award at the time of grant.

In the event of a change of control or winding up of the Company, treatment of share awards will be in accordance with the relevant plan rules, which are in summary:

- On change of control LTIP awards may vest taking into account the Committee's assessment of the extent to which the performance targets have been met and the proportion of the performance period that has elapsed.
- BCIP awards may vest on change of control and winding up subject to the Committee's assessment of the extent to which the performance targets have been met, and, unless the Committee determines otherwise, time pro-rating by reference to the proportion of the performance period elapsed.

#### 4. Illustration of remuneration policy

The following charts illustrate the different elements of the Executive Directors' remuneration under three different performance scenarios: 'Fixed', 'Mid' and 'Maximum'. The assumptions used are provided below the charts.



As announced in January 2014 David McIntosh is currently working his notice period. He will participate in the annual bonus plan for 2014 on a time worked basis, and will not receive LTIP or BCIP grants in 2014. The above assumes that David works for all of 2014. See page 73 for further details of his arrangements.

Component	'Fixed'	'Mid'	'Maximum'
Base salary	Base salary for 2014		
Pension	Defined benefit – Single figure value for 2013 Defined contribution/Cash supplement – value for 2014		
Benefits	Taxable value of annual benefits provided in 2013		
Annual bonus (cash and deferred shares)	0% of salary	50% of salary	100% of salary
Bonus Co-Investment Plan	0% of salary	25% vesting of 1:1 match	100% vesting of 1:1 match
Long-term Incentive Plan	0% vesting	25% vesting	100% vesting

The values for the Bonus Co-Investment Plan and the Long-Term Incentive Plan exclude share price growth during the performance period.

#### 5. Consideration of employee conditions elsewhere in the Group

The average base salary increase awarded across the workforce provides a key reference point when determining levels of increase for the Executive Directors to ensure that all arrangements remain reasonable.

John Menzies employs around 24,000 people in over 140 locations globally and the Committee therefore did not believe it practical or reasonable to consult employees on the remuneration policy for Executive Directors during the year. The Committee takes into account employee conditions across the Group when determining remuneration policy.

#### 6. Consideration of shareholder views

The Committee reviews shareholder feedback on executive remuneration matters as well as developments in investor body guidelines, and has taken these into account in formulating executive remuneration policies. John Menzies' policies and practices have not changed materially for a number of years. Were a material change to be made to any of the policies, the Committee would look to discuss the changes in advance with major shareholders.

## SECTION 2 – ANNUAL REPORT ON REMUNERATION

### Total remuneration received for the year ended December 2013

The new disclosure regulations require companies to provide a single figure of remuneration for each Director, broken down into each element of pay and compared to the previous year. This information is set out below.

(Audited)

	Base salary/fee £'000		Benefits £'000		Annual bonus £'000		Bonus Co-Investment Plan £'000		Long-term Incentive Plans £'000		Total Long-term incentives £'000		Pension		Total Remuneration	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Executive Directors</b>																
Paula Bell	174	–	8	–	52	–	–	–	–	–	–	–	35	–	269	–
David McIntosh	289	279	15	15	–	61	–	79	243	360	243	439	61	54	608	848
Craig Smyth	323	314	15	15	150	200	59	82	587	640	646	722	69	63	1,203	1,314
<b>Non-Executive Directors</b>																
Iain Napier	181	176	–	–	–	–	–	–	–	–	–	–	–	–	181	176
Ian Harley	50	49	–	–	–	–	–	–	–	–	–	–	–	–	50	49
Dermot Jenkinson	40	40	–	–	–	–	–	–	–	–	–	–	–	–	40	40
Octavia Morley	44	43	–	–	–	–	–	–	–	–	–	–	–	–	44	43
Eric Born	40	40	–	–	–	–	–	–	–	–	–	–	–	–	40	40
<b>Former Directors</b>																
Paul Dollman	134	336	5	15	20	158	42	149	541	915	583	1,064	18	162	760	1,735
Ian Harrison	17	40	–	–	–	–	–	–	–	–	–	–	–	–	17	40

Notes:

- The value for 2013 BCIP and LTIP represents the estimate of the plans which will vest in March 2014 based on the average share price for the 3 months to 31 December 2013.
- Paul Dollman participated in an unfunded arrangement above the pension cap rather than a cash allowance.
- Benefits offered to Directors include a car allowance and health insurance. Details of the pension arrangements for each of the Directors are included on page 71.
- The Long-Term Incentive Plans figure includes gains realised during the year from exercising Executive Share Options, together with the value of the LTIP as detailed above.

### 1. Base salary

Salaries of Executive Directors and other staff are reviewed annually. The current salaries for Executive Directors are set out below and will be increased with effect from 1 May 2014. When determining executive remuneration, the Committee takes account of pay and employment conditions in the Company as a whole.

	2012 salary	2013 salary	2014 salary	% increase for 2014
Paula Bell	–	£310,000	£319,587	3%
David McIntosh	£283,500	£292,005	£301,036	3%
Craig Smyth	£316,725	£326,227	£336,316	3%

## 2. Non-Executive Directors fees

For 2013 the fees policy for Non-Executive Directors was:

	Fee level
Basic payment	£38,000
Committee Chairmanship	£6,000
Committee membership	£2,500
Senior Independent Director	£6,000
Group Chairman	£182,800

Directors receive one fee either for Committee Chairmanship or Committee Membership, irrespective of the number of Committees on which they serve.

There has been no change to non-executive remuneration since 2012. These fee levels are subject to review during 2014 and it has been agreed that from 1 May 2014 the basic payment made to Non-Executive Directors will increase to £40,000.

## 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. Targets are set by the Committee at the start of the performance period taking into account market expectations at that time. Bonus payments are non-pensionable.

### 2013 awards included in the single figure

For the year ended 31 December 2013, bonuses were calculated as follows:

Name	Measure	Threshold Target	Stretch Target	Weighting (Percent of salary)	Overall Achieved	Cash value of award (Audited) £000
P Bell	Group PBT	£58.5m	£61.0m	28.3%	16%	£52**
	Aviation EBIT*	£37.5m	£40.0m	28.3%		
	Distribution EBIT*	£29.3m	£31.1m	28.3%		
	Key Result Areas (KRAs)	–	–	15%		
D McIntosh	Distribution EBIT*	£29.3m	£31.1m	85%	0%	£0
	Key Result Areas (KRAs)	–	–	15%	–	
C Smyth	Aviation EBIT*	£37.5m	£40.0m	85%	47%	£150
	Key Result Areas (KRAs)	–	–	15%	40%	
P Dollman	Group PBT	£58.5m	£61.0m	28.3%	16%	£20**
	Aviation EBIT*	£37.5m	£40.0m	28.3%		
	Distribution EBIT*	£29.3m	£31.1m	28.3%		
	Key Result Areas (KRAs)	–	–	15%		

\* Divisional EBIT has been restated in accordance with IAS19 restatement

\*\* Pro-rated for service period

The specific KRA targets are considered to be commercially sensitive.

20% of all bonus awards are deferred in John Menzies shares for three years to December 2016.

### Operation of policy for 2014 awards

The performance measures used for 2014 annual bonus awards will be on the same basis as the above. Performance targets will be disclosed retrospectively as the board considers that the disclosure of prospective targets would be commercially sensitive.

# Governance Reports:

## Remuneration Committee Report continued

### 4. Bonus Co-Investment Plan

Under the Bonus Co-Investment Plan ('BCIP') Executive Directors are invited to invest up to 40% of any cash bonus into the BCIP.

#### 2011 awards included in the single figure

Awards made in 2011 were on a 1:1 matching 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 (6% real per annum EPS growth above RPI). Any dividends accrued on shares which vest will be paid in cash on vesting.

The performance period for awards made in 2011 ended on 31 December 2013. The real per annum growth in EPS for the Company over the performance period of the award was above the threshold level but below the stretch level, resulting in 56% of the award vesting. The shares will vest on 7 March 2014.

	Shares Granted	Attainment	Shares Vesting	Performance Period
P Dollman	8,752*	56%	4,901	1/1/2011-31/12/2013
C Smyth	12,370	56%	6,927	1/1/2011-31/12/2013

\* Paul Dollman originally had a potential maximum award of 11,054 shares. This has been pro-rated for the time served during the performance period in accordance with the scheme rules. His attainment percentages were calculated as at the date of his retirement rather than the end of the performance period, in accordance with the scheme rules.

#### 2013 awards

For March 2013 awards in respect of BCIP, performance measures and targets are as follows:

Group Performance Criteria	Threshold Target (25% vesting)	Stretch Target (100% vesting)
Earnings Per Share (EPS)	EPS growth exceeds RPI growth by 3%	EPS growth exceeds RPI growth by 6%

Details of 2013 awards are shown in the Scheme interests awarded during the financial year table on page 70.

#### Operation of policy for 2014 awards

The performance measures for 2014 awards, in respect of awards under the BCIP, will be as follows:

Group Performance Criteria	Threshold Target (25% vesting)	Stretch Target (100% vesting)
Earnings Per Share (EPS)	EPS growth equals RPI growth	EPS growth exceeds RPI growth by 3%

## 5. Long-Term Incentive Plan

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

The Group Finance Director's targets are split equally between the two Group Performance Criteria. The targets for Divisional Managing Directors are based 75% on the two 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 considered appropriate given the structure of the Group. 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 vest, increasing on a straight-line basis to 100% for stretch or greater achievement.

### 2011 awards included in the single figure

The awards made to Executive Directors in 2011 are detailed below. The shares will vest after the final results announcement on 4 March 2014.

	Shares Granted	Criteria	Threshold Target	Stretch Target	Attainment	Weighting	Shares Vesting	Performance Period
P Dollman	55,252*	TSR v FTSE250	Median	Median +30%	100%	50%	39,505 (71.5% of max)*	1/1/11
		EPS v RPI	RPI + 3% p.a.	RPI + 8% p.a.	43%	50%		- 31/12/13
D McIntosh	53,260	Divisional Op Profit	£28.6m	£30.1m	0%	25%	28,547 (53.6% of max)	1/1/11
		TSR v FTSE250	Median	Median +30%	100%	37.5%		- 31/12/13
		EPS v RPI	RPI + 3% p.a.	RPI + 8% p.a.	43%	37.5%		
C Smyth	65,217	Divisional Op Profit	£30.9m	£35.5m	100%	25%	51,260 (78.6% of max)	1/1/11
		TSR v FTSE250	Median	Median +30%	100%	37.5%		- 31/12/13
		EPS v RPI	RPI + 3% p.a.	RPI + 8% p.a.	43%	37.5%		

\* Paul Dollman originally had a potential maximum award of 69,782 shares. This has been pro-rated for the time served during the performance period in accordance with the scheme rules. His attainment percentages were calculated as at the date of his retirement rather than the end of the performance period, in accordance with the scheme rules.

### 2013 awards

For March 2013 awards, performance measures and targets are as follows:

Group Performance Criteria	Threshold Target (25% vesting)	Stretch Target (100% vesting)
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%
Divisional Financial Results	Will be disclosed at the end of the performance period	Will be disclosed at the end of the performance period

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.

Details of 2013 awards are shown in the Scheme interests awarded during the financial year table on page 70.

# Governance Reports:

## Remuneration Committee Report continued

### Operation of policy for 2014 awards

The performance measures for 2014 awards will be as follows. The DFR targets will be disclosed retrospectively.

Group Performance Criteria	Threshold Target (25% vesting)	Stretch Target (100% vesting)
Total Shareholder Return (TSR)	TSR equals the FTSE 250 median result	TSR equals the FTSE 250 median result plus 30%
Divisional Financial Results	Will be disclosed at the end of the performance period	Will be disclosed at the end of the performance period

## 6. Scheme interests awarded during the financial year

	Type of interest	Basis on which award made	Maximum Number of shares awarded	Face value of shares (£)	% Vesting at threshold	Performance period end
Paula Bell	LTIP – conditional shares	100% of salary	34,533	£266,940	25%	31/12/2015
	BCIP – conditional shares	1:1 match on deferred bonus	–	–	25%	31/12/2015
	Save As You Earn	n/a	571	£3,597		30/11/2016
David McIntosh	LTIP – conditional shares	100% of salary	36,675	£283,498	25%	31/12/2015
	BCIP – conditional shares	1:1 match on deferred bonus	1,020	£7,711	25%	31/12/2015
	Save As You Earn	n/a	474	£2,986		30/11/2016
Craig Smyth	LTIP – conditional shares	100% of salary	40,915	£316,273	25%	31/12/2015
	BCIP – conditional shares	1:1 match on deferred bonus	5,899	£44,596	25%	31/12/2015

LTIP and BCIP awards are subject to performance conditions and the value delivered on vesting depends on performance against pre-defined targets over the period and changes in John Menzies' share price between grant and vesting.

The face value of awards is calculated using the share price on the date of grant. This was £7.73 on 6 March 2013 for the LTIP and for the BCIP the share price on 21 March 2013 was £7.56. The face value of the Save As You Earn is calculated using the Option Price of the Plan.



## 7. Total pension entitlements

### 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. Paula Bell does not participate in the Menzies Pension Fund.

Paul Dollman withdrew from the Menzies Pension Fund in 2011, and received a cash payment equivalent to £48k per annum in lieu of pension saving.

### Unfunded arrangement

The pensionable salary of Paul Dollman was 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 was effective from his date of appointment as a Director. Upon retiring he began receiving a pension and cash sum under this arrangement.

The total of the transfer values for unfunded pension entitlements, held on the Company's balance sheet at 31 December 2013 for current and former Directors, calculated on an IAS 19 Restated basis, totalled £1,379,989 (2012: £1,730,908), from which annual pensions of £44,537 were paid to former Directors (2012: £21,078).

### Cash payments in Lieu of Pension Contributions

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.

Paula Bell receives a cash payment equivalent to 20% of her salary in lieu of any pension contributions.

Pension details are as follows:

Name	Age	Pension as at 31 December 2012 £'000	Capital value at 31 December 2012 £'000	Increase in accrued pension (net of inflation) £'000	Statutory revaluation £'000	Pension at 31 December 2013 (or date Directorship ceased, if earlier) £'000	Capital value of increases at 31 December 2013 or date Directorship ceased if earlier (net of inflation and Director's contributions) £'000	Capital Value at 31 December 2013 or date membership ceased if earlier £'000	Director's contributions during the period £'000	Increases in Capital Value (net of inflation) and Director's contributions £'000
P Dollman <sup>1</sup>	57	39.1	782.0	0.6	0.4	40.1	12.0	802.0	–	3.7
P Dollman <sup>2</sup>	57	62.9	1258.0	0.9	0.6	64.4	18.0	1288.0	–	3.7
C Smyth	46	50.1	1002.0	2.1	1.0	53.2	31.2	1064.0	10.8	30.3
D McIntosh	50	60.8	1216.0	2.0	1.3	64.1	29.2	1282.0	10.8	29.8

#### Notes:

- The funded portion of P Dollman's benefits. Benefits are quoted as at 17 May 2013 as this was the date he left employment and stepped down as a Director of the Company.
- The unfunded portion of P Dollman's benefits. Benefits are quoted as at 17 May 2013 as this was the date he left employment and stepped down as a Director of the Company.

## 8. Directors' Shareholding and Share Interests

Executive Directors are expected to build a shareholding of 200% of salary. All Executive Directors have met their shareholding requirements except Paula Bell, who having joined during 2013 is expected to build her shareholding over time.

The table below shows Director shareholding and share interests as at 31 December 2013, and share options exercised in the year.

	Number of shares owned (including connected persons) Including deferred shares	Unvested conditional shares subject to performance conditions (LTIP and BCIP awards)	Unvested options over shares subject to savings contracts (SAYE)	Vested options exercised in the year
Paula Bell	–	34,533	571	–
David McIntosh	84,512	138,504	1,826	60,189
Craig Smyth	116,734	180,603	–	98,896
Iain Napier	5,000	–	–	–
Ian Harley	4,000	–	–	–
Dermot Jenkinson – Beneficial	1,885,860	–	–	–
Non-Beneficial	2,747,860	–	–	–
Octavia Morley	–	–	–	–
Eric Born	–	–	–	–
Former Directors				
Paul Dollman	n/a	64,004	–	112,930

Details of unvested share awards (excluding details included elsewhere in this report) are as follows:

2011, 2012 and 2013 LTIP awards	Performance measured using a combination of some or all of the following measures: <ul style="list-style-type: none"> <li>– Relative TSR vs FTSE 250, with 25% vesting for median performance and 100% vesting for median performance +30%</li> <li>– Group EPS growth targets of RPI +3% p.a. for 25% vesting and RPI +8% p.a. for 100% vesting</li> <li>– Divisional Financial Results (DFR) for the Aviation or Distribution divisions (targets to be disclosed retrospectively)</li> </ul>
2011, 2012 and 2013 BCIP awards	Performance measured against Group EPS growth targets of RPI +3% p.a. for 25% vesting and RPI +6% p.a. for 100% vesting.

## 9. Payments to outgoing and past Directors

### Paul Dollman

Paul Dollman retired from the Board in May 2013. Paul will receive a proportion of his 2013 Annual Bonus pro-rated for the period of time before his retirement.

Under the terms of the Long-Term Incentive Plan, he is entitled to a pro-rated proportion of the 2011 award which matures in March 2014. This is pro-rated up to the point of retirement. The award made under this Plan for 2012 lapsed upon retirement. The outstanding award under the Bonus Co-Investment Plan for 2011, maturing in March 2014 has also been pro-rated to the point of retirement. Any award made under these plans will be subject to the performance criteria conditions.

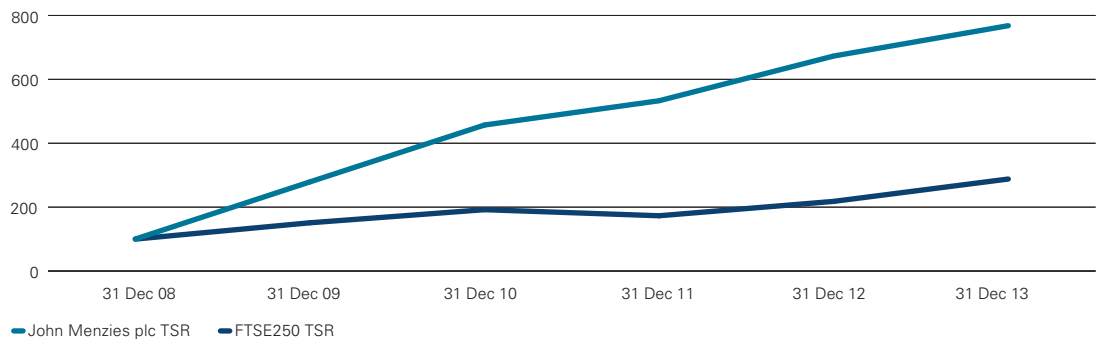
Paul Dollman was also entitled to claim from his funded pension and unfunded pension. He took an early retirement pension from his unfunded arrangement (details on page 71) and deferred his funded approved pension.

### David McIntosh

As announced in January 2014, the Company has mutually agreed with David McIntosh that, after 25 years of service, he will leave the Company to pursue other interests. David is currently working his notice period of 12 months. It is not intended that there will be any payments in lieu of notice. David will participate in the 2014 annual bonus pro-rated for time worked. David will not be made LTIP or BCIP awards during the year. In terms of subsisting LTIP and BCIP awards, the Committee determined that the 2013 awards would lapse in full. Recognising David's contribution to the Company, it determined that the 2012 awards should subsist subject to performance measured at the normal time and also subject to time pro-rating. SAYE options and deferred bonus share awards will lapse.

## 10. Five year historical TSR Performance and Executive Director pay

The following graph compares the Company's total shareholder return for the five years to December 2013 with the equivalent performance of the FTSE250 Index. The Committee consider that, given the scale and global spread of the Group's activities, the most appropriate comparison is with this Index.



The regulations require companies to show the total remuneration for the Director undertaking the role of Chief Executive Officer in each of the last five years. As our current executive structure does not include the role of CEO the following table shows the required figures for the highest paid Director in each year.

	2009 Dollman	2010 Dollman	2011 Dollman	2012 Dollman	2013 Smyth
Highest Paid Director in the Year					
Total remuneration (£'000)	757	750	3,578	1,735	1,203
Annual bonus award (% of maximum)	75%	74%	74%	63%	46%
Long-term incentive vesting (% of maximum)	22%	40%	100%	100%	84%

# Governance Reports:

## Remuneration Committee Report continued

### 11. Percentage change in remuneration

The regulations require companies to show the annual change base salary, benefits and annual bonus for the Director undertaking the role of Chief Executive Officer in the year and the average change for all Group employees. As our current executive structure does not include the role of CEO the following table shows the required figures for the highest paid Director. Given the geographical spread of our business and different rates of wage inflation etc that exist, the average for Group employees for comparison with the highest paid Director is based on the total UK employee base.

	Base salary (% change)	Benefits (% change)	Annual bonus (% change)
Highest Paid Director	3	0	-25%
Average for Group employees	1	0	-20%

### 12. Relative importance of spend on pay

The total spend on employee remuneration at John Menzies during 2013 is reflected in the following table:

Group employee remuneration costs:	£476m
Dividend distribution:	£15.9m
Share buyback:	£0m

### 13. Legacy Plans

#### Executive Share Option Scheme

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 three 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 2013	Granted during year	Exercised during year	Market price at date of exercise(p)	Lapsed during year	Gain/ (loss) £'000	31 Dec 2012	Exercise Price (p)	Exercisable from	Exercisable to
P Dollman	–	–	58,714	766	–	204	58,714	418	07/05/2007	06/05/2014
C Smyth	–	–	43,062	766	–	150	43,062	418	07/05/2007	06/05/2014

\* The exercises that were transacted during the year represent the final transactions in this scheme. There will be no further awards to Executive Directors under this plan.

### 14. The Remuneration 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.

During 2013 the following Non-Executive Directors were members of the Committee:

Name	Title	Attendance
O Morley	Chairman	3/3
I Harley	Member	3/3
E Born	Member	3/3

### Advisers to the Remuneration Committee

During the year the Committee was advised by remuneration consultants from Deloitte LLP. Total fees in relation to executive remuneration consulting was £20,600. Deloitte LLP also provided advice in relation to controls assurance.

Deloitte LLP were appointed by the Committee. Deloitte LLP is a member of the Remuneration Consultants' Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee Chairman agrees each year the protocols under which Deloitte LLP provides advice to support independence. The Committee is satisfied that the advice they have received from Deloitte LLP has been objective and independent.

In addition, legal advice from Maclay Murray & Spens LLP was sought by the Committee where appropriate.

Paul Dollman and Paula Bell, in their role as Group Finance Director, and John Geddes, Group Company Secretary, also provided 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.

### 15. Annual General Meeting

At the 2013 AGM, shareholders approved the 2012 Directors' Remuneration report. 98.88% of votes cast by proxy supported the resolution, 1.07% rejected the resolution and 0.05% votes were withheld.

A resolution to approve this report and the Directors' Remuneration Policy will be tabled at the 2014 AGM. The Chairman of the Committee will be available to answer questions from shareholders on this report.

### 16. 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 2013, Paula Bell continued an external non-executive appointment with Laird plc and Paul Dollman continued a non-executive appointment with Scottish Amicable Life Association Society. Details of fees received are as follows:

Paul Dollman: £15,000 (2012: £36,000)  
(Scottish Amicable Life Association Society)

Paula Bell: £52,000 (Laird Plc)

On behalf of the Board

### Octavia Morley

Remuneration Committee Chairman  
3 March 2014

## AUDIT COMMITTEE

**Ian Harley**  
Chairman



### Board members

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

The Committee provides effective oversight and governance over the financial integrity of the Group's financial reporting and ensuring that the interests of shareholders are protected at all times. The Committee assesses the quality of the internal and external audit processes, and ensures the risks which the business faces are being effectively managed.

It is vitally important that we operate a culture where the very best controls environment exists throughout our global operations.

The Committee will continue to review and update our activities in line with new legislation but also as the nature of our operating businesses evolve.

There has been no change to the membership of the Committee during the year.

### Committee's Role and Responsibilities

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

- reviewing the financial results announcements and financial statements and reviewing significant judgments and estimates contained within them;
- advising the Board on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- ensuring compliance with applicable accounting standards and reviewing the appropriateness of accounting policies and practices in place;
- reviewing the Company's internal financial controls and the effectiveness of the internal audit function;
- reviewing the Group's policies and practices concerning business conduct, ethics and integrity, fraud and whistle-blowing; and
- overseeing all aspects of the relationship with the external auditors, including their appointment, the audit process, the supply of non-audit services and monitoring their effectiveness and independence.

The Committee also exists to ensure that the interests of shareholders are protected and does so by ensuring the integrity of the published financial statements are rigorously reviewed and that the Company has undertaken an effective and full audit process each year. This audit process is currently facilitated by Ernst & Young LLP ("EY").

### Review of Committee Meetings

As scheduled the Committee met three times in 2013. Meeting attendance was as follows:

Ian Harley	3/3
Eric Born	2/3
Octavia Morley	3/3

The Chairman provides a full report of its activities, findings and recommendations to the Board after each meeting.

During the year the Committee generally follows a formal agenda structure for each of the meetings that are planned. The Agenda is reviewed at the start of each year by the Committee Chairman and the Company Secretary and look to include any items over and above the standard items that the Committee may wish to review.

Normally the Chairman of the Board, the Group Finance Director and external auditor are given notice of all of the meetings and may be invited to attend and speak at any meeting. The external auditor has the opportunity to meet with the Audit Committee without any Executive Directors present whenever necessary.

The Audit Committee has the authority to seek any information it requires from any employee of the Company and believes it has received sufficient, reliable information from management to enable it to fulfil its responsibilities during the year.

### Activities during the Year

In 2013 the Committee formally reviewed and recommended the 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 judgments, including significant or unusual transactions or changes to these. In doing so the Committee reviewed the reports of management and the controls assurance (internal audit) provider and took into account the views of the external auditors.

The Committee also reviewed the work of management 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. The register and evaluation of risk constantly evolves and the Committee was satisfied that management had appropriate risk management strategies and systems in place to address the Group's key business risks.

Following the successful implementation of the SAP IT business system in our News Distribution division, the Committee reviewed plans demonstrating the evolution of the financial systems and processes which set out new initiatives which have been completed during the year, such as improvements to resourcing, balance sheet reconciliation completeness and general efficiencies and effectiveness to the processes. The Committee also discussed the merit in driving more efficiency from the use of the SAP IT system.

In addition to the standard agenda the Committee welcomes presentations from the business on key areas of focus. As an example, in Menzies Aviation a new centrally based Security Manager was appointed in May 2013. The Security Manager has a specific remit to oversee effective control of the cash handling and

security protocols that are required within a growing global aviation business and to ensure that security risks are approached in the same way at each and every airport where we operate. A presentation on the role and remit was given to the December meeting of the Committee. The Committee is keen to review the internal control environment and has a particular focus to understand risks in relation to fraud.

The primary areas of judgement considered by the Committee in relation to the 2013 accounts, and how these were addressed were:

### Goodwill & Intangible Assets

The review for impairment of goodwill and intangible assets is based on cash flow projections to calculate a value in use for each area based on forecasts prepared by each division. The achievability of the forecast is a risk, given inherent uncertainty within any financial projection. The Committee reviews the assumptions to assess the value in use as part of the audit.

### Pension Accounting

The assumptions assumed in the calculation for scheme liabilities and asset returns are underpinned by a range of judgment. The Committee reviews these assumptions which are supported by professional advice from external advisory firms.

### External Group Audit

Ernst & Young LLP ("EY") are the appointed auditors to John Menzies plc. They were appointed in 2009 after a full tender process. The main Audit Partner last changed in 2011. There are no contractual obligations in place that restrict the Committee in their choice of Audit provider.

The Committee reviews and approves the audit plan, as well as the findings of the external auditors from its audit of the annual financial statements.

It is vitally important that the Committee believe its appointed Auditors undertake a full and effective audit. Their performance is reviewed annually. In undertaking the review the Chairman of the Committee seeks views from fellow Committee members, the Group Finance Director and also a wide range of senior management who were exposed to the Audit process. The outputs from the Audit provider are also reviewed for accuracy, clarity and also to ensure that they reflect the level of detail undertaken during the audit.

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 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.

## Governance Reports:

# Audit Committee Report continued

During 2013, audit fees amounted to approximately £1m, whilst non-audit fees to EY amounted to approximately £1m. The 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 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 EY are approved by the Group Finance Director, who reports any significant payments or awards of work to the Committee. The Committee believes that the level and scope of these non-audit services does not impair the objectivity of the Company's auditors.

Following a review held at the conclusion of the 2013 audit the Committee was satisfied that EY provided an effective audit and that they remain independent and objective.

### Internal control and Risk management

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. These manuals were reviewed during the year and updated to incorporate legislative changes and best practice. Certain activities, including treasury, taxation, insurance, pension and legal matters are controlled centrally with reports reviewed by the Board as appropriate.

Key identified risks, both financial and non-financial (see page 16 for full details) (the latter including environmental, social and governance risks), are reviewed by the Board as well as at Operating Board level on an ongoing basis, with a formal six-monthly review of risks and controls taking place, supported by the Group's Controls Assurance provider. The scoring matrix used in the production of the respective risk registers was reviewed and updated to more accurately reflect the risk likelihood and its corresponding impact on the Group. This was undertaken in conjunction with Deloitte, our external 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 and where appropriate the Group finance function.

A Treasury Review Committee meets monthly 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. All minutes and matters arising from the Treasury Committee are included in the Main Board papers.

Further details on how the Board manages business risks are shown on pages 16 and 17, and stakeholder risks in particular are summarised in the Corporate Social Responsibility report on pages 36 to 41.

### Internal Audit

The Committee 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.

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 2013 and up until the date of this report, except that it did not apply to the Group's material joint ventures.

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.

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 tool 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 following the implementation of new procedures within Menzies Distribution consider that it accords with guidance.



## 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 believe that the Annual Report and Financial Statements, when taken as a whole, are fair, balanced and understandable.

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.

### **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 Strategic 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.

# Financial Statements:

## Independent Auditor's 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 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Statements 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' Responsibilities Statement set out on page 79, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company's 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.

### Our assessment of risks of material misstatement

We identified the following risks that have had the greatest impact on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

#### The assessment of the carrying value of goodwill and intangible assets with indefinite life;

- We focused on this area because the determination of whether or not an impairment charge for goodwill and intangible assets was necessary involved subjective judgements by Directors about the future performance of relevant parts of the business.

#### The assessment of the valuation of defined benefit pension scheme assets and liabilities;

- We focused on this area because the determination of the actuarial liability involved the application of a number of judgemental assumptions.

#### The completeness of balance sheet reconciliations within the Distribution business;

- We focused on this area because management had identified issues with the performance of a number of balance sheet reconciliations specifically within the Distribution business.

#### The risk of misstatement due to management override, fraud and error specifically around revenue recognition.

- ISAs (UK & Ireland) require that we consider this and we focused on the complexity of revenue recognition and in particular product returns.

## Our application of materiality

We set certain thresholds for materiality. These provide a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

Based on our professional judgement, we determined materiality for the Group to be £2.65m (2012: £2.9m), which is 5% of underlying profit before tax from continuing operations.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £160,000 (2012: £160,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds, such as exceptional items.

## An overview of the scope of our audit

Following our assessment of the risk of material misstatement to the Group financial statements, we selected 31 components which represented the principal business units within the Group's reportable segments or Group functions and account for approximately 90% (2012: 90%) of the Group's revenues and approximately 80% (2012: 80%) of the Group's profit before tax. Four of these were subject to a full audit, including the Parent Company, whilst the remaining 27 were subject to specific audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement identified above and of the materiality of the Group's business operations at those locations. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. For the remaining components, we performed other procedures to confirm there were no significant risks of material misstatement in the Group financial statements.

The audit work at the 31 locations was executed at levels of materiality applicable to each individual entity which were much lower than Group materiality. Included within the 31 specific scope locations are one associate entity and four joint ventures. In each case we were also the auditor and had the necessary access in order to perform the required specific procedures.

Our response to the risks identified above was as follows:

### Assessment of the carrying value of goodwill and intangible assets with indefinite life

- We performed centralised testing of management's impairment reviews, including the integrity of models, and we challenged the use of management's assumptions (set out in note 11) including the reasonableness of cash flow projections, discount rates, perpetuity rates and the sensitivities used;

## Assessment of the valuation of defined benefit pension scheme assets and liabilities

- We challenged management's assumptions (set out in note 4) used in the calculation of the defined benefit obligation, including price inflation, discount rate and life expectancy with the support of experts; we agreed a sample of pension assets for existence through third party confirmations and for valuation using market valuations where available;

## Completeness of balance sheet reconciliations within the Distribution business

- We obtained the population of reconciliations to ensure their completeness and performed detailed testing of reconciliations deemed significant to our audit;

## Risk of misstatement due to management override, fraud and error specifically around revenue recognition

- We performed detailed testing of a sample of sales and accrued income to ensure that revenue had been appropriately recognised in the correct period and to verify its completeness and valuation.
- We tested a sample of items included in other creditors and accruals to supporting documentation to agree their existence and valuation and performed post balance sheet reviews to confirm their completeness. These procedures were supplemented with journal entry testing, analytical review procedures and enquiry of management.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Group and Company financial statements are prepared is consistent with the Group and Company financial statements; and
- the information given in the Corporate Governance Statement set out on page 78 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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 Company Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 21, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

**James Nisbet**

Senior Statutory Auditor  
for and on behalf of Ernst & Young LLP,  
Statutory Auditor  
Edinburgh  
3 March 2014

# Financial Statements: Group Income Statement

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for the year ended 31 December 2013 (year ended 31 December 2012)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2013 Total £m	Before exceptional and other items Restated (Note 1) £m	Exceptional and other items £m	2012 Total Restated (Note 1) £m
<b>Revenue</b>	2	<b>1,905.4</b>	–	<b>1,905.4</b>	1,903.5	–	1,903.5
Net operating costs	3	<b>(1,852.7)</b>	<b>(7.3)</b>	<b>(1,860.0)</b>	(1,849.1)	(23.0)	(1,872.1)
<b>Operating profit</b>		<b>52.7</b>	<b>(7.3)</b>	<b>45.4</b>	54.4	(23.0)	31.4
Share of post-tax results of joint ventures and associates		<b>7.4</b>	<b>(2.5)</b>	<b>4.9</b>	6.6	(2.8)	3.8
<b>Operating profit after joint ventures and associates</b>	2	<b>60.1</b>	<b>(9.8)</b>	<b>50.3</b>	61.0	(25.8)	35.2
<i>Analysed as</i>							
Underlying operating profit*		<b>60.1</b>	–	<b>60.1</b>	61.0	–	61.0
Non-recurring items	5(a)	–	<b>(0.7)</b>	<b>(0.7)</b>	–	(18.4)	(18.4)
Associate goodwill impairment	5(c)	–	<b>(1.4)</b>	<b>(1.4)</b>	–	(1.8)	(1.8)
Contract amortisation	5(c)	–	<b>(6.6)</b>	<b>(6.6)</b>	–	(4.6)	(4.6)
Share of interest on joint ventures and associates		–	<b>0.5</b>	<b>0.5</b>	–	0.6	0.6
Share of tax on joint ventures and associates		–	<b>(1.6)</b>	<b>(1.6)</b>	–	(1.6)	(1.6)
Operating profit after joint ventures and associates		<b>60.1</b>	<b>(9.8)</b>	<b>50.3</b>	61.0	(25.8)	35.2
Finance income	7	<b>0.7</b>	–	<b>0.7</b>	0.8	–	0.8
Finance charges	7	<b>(5.3)</b>	<b>(1.2)</b>	<b>(6.5)</b>	(4.6)	(0.6)	(5.2)
Other finance charge – pensions	4	<b>(2.4)</b>	–	<b>(2.4)</b>	(2.7)	–	(2.7)
<b>Profit before taxation</b>		<b>53.1</b>	<b>(11.0)</b>	<b>42.1</b>	54.5	(26.4)	28.1
Taxation	8	<b>(13.3)</b>	<b>1.6</b>	<b>(11.7)</b>	(13.2)	3.9	(9.3)
<b>Profit for the year</b>		<b>39.8</b>	<b>(9.4)</b>	<b>30.4</b>	41.3	(22.5)	18.8
Attributable to equity shareholders		<b>39.8</b>	<b>(9.4)</b>	<b>30.4</b>	41.3	(22.5)	18.8
<b>Earnings per ordinary share</b>	10						
Basic		<b>65.6p</b>	<b>(15.5)p</b>	<b>50.1p</b>	68.8p	(37.5)p	31.3p
Diluted		<b>65.4p</b>	<b>(15.4)p</b>	<b>50.0p</b>	68.5p	(37.3)p	31.2p

\* 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 2013 (year ended 31 December 2012)

	Notes	2013 £m	2012 Restated (Note 1) £m
Profit for the year		<b>30.4</b>	18.8
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit pensions	4	<b>9.4</b>	(16.4)
Actuarial gain/(loss) on unfunded pension arrangements		<b>0.2</b>	(0.1)
Income tax effect		<b>(2.2)</b>	4.0
Impact of rate change on deferred tax		<b>(1.4)</b>	(1.3)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Movement on cash flow hedges	16	<b>(0.2)</b>	1.4
Income tax effect		<b>–</b>	(0.3)
Movement on net investment hedges	16	<b>3.5</b>	(0.4)
Income tax effect		<b>(0.8)</b>	0.1
Exchange loss on translation of foreign operations		<b>(10.7)</b>	(4.8)
Other comprehensive income for the year (net of tax) attributable to equity shareholders		<b>(2.2)</b>	(17.8)
<b>Total comprehensive income for the year attributable to equity shareholders</b>		<b>28.2</b>	1.0

# Financial Statements: Group and Company Balance Sheets

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as at 31 December 2013 (31 December 2012 and 31 December 2011)

	Notes	Group			Company		
		2013 £m	2012 Restated (Note 1) £m	2011 Restated (Note 1) £m	2013 £m	2012 Restated (Note 1) £m	2011 Restated (Note 1) £m
<b>ASSETS</b>							
<b>Non-current assets</b>							
Intangible assets	11	126.8	123.0	108.8	–	–	–
Property, plant and equipment	12	114.3	116.8	123.4	25.8	28.0	28.8
Investments accounted using the equity method	13	26.3	28.9	31.5	–	–	–
Investment in subsidiaries	13	–	–	–	290.1	290.2	292.8
Deferred tax assets	19	9.2	14.5	11.9	3.9	9.0	7.3
		<b>276.6</b>	283.2	275.6	<b>319.8</b>	327.2	328.9
<b>Current assets</b>							
Inventories		14.5	14.1	15.3	–	–	–
Trade and other receivables	14	183.5	183.5	169.7	231.2	217.3	180.0
Derivative financial assets	16	3.9	0.9	1.5	3.9	0.9	1.5
Cash and cash equivalents		33.8	34.0	24.4	0.9	0.3	1.1
		<b>235.7</b>	232.5	210.9	<b>236.0</b>	218.5	182.6
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Borrowings	16	(49.5)	(46.2)	(3.4)	(48.6)	(46.1)	(2.8)
Derivative financial liabilities	16	(0.3)	(0.6)	(1.9)	(0.3)	(0.6)	(1.9)
Trade and other payables	15	(202.2)	(210.4)	(211.6)	(287.7)	(283.0)	(291.0)
Current income tax liabilities		(8.2)	(9.7)	(12.0)	–	–	–
Provisions	19	(3.5)	(2.2)	(2.9)	–	–	–
		<b>(263.7)</b>	(269.1)	(231.8)	<b>(336.6)</b>	(329.7)	(295.7)
<b>Net current liabilities</b>		<b>(28.0)</b>	(36.6)	(20.9)	<b>(100.6)</b>	(111.2)	(113.1)
<b>Total assets less current liabilities</b>		<b>248.6</b>	246.6	254.7	<b>219.2</b>	216.0	215.8
<b>Non-current liabilities</b>							
Borrowings	16	(91.4)	(81.1)	(100.4)	(91.4)	(81.1)	(100.4)
Other payables	15	(10.5)	(10.0)	(1.8)	(5.0)	(5.0)	(5.0)
Derivative financial liabilities		–	–	(0.3)	–	–	(0.3)
Provisions	19	(4.6)	(9.5)	(3.6)	–	–	–
Retirement benefit obligations	4	(45.8)	(62.5)	(50.8)	(45.8)	(62.5)	(50.8)
		<b>(152.3)</b>	(163.1)	(156.9)	<b>(142.2)</b>	(148.6)	(156.5)
<b>Net assets</b>		<b>96.3</b>	83.5	97.8	<b>77.0</b>	67.4	59.3
<b>Shareholders' equity</b>							
Ordinary shares	20	15.4	15.3	15.2	15.4	15.3	15.2
Share premium account		20.2	18.6	17.4	20.2	18.6	17.4
Treasury shares		(3.3)	(4.1)	(8.3)	(3.3)	(4.1)	(8.3)
Other reserves		(13.4)	(5.2)	(1.2)	(0.8)	(0.6)	(1.7)
Retained earnings		55.3	36.8	52.5	23.9	16.6	15.1
Capital redemption reserve		21.6	21.6	21.6	21.6	21.6	21.6
<b>Total shareholders' equity</b>		<b>95.8</b>	83.0	97.2	<b>77.0</b>	67.4	59.3
Non-controlling interest in equity		0.5	0.5	0.6	–	–	–
<b>Total equity</b>		<b>96.3</b>	83.5	97.8	<b>77.0</b>	67.4	59.3

The accounts were approved by the Board of Directors on 3 March 2014 and signed on its behalf by:

**Iain Napier**  
Chairman

**Paula Bell**  
Group Finance Director

## Financial Statements:

# Group and Company Statement of Changes in Equity

as at 31 December 2013 (31 December 2012)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non- controlling equity £m	Total equity Restated (Note 1) £m
<b>Group</b>										
At 31 December 2012 (as previously reported)	15.3	18.6	(4.1)	(0.6)	(4.6)	32.5	21.6	78.7	0.5	79.2
Impact of IAS 19R	–	–	–	–	–	4.3	–	4.3	–	4.3
At 31 December 2012 Restated (Note 1)	15.3	18.6	(4.1)	(0.6)	(4.6)	36.8	21.6	83.0	0.5	83.5
Profit for the year	–	–	–	–	–	30.4	–	30.4	–	30.4
Other comprehensive income	–	–	–	(0.2)	(8.0)	6.0	–	(2.2)	–	(2.2)
Total comprehensive income	–	–	–	(0.2)	(8.0)	36.4	–	28.2	–	28.2
New share capital issued	0.1	1.6	–	–	–	–	–	1.7	–	1.7
Share-based payments	–	–	–	–	–	1.4	–	1.4	–	1.4
Income tax effect of share-based payments	–	–	–	–	–	0.9	–	0.9	–	0.9
Dividends paid	–	–	–	–	–	(15.9)	–	(15.9)	–	(15.9)
Repurchase of own shares	–	–	(3.5)	–	–	–	–	(3.5)	–	(3.5)
Disposal of own shares	–	–	4.3	–	–	(4.3)	–	–	–	–
<b>At 31 December 2013</b>	<b>15.4</b>	<b>20.2</b>	<b>(3.3)</b>	<b>(0.8)</b>	<b>(12.6)</b>	<b>55.3</b>	<b>21.6</b>	<b>95.8</b>	<b>0.5</b>	<b>96.3</b>
At 31 December 2011 (as previously reported)	15.2	17.4	(8.3)	(1.7)	0.5	42.4	21.6	87.1	0.6	87.7
Impact of IAS 19R	–	–	–	–	–	10.1	–	10.1	–	10.1
At 31 December 2011 Restated (Note 1)	15.2	17.4	(8.3)	(1.7)	0.5	52.5	21.6	97.2	0.6	97.8
Profit for the year Restated (Note 1)	–	–	–	–	–	18.8	–	18.8	–	18.8
Other comprehensive income	–	–	–	1.1	(5.1)	(13.8)	–	(17.8)	–	(17.8)
Total comprehensive income	–	–	–	1.1	(5.1)	5.0	–	1.0	–	1.0
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)	–	–	–	–
At 31 December 2012	15.3	18.6	(4.1)	(0.6)	(4.6)	36.8	21.6	83.0	0.5	83.5



	Ordinary shares £m	Share premium account £m	Treasury shares £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Total equity Restated (Note 1) £m
<b>Company</b>										
At 31 December 2012 (as previously reported)	15.3	18.6	(4.1)	(0.6)	–	12.3	21.6	63.1	–	63.1
Impact of IAS 19R	–	–	–	–	–	4.3	–	4.3	–	4.3
At 31 December 2012 Restated (Note 1)	15.3	18.6	(4.1)	(0.6)	–	16.6	21.6	67.4	–	67.4
Profit for the year	–	–	–	–	–	20.1	–	20.1	–	20.1
Other comprehensive income	–	–	–	(0.2)	–	6.0	–	5.8	–	5.8
Total comprehensive income	–	–	–	(0.2)	–	26.1	–	25.9	–	25.9
New share capital issued	0.1	1.6	–	–	–	–	–	1.7	–	1.7
Share-based payments	–	–	–	–	–	1.4	–	1.4	–	1.4
Dividends paid	–	–	–	–	–	(15.9)	–	(15.9)	–	(15.9)
Repurchase of own shares	–	–	(3.5)	–	–	–	–	(3.5)	–	(3.5)
Disposal of own shares	–	–	4.3	–	–	(4.3)	–	–	–	–
<b>At 31 December 2013</b>	<b>15.4</b>	<b>20.2</b>	<b>(3.3)</b>	<b>(0.8)</b>	<b>–</b>	<b>23.9</b>	<b>21.6</b>	<b>77.0</b>	<b>–</b>	<b>77.0</b>
At 31 December 2011 (as previously reported)	15.2	17.4	(8.3)	(1.7)	–	5.0	21.6	49.2	–	49.2
Impact of IAS 19R	–	–	–	–	–	10.1	–	10.1	–	10.1
At 31 December 2011 Restated (Note 1)	15.2	17.4	(8.3)	(1.7)	–	15.1	21.6	59.3	–	59.3
Profit for the year	–	–	–	–	–	37.7	–	37.7	–	37.7
Other comprehensive income	–	–	–	1.1	–	(13.8)	–	(12.7)	–	(12.7)
Total comprehensive income	–	–	–	1.1	–	23.9	–	25.0	–	25.0
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)	–	–	–	–
At 31 December 2012	15.3	18.6	(4.1)	(0.6)	–	16.6	21.6	67.4	–	67.4

## Financial Statements:

# Group and Company Statement of Cash Flows

for the year ended 31 December 2013 (year ended 31 December 2012)

	Notes	Group		Company	
		2013 £m	2012 £m	2013 £m	2012 £m
<b>Cash flows from operating activities</b>					
Cash generated from operations	21	<b>49.5</b>	43.3	<b>(13.4)</b>	(10.4)
Interest received		<b>0.6</b>	0.6	–	–
Interest paid		<b>(5.3)</b>	(4.8)	<b>(5.0)</b>	(4.5)
Tax paid		<b>(10.1)</b>	(9.5)	<b>(2.0)</b>	(2.2)
Net cash from operating activities		<b>34.7</b>	29.6	<b>(20.4)</b>	(17.1)
<b>Cash flows from investing activities</b>					
Loan repaid by associate		–	0.1	–	–
Acquisitions	24	<b>(10.5)</b>	(17.2)	–	–
Net cash acquired with subsidiaries	24	<b>0.3</b>	2.2	–	–
Purchase of property, plant and equipment		<b>(19.4)</b>	(16.7)	<b>(0.1)</b>	–
Intangible asset additions		<b>(3.9)</b>	(3.1)	–	–
Proceeds from sale of property, plant and equipment		<b>2.4</b>	3.9	<b>1.6</b>	–
Dividends received from equity accounted investments		<b>4.4</b>	4.5	–	–
Net cash used in investing activities		<b>(26.7)</b>	(26.3)	<b>1.5</b>	–
<b>Cash flows from financing activities</b>					
Proceeds from issue of ordinary share capital		<b>1.7</b>	1.3	<b>1.7</b>	1.3
Purchase of own shares		<b>(3.5)</b>	(4.3)	<b>(3.5)</b>	(4.3)
Repayment of borrowings	22	<b>(2.2)</b>	(17.9)	–	(17.9)
Proceeds from borrowings	22	<b>13.0</b>	44.1	<b>13.0</b>	44.1
Dividends paid to ordinary shareholders		<b>(15.9)</b>	(15.3)	<b>(15.9)</b>	(15.3)
Net amount repaid by subsidiaries		–	–	<b>24.1</b>	9.2
Net cash (used in)/from financing activities		<b>(6.9)</b>	7.9	<b>19.4</b>	17.1
<b>Increase in net cash and cash equivalents</b>	22	<b>1.1</b>	11.2	<b>0.5</b>	–
Effects of exchange rate movements		<b>(1.6)</b>	(0.6)	–	–
Opening net cash and cash equivalents		<b>33.8</b>	23.2	<b>0.2</b>	0.2
<b>Closing net cash and cash equivalents*</b>	22	<b>33.3</b>	33.8	<b>0.7</b>	0.2

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

The consolidated accounts of the Group for the year ended 31 December 2013 were approved and authorised for issue in accordance with a resolution of the Directors on 3 March 2014. 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 affecting the Group

In the current year the Group has adopted the amendments to IAS 1 Presentation of items of Other Comprehensive Income, IFRS 13 Fair Value Measurement and IAS 19R Employee Benefits.

The amendments to IAS 1 require items of Other Comprehensive Income to be grouped by those that will be reclassified subsequently to profit or loss and those that will never be reclassified subsequently to profit or loss, together with their associated income tax. The amendments have been applied retrospectively and, hence, the presentation of items in Other Comprehensive Income have been restated to reflect the change. The effect of these changes is evident from the Group Statement of Comprehensive Income.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The relevant disclosures are reflected in Note 16.

Under IAS 19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, have been replaced with a net interest charge that is calculated by applying the discount rate to the net defined benefit liability. In addition, administration expenses are now treated as an operating expense. The impact on the results, Statement of Changes in Equity, Balance Sheet, earnings per share for the prior year and impact on the current year, is outlined below.

### Impact on results for year ended 31 December 2012

	Full year to 31 December 2012		
	As previously reported £m	Prior year adjustment £m	As restated £m
<b>Revenue</b>	1,903.5	–	<b>1,903.5</b>
Net operating costs	(1,870.0)	(2.1)	<b>(1,872.1)</b>
<b>Operating Profit</b>	33.5	(2.1)	<b>31.4</b>
Share of post-tax results of joint ventures and associates	3.8	–	<b>3.8</b>
<b>Operating profit after joint ventures and associates</b>	37.3	(2.1)	<b>35.2</b>
<i>Analysed as</i>			
Underlying operating profit	63.1	(2.1)	<b>61.0</b>
Non-recurring items	(18.4)	–	<b>(18.4)</b>
Associate goodwill impairment	(1.8)	–	<b>(1.8)</b>
Contract amortisation	(4.6)	–	<b>(4.6)</b>
Share of interest on joint ventures and associates	0.6	–	<b>0.6</b>
Share of tax on joint ventures and associates	(1.6)	–	<b>(1.6)</b>
Operating profit after joint ventures and associates	37.3	(2.1)	<b>35.2</b>
Finance income	0.8	–	<b>0.8</b>
Finance charges	(5.2)	–	<b>(5.2)</b>
Other finance charge – pensions	(0.9)	(1.8)	<b>(2.7)</b>
<b>Profit before taxation</b>	32.0	(3.9)	<b>28.1</b>
Taxation	(10.4)	1.1	<b>(9.3)</b>
<b>Profit for the year</b>	21.6	(2.8)	<b>18.8</b>

## 1. Accounting policies continued

### Impact on Statement of Changes in Equity

Retained earnings at 1 January 2012 and 1 January 2013 have been restated from £42.4m to £52.5m and from £32.5m to £36.8m respectively. In 2010, the future accrual in the Menzies Pension Fund was capped at 1% resulting in a reduction in the Fund's liabilities. Under IAS 19 the benefit of this reduction was being spread over the remaining life of the Fund. Under IAS 19R this spreading is no longer permitted and opening reserves have been adjusted accordingly.

### Impact on Balance Sheet

The impact has been to reduce the retirement benefit obligation by £13.5m at 31 December 2011 and £5.6m at 31 December 2012. There was a corresponding decrease in deferred tax assets of £3.4m at 31 December 2011 and £1.3m at 31 December 2012. The net impact was to increase the Group net assets by £10.1m and £4.3m at 31 December 2011 and 31 December 2012 respectively.

### Impact on earnings per share

Basic earnings per share at 31 December 2012 have been restated from 36.0p to 31.3p. Diluted earnings per share at 31 December 2012 have been restated from 35.8p to 31.2p.

### Impact on current year

The net charge to the Income Statement for this accounting period has increased by £5.4m on a pre-tax basis (relative to that which would have applied under the previous version of IAS 19), with a tax impact of £1.3m. Operating profit reduced by £2.8m due to the recognition of administrative costs as well as the 2010 active benefit change impact, while other finance charge-pensions increased by £2.6m. The actuarial gain recognised has increased correspondingly by £7.2m. The additional net charge to the Income Statement reduces basic and diluted earnings per share for total operations by 6.9p and 6.8p respectively. The impact from the adoption of IAS 19R has reduced the disclosed defined benefit obligation by £9.4m with a consequent reduction to deferred tax assets recognised of £1.9m.

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

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

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

**The following standards, amendments to standards and interpretations have been issued but are not effective for 2013 and have not been early adopted:**

IFRS 10 Consolidated Financial Statements – effective date 1 January 2014

IFRS 11 Joint Arrangements – effective date 1 January 2014

IFRS 12 Disclosure of Interests in Other Entities – effective date 1 January 2014

Amendments to IFRS 10, 11 and 12 on transition guidance – effective date 1 January 2014

IAS 27 (revised 2011) Separate Financial Statements – effective date 1 January 2014

IAS 28 (revised 2011) Associates and Joint Ventures – effective date 1 January 2014

Amendment to IAS 32 Financial Instruments: Presentation, on offsetting financial assets and financial liabilities – effective date 1 January 2014

IFRS 9 Financial Instruments\* – no effective date set

IAS 19 – Defined Benefit Plans – employee contributions – effective date 1 July 2014.

Annual Improvements to IFRSs – 2010 – 2012 cycle – effective date 1 July 2014.

Annual Improvements to IFRSs – 2011 – 2013 cycle – effective date 1 July 2014.

IAS 36 (amendment) Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets\* – effective date 1 January 2014

IAS 39 (amendment) Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting\* – effective date 1 January 2014

IFRIC 21 Levies\* – effective date 1 January 2014

Improvements to IFRSs (issued May 2012) – various effective dates

\* Not yet adopted for use in the European Union.

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.

For those standards with a later effective date, the Directors are in the process of assessing the likely impact and await finalisation of the standards before formalising their view.

As permitted by Section 408 of the Companies Act 2006 no Income Statement is presented for the Company.

### Basis of consolidation

The consolidated accounts, which have been prepared under the historical cost convention and in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, incorporate the accounts of the Company and its subsidiaries, joint ventures and associates from the effective date of acquisition or to the date of deemed disposal.

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

### 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 despatched 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 despatch 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 Group 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.

### 1. Accounting policies continued

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 for 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 exceptional items.

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

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

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

##### Contracts

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

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

##### Computer software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly attributable with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the directly attributable 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 its overseas operations (cash flow hedges).

Derivative contracts entered into by the Group are expected to continue to be highly effective until they expire. The effectiveness of these contracts is monitored during the year. 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 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.

# Financial Statements:

## Notes to the Accounts continued

### 1. Accounting policies continued

#### Impairment

IFRS requires companies to carry out impairment testing on any assets that show indications of impairment and annually on goodwill and intangibles that are not subject to amortisation. This testing involves exercising management judgement about future cashflows and other events which are, by their nature, uncertain.

#### Retirement benefits

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

#### Income taxes

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

#### Exceptional items

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

Transactions which may give rise to exceptional items include restructuring of business activities (in terms of rationalisation costs and onerous lease provisions), gains or losses on the disposal of businesses and transaction costs associated with the acquisition of new 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 Note 16 on pages 114 to 119.

#### Definitions and 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. The external interest charge excludes net financial income/(charge) related to pensions.



## 2. Segment information

For management purposes the Group is organised into two operating divisions: Distribution and Aviation.

These two divisions are organised and managed separately based upon their key markets. The Distribution segment provides newspaper and magazine distribution services across the UK and Ireland 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.

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)	
	2013 £m	2012 £m	2013 £m	2012 Restated (Note 1) £m
<b>Distribution</b>	<b>1,277.5</b>	1,299.6	<b>24.3</b>	27.5
<b>Aviation</b>				
– ground handling	<b>454.0</b>	422.1	<b>21.9</b>	21.3
– cargo handling	<b>149.8</b>	158.6	<b>11.7</b>	9.7
– cargo forwarding	<b>119.0</b>	116.5	<b>4.2</b>	3.8
	<b>722.8</b>	697.2	<b>37.8</b>	34.8
<b>Corporate</b>	<b>–</b>	–	<b>(2.0)</b>	(1.3)
	<b>2,000.3</b>	1,996.8	<b>60.1</b>	61.0
Joint ventures and associates	<b>(94.9)</b>	(93.3)	<b>–</b>	–
	<b>1,905.4</b>	1,903.5	<b>60.1</b>	61.0

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

2013	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	<b>21.2</b>	<b>26.3</b>	<b>(2.1)</b>	<b>45.4</b>
Share of post-tax results of joint ventures	<b>1.1</b>	<b>3.5</b>	<b>–</b>	<b>4.6</b>
Share of post-tax results of associates	<b>–</b>	<b>0.3</b>	<b>–</b>	<b>0.3</b>
Operating profit/(loss) after joint ventures and associates	<b>22.3</b>	<b>30.1</b>	<b>(2.1)</b>	<b>50.3</b>
Net finance expense				<b>(8.2)</b>
Profit before tax				<b>42.1</b>

<i>Analysed as</i>				
Pre-exceptional operating profit/(loss)*	<b>24.3</b>	<b>37.8</b>	<b>(2.0)</b>	<b>60.1</b>
Acquisition related costs (Note 5(a))	<b>–</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(0.7)</b>
Impairment provision (Note 5(c))	<b>–</b>	<b>(1.4)</b>	<b>–</b>	<b>(1.4)</b>
Contract amortisation (Note 11)	<b>(1.7)</b>	<b>(4.9)</b>	<b>–</b>	<b>(6.6)</b>
Share of interest on joint ventures and associates	<b>–</b>	<b>0.5</b>	<b>–</b>	<b>0.5</b>
Share of tax on joint ventures and associates	<b>(0.3)</b>	<b>(1.3)</b>	<b>–</b>	<b>(1.6)</b>
Operating profit/(loss) after joint ventures and associates	<b>22.3</b>	<b>30.1</b>	<b>(2.1)</b>	<b>50.3</b>

# Financial Statements:

## Notes to the Accounts continued

### 2. Segment information continued

2012 – Restated (Note 1)	Distribution £m	Aviation £m	Corporate £m	Group £m
Operating profit/(loss)	21.7	11.0	(1.3)	31.4
Share of post-tax results of joint ventures	0.9	3.4	–	4.3
Share of post-tax results of associates	–	(0.5)	–	(0.5)
Operating profit/(loss) after joint ventures and associates	22.6	13.9	(1.3)	35.2
Net finance expense				(7.1)
Profit before tax				28.1

<i>Analysed as</i>				
Pre-exceptional operating profit/(loss)*	27.5	34.8	(1.3)	61.0
Rationalisation costs (Note 5(a))	(4.1)	(6.6)	–	(10.7)
Onerous lease provision (Note 5(a))	–	(7.7)	–	(7.7)
Impairment provision (Note 5(c))	–	(1.8)	–	(1.8)
Contract amortisation (Note 11)	(0.5)	(4.1)	–	(4.6)
Share of interest on joint ventures and associates	–	0.6	–	0.6
Share of tax on joint ventures and associates	(0.3)	(1.3)	–	(1.6)
Operating profit/(loss) after joint ventures and associates	22.6	13.9	(1.3)	35.2

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

2013	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	<b>192.9</b>	<b>270.9</b>	<b>5.5</b>	<b>469.3</b>
Unallocated assets				<b>43.0</b>
Total assets				<b>512.3</b>
Segment liabilities	<b>(115.7)</b>	<b>(92.6)</b>	<b>(12.8)</b>	<b>(221.1)</b>
Unallocated liabilities				<b>(194.9)</b>
Total liabilities				<b>(416.0)</b>
Segment net assets/(liabilities)	<b>77.2</b>	<b>178.3</b>	<b>(7.3)</b>	<b>248.2</b>
Unallocated net liabilities				<b>(151.9)</b>
Net assets				<b>96.3</b>

2012 – Restated (Note 1)	Distribution £m	Aviation £m	Corporate £m	Group £m
Segment assets	198.0	265.8	3.4	467.2
Unallocated assets				48.5
Total assets				515.7
Segment liabilities	(123.0)	(95.9)	(13.8)	(232.7)
Unallocated liabilities				(199.5)
Total liabilities				(432.2)
Segment net assets/(liabilities)	75.0	169.9	(10.4)	234.5
Unallocated net liabilities				(151.0)
Net assets				83.5

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.

	Distribution £m	Aviation £m	Corporate £m	Group £m
<b>2013</b>				
Capital expenditure – property, plant and equipment	<b>2.3</b>	<b>17.0</b>	<b>0.1</b>	<b>19.4</b>
Capital expenditure – intangible assets	<b>1.9</b>	<b>1.6</b>	<b>0.4</b>	<b>3.9</b>
Depreciation	<b>4.9</b>	<b>13.8</b>	<b>0.7</b>	<b>19.4</b>
Amortisation of intangible assets	<b>3.6</b>	<b>6.0</b>	–	<b>9.6</b>
Goodwill impairment (Note 13)	–	<b>1.4</b>	–	<b>1.4</b>
Gain on disposal of property, plant and equipment	–	–	<b>(0.3)</b>	<b>(0.3)</b>

	Distribution £m	Aviation £m	Corporate £m	Group £m
2012				
Capital expenditure – property, plant and equipment	3.4	13.3	–	16.7
Capital expenditure – intangible assets	1.7	1.1	0.3	3.1
Depreciation	5.0	14.4	0.8	20.2
Amortisation of intangible assets	2.1	5.5	–	7.6
Goodwill impairment	–	1.8	–	1.8
Gain on disposal of property, plant and equipment	(0.1)	(0.3)	–	(0.4)

### Geographic information

	Revenue		Segment non-current assets	
	2013 £m	2012 £m	2013 £m	2012 £m
United Kingdom	<b>1,418.0</b>	1,437.5	<b>118.1</b>	125.2
Continental Europe	<b>160.5</b>	145.6	<b>50.7</b>	49.0
Americas	<b>150.9</b>	146.6	<b>40.8</b>	36.4
Rest of the World	<b>176.0</b>	173.8	<b>57.8</b>	58.1
	<b>1,905.4</b>	1,903.5	<b>267.4</b>	268.7

### 3. Net operating costs

	2013 £m	2012 Restated (Note 1) £m
Goods for resale and other operating charges	1,354.3	1,377.7
Employment costs (Note 4)	476.0	448.2
Intangible assets amortisation (Note 11)	9.6	7.6
Depreciation (Note 12)	19.4	20.2
Exceptional items (Note 5)	0.7	18.4
	<b>1,860.0</b>	1,872.1

Other operating charges include:

Operating leases and hire charges – plant and machinery	27.9	27.1
Rent of properties	30.6	30.2
Gain on disposal of property, plant and equipment	(0.3)	(0.4)
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	0.3	0.2
Audit of the Company’s subsidiaries pursuant to legislation	0.7	0.4

Non-audit services

Tax compliance	0.3	0.2
Tax advisory	0.4	0.4
Other assurance services	0.1	–
Due diligence	–	0.1

### 4. Employees

	2013 £m	2012 Restated (Note 1) £m
Wages and salaries	421.4	397.5
Share-based payments	1.4	1.4
Social security costs	39.1	37.2
	<b>461.9</b>	436.1
Pension charge	14.1	12.1
	<b>476.0</b>	448.2

The average number of persons employed during the year was:

	2013 number	2012 number
Distribution	4,081	4,156
Aviation	18,966	17,978
Corporate	23	17
	<b>23,070</b>	22,151

The numbers above include 13,862 persons employed outside the UK (2012: 13,137).

## 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:

	2013 £m	2012 Restated (Note 1) £m
Menzies Pension Fund	3.4	2.4
Other schemes	10.7	9.7
	<b>14.1</b>	12.1

## Financial assumptions

The Actuary undertook a valuation of the Menzies Pension Fund (“The Fund”) as at 31 December 2013 (31 December 2012) under IAS 19.

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

	2013 %	2012 %
Rate of increase in salaries	3.3	2.8
Rate of increase in pensions (prior to 1 May 2006)	3.7	3.4
Rate of increase in pensions (from 1 May 2006 to 1 June 2010)	2.4	2.2
Rate of increase in pensions (after 1 June 2010)	1.0	1.0
Price inflation	3.3	2.8
Discount rate	4.6	4.4

Assumptions regarding future mortality experience are set based on advice that uses published statistics and experience in the business.

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

	2013	2012
Male	20.9	20.8
Female	22.5	22.4

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

	2013	2012
Male	21.7	21.6
Female	23.7	23.6

# Financial Statements:

## Notes to the Accounts continued

### 4. Employees continued

#### Fair value of fund assets (and reconciliation to net pension liabilities)

	2013			2012 Restated (Note 1)		
	Quoted £m	Unquoted £m	Total value at December £m	Quoted £m	Unquoted £m	Total value at December £m
Investment funds	64.4	22.9	87.3	78.2	2.5	80.7
Equities	84.6	–	84.6	72.4	–	72.4
Bonds	79.9	–	79.9	66.1	–	66.1
Property	19.4	–	19.4	24.9	–	24.9
Other	3.1	7.7	10.8	4.6	8.5	13.1
Total value of assets	251.4	30.6	282.0	246.2	11.0	257.2
Defined benefit obligation			(327.8)			(319.7)
Recognised in Balance Sheet			(45.8)			(62.5)
Related deferred tax asset (Note 19)			9.2			14.4
Net pension liabilities			(36.6)			(48.1)

#### Sensitivity analysis

Changes in assumptions compared with December 2013 actuarial assumptions:

	Actuarial value of liabilities on 31 December 2013 £m
0.5% decrease in discount rate	358.1
1 year increase in life expectancy	337.6
-0.5% change in salary increases	327.8*
-0.5% change in inflation	311.0

\* Active members' benefits, once accrued, revalue at CPI capped at 1% p.a. and so changes in the level of salary increase do not affect the past service liability value.

#### Information about the defined benefit obligation

	No. of Members	Liability split	Duration (years)
Active members	573	21%	24.0
Deferred members	3,742	31%	21.9
Pensioners	2,317	48%	12.2
<b>Total</b>	<b>6,632</b>	<b>100%</b>	<b>17.7</b>

	2013 £m	2012 Restated (Note 1) £m
<b>Components of pension expense</b>		
<b>Amounts charged/(credited) to operating profit</b>		
Current service cost	1.8	1.7
Administrative costs	1.6	1.0
Past service costs including curtailments	–	(0.3)
Total service cost	<b>3.4</b>	2.4

**Amounts included in finance costs**

Interest income on Fund assets	11.3	11.8
Interest cost on defined benefit obligation	<b>(13.7)</b>	(14.5)
Net financial charge	<b>(2.4)</b>	(2.7)

Pension expense	<b>5.8</b>	5.1
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**Amounts recognised in the Statement of Comprehensive Income**

	£m	£m
Returns on assets excluding amounts included in net interest	16.1	6.6
Changes in financial assumptions	<b>(6.7)</b>	(28.5)
Experience	–	5.5
Actuarial gain/(loss)	<b>9.4</b>	(16.4)

**Change in scheme assets during the year**

	£m	£m
Fair value of assets at start of year	257.2	242.0
Interest income	11.3	11.8
Company contributions	13.1	9.8
Employee contributions	0.9	1.0
Effect of settlements	<b>(0.4)</b>	–
Benefits and expenses paid	<b>(16.2)</b>	(14.0)
Returns on assets excluding amounts included in net interest	16.1	6.6
Fair value of assets at end of year	<b>282.0</b>	257.2

The actual return on scheme assets was a gain of £27.4m (2012: a gain of £18.4m).

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

	£m	£m
Defined benefit obligation at start of year	319.7	292.8
Total service cost	3.4	2.4
Interest cost	13.7	14.5
Effect of settlements	<b>(0.4)</b>	–
Employee contributions	0.9	1.0
Benefits and expenses paid	<b>(16.2)</b>	(14.0)
Changes in financial assumptions	6.7	29.0
Changes in demographic assumptions	–	(0.5)
Experience	–	(5.5)
Defined benefit obligation at end of year	<b>327.8</b>	319.7

#### **4. Employees** continued

##### **Nature of benefits, regulatory framework and the Company's responsibilities for governance of the Menzies Pension Fund**

The Fund is a registered defined benefit career average revalued earnings scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Fund is operated under trust and as such, the Trustee of the Fund is responsible for operating the Fund and it has a statutory responsibility to act in accordance with the Fund's Trust Deed and Rules, in the best interest of the beneficiaries of the Fund, and UK legislation (including Trust law). The Trustee and the Company have the joint power to set the contributions that are paid to the Fund.

##### **Risks to which the Fund exposes the Company**

The nature of the Fund exposes the Company to the risk of paying unanticipated additional contributions to the Fund in times of adverse experience. The most financially significant risks are likely to be:

- Members living for longer than expected;
- Higher than expected actual inflation and salary increase experience;
- Lower than expected investment returns; and
- The risk that movements in the value of the Fund's liabilities are not met by corresponding movements in the value of the Fund's assets.

The sensitivity analysis disclosed above is intended to provide an indication of the impact on the value of the Fund's liabilities for the risks highlighted.

##### **Fund amendments, curtailments and settlements**

Settlements of £0.4m have occurred over the year.

##### **Expected contributions over the next accounting year**

The Company expects to contribute around £14m to the Fund over the year to 31 December 2014.

##### **Policy for recognising gains and losses**

The Company recognises actuarial gains and losses immediately, through the remeasurement of the net defined benefit liability.

##### **Methods and assumptions used in preparing the sensitivity analyses**

The sensitivities disclosed were calculated using approximate methods taking into account the duration of the Fund's liabilities.

##### **Asset-liability matching strategies used by the Scheme or the Company**

Neither the Fund nor the Company use any asset-liability matching strategies. The Trustee's current investment strategy, having consulted with the Company, is to invest the vast majority of the Fund's assets in a mix of equities and corporate bonds, in order to strike a balance between:

- Maximising the returns on the Fund's assets, and
- Minimising the risks associated with lower than expected returns on the Fund's assets.

However, the Trustee has implemented a de-risking process such that the Fund assets are gradually switched out of equities and into Government bonds as funding improves. This should lead to better matching of assets and liabilities as the fund matures whilst at the same time 'locking in' favourable asset performance. The Trustee is required to regularly review its investment strategy in light of the revised term and nature of the Fund's liabilities and will be next considering this as part of its 2015 valuation exercise. The current benchmark is to hold 70% in growth assets (such as equities) and 30% in bonds (including index-linked and fixed-interest Government bonds and corporate bonds).

##### **Description of funding arrangements and funding policy that affect future contributions**

The Schedule of Contributions dated 31 January 2013 sets out the current contributions payable by the Company to the Fund. The Trustee's next formal actuarial valuation will be due as at 31 March 2015. As part of that valuation process the Trustee and Company will agree a long term funding strategy, which may include a revision to the Schedule of Contributions to take into account any additional contributions to meet any funding shortfall between the value of the Fund's assets and liabilities.



### 5(a) Exceptional items included in operating profit

	Notes	2013 £m	2012 £m
Acquisition related transaction costs	(i)	<b>(0.7)</b>	–
Rationalisation costs	(ii)	–	(10.7)
Onerous lease provisions	(iii)	–	(7.7)
		<b>(0.7)</b>	<b>(18.4)</b>

- (i) Costs relating to the acquisition of subsidiaries during the year total £0.7m.
- (ii) In 2012 the costs of rationalising excess capacity comprised asset write-downs and staff redundancy in Distribution £4.1m and in Aviation £6.6m.
- (iii) These provisions were in respect of future lease obligations in UK and US cargo at Aviation.

### 5(b) Exceptional items included in finance charges

	Notes	2013 £m	2012 £m
Unwind discount	(i)	<b>(0.7)</b>	–
		<b>(0.7)</b>	–

- (i) Relating to the deferred consideration and onerous lease provisions recognised in 2012.

### 5(c) Intangible amortisation

	Notes	2013 £m	2012 £m
Goodwill impairment	(i)	<b>(1.4)</b>	(1.8)
Contract amortisation	(ii)	<b>(6.6)</b>	(4.6)
		<b>(8.0)</b>	<b>(6.4)</b>

- (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 £1.4m (2012: £1.8m) reflecting the remaining life of the current licence at Menzies Macau Airport Services Ltd.
- (ii) Relates to contracts capitalised as intangible assets on the acquisition of businesses.

The taxation effect of the exceptional items is £Nil (2012: net credit of £2.3m).

## 6. Directors' emoluments

		Salary/fees	Benefits	Bonus	Pension salary supplement	Total
	Date of appointment/ resignation	2013 £m	2013 £m	2013 £m	2013 £m	2013 £m
<b>Chairman</b>						
I Napier		0.2	–	–	–	0.2
<b>Executive Directors</b>						
P Bell	10/06/2013	0.2	–	0.1	–	0.3
D McIntosh	24/07/2009	0.3	–	–	–	0.3
C Smyth	20/03/2007	0.3	–	0.1	–	0.4
<b>Non-Executive Directors</b>						
E Born*		–	–	–	–	–
I Harley		0.1	–	–	–	0.1
D Jenkinson*		–	–	–	–	–
O Morley*		–	–	–	–	–
<b>Former Directors</b>						
P Dollman	17/05/2013	0.1	–	–	–	0.1
I Harrison*	17/05/2013	–	–	–	–	–
		1.2	–	0.2	–	1.4
2012		1.3	0.1	0.4	0.1	1.9

\* Certain Non-Executive Directors received less than £0.1m emoluments during the current and prior year.

## 7. Finance costs (pre-exceptional)

	2013 £m	2012 £m
<b>Finance income:</b>		
Bank deposits	0.7	0.8
	0.7	0.8
<b>Finance charges:</b>		
Bank loans and overdrafts	(5.2)	(4.5)
Preference dividends	(0.1)	(0.1)
	(5.3)	(4.6)
Net finance costs	(4.6)	(3.8)

## 8. Taxation

### (a) Analysis of charge in year

	2013 £m	2012 Restated (Note 1) £m
<b>Current tax</b>		
UK corporation tax on profits for the year	2.4	3.1
Overseas tax	8.2	5.6
Adjustments to prior years' liabilities	(0.4)	(1.3)
<b>Total current tax</b>	<b>10.2</b>	<b>7.4</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	0.6	0.6
Impact of UK rate change	(0.9)	(0.4)
Adjustments to prior years' liabilities	0.1	0.7
	<b>(0.2)</b>	<b>0.9</b>
Retirement benefit obligations	1.7	1.0
<b>Total deferred tax</b>	<b>1.5</b>	<b>1.9</b>
<b>Tax on profit on ordinary activities</b>	<b>11.7</b>	<b>9.3</b>

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

	2013 £m	2012 Restated (Note 1) £m
Deferred tax on actuarial loss on retirement benefit obligations	2.2	(4.0)
Impact of UK rate change	1.4	1.3
Current tax on fair value movement on cashflow hedges	–	0.3
Current tax on share-based payments	(0.9)	(1.0)
Deferred tax on share-based payments	–	(0.7)
Current tax on net exchange adjustments	(0.4)	(0.6)
<b>Tax charge/(credit) reported outside profit or loss</b>	<b>2.3</b>	<b>(4.7)</b>

### (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 2013 and 31 December 2012 is as follows:

	2013 £m	2012 Restated (Note 1) £m
<b>Profit before tax</b>	<b>42.1</b>	<b>28.1</b>
Profit before tax multiplied by standard rate of corporation tax in the UK 23.25% (2012: 24.5%)	9.8	6.9
Non-deductible expenses (principally goodwill impairment and intangible amortisation)	2.5	1.1
Depreciation on non-qualifying assets	0.5	0.6
Unrelieved overseas losses	0.8	1.0
Overseas deferred tax assets written off	–	0.3
Exceptional items	0.4	2.3
Utilisation of previously unrecognised losses	(0.2)	(0.2)
Higher/(lower) tax rates on overseas earnings	0.5	(0.2)
Joint ventures and associates post-tax result (included in profit before tax)	(1.4)	(1.2)
Adjustments to prior years' liabilities	(0.3)	(0.8)
Impact of UK rate change on deferred tax	(0.9)	(0.5)
<b>At the effective corporation tax rate of 27.8% (2012: 33.1%)</b>	<b>11.7</b>	<b>9.3</b>

## 8. Taxation continued

The UK Government has announced that the main rate of UK corporation tax will be reduced from the current rate of 23%, which has applied from 1 April 2013, to 20%. The fall is to be phased in over a period of two years, with a 2% reduction to 21% from 1 April 2014, and a subsequent 1% reduction to 20% from 1 April 2015. The reduction in the main rate of corporation tax to 23% was substantively enacted on 3 July 2012. The Finance Act 2013, which was substantively enacted on 2 July 2013, included the legislation to reduce the main rate of corporation tax from 23% to 20%. As the reduction in the main rate of corporation tax to 20% was substantively enacted at the Balance Sheet date, and reduces the tax rate expected to apply when temporary differences reverse, it has the effect of reducing the UK deferred tax assets and liabilities.

However, as most of the UK deferred tax assets 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 in deferred tax assets has been debited to Other Comprehensive Income and therefore has not had an effect on the effective tax rate or on profit for the year.

### (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	40.1	Carry forward for twenty years
South Africa	2.6	Carry forward indefinitely
Germany	21.5	Carry forward indefinitely
Norway	11.9	Carry forward indefinitely
Sweden	3.1	Carry forward indefinitely
Netherlands	6.5	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

	2013 £m	2012 £m
<b>Dividends on equity shares:</b>		
Ordinary – interim paid in respect of 2013, 7.7p per share	<b>4.7</b>	–
– final paid in respect of 2012, 17.85p per share	<b>10.8</b>	–
– interim paid in respect of 2012, 7.35p per share	–	4.4
– final paid in respect of 2011, 17p per share	–	10.2
– paid in respect of 2009 performance share plan	<b>0.4</b>	0.7
	<b>15.9</b>	15.3

Dividends of £0.2m were waived on Treasury shares during 2013 (2012: £0.2m).

The Directors are proposing a final dividend in respect of the year to 31 December 2013 of 18.8p per ordinary share, which will absorb an estimated £11.6m of shareholders' funds. Payment will be made on 20 June 2014 to shareholders on the register at the close of business on 23 May 2014.

### Treasury shares

Ordinary shares are held for employee share schemes. At 31 December 2013 the Company held 613,319 (2012: 834,393) ordinary shares with a market value of £4,342,299 (2012: £5,352,631).

## 10. Earnings per share

	Basic		Underlying*	
	2013 £m	2012 Restated (Note 1) £m	2013 £m	2012 Restated (Note 1) £m
Operating profit	<b>45.4</b>	31.4	<b>45.4</b>	31.4
Share of post-tax results of joint ventures and associates	<b>4.9</b>	3.8	<b>4.9</b>	3.8
add back: exceptional items (Note 5(a))	–	–	<b>0.7</b>	18.4
intangible amortisation (Note 5(c))	–	–	<b>8.0</b>	6.4
share of interest on joint ventures and associates	–	–	<b>(0.5)</b>	(0.6)
share of tax on joint ventures and associates	–	–	<b>1.6</b>	1.6
Net finance costs	<b>(8.2)</b>	(7.1)	<b>(7.0)</b>	(6.5)
Profit before taxation	<b>42.1</b>	28.1	<b>53.1</b>	54.5
Taxation	<b>(11.7)</b>	(9.3)	<b>(11.7)</b>	(9.3)
Exceptional tax	–	–	<b>(1.6)</b>	(3.9)
Earnings for the year	<b>30.4</b>	18.8	<b>39.8</b>	41.3

### Basic

Earnings per ordinary share (pence)	<b>50.1p</b>	31.3p
Diluted earnings per ordinary share (pence)	<b>50.0p</b>	31.2p

### Underlying\*

Earnings per ordinary share (pence)	<b>65.6p</b>	68.8p
Diluted earnings per ordinary share (pence)	<b>65.4p</b>	68.5p

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

Weighted average	<b>60.645</b>	60.066
Diluted weighted average	<b>60.826</b>	60.273

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

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

## 11. Intangible assets

	Goodwill £m	Contracts £m	Computer Software £m	Total £m
<b>Cost</b>				
At 31 December 2012	59.2	80.5	24.0	163.7
Acquisitions (Note 24)	0.1	12.1	–	12.2
Additions	–	0.3	3.6	3.9
Currency translation	(2.3)	(1.4)	–	(3.7)
<b>At 31 December 2013</b>	<b>57.0</b>	<b>91.5</b>	<b>27.6</b>	<b>176.1</b>

### Amortisation and impairment

At 31 December 2012	10.0	18.5	12.2	40.7
Amortisation charge	–	6.6	3.0	9.6
Currency translation	(0.5)	(0.5)	–	(1.0)
<b>At 31 December 2013</b>	<b>9.5</b>	<b>24.6</b>	<b>15.2</b>	<b>49.3</b>

### Net book value

<b>At 31 December 2013</b>	<b>47.5</b>	<b>66.9</b>	<b>12.4</b>	<b>126.8</b>
At 31 December 2012	49.2	62.0	11.8	123.0

	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	–	21.4	–	21.4
Additions	–	–	3.1	3.1
Currency translation	(2.6)	(1.5)	–	(4.1)
At 31 December 2012	59.2	80.5	24.0	163.7

### 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)
At 31 December 2012	10.0	18.5	12.2	40.7

### Net book value

At 31 December 2012	49.2	62.0	11.8	123.0
At 31 December 2011	51.1	46.0	11.7	108.8

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

	2013		2012	
	Goodwill £m	Contracts £m	Goodwill £m	Contracts £m
<b>Aviation</b>				
Netherlands cargo	7.8	–	7.6	–
North American cargo	7.6	–	7.7	–
Australia	5.7	–	6.8	–
AMI South Africa	2.1	–	2.6	–
Scandinavia	3.1	–	3.1	–
Ogden worldwide	9.8	–	9.9	–
Other	4.3	–	4.2	–
	<b>40.4</b>	<b>–</b>	<b>41.9</b>	<b>–</b>
<b>Distribution</b>				
Core Distribution	7.3	12.9	–	–
EM News Distribution (NI) Ltd	–	3.1	–	3.1
The Network	–	2.0	–	2.0
Media on the Move	–	1.0	–	–
Turners News	–	–	4.8	–
Chester Independent Wholesale News Ltd	–	–	–	7.1
North West Wholesale News Ltd	–	–	–	2.7
Other	–	–	2.5	4.1
	<b>7.3</b>	<b>19.0</b>	<b>7.3</b>	<b>19.0</b>
<b>Total</b>	<b>47.7</b>	<b>19.0</b>	<b>49.2</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% (2012: 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 10.4% (2012: 10.6%). The pre-tax rate has been applied to pre-tax cash flows.

### Aviation

Aviation contracts are amortised on a straight-line basis over 10 years as this period is the minimum time-frame management considers when assessing businesses for acquisition. The carrying value of Aviation contracts is £34.1m (2012: £27.8m) and the average remaining amortisation period is 6 years (2012: 6 years).

Value in use calculations are based on Board approved budgets and plans for a 3 year period extrapolated to a 5 year period. In the current year growth rates in the cash flows beyond the 3 year period have been assumed to be nil. Hence, short-term revenue growth rates over 2017 and 2018 are 0% (2012: 0% to 6.5%) and longer term revenue growth rates are 0% (2012: 0.5% to 4.1%). 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.

## 11. Intangible assets

### Distribution

Distribution publisher 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 budgets and plans for a 3 year period extrapolated to a 5 year period. Cash flows beyond the 3 year plan have been extrapolated to a 5 year period using short-term growth rates of -2% to 20%. This reflects management's specific business expectations.

In 2013 the CGUs were revised to reflect more accurately the way the acquired businesses have integrated into the core Distribution business, as well as the way in which the CGUs are managed. 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 non-publisher contracts are amortised on a straight-line basis over 10 years as this period is the minimum time-frame management considers when assessing businesses for acquisition. The carrying value of Distribution non-publisher contracts is £13.6m (2012: £15.2m) and the average remaining amortisation period is 9 years (2012: 10 years).

## 12. Property, plant and equipment

	Group			Total £m	Company
	Freehold property £m	Short leasehold property £m	Plant and equipment £m		Freehold property £m
<b>Cost</b>					
At 31 December 2012	36.6	38.1	195.2	269.9	34.4
Acquisitions (Note 24)	–	–	4.6	4.6	–
Additions	0.1	0.4	18.9	19.4	0.1
Disposals	(1.7)	(1.0)	(10.4)	(13.1)	(1.9)
Currency translation	–	(1.4)	(10.0)	(11.4)	–
<b>At 31 December 2013</b>	<b>35.0</b>	<b>36.1</b>	<b>198.3</b>	<b>269.4</b>	<b>32.6</b>
<b>Depreciation</b>					
At 31 December 2012	10.0	21.5	121.6	153.1	6.4
Charge for the year	0.7	2.1	16.6	19.4	0.8
Disposals	(0.4)	(0.8)	(9.8)	(11.0)	(0.4)
Currency translation	–	(0.7)	(5.7)	(6.4)	–
<b>At 31 December 2013</b>	<b>10.3</b>	<b>22.1</b>	<b>122.7</b>	<b>155.1</b>	<b>6.8</b>
<b>Net book value</b>					
<b>At 31 December 2013</b>	<b>24.7</b>	<b>14.0</b>	<b>75.6</b>	<b>114.3</b>	<b>25.8</b>
At 31 December 2012	26.6	16.6	73.6	116.8	28.0



	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	–	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)	–
At 31 December 2012	36.6	38.1	195.2	269.9	34.4
<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)	–
At 31 December 2012	10.0	21.5	121.6	153.1	6.4
<b>Net book value</b>					
At 31 December 2012	26.6	16.6	73.6	116.8	28.0
At 31 December 2011	27.2	18.0	78.2	123.4	28.8

### 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 2012	25.2	2.0	0.3	27.5	290.2
Share of profits after tax	4.6	1.7	–	6.3	–
Dividends received	(2.8)	(1.6)	–	(4.4)	–
Disposals	–	–	(0.1)	(0.1)	–
Currency translation	(3.0)	–	–	(3.0)	(0.1)
At 31 December 2013	24.0	2.1	0.2	26.3	290.1
<b>Goodwill</b>					
At 31 December 2012	–	1.4	–	1.4	–
Impairment provision (Note 5(c))	–	(1.4)	–	(1.4)	–
At 31 December 2013	–	–	–	–	–
<b>At 31 December 2013</b>	<b>24.0</b>	<b>2.1</b>	<b>0.2</b>	<b>26.3</b>	<b>290.1</b>
At 31 December 2012	25.2	3.4	0.3	28.9	290.2

# Financial Statements:

## Notes to the Accounts continued

### 13. Investments continued

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

	Country of Incorporation	% Interest held	Revenue £m	Profit after tax £m	Assets		Liabilities		Total £m
					More than 1 year £m	Less than 1 year £m	More than 1 year £m	Less than 1 year £m	
<b>Joint ventures</b>									
EM News Distribution (NI) Ltd	UK	50	46.2	1.1	1.0	9.1	(0.1)	(4.7)	5.3
EM News Distribution (Ireland) Ltd	Ireland	50	22.8	–	–	–	–	–	–
Worldwide Magazine Distribution Ltd	UK	50	5.7	–	0.1	1.1	–	(1.1)	0.1
Menzies Bobba Ground Handling Services Private Ltd	India	51	1.4	0.4	3.7	2.0	–	(0.1)	5.6
Menzies Aviation Bobba (Bangalore) Private Ltd	India	49	4.4	2.0	8.4	1.2	–	(0.5)	9.1
Hyderabad Menzies Air Cargo Private Ltd	India	49	3.3	1.0	1.9	1.5	–	–	3.4
Zaankracht Holding BV	Netherlands	30	2.1	0.1	–	0.7	–	(0.3)	0.4
AMI Asia HK Ltd	Hong Kong	50	1.0	–	–	0.2	–	(0.1)	0.1
<b>Associates</b>									
Menzies Macau Airport Services Ltd	Macau	29	7.0	1.7	1.7	1.3	(0.3)	(1.0)	1.7
Swissport Menzies Handling PMR Ute	Spain	19.5	1.0	–	–	0.5	–	(0.1)	0.4
			94.9	6.3	16.8	17.6	(0.4)	(7.9)	26.1

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

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

### 14. Trade and other receivables

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 Restated (Note 1) £m
Trade receivables	144.0	141.2	–	–
Less: provision for doubtful debts	(2.1)	(2.5)	–	–
Trade receivables – net	141.9	138.7	–	–
Other receivables	17.9	19.9	0.3	0.5
Prepayments	23.7	24.9	0.9	1.4
Amounts owed by Group companies	–	–	230.0	215.4
	183.5	183.5	231.2	217.3

The average credit period on sale of goods is 27.2 days (2012: 26.6 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>2013</b>	<b>141.9</b>	<b>107.1</b>	<b>27.4</b>	<b>3.2</b>	<b>4.2</b>
2012	138.7	117.6	16.8	2.4	1.9

## Movement in the provision for doubtful debts

	Group	
	2013 £m	2012 £m
Balance at the beginning of the year	2.5	2.4
Amounts provided during the year	0.9	1.1
Amounts released during the year	(0.1)	(1.0)
Amounts utilised during the year	(1.1)	–
Currency translation	(0.1)	–
Balance at the end of the year	2.1	2.5

## Ageing of past due and impaired receivables

	Group	
	2013 £m	2012 £m
0 – 30 days	0.1	0.1
30 – 60 days	0.2	0.1
60 – 90 days	0.2	0.1
over 90 days	1.6	2.2
	2.1	2.5

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	
	2013 £m	2012 £m	2013 £m	2012 Restated (Note 1) £m
<b>Due within one year</b>				
Trade payables	100.4	104.1	–	–
Other payables	97.4	102.1	9.6	9.9
Other taxes and social security costs	4.4	4.2	–	–
Amounts owed to Group companies	–	–	278.1	273.1
	202.2	210.4	287.7	283.0

### Due after more than one year

Other payables	10.5	10.0	5.0	5.0
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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 below.

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
<b>Derivative financial instruments</b>				
Cash Flow Hedges				
Foreign exchange forward contracts	(0.3)	(0.1)	(0.3)	(0.1)
Foreign Currency Net Investment Hedge				
Foreign exchange forward contracts	3.9	0.4	3.9	0.4
<b>Total derivative financial instruments</b>	<b>3.6</b>	<b>0.3</b>	<b>3.6</b>	<b>0.3</b>
<b>Current</b>	<b>3.6</b>	<b>0.3</b>	<b>3.6</b>	<b>0.3</b>

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

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

### Fair value hierarchy

As at 31 December 2013, 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.

## 2013

	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	3.9	–	3.9	–

	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	0.3	–	0.3	–

## 2012

	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 2013, 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.

### Contingent Consideration:

The consideration to acquire Orbital Marketing Services Group includes contingent consideration based on future targets being met. The contingent consideration's range is between a minimum of £6.0m and a maximum of £12.2m and becomes payable in 2015. The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance.

The consideration to acquire Fore Partnership includes contingent consideration based on future targets being met. The contingent consideration's range is between a minimum of £Nil and a maximum of £4.0m and becomes payable in 2016. The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance. During the year an initial £0.2m down payment was made.

The consideration to acquire Desacol S.A. includes contingent consideration based upon meeting an initial entry level cumulative EBITDA target by 2016 with the consideration being a multiple of average EBITDA over the following three years. The contingent consideration's range is between £Nil and a maximum of £3.0m. The fair value of contingent consideration is the present value of expected future cash flows based on the latest forecasts of future performance.

The liabilities for contingent consideration is a Level 3 derivative financial instrument under IFRS 7.

	£m
<b>Fair value of the contingent consideration at 31 December 2013</b>	
Orbital Marketing Services Group	7.7
Fore Partnership	0.9
Desacol S.A.	1.3

		Group		Company	
		2013 £m	2012 £m	2013 £m	2012 £m
<b>Interest-bearing loans and borrowings</b>	<b>Maturity</b>				
Obligations under finance leases	February 2014	<b>0.3</b>	–	–	–
Bank overdrafts	n/a	<b>0.5</b>	0.2	<b>0.2</b>	0.1
Non-amortising bank loans	May 2014 – September 2017	<b>121.3</b>	105.3	<b>121.0</b>	105.3
Amortising term loan	March 2020	<b>17.4</b>	20.4	<b>17.4</b>	20.4
Preference shares	Non-redeemable	<b>1.4</b>	1.4	<b>1.4</b>	1.4
<b>Total interest-bearing loans and borrowings</b>		<b>140.9</b>	127.3	<b>140.0</b>	127.2
<b>Current</b>		<b>49.5</b>	46.2	<b>48.6</b>	46.1
<b>Non-current</b>		<b>91.4</b>	81.1	<b>91.4</b>	81.1
		<b>140.9</b>	127.3	<b>140.0</b>	127.2

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 2014 and 2020 with interest payable at a fixed rate of 6.23%. The loan has a weighted average maturity of 2 years (2012: 3 years).

# Financial Statements:

## Notes to the Accounts continued

### 16. Financial instruments continued

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between May 2014 and September 2017.

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
<b>Net Debt</b>				
Derivative financial instruments	(3.6)	(0.3)	(3.6)	(0.3)
Interest-bearing loans and borrowings	140.9	127.3	140.0	127.2
Total borrowings	137.3	127.0	136.4	126.9
Less: cash at bank, cash in hand and short-term deposits	33.8	34.0	0.9	0.3
	103.5	93.0	135.5	126.6

	2013		2012	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<b>Financial assets and financial liabilities</b>				
Short-term borrowings	48.7	49.0	46.0	46.4
Medium-term borrowings	86.2	87.5	72.3	74.3
Long-term borrowings	5.2	5.7	8.8	10.2
Derivative financial instruments	(3.6)	(3.6)	(0.3)	(0.3)
Finance leases	0.3	0.3	–	–
Bank overdrafts	0.5	0.5	0.2	0.2
<b>Total financial assets and financial liabilities</b>	137.3	139.4	127.0	130.8
Less: cash at bank, cash in hand and short-term deposits	33.8	33.8	34.0	34.0
<b>Net Debt</b>	103.5	105.6	93.0	96.8

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 £159.8m (2012: £158.6m) and £197.8m (2012: £206.2m) respectively, in respect of the Group and £230.3m and £287.7m (2012: £215.9m and £283.0m) 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 £0.9m difference in book values relates to interest bearing loans and borrowings and is deemed to be short-term in nature.

Currency	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2013 Total financial liabilities £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2012 Total financial liabilities £m
Sterling	121.5	18.8	140.3	105.5	21.8	127.3
Colombian peso	0.6	–	0.6	–	–	–
South African rand	–	–	–	0.1	–	0.1
Net derivative assets	(3.6)	–	(3.6)	(0.3)	–	(0.3)
	118.5	18.8	137.3	105.3	21.8	127.1

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
<b>At 31 December 2013, the expiry profile of undrawn committed facilities was as follows:</b>				
Less than one year	48.1	6.1	48.1	6.1
Between one and two years	–	53.4	–	53.4
Between two and five years	0.2	0.1	0.2	0.1
	48.3	59.6	48.3	59.6

## Cash flow hedges

### Foreign exchange forward contracts

At 31 December 2013 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 2013 the Group had no interest rate swaps in place.

At 31 December 2013, 13.3% (2012: 20.6%) of the Group's borrowings were fixed.

	2013		2012	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of cash flow hedges – currency forward contracts	–	(0.3)	–	(0.1)
<b>Current</b>	–	<b>(0.3)</b>	–	(0.1)

For 2013, 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 (2012: £0.6m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

### Foreign currency net investment hedges

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

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

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

		Group		Company		Sterling Equivalent	
		2013 million	2012 million	2013 million	2012 million	2013 £m	2012 £m
Euro	EUR	<b>21.5</b>	22.5	<b>21.5</b>	22.5	<b>17.9</b>	18.2
US dollar	USD	<b>32.5</b>	36.5	<b>32.5</b>	36.5	<b>19.6</b>	22.5
Czech koruna	CZK	<b>115.0</b>	115.0	<b>115.0</b>	115.0	<b>3.5</b>	3.7
Australian dollar	AUD	<b>22.4</b>	15.4	<b>22.4</b>	15.4	<b>12.1</b>	9.8
New Zealand dollar	NZD	<b>3.0</b>	2.4	<b>3.0</b>	2.4	<b>1.5</b>	1.2
Swedish krona	SEK	<b>50.0</b>	29.0	<b>50.0</b>	29.0	<b>4.7</b>	2.7
Indian rupee	INR	<b>1,000.0</b>	960.0	<b>1,000.0</b>	960.0	<b>9.8</b>	10.8
South African rand	ZAR	<b>55.0</b>	65.0	<b>55.0</b>	65.0	<b>3.2</b>	4.7

	2013		2012	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	<b>3.9</b>	–	0.9	(0.5)
Current	<b>3.9</b>	–	0.9	(0.5)

## 16. Financial instruments **continued**

### Foreign currency sensitivity

For 2013, if the UK pound had weakened/strengthened by 10% on currencies which have a material impact on the Group as regards both Profit Before Tax and Equity, with all other variables held constant the effect would have been:

Change in rate			2013		2012	
			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>0.6</b>	<b>2.2</b>	0.3	2.0
US dollar	USD	-10%	<b>(0.5)</b>	<b>(1.8)</b>	(0.3)	(1.6)
Euro	EUR	+10%	<b>0.7</b>	<b>2.3</b>	0.6	1.7
Euro	EUR	-10%	<b>(0.6)</b>	<b>(1.9)</b>	(0.7)	(1.4)
Australian dollar	AUD	+10%	<b>0.8</b>	<b>1.2</b>	0.7	1.2
Australian dollar	AUD	-10%	<b>(0.6)</b>	<b>(1.0)</b>	(0.8)	(1.0)
Indian rupee	INR	+10%	<b>0.5</b>	<b>1.1</b>	0.4	1.2
Indian rupee	INR	-10%	<b>(0.4)</b>	<b>(0.9)</b>	(0.5)	(1.0)

The impact of the Group's exposure to foreign currency changes for all other currencies is not considered to be material to the overall results of the Group.

### 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 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 and 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:

	2013 £m	2012 £m
Bank deposits	<b>33.8</b>	34.0
Trade receivables	<b>141.9</b>	138.7
	<b>175.7</b>	172.7

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

### Liquidity risk

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

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

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



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

	2013			
	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	(51.4)	(4.8)	(90.0)	(3.8)
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Other liabilities	(0.3)	–	–	–
Trade and other payables	(197.8)	(10.5)	–	–
Financial derivatives	(72.5)	–	–	–
	<b>(322.1)</b>	<b>(15.4)</b>	<b>(90.4)</b>	<b>(5.3)</b>

	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>

## 17. Operating lease commitments

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

	Group				Company	
	Property		Other		Property	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Within one year	<b>31.8</b>	31.0	<b>23.2</b>	25.4	<b>0.5</b>	0.5
Within two to five years	<b>67.0</b>	71.1	<b>33.6</b>	43.9	<b>0.4</b>	1.0
After five years	<b>32.3</b>	39.6	<b>1.4</b>	2.4	–	–
	<b>131.1</b>	141.7	<b>58.2</b>	71.7	<b>0.9</b>	1.5

## 18. Capital commitments

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Contracted but not provided – property, plant and equipment	<b>2.0</b>	1.4	–	–

## 19. Provisions

	Group		Company	
	2013 £m	2012 Restated (Note 1) £m	2013 £m	2012 Restated (Note 1) £m
<b>Deferred tax</b>				
<b>Assets</b>				
Accelerated capital allowances and other temporary differences	–	0.1	(5.3)	(5.4)
Retirement benefit obligations	9.2	14.4	9.2	14.4
	9.2	14.5	3.9	9.0
Movement in year:				
Income Statement – retirement benefit obligations	(1.7)	(1.0)	(1.7)	(1.0)
– other	0.2	(0.9)	0.2	(0.1)
– exchange adjustments	(0.2)	–	–	–
Statement of Comprehensive Income	(3.6)	3.4	(3.6)	2.8
Transfer to current income tax liabilities	–	1.1	–	–
	(5.3)	2.6	(5.1)	1.7
			2013 £m	2012 £m
<b>Other – property related</b>				
At beginning of year			11.7	6.5
Provided during year			0.9	12.3
Unwind of discount			0.5	–
Utilised during year			(4.3)	(6.9)
Released during year			(0.6)	(0.2)
Currency translation			(0.1)	–
At end of year			8.1	11.7
Current			3.5	2.2
Non-current			4.6	9.5
			8.1	11.7

The property related provision is in respect of obligations for vacated leasehold properties where applicable sublet income may be insufficient to meet obligations under head leases. The provision for property costs unwinds over the period between 2014 and 2038.

### Contingent liabilities

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

## 20. Share capital

	2013 £m	2012 £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 – 61,163,585 ordinary shares of 25p each	15.3	15.2
Allotted under share option schemes*	0.1	0.1
Closing – 61,623,336 ordinary shares of 25p each	15.4	15.3

As a result of share scheme allotments, 459,751 (2012: 434,242) ordinary shares having a nominal value of £114,938 (2012: £108,561) were issued during the year at a share premium of £1,564,566 (2012: £1,167,981).

\* Included in this total are 415 (2012: 1,820) ordinary shares of 25p each allotted to Directors under the Savings-Related Share Option Scheme and 101,776 (2012: 100,000) ordinary shares of 25p each allotted to Directors under the Executive Share Option Scheme with a nominal value of £25,548 (2012: £25,455).

### 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 101,776 (2012: 100,000) shares were exercised in 2013 and no options lapsed. This plan is now closed.

Date of grant	Exercise price (pence)	Exercise period	2013 Number	2012 Number
May 2004	418	2007 – 2014	–	101,776

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 357,975 shares were exercised in 2013 and 141,760 options lapsed.

Year of grant	Exercise price (pence)	Exercise period	2013 Number	2012 Number
2009	279	2012-2013	–	36,270
2010	355	2013-2014	<b>25,107</b>	362,060
2011	395	2014-2015	<b>356,091</b>	406,216
2012	497	2015-2016	<b>421,550</b>	489,080
2013	630	2016-2017	<b>437,257</b>	–
			<b>1,240,005</b>	1,293,626

### Company Share Schemes

The Company operates the following share-based payment arrangements:

#### (a) 2000 Executive Share Option Scheme (“ESOS”)

Options under the ESOS were granted to Executive Directors and senior employees of the Group on an annual basis and mature only after three years upon which they become exercisable. The exercise period is usually seven years from maturity and special rules apply to employees who leave the employment of the Group due to ill health, retirement or redundancy. Options were granted with a fixed exercise price equal to the market price of shares under option at the date of grant. No options have been issued under this scheme since 2004.

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

#### (b) 2008 Savings-related Share Option Scheme (“SAYE”)

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

#### (c) 2005 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.

**20. Share capital** continued

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 Directors' Remuneration Policy on pages 60 to 65.

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

**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	Savings-Related Option Scheme			
	Oct-13	Oct-12	Oct-11	Oct-10
Share price at grant date (pence)	799	622	498	450
Exercise price (pence)	630	497	395	355
Number of employees	1,157	937	732	53
Shares under option	437,257	421,550	356,091	25,107
Vesting period (years)	3	3	3	3
Expected volatility	25.0%	25.0%	25.0%	25.0%
Option life (years)	3.5	3.5	3.5	3.5
Expected life (years)	3.5	3.5	3.5	3.5
Risk-free rate	4.6%	4.6%	4.6%	4.6%
Expected dividends expressed as a dividend yield*	4.0%	4.0%	4.0%	4.0%
Fair value per option (pence)	143	113	97	77
IFRS 2 charge per option**	95	75	64	47

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

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

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

Grant date	2005 BCIP			2007 Plan		
	Mar-13	Mar-12	Mar-11	Mar-13	Mar-12	Mar-11
Share price at grant date (pence)	756	598	486	773	590	460
Number of employees	15	13	11	21	24	24
Shares awarded	24,709	24,984	45,770	298,902	374,595	477,677
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)	338	267	217	348	259	207
IFRS 2 charge per share award**	338	267	217	348	259	207

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			
	2013		2012		2013		2012	
	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>101,776</b>	<b>418</b>	201,776	374	<b>1,293,626</b>	<b>419</b>	1,289,726	348
Granted	–	–	–	–	<b>446,114</b>	<b>630</b>	497,245	497
Forfeited/Expired	–	–	–	–	<b>(141,760)</b>	<b>446</b>	(159,103)	370
Exercised	<b>(101,776)</b>	<b>418</b>	(100,000)	329	<b>(357,975)</b>	<b>350</b>	(334,242)	283
Outstanding at end of year	–	–	101,776	418	<b>1,240,005</b>	<b>512</b>	1,293,626	419
Exercisable	–	–	101,776	–	<b>25,107</b>	–	36,270	–
Range of exercise prices	–	–	418	–	<b>355-630</b>	–	279-395	–
Weighted average remaining life (years)	–	–	–	–	–	–	–	–
– expected	–	–	1.3	–	<b>2.1</b>	–	2.1	–
– contractual	–	–	1.3	–	<b>2.1</b>	–	2.1	–

# Financial Statements:

## Notes to the Accounts continued

### 20. Share capital continued

	2007 DPSP				2005 BCIP			
	2013		2012		2013		2012	
	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>1,521,813</b>	<b>447</b>	3,118,392	233	<b>156,721</b>	<b>331</b>	151,699	360
Awards made	<b>318,449</b>	<b>773</b>	438,564	590	<b>25,348</b>	<b>756</b>	25,820	598
Lapsed	<b>(175,426)</b>	<b>461</b>	(127,143)	522	<b>(2,414)</b>	<b>596</b>	(579)	486
Performance achieved	<b>(513,662)</b>	<b>461</b>	(1,908,000)	130	<b>(84,192)</b>	<b>347</b>	(20,219)	133
Outstanding at end of year	<b>1,151,174</b>	<b>579</b>	1,521,813	440	<b>95,463</b>	<b>423</b>	156,721	429
Range of award date prices	<b>342-773</b>		342-590		<b>486-756</b>		346-598	
Weighted average remaining life (years)								
– expected	<b>1.1</b>		1.1		<b>1.0</b>		0.9	
– contractual	<b>1.1</b>		1.1		<b>1.0</b>		0.9	

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

The total charge for the year relating to employee share-based plans was £1.4m (2012: £1.4m), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £1.1m (2012: £1.1m).

### 21. Cash generated from operations

	Group		Company	
	2013 £m	2012 Restated (Note 1) £m	2013 £m	2012 Restated (Note 1) £m
Operating profit/(loss)	<b>45.4</b>	31.4	<b>(0.4)</b>	(4.0)
Depreciation	<b>19.4</b>	20.2	<b>0.8</b>	0.8
Amortisation of intangible assets	<b>9.6</b>	7.6	–	–
Share-based payments	<b>1.4</b>	1.4	<b>1.4</b>	1.4
Onerous lease provision	–	7.7	–	–
Cash spend on onerous leases	<b>(2.1)</b>	(1.8)	–	(0.7)
(Gain)/loss on sale of property, plant and equipment	<b>(0.3)</b>	(0.4)	<b>0.1</b>	–
Pension charge	<b>3.4</b>	2.7	–	2.2
Pension credit	–	(0.3)	<b>(2.2)</b>	(0.3)
Pension contributions in cash	<b>(13.1)</b>	(9.8)	<b>(13.1)</b>	(9.8)
Rationalisation costs	–	10.7	–	–
Cash spend on rationalisation costs	<b>(1.2)</b>	(8.2)	–	–
(Increase)/decrease in inventories	<b>(0.4)</b>	1.2	–	–
Decrease/(increase) in trade and other receivables	<b>4.8</b>	(9.3)	–	–
Decrease in trade and other payables and provisions	<b>(17.4)</b>	(9.8)	–	–
	<b>49.5</b>	43.3	<b>(13.4)</b>	(10.4)

## 22. Analysis of changes in net borrowings

	2012 £m	Cash flows £m	Subsidiaries acquired £m	Currency translation £m	2013 £m
Cash at bank and in hand	34.0	1.4	–	(1.6)	<b>33.8</b>
Bank overdrafts	(0.2)	(0.3)	–	–	<b>(0.5)</b>
Net cash and cash equivalents	33.8	1.1	–	(1.6)	<b>33.3</b>
Bank loans due within one year	(46.0)	(2.7)	–	–	<b>(48.7)</b>
Preference shares	(1.4)	–	–	–	<b>(1.4)</b>
Finance leases and borrowings	–	2.2	(2.5)	–	<b>(0.3)</b>
Debt due after one year	(79.7)	(10.3)	–	–	<b>(90.0)</b>
Net derivative assets	0.3	–	–	3.3	<b>3.6</b>
Net debt	(93.0)	(9.7)	(2.5)	1.7	<b>(103.5)</b>

The movement on debt due after 1 year of £10.3m 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 £13.0m.

The currency translation movement results from the Group's policy of hedging its overseas net assets, which are denominated mainly in US dollars 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 £8.0m (2012: loss of £5.1m). 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 of the following businesses:

Division	Distribution	Aviation			Total
Name	Top Attractions Ltd	Desacol S.A.	Skystar Airport Services	Moose Aviation Services AB	
Date of acquisition	04/06/2013	01/08/2013	21/10/2013	11/10/2013	£m
	£m	£m	£m	£m	
Purchase consideration					
Cash paid	–	–	7.7	1.5	<b>9.2</b>
Deferred consideration	–	–	2.0	0.2	<b>2.2</b>
Contingent consideration	–	1.3	–	–	<b>1.3</b>
Total purchase consideration	–	1.3	9.7	1.7	<b>12.7</b>
Fair value of net assets acquired	(0.1)	1.3	9.7	1.7	<b>12.6</b>
Goodwill	0.1	–	–	–	<b>0.1</b>

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

Non-current assets					
Intangible assets (contracts) – fair value	–	4.3	6.4	1.4	<b>12.1</b>
Property, plant and equipment	–	2.8	1.5	0.3	<b>4.6</b>
Other non-current assets	–	0.2	0.1	–	<b>0.3</b>
Current assets	–	2.2	1.7	0.1	<b>4.0</b>
Cash	–	0.3	–	–	<b>0.3</b>
Current liabilities	(0.1)	(6.0)	–	(0.1)	<b>(6.2)</b>
Finance leases and borrowings	–	(2.5)	–	–	<b>(2.5)</b>
Net assets acquired	(0.1)	1.3	9.7	1.7	<b>12.6</b>

## 24. Acquisitions continued

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

Top Attractions Ltd was acquired in order to promote growth for Take One Media (the leaflet business in Orbital Marketing Services Group).

The Skystar Airport Services acquisition consists of the following ground handling companies: Skystar Airport Services Pty Ltd operating in 6 airports in Australia and Skystar Airport Services NZ Pty Ltd operating in 2 airports in New Zealand. Skystar offers a high quality, cost effective service that has captured the attention of major local and international carriers including low cost airlines.

Desacol S.A. is a Colombian ground and cargo handling business operating in 5 airports. The acquisition of this business provides entry into the Latin American market. The contingent consideration's range is between a minimum of £Nil and a maximum of £3.0m.

Moose Aviation Services AB is a specialist de-icing provider at Stockholm Arlanda Airport which will enable the Group to provide a full suite of ground handling services at this airport. The deferred consideration of £0.2m is payable in October 2015.

The acquired businesses contributed revenues of £9.7m from the date of acquisition and £0.6m profit before tax. If the businesses had been acquired on 1 January 2013 revenues contributed would have been £30.9m and £3.1m profit before tax.

### Other

Deferred consideration totalling £1.1m for Flight Support, Kamino Cargo S.R.L and Orbital Marketing Services Group, all acquired in 2012, became payable and was cash-settled in 2013. In addition, contingent consideration of £0.2m for Fore Partnership became payable and was cash-settled in 2013.

## 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 2013 £m	Amounts owed by related party at 31 December 2013 £m
Menzies Bobba Ground Handling Services Private Ltd	51	0.3	–	–
Hyderabad Menzies Air Cargo Private Ltd	49	0.6	–	–
Menzies Aviation Bobba (Bangalore) Private Ltd	49	0.1	–	0.1
Menzies Macau Airport Services Ltd	29	0.2	–	0.1
EM News Distribution (NI) Ltd	50	0.6	7.1	–
EM News Distribution (Ireland) Ltd	50	1.2	–	1.8

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:

	2013 £m	2012 £m
Short-term employee benefits	4.5	4.9
Post-employment pension and medical benefits	0.4	0.3
Termination benefits	0.2	–
Share-based payments	1.4	1.4
	<b>6.5</b>	<b>6.6</b>



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 2013 was £0.2m (2012: £0.2m).

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

## **26. Subsidiary companies**

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

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

## Financial Statements: Five-Year Summary

	2013 £m	Restated (Note 1) 2012 £m	Restated (Note 1) 2011 £m	Restated (Note 1) 2010 £m	Restated (Note 1) 2009 £m
<b>Revenue</b>					
Distribution	<b>1,202.9</b>	1,224.2	1,254.5	1,255.0	1,218.5
Aviation	<b>702.5</b>	679.3	645.2	582.6	507.2
	<b>1,905.4</b>	1,903.5	1,899.7	1,837.6	1,725.7
<b>Operating profit</b>					
Distribution	<b>24.3</b>	27.5	26.5	26.6	27.9
Aviation	<b>37.8</b>	34.8	30.9	23.2	15.4
	<b>62.1</b>	62.3	57.4	49.8	43.3
Corporate	<b>(2.0)</b>	(1.3)	(1.2)	(1.2)	(1.0)
<b>Underlying operating profit</b>	<b>60.1</b>	61.0	56.2	48.6	42.3
Exceptional items	<b>(0.7)</b>	(18.4)	3.9	15.1	(6.0)
Intangible amortisation	<b>(8.0)</b>	(6.4)	(5.7)	(5.1)	(5.1)
Share of interest and tax on joint ventures and associates	<b>(1.1)</b>	(1.0)	(1.7)	(2.3)	(2.1)
<b>Profit before interest</b>	<b>50.3</b>	35.2	52.7	56.3	29.1
Net finance costs	<b>(8.2)</b>	(7.1)	(6.8)	(10.6)	(8.6)
<b>Profit before taxation</b>	<b>42.1</b>	28.1	45.9	45.7	20.5
<b>Per ordinary share</b>					
Dividends	<b>25.6p</b>	24.4p	21.0p	13.0p	–
Underlying earnings	<b>65.6p</b>	68.8p	64.9p	49.5p	41.9p
Basic earnings	<b>50.1p</b>	31.3p	63.5p	57.9p	24.0p

**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 Roxburgh Hotel, 38 Charlotte Square, Edinburgh on Friday, 16 May 2014 at 2pm (the 'Meeting') to transact the following business:

### **Ordinary Resolutions:**

To consider and, if thought fit, pass Resolutions 1-15, each of which will be proposed as an ordinary resolution:

#### **1. Report and Accounts**

To receive the Annual Accounts of the Company for the financial year ended 31 December 2013, the Strategic Report and the Reports of the Directors' and Auditors thereon.

#### **2. Remuneration Report**

To approve the Report on Directors' Remuneration (excluding the Directors' Remuneration Policy) as set out in the Annual Report and Accounts for the financial year ended 31 December 2013.

#### **3. Remuneration Policy**

To approve the Policy on Directors' Remuneration as set out on pages 60 to 65 of the Annual Report and Accounts for the financial year ended 31 December 2013.

#### **4. Dividend**

To declare a final dividend of 18.8 pence per ordinary share for the financial year ended 31 December 2013.

#### **5-12. Re-election of Directors**

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

#### **13. Appointment of Auditor**

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

#### **14. Remuneration of Auditor**

To authorise the Directors to fix the auditors' remuneration.

#### **15. 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 £5,105,768 (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 £5,105,768; and
- (b) comprising equity securities up to an aggregate nominal amount of £10,211,537 (such amount to be reduced by the nominal amount of any relevant securities allotted under paragraph (a) above) in connection with an offer by way of a rights issue to: (i) holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) holders of equity securities in the capital of the Company as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter;

And provided that (unless previously renewed, varied or revoked) this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 30 June 2015 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 16-19, each of which will be proposed as a Special Resolution:

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

That, subject to the passing of Resolution 15 in the Notice of Annual General Meeting of the Company dated 3 April 2014 (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 £770,500, representing approximately 5% of the issued ordinary share capital of the Company as at 3 April 2014;

And provided that (unless previously renewed, varied or revoked) this power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 30 June 2015 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.

#### 17. Purchase of own ordinary shares by Company

That the Company be and is hereby authorised pursuant to section 701 of the Companies Act 2006 (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 6,126,922, representing approximately 10% of the Company's issued ordinary share capital as at 3 April 2014;
- (b) the maximum price which may be paid for each such ordinary share under this authority shall be the higher of: (i) an amount equal to 105% of the average of the middle market quotations for any such ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and (ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution will be carried out), and the minimum price which may be paid for any such ordinary shares is 25p, in each case exclusive of the expenses of purchase (if any) payable by the Company; and
- (c) the authority hereby conferred shall expire (unless previously revoked, varied or renewed) at the conclusion of the next Annual General Meeting of the Company or at the close of business on 30 June 2015, 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.

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

That the Company be and is hereby authorised pursuant to section 701 of the Companies Act 2006 (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 3 April 2014;
- (b) the maximum price which may be paid for each such 9% cumulative preference share under this authority shall be the higher of:
  - (i) an amount equal to 110% of the average of the middle market quotations for any such 9% cumulative preference share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and
  - (ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for a 9% cumulative preference share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this resolution will be carried out), and the minimum price which may be paid for any such 9% cumulative preference shares is £1, in each case exclusive of the expenses of purchase (if any) payable by the Company; and
- (c) the authority hereby conferred shall expire (unless previously revoked, varied or renewed) at the conclusion of the next Annual General Meeting of the Company or at the close of business on 30 June 2015, 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.

### 19. Length of Notice of Meeting

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

By order of the Board

#### John Geddes

Company Secretary  
3 April 2014

# Shareholder Information:

## Notice of Annual General Meeting continued

### Explanatory Notes

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

#### Resolutions 2 and 3 – Remuneration Report and Policy

In line with the provisions of the 2006 Act the vote on the Directors' Remuneration Report will be advisory and in respect of the overall remuneration package. The vote is not specific to individual levels of remuneration. The Directors Remuneration Policy part of the Report, which sets out the Company's forward looking policy on Directors' Remuneration is subject to a binding shareholder vote by ordinary resolution at least every three years. Once the Directors' Remuneration Policy is approved the Company will not be able to make a remuneration payment to a current or prospective Director or a payment for loss of office to a current or past Director, unless that payment is consistent with the policy or has been approved by a resolution of the members of the Company. The statement by the Remuneration Committee Chairman and the annual implementation report will, as in previous years, be put to an annual advisory shareholder vote by ordinary resolution.

#### Resolutions 5-12 – Re-election of Directors

Biographical details of the Directors to be elected and re-elected can be found on pages 46 and 47 of the Annual Report and Accounts for the year ended December 2013. Paula Bell, having been appointed as a Director since last year's AGM will retire at this year's AGM in accordance with the Company's Articles of Association and stand for election. In accordance with good practice all other Directors will retire at the AGM and seek re-election.

In proposing the election and re-election of the Directors, the Chairman has confirmed that, following formal performance evaluation (described on page 54 of the Annual Report and Accounts for the year ended 31 December 2013), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to the role.

#### Resolutions 15 and 16 – 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 17 May 2013, the Directors followed these guidelines and were given authority to allot relevant securities up to an aggregate nominal amount of £10,108,161, representing approximately two thirds of the issued share capital of the Company as at 2 April 2013. 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 £10,211,537 representing the guideline limit of approximately two-thirds of the Company's issued ordinary share capital as at 3 April 2014. Of this amount, 20,423,075 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 2015. The Directors have no present intention of exercising this authority, although they have confirmed that should the power authorised in Resolution 15 part (b) be utilised then all Directors would stand for re-election at the next AGM.

As at 3 April 2014, the Company held 370,801 ordinary shares in the capital of the Company as treasury shares.

Resolution 16 will, if passed, give the Directors power, pursuant to the authority to allot granted under Resolution 15, to allot equity securities (as defined in sections 560 (1)-(3) of the Companies Act 2006 (the "2006 Act") or sell treasury shares for cash on a non pre-emptive basis without first offering them to existing shareholders in proportion to their existing shareholdings in limited circumstances. In light of the ABI guidelines described in relation to Resolution 15 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 £10,211,537 (representing approximately two-thirds of the Company's issued ordinary share capital excluding treasury shares) as at 3 April 2014; and
- (b) in any other case up to a maximum nominal value of £770,500, representing approximately 5% of the issued share capital of the Company as at 3 April 2014 (the latest practicable date prior to publication of this Notice of Annual General Meeting) 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 2015.

#### Resolutions 17 and 18 – 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 6,126,922 ordinary shares (representing approximately 10% of the issued ordinary share capital as at 3 April 2014) and 1,394,587 9% cumulative preference shares (representing 100% of the issued 9% cumulative preference shares as at 3 April 2014).

The authorities, if granted, will expire at the conclusion of the next AGM of the Company, or, if earlier, 30 June 2015.

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 3 April 2014, the Company held 370,801 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 19 – Length of Notice of Meeting

Before the introduction of the Companies (Shareholders' Rights) Regulations 2009 in August 2009, the minimum notice period permitted by the 2006 Act for general meetings (other than AGMs) was 14 days. One of the amendments made to the 2006 Act by the Regulations was to increase the minimum notice period for general meetings of listed companies to 21 days, but with the ability for companies to reduce this period back to 14 days (other than for AGMs) provided that two conditions are met. The first condition is that a company offers a facility for shareholders to vote by electronic means. This condition is met if a company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days. The Directors have confirmed that they will only use the shorter notice period in limited circumstances where the proposal in question is time sensitive and the short notice would clearly be to the advantage of shareholders as a whole.

The Board is therefore proposing Resolution 19 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 Annual General Meeting ("AGM")

1. Information about the AGM is available from the Company's website: [www.johnmenziesplc.com](http://www.johnmenziesplc.com).
2. As a member, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
3. A form of proxy is enclosed. To be valid, your 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 AGM.
4. It is possible for you to submit your proxy votes online. Further information on this service can be found on your proxy form, or if you receive communications from us electronically, voting information will be contained within your email broadcast.
5. If you appoint a proxy, this will not prevent you attending the AGM and voting in person if you wish to do so.
6. The right to vote at the AGM is determined by reference to the Company's register of members as at the close of business on Wednesday 14 May 2014 or, if the AGM is adjourned, at 5pm on the day two days prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the AGM.
7. As a member, you have the right to put questions at the AGM relating to the business being dealt with at the AGM.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a 'Nominated Person') may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. 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.

## Shareholder Information: Notice of Annual General Meeting *continued*

10. As at 3 April 2014, the Company's issued ordinary share capital comprised 61,640,026 ordinary shares of 25p each, and the Company held 370,801 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 3 April 2014 is 61,269,225.
11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM 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 AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the Shareholder information message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
15. Under section 338 of the 2006 Act, members may require the Company to give, to members of the Company entitled to receive this Notice of AGM, notice of a resolution which may properly be moved and is intended to be moved at the AGM. Under section 338A of that Act, members may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business.
16. It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

### Documents

The following documents are available for inspection on any day (except Saturday, Sunday and Bank Holidays) from the date of sending this Notice of AGM up to and including the date of the AGM during usual business hours at the registered office of the Company and at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB. On the date of the AGM, they will be available for inspection at the venue of the AGM from 1pm until the conclusion of the meeting:

- (a) copies of the Directors' service contracts with the Company; and
- (b) the terms of appointment of the Non-Executive Directors of the Company.



### 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 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: +44 131 240 0414

quote reference John Menzies plc dial and deal

### Charges

Commission will be 0.5%, subject to a minimum of £17.50. 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)

Email: [help@sharegift.org](mailto:help@sharegift.org)

### Analysis of Shareholding

at 31 December 2013

Shareholding	Number of holders	% of holders	Number of shares	% of shares
1-1,000	3,408	82.8	822,276	1.33
1,001-5,000	468	11.4	970,368	1.57
5,001-10,000	61	1.5	435,686	0.71
10,001-100,000	114	2.8	4,502,622	7.31
Over 100,000	64	1.5	54,892,384	89.08
<b>Total</b>	<b>4,115</b>	<b>100</b>	<b>61,623,336</b>	<b>100</b>

### Payment of Dividends

It is in the interests of shareholders and the Company for dividends to be paid directly into bank or building society accounts. Any shareholder who wishes to receive dividends in this way should contact the Company's Registrar to obtain a dividend mandate form.

### 9% Preference Shares

Dividends will be paid on 1 April 2014 and 1 October 2014.

# Shareholder Information:

## General Information continued

### Ordinary Dividends

A Final Dividend of 18.8p per share was proposed by the Directors on 3 March 2014, and will be paid on 20 June 2014 to shareholders on the Register as at the close of business on 23 May 2014.

Any Interim Dividends for 2014 will be paid on 21 November 2014 to shareholders on the register on 24 October 2014.

### 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 220 1491

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

Ten George Street

Edinburgh EH2 2DZ

### Corporate Financial Advisers and Joint Brokers

Numis Securities Ltd

The London Stock Exchange Building

10 Paternoster Square, London EC4M 7LT

### Joint Brokers

Brewin Dolphin

48 St Vincent Street, Glasgow G2 5TS

### Principal Business Addresses

#### 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)

#### 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)

4 March 2014	Preliminary Announcement of Results
1 April 2014	Payment of Dividend on 9% Cumulative Preference Shares
4 April 2014	Annual Report and Notice of AGM released
16 May 2014	Management Statement issued
16 May 2014	Annual General Meeting
23 May 2014	Record date for Final Dividend on Ordinary Shares
20 June 2014	Payment of Dividend on Ordinary Shares
19 August 2014	Announcement of Interim Results
1 October 2014	Payment of Dividend on 9% Cumulative Preference Shares
24 October 2014	Record date for Interim Dividend on Ordinary Shares
11 November 2014	Management Statement issued
21 November 2014	Payment of Interim Dividend on Ordinary Shares



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Registered in Scotland with company number SC34970

Registered office address as above